

**MICROELECTRONICS TECHNOLOGY,
INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
MARCH 31, 2020 AND 2019**

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Microelectronics Technology Inc.

Introduction

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

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with “Regulations

Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Lin, Yu-Kuan

Li, Tien-Yi

For and on behalf of PricewaterhouseCoopers, Taiwan

May 6, 2020

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

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

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2020, DECEMBER 31, 2019 AND MARCH 31, 2019
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2020 and 2019 are reviewed, not audited)

Assets	Notes	March 31, 2020		December 31, 2019		March 31, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,168,086	24	\$ 1,057,733	21	\$ 1,103,459	19
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		-	-	2,671	-	536	-
1136	Current financial assets at	6(4)						
	amortised cost		28,458	-	28,235	1	28,306	1
1150	Notes receivable	6(5)	-	-	9,024	-	9,900	-
1170	Accounts receivable, net	6(5)	868,214	18	1,040,925	21	1,236,047	22
1180	Accounts receivable - related	6(5) and 7						
	parties		55,338	1	74,209	1	48,585	1
1200	Other receivables		32,254	1	126,629	3	103,093	2
1210	Other receivables - related parties	7	222	-	385	-	433	-
130X	Inventories	6(6)	935,175	19	857,244	17	1,229,152	21
1410	Prepayments		65,462	1	48,217	1	69,430	1
11XX	Total current assets		<u>3,153,209</u>	<u>64</u>	<u>3,245,272</u>	<u>65</u>	<u>3,828,941</u>	<u>67</u>
Non-current assets								
1510	Financial assets at fair value	6(2)						
	through profit or loss-non-current		6,045	-	5,996	-	6,164	-
1517	Financial assets at fair value	6(3)						
	through other comprehensive							
	income-non-current		188,622	4	224,207	4	243,583	4
1600	Property, plant and equipment	6(7)	517,211	11	495,226	10	551,957	10
1755	Right-of-use assets	6(8)	327,096	7	335,400	7	398,195	7
1780	Intangible assets	6(9)(10)	300,775	6	302,120	6	295,741	5
1840	Deferred income tax assets		407,016	8	410,469	8	412,712	7
1900	Other non-current assets		5,129	-	5,534	-	9,677	-
15XX	Total non-current assets		<u>1,751,894</u>	<u>36</u>	<u>1,778,952</u>	<u>35</u>	<u>1,918,029</u>	<u>33</u>
1XXX	Total Assets		<u>\$ 4,905,103</u>	<u>100</u>	<u>\$ 5,024,224</u>	<u>100</u>	<u>\$ 5,746,970</u>	<u>100</u>

(Continued)

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2020, DECEMBER 31, 2019 AND MARCH 31, 2019
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2020 and 2019 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2020		December 31, 2019		March 31, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current Liabilities								
2100	Short-term borrowings	6(11)	\$ 388,850	8	\$ 396,748	8	\$ 501,953	9
2120	Financial liabilities at fair value through profit or loss - current	6(12)	1,826	-	273	-	126	-
2130	Current contract liabilities	6(21)	26,575	1	55,824	1	17,857	-
2170	Accounts payable		710,664	14	919,456	18	1,398,514	24
2180	Accounts payable - related parties	7	-	-	-	-	216	-
2200	Other payables	6(13)	290,336	6	358,092	7	308,920	5
2250	Provisions for liabilities - current	6(16)	12,927	-	10,935	-	33,732	1
2280	Current lease liabilities		31,786	1	31,712	1	38,956	1
2300	Other current liabilities		14,472	-	5,942	-	9,268	-
21XX	Total current liabilities		<u>1,477,436</u>	<u>30</u>	<u>1,778,982</u>	<u>35</u>	<u>2,309,542</u>	<u>40</u>
Non-current liabilities								
2540	Long-term loans	6(14)	300,125	6	125	-	-	-
2550	Provisions for liabilities - non-current	6(16)	1,199	-	1,665	-	5,581	-
2570	Deferred income tax liabilities		98,419	2	102,055	2	114,482	2
2580	Non-current lease liabilities		271,963	6	279,320	6	330,311	6
2600	Other non-current liabilities	6(15)	156,677	3	206,622	4	204,755	4
25XX	Total non-current liabilities		<u>828,383</u>	<u>17</u>	<u>589,787</u>	<u>12</u>	<u>655,129</u>	<u>12</u>
2XXX	Total Liabilities		<u>2,305,819</u>	<u>47</u>	<u>2,368,769</u>	<u>47</u>	<u>2,964,671</u>	<u>52</u>
Equity								
Equity attributable to owners of parent								
Share capital								
3110	Common stock	6(17)	2,280,283	46	2,280,283	45	2,280,283	40
Capital Reserves								
3200	Capital surplus	6(18)	402,937	8	402,937	8	402,937	7
Retained Earnings								
3310	Legal reserve	6(19)	24,972	1	24,972	1	19,761	-
3320	Special reserve		193,426	4	193,426	4	83,446	1
3350	Unappropriated retained earnings		(14,635)	-	2,413	-	169,154	3
Other Equity Interest								
3400	Other equity interest		(287,699)	(6)	(248,576)	(5)	(173,282)	(3)
31XX	Equity attributable to owners of the parent		<u>2,599,284</u>	<u>53</u>	<u>2,655,455</u>	<u>53</u>	<u>2,782,299</u>	<u>48</u>
3XXX	Total equity		<u>2,599,284</u>	<u>53</u>	<u>2,655,455</u>	<u>53</u>	<u>2,782,299</u>	<u>48</u>
Significant contingent liabilities and unrecognised contract commitments								
Significant events after the balance sheet date								
3X2X	Total Liabilities and Equity		<u>\$ 4,905,103</u>	<u>100</u>	<u>\$ 5,024,224</u>	<u>100</u>	<u>\$ 5,746,970</u>	<u>100</u>

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

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings (loss) per share)
(UNAUDITED)

Items	Notes	Three months ended March 31				
		2020		2019		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(21)	\$ 903,421	100	\$ 1,686,248	100
5000	Operating costs	6(6)	(752,468)	(83)	(1,443,641)	(86)
5900	Gross profit		<u>150,953</u>	<u>17</u>	<u>242,607</u>	<u>14</u>
	Operating expenses	6(25)				
6100	Selling expenses		(38,441)	(4)	(79,312)	(5)
6200	General and administrative expenses		(32,476)	(4)	(29,052)	(2)
6300	Research and development expenses		(88,935)	(10)	(125,239)	(7)
6450	Gain on reversal of expected credit impairment		(271)	-	-	-
6000	Total operating expenses		<u>(160,123)</u>	<u>(18)</u>	<u>(233,603)</u>	<u>(14)</u>
6900	Operating (loss) profit		<u>(9,170)</u>	<u>(1)</u>	<u>9,004</u>	<u>-</u>
	Non-operating income and expenses					
7010	Other income	6(22)	3,333	-	4,860	-
7020	Other gains and losses	6(23)	(5,757)	(1)	(3,691)	-
7050	Finance costs	6(24)	(3,729)	-	(6,630)	-
7000	Total non-operating income and expenses		<u>(6,153)</u>	<u>(1)</u>	<u>(5,461)</u>	<u>-</u>
7900	(Loss) profit before income tax		<u>(15,323)</u>	<u>(2)</u>	<u>3,543</u>	<u>-</u>
7950	Income tax expense	6(27)	(1,725)	-	(945)	-
8200	(Loss) profit for the period		<u>(\$ 17,048)</u>	<u>(2)</u>	<u>\$ 2,598</u>	<u>-</u>
	Other comprehensive income (loss)					
	Components of other comprehensive loss that will not be reclassified to profit or loss					
8311	Losses on remeasurements of defined benefit plans	6(15)	\$ -	-	\$ -	-
8316	Unrealised loss from financial assets measured at fair value through other comprehensive income	6(3)	(37,207)	(4)	314	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Currency translation differences of foreign operations		(2,394)	-	24,792	1
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss		478	-	(4,962)	-
8300	Total other comprehensive (loss) income for the period		<u>(\$ 39,123)</u>	<u>(4)</u>	<u>\$ 20,144</u>	<u>1</u>
8500	Total comprehensive (loss) income for the period		<u>(\$ 56,171)</u>	<u>(6)</u>	<u>\$ 22,742</u>	<u>1</u>
	(Loss) profit attributable to:					
8610	Owners of the parent		(\$ 17,048)	(2)	\$ 2,598	-
8620	Non-controlling interest		-	-	-	-
			<u>(\$ 17,048)</u>	<u>(2)</u>	<u>\$ 2,598</u>	<u>-</u>
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		(\$ 56,171)	(6)	\$ 22,742	1
8720	Non-controlling interest		-	-	-	-
			<u>(\$ 56,171)</u>	<u>(6)</u>	<u>\$ 22,742</u>	<u>1</u>
	Earnings (loss) per share (in dollars)	6(28)				
9750	Basic		<u>(\$ 0.07)</u>		<u>\$ 0.01</u>	
9850	Diluted		<u>(\$ 0.07)</u>		<u>\$ 0.01</u>	

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

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Notes	Equity attributable to owners of the parent										Non-controlling interest	Total equity
	Share capital - common stock	Total capital surplus, additional paid-in capital	Retained earnings			Other equity interest			Total			
			Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets				
<u>2019</u>												
Balance at January 1, 2019	\$ 2,280,283	\$ 402,937	\$ 19,761	\$ 83,446	\$ 166,556	(\$ 58,934)	(\$ 134,492)	\$ -	\$ 2,759,557	\$ -	\$ 2,759,557	
Profit for the period	-	-	-	-	2,598	-	-	-	2,598	-	2,598	
Other comprehensive income for the period	6(3)	-	-	-	-	19,830	314	-	20,144	-	20,144	
Total comprehensive income	-	-	-	-	2,598	19,830	314	-	22,742	-	22,742	
Balance at March 31, 2019	\$ 2,280,283	\$ 402,937	\$ 19,761	\$ 83,446	\$ 169,154	(\$ 39,104)	(\$ 134,178)	\$ -	\$ 2,782,299	\$ -	\$ 2,782,299	
<u>2020</u>												
Balance at January 1, 2020	\$ 2,280,283	\$ 402,937	\$ 24,972	\$ 193,426	\$ 2,413	(\$ 104,070)	(\$ 144,506)	\$ -	\$ 2,655,455	\$ -	\$ 2,655,455	
Loss for the period	-	-	-	-	(17,048)	-	-	-	(17,048)	-	(17,048)	
Other comprehensive loss for the period	6(3)	-	-	-	-	(1,916)	(37,207)	-	(39,123)	-	(39,123)	
Total comprehensive loss	-	-	-	-	(17,048)	(1,916)	(37,207)	-	(56,171)	-	(56,171)	
Balance at March 31, 2020	\$ 2,280,283	\$ 402,937	\$ 24,972	\$ 193,426	(\$ 14,635)	(\$ 105,986)	(\$ 181,713)	\$ -	\$ 2,599,284	\$ -	\$ 2,599,284	

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

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Three months ended March 31	
		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) profit before tax		(\$ 15,323)	\$ 3,543
Adjustments			
Adjustments to reconcile profit (loss)			
Loss on reversal of expected credit impairment		271	-
Depreciation	6(7)(8)(25)	29,472	28,259
Amortization (amortization for 2018 included amortization of land use right)	6(9)(25)	7,243	7,083
Net (gain) loss on financial assets at fair value through profit or loss	6(2)(23)	2,671	(153)
Net loss on financial liabilities at fair value through profit or loss	6(12)(23)	1,553	31
Interest income	6(22)	(2,036)	(2,122)
Interest expense	6(24)	3,729	6,630
Gain on disposal of property, plant and equipment	6(23)	(101)	(766)
Expenses recognized from prepayment for equipment		-	227
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		9,024	58,462
Accounts receivable		191,855	377,896
Other receivables		95,042	28,370
Inventories		(79,936)	115,895
Prepayments		(17,205)	5,565
Changes in operating liabilities			
Accounts payable		(208,678)	(445,630)
Other payables		(76,710)	(78,273)
Provisions for liabilities		1,596	967
Contract liabilities-current		(29,250)	10,338
Other current liabilities		(2,491)	(2,129)
Accrued pension liabilities		(49,945)	(7,984)
Cash (outflow) inflow generated from operations		(139,219)	106,209
Interest received		2,053	1,845
Interest paid		(2,835)	(6,658)
Income taxes paid		(1,892)	(3,745)
Net cash flows (used in) from operating activities		(141,893)	97,651
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at amortized cost		-	20,713
Acquisition of property, plant and equipment	6(30)	(26,570)	(25,877)
Proceeds from disposal of property, plant and equipment		2,411	1,568
Acquisition of intangible assets	6(9)	(4,794)	(1,242)
Decrease in guarantee deposits paid		-	176
Net cash flows used in investing activities		(28,953)	(4,662)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		270,326	828,108
Decrease in short-term borrowings		(278,224)	(887,960)
Increase in long-term borrowings		300,000	-
Repayment of principal portion of lease liabilities		(9,623)	(12,795)
Net cash flows from (used in) financing activities		282,479	(72,647)
Effects due to changes in exchange rate		(1,280)	(3,382)
Net increase in cash and cash equivalents		110,353	16,960
Cash and cash equivalents at beginning of period		1,057,733	1,086,499
Cash and cash equivalents at end of period		<u>\$ 1,168,086</u>	<u>\$ 1,103,459</u>

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

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2020 AND 2019

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

(Reviewed, not audited)

1. HISTORY AND ORGANISATION

Microelectronics Technology Inc. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the design, manufacture and sales of terrestrial microwave, satellite communication system products, and related customised products.

On January 1, 2011, the Company merged with the subsidiary, Global PCS Inc.. Under the merger, the Company is the surviving company while Global PCS Inc. was the dissolved company

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

These consolidated financial statements were authorised for issuance by the Board of Directors on May 6, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendment to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7 , ‘Interest rate benchmark reform’	January 1, 2020

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

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

None.

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2019, except for the compliance statement, basis of preparations, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standard 34, ‘Interim financial reporting’ as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2019.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets and liabilities at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or

complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements is consistent with those of the year ended December 31, 2019.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		
			March 31, 2020	December 31, 2019	March 31, 2019
Microelectronics Technology, Inc.	Sasson International Holding, Inc.	Note 1	100.00	100.00	100.00
Sasson International Holding, Inc.	Welltop Technology Co., Ltd.	Note 1	100.00	100.00	100.00
Sasson International Holding, Inc.	Jupiter Network Corp. (Jupiter)	Note 1	100.00	100.00	100.00
Welltop Technology Co., Ltd.	MTI Laboratory, Inc.	Note 2	100.00	100.00	100.00
Welltop Technology Co., Ltd.	RadioComp ApS	Note 2	100.00	100.00	100.00
Jupiter Network Corp. (Jupiter)	Jupiter Technology (Wuxi) Inc.	Note 3	100.00	100.00	100.00

Note 1: Main operating activity is investments in the manufacture and trade business.

Note 2: Research, development, design, manufacture and sales of personal wireless communication device, components of subsystem and system and wireless microwave communication system and equipment of electronic system.

Note 3: Main operating activities are design of satellite and microwave communication system equipment and its components, sales of self-made products and providing related technical services.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Employee benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

(5) Income tax

A. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

B. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

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

There have been no significant changes in the reporting period. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2019.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Cash on hand and revolving funds	\$ 224	\$ 299	\$ 399
Deposits in transit	-	-	48,324
Checking accounts and demand deposits	697,595	518,946	555,920
Time deposits	<u>470,267</u>	<u>538,488</u>	<u>498,816</u>
	<u>\$ 1,168,086</u>	<u>\$ 1,057,733</u>	<u>\$ 1,103,459</u>

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

B. Information on restricted cash is reclassified as 'Financial assets at amortised cost' is provide in Note 8.

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

<u>Items</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Derivative instruments	\$ -	\$ 2,671	\$ 536
Unlisted stocks	111,980	111,072	114,185
Valuation adjustments	(111,980)	(111,072)	(114,185)
	<u>\$ -</u>	<u>\$ 2,671</u>	<u>\$ 536</u>
Non-current items :			
Financial assets mandatorily measured at fair value through profit or loss			
Convertible bonds	\$ 6,045	\$ 5,996	\$ 6,164
Valuation adjustments	-	-	-
	<u>\$ 6,045</u>	<u>\$ 5,996</u>	<u>\$ 6,164</u>

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

	Three months ended March 31,	
	2020	2019
Financial assets mandatorily measured at fair value through profit or loss		
Derivative instruments	(\$ 2,671)	\$ 153

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

	March 31, 2020		December 31, 2019	
	Contract amount (Notional principal)	Contract period	Contract amount (Notional principal)	Contract period
<u>Derivative instruments</u>				
Current items:				
Foreign exchange swap transactions	-	-	USD 5,000	2019.12.11~ 2020.01.15
Forward foreign exchange contracts	-	-	USD 2,000	2019.12.13~ 2020.01.22
			March 31, 2019	
			Contract amount (Notional principal)	Contract period
<u>Derivative instruments</u>				
Current items:				
Foreign exchange swap transactions			USD 8,550	2019.03.13~ 2019.05.15
Forward foreign exchange contracts			USD 2,500	2019.03.20~ 2019.05.15

The Group entered into foreign exchange swap transactions and forward foreign exchange contracts to sell forward contracts to hedge exchange rate risk of export proceeds. However, these forward contracts are not accounted for under hedge accounting.

C. Information on financial assets at fair value through profit or loss is provided in Note 12(2).

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

<u>Items</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Non-current items :			
Equity instruments			
Emerging stocks	\$ -	\$ -	\$ 3,060
Unlisted stocks	359,771	357,057	365,641
Valuation adjustments	(181,712)	(144,505)	(134,177)
Net exchange differences	10,563	11,655	9,059
	<u>\$ 188,622</u>	<u>\$ 224,207</u>	<u>\$ 243,583</u>

A. The Group has elected to classify equity instrument investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value

of such investments amounted to \$188,622, \$224,207 and \$243,583 as at March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

- B. For the three months ended March 31, 2020, the Group recognised impairment loss of \$37,207 after the assessment, as the global pandemic impacted the operation of investees, causing operational difficulty and operating capital to be insufficient, that resulted in the impairment.
- C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive (loss) income	(\$ <u>37,207</u>)	\$ <u>314</u>

(4) Financial assets at amortised cost

<u>Items</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current items:			
Time deposits	\$ <u>28,458</u>	\$ <u>28,235</u>	\$ <u>28,306</u>

- A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest income	\$ <u>150</u>	\$ <u>182</u>

- B. As of March 31, 2020, December 31, 2019 and March 31, 2019, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$28,458, \$28,235 and \$28,306, respectively.
- C. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Notes and accounts receivable

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Notes receivable	\$ -	\$ 9,024	\$ 9,900
Less: Allowance for uncollectible accounts	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 9,024</u>	<u>\$ 9,900</u>
Accounts receivable	\$ 923,868	\$ 1,116,387	\$ 1,285,878
Less: Allowance for uncollectible accounts	<u>(316)</u>	<u>(1,253)</u>	<u>(1,246)</u>
	<u>\$ 923,552</u>	<u>\$ 1,115,134</u>	<u>\$ 1,284,632</u>

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	<u>March 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 811,150	\$ -	\$ 898,114	\$ 9,024
Up to 90 days	90,191	-	145,858	-
91 to 180 days	2,456	-	20,937	-
Over 181 days	20,071	-	51,478	-
	<u>\$ 923,868</u>	<u>\$ -</u>	<u>\$ 1,116,387</u>	<u>\$ 9,024</u>
			<u>March 31, 2019</u>	
			<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due			\$ 1,101,874	\$ 9,900
Up to 90 days			181,247	-
91 to 180 days			1,517	-
Over 181 days			1,240	-
			<u>\$ 1,285,878</u>	<u>\$ 9,900</u>

The above ageing analysis was based on past due date. As of March 31, 2020, the subsequent collection of past-due accounts receivable amounted to \$50,881.

- B. As of March 31, 2020, December 31, 2019 and March 31, 2019, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to \$1,714,025.
- C. As of March 31, 2020, December 31, 2019 and March 31, 2019, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$0, \$9,024 and \$9,900, respectively. As of March 31, 2020, December 31, 2019 and March 31, 2019, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$923,552, \$1,115,134 and \$1,284,632, respectively.
- D. Information relating to credit risk of accounts and notes receivable is provided in Note 12(2).

(6) Inventories

March 31, 2020			
	Cost	Allowance for inventory valuation losses and loss for obsolete and slow-moving inventories	Book value
Raw materials	\$ 648,671	(\$ 99,802)	\$ 548,869
Work in progress	250,299	(51,105)	199,194
Finished goods	199,329	(12,217)	187,112
	<u>\$ 1,098,299</u>	<u>(\$ 163,124)</u>	<u>\$ 935,175</u>

December 31, 2019			
	Cost	Allowance for inventory valuation losses and loss for obsolete and slow-moving inventories	Book value
Raw materials	\$ 647,184	(\$ 89,204)	\$ 557,980
Work in progress	213,054	(48,702)	164,352
Finished goods	155,752	(20,840)	134,912
	<u>\$ 1,015,990</u>	<u>(\$ 158,746)</u>	<u>\$ 857,244</u>

March 31, 2019			
	Cost	Allowance for inventory valuation losses and loss for obsolete and slow-moving inventories	Book value
Raw materials	\$ 750,507	(\$ 58,382)	\$ 692,125
Work in progress	321,246	(47,383)	273,863
Finished goods	306,755	(51,777)	254,978
Inventory in transit	8,186	-	8,186
	<u>\$ 1,386,694</u>	<u>(\$ 157,542)</u>	<u>\$ 1,229,152</u>

The cost of inventories recognised expense for the period:

	Three months ended March 31,	
	2020	2019
Cost of goods sold	\$ 746,491	\$ 1,438,412
Loss on decline in market value	5,977	5,229
Recognised as selling and R&D expenses	2,278	3,467
	<u>\$ 754,746</u>	<u>\$ 1,447,108</u>

(7) Property, plant and equipment

Details of property, plant and equipment for its own use are as follows:

	2020						
	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Transportation equipment</u>	<u>Leasehold improvements</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
At January 1							
Cost	\$ 418,552	\$ 962,616	\$ 91,449	\$ 2,250	\$ 15,159	\$ 918	\$ 1,490,944
Accumulated depreciation and impairment	(82,421)	(823,724)	(78,100)	(2,250)	(9,223)	-	(995,718)
	<u>\$ 336,131</u>	<u>\$ 138,892</u>	<u>\$ 13,349</u>	<u>\$ -</u>	<u>\$ 5,936</u>	<u>\$ 918</u>	<u>\$ 495,226</u>
At January 1	\$ 336,131	\$ 138,892	\$ 13,349	\$ -	\$ 5,936	\$ 918	\$ 495,226
Additions	-	34,982	1,971	-	-	-	36,953
Reclassifications	-	11,964	-	-	-	(918)	11,046
Disposals	-	(2,272)	(38)	-	-	-	(2,310)
Depreciation expense	(4,783)	(12,810)	(1,880)	-	(1,178)	-	(20,651)
Net exchange differences	(2,393)	(641)	(21)	-	2	-	(3,053)
At March 31	<u>\$ 328,955</u>	<u>\$ 170,115</u>	<u>\$ 13,381</u>	<u>\$ -</u>	<u>\$ 4,760</u>	<u>\$ -</u>	<u>\$ 517,211</u>
At March 31							
Cost	\$ 415,487	\$ 999,955	\$ 92,833	\$ 2,266	\$ 15,203	\$ -	\$ 1,525,744
Accumulated depreciation and impairment	(86,532)	(829,840)	(79,452)	(2,266)	(10,443)	-	(1,008,533)
	<u>\$ 328,955</u>	<u>\$ 170,115</u>	<u>\$ 13,381</u>	<u>\$ -</u>	<u>\$ 4,760</u>	<u>\$ -</u>	<u>\$ 517,211</u>

2019

	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Transportation equipment</u>	<u>Leasehold improvements</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
At January 1							
Cost	\$ 433,064	\$ 1,288,116	\$ 92,094	\$ 2,299	\$ 8,382	\$ 8,072	\$ 1,832,027
Accumulated depreciation and impairment	(67,045)	(1,140,999)	(74,846)	(2,299)	(5,887)	-	(1,291,076)
	<u>\$ 366,019</u>	<u>\$ 147,117</u>	<u>\$ 17,248</u>	<u>\$ -</u>	<u>\$ 2,495</u>	<u>\$ 8,072</u>	<u>\$ 540,951</u>
At January 1	\$ 366,019	\$ 147,117	\$ 17,248	\$ -	\$ 2,495	\$ 8,072	\$ 540,951
Additions	-	9,353	871	-	2,786	3,507	16,517
Reclassifications	-	1,911	-	-	-	(1,911)	-
Disposals	-	(748)	(54)	-	-	-	(802)
Depreciation expense	(4,925)	(8,874)	(2,189)	-	(836)	-	(16,824)
Net exchange differences	8,292	3,636	133	-	-	54	12,115
At March 31	<u>\$ 369,386</u>	<u>\$ 152,395</u>	<u>\$ 16,009</u>	<u>\$ -</u>	<u>\$ 4,445</u>	<u>\$ 9,722</u>	<u>\$ 551,957</u>
At March 31							
Cost	\$ 442,915	\$ 1,280,121	\$ 119,939	\$ 2,305	\$ 11,186	\$ 9,722	\$ 1,866,188
Accumulated depreciation and impairment	(73,529)	(1,127,726)	(103,930)	(2,305)	(6,741)	-	(1,314,231)
	<u>\$ 369,386</u>	<u>\$ 152,395</u>	<u>\$ 16,009</u>	<u>\$ -</u>	<u>\$ 4,445</u>	<u>\$ 9,722</u>	<u>\$ 551,957</u>

(8) Leasing arrangements — lessee

A. The Group leases various assets including land, buildings, machinery and equipment. Rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 26,969	\$ 27,344	\$ 29,686
Buildings	300,127	308,056	340,863
Machinery and equipment	-	-	27,646
	<u>\$ 327,096</u>	<u>\$ 335,400</u>	<u>\$ 398,195</u>

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 177	\$ 186
Buildings	8,644	8,738
Machinery and equipment	-	2,511
	<u>\$ 8,821</u>	<u>\$ 11,435</u>

C. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,617	\$ 1,982
Expense on short-term lease contracts	1,388	5,962
Expense on leases of low-value assets	702	748

D. For the three months ended March 31, 2020 and 2019, the Group's total cash outflow for leases was \$13,330 and \$21,487, respectively.

(9) Intangible assets

	2020			
	<u>Goodwill</u>	<u>Acquired special technology</u>	<u>Computer software</u>	<u>Total</u>
At January 1				
Cost	\$ 383,503	\$ 404,895	\$ 489,740	\$ 1,278,138
Accumulated depreciation and impairment	(109,762)	(404,895)	(461,361)	(976,018)
	<u>\$ 273,741</u>	<u>\$ -</u>	<u>\$ 28,379</u>	<u>\$ 302,120</u>
At January 1	\$ 273,741	\$ -	\$ 28,379	\$ 302,120
Additions	-	-	4,794	4,794
Amortisation charge	-	-	(7,243)	(7,243)
Net exchange differences	1,063	-	41	1,104
At March 31	<u>\$ 274,804</u>	<u>\$ -</u>	<u>\$ 25,971</u>	<u>\$ 300,775</u>
At March 31				
Cost	\$ 383,503	\$ 404,895	\$ 489,370	\$ 1,277,768
Accumulated amortisation and impairment	(108,699)	(404,895)	(463,399)	(976,993)
	<u>\$ 274,804</u>	<u>\$ -</u>	<u>\$ 25,971</u>	<u>\$ 300,775</u>
	2019			
	<u>Goodwill</u>	<u>Acquired special technology</u>	<u>Computer software</u>	<u>Total</u>
At January 1				
Cost	\$ 383,503	\$ 404,895	\$ 461,291	\$ 1,249,689
Accumulated depreciation and impairment	(106,573)	(404,895)	(437,161)	(948,629)
	<u>\$ 276,930</u>	<u>\$ -</u>	<u>\$ 24,130</u>	<u>\$ 301,060</u>
At January 1	\$ 276,930	\$ -	\$ 24,130	\$ 301,060
Additions	-	-	1,242	1,242
Amortisation charge	-	-	(7,083)	(7,083)
Net exchange differences	456	-	66	522
At March 31	<u>\$ 277,386</u>	<u>\$ -</u>	<u>\$ 18,355</u>	<u>\$ 295,741</u>
At March 31				
Cost	\$ 383,503	\$ 404,895	\$ 463,538	\$ 1,251,936
Accumulated amortisation and impairment	(106,117)	(404,895)	(445,183)	(956,195)
	<u>\$ 277,386</u>	<u>\$ -</u>	<u>\$ 18,355</u>	<u>\$ 295,741</u>

Details of amortisation on intangible assets are as follows:

	Three months ended March 31,	
	2020	2019
Operating costs	\$ 1,343	\$ 1,092
General and administrative expenses	167	137
Research and development expenses	5,733	5,854
	<u>\$ 7,243</u>	<u>\$ 7,083</u>

(10) Impairment of non-financial assets

There have been no significant changes in the reporting period. Please refer to Note 6(10) in the consolidated financial statements for the year ended December 31, 2019.

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>March 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Borrowings for material purchase	<u>\$ 388,850</u>	1.40%~2.7%	None
<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Borrowings for material purchase	<u>\$ 396,748</u>	2.39%~2.74%	None
<u>Type of borrowings</u>	<u>March 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Borrowings for material purchase	<u>\$ 501,953</u>	3.08%~3.46%	None

For the three months ended March 31, 2020 and 2019, the Group recognised interest expense in profit or loss amounting to \$2,112 and \$4,648, respectively, due to the long-term and short-term borrowings.

(12) Financial liabilities at fair value through profit or loss

<u>Items</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current items:			
Financial liabilities held for trading			
Non-hedging derivatives	\$ 1,826	\$ 273	\$ 126
Valuation adjustments	-	-	-
	<u>\$ 1,826</u>	<u>\$ 273</u>	<u>\$ 126</u>

A. For the years ended March 31, 2020 and 2019, the Group recognised net loss on financial liabilities held for trading amounting to \$1,553 and \$31, respectively.

B. Explanations of the transactions and contract information in respect of derivative financial liabilities that the Group does not adopt hedge accounting are as follows:

Unit: In thousands

<u>Non-derivative financial liabilities for hedging</u>	March 31, 2020			December 31, 2019		
	Contract amount (Notional principal)		Contract period	Contract amount (Notional principal)		Contract period
Current items:						
Foreign exchange swap transactions	USD	3,000	2020.03.12~ 2020.05.15	USD	800	2019.12.11~ 2020.01.15
Forward foreign exchange contracts	USD	5,000	2020.03.04~ 2020.06.15		-	-

Unit: In thousands

<u>Non-derivative financial liabilities for hedging</u>	March 31, 2019		
	Contract amount (Notional principal)		Contract period
Current items:			
Foreign exchange swap transactions	USD	2,630	2019.03.28~ 2019.05.15

C. The Group entered into foreign exchange swap transactions and forward foreign exchange contracts to sell forward contracts to hedge exchange rate risk of export proceeds. However, these forward contracts are not accounted for under hedge accounting.

(13) Other payables

	March 31, 2020	December 31, 2019	March 31, 2019
Employee bonus payable	\$ 126,737	\$ 151,759	\$ 133,907
Payables for machinery and equipment	34,016	24,037	19,294
Payable on miscellaneous purchases	31,141	35,935	32,524
Accrued export expenses	27,434	30,750	49,050
Accrued repairs and maintenance expense	15,282	13,617	14,405
Payables for consulting service fees	9,458	10,372	7,462
Accrued commission	9,137	8,920	11,485
Others	37,131	82,702	40,793
	<u>\$ 290,336</u>	<u>\$ 358,092</u>	<u>\$ 308,920</u>

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>March 31, 2020</u>
Long-term bank borrowings				
Mega Bank	Borrowing period is from December 23, 2019 to December 15, 2025; interest is repayable monthly.	0.973%	None	\$ 125
The Shanghai Commercial & Savings Bank	Borrowing period is from March 31, 2020 to March 14, 2025; interest is repayable monthly.	0.75%	None	300,000
Less: Current portion				-
				<u>\$ 300,125</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2019</u>
Long-term bank borrowings				
Mega Bank	Borrowing period is from December 23, 2019 to December 15, 2025; interest is repayable monthly.	1.2%	None	\$ 125
Less: Current portion				-
				<u>\$ 125</u>

On March 31, 2019: None.

(15) Pensions

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

Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method; to the employees expected to be qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

- (b) The pension costs under defined contribution pension plans of the Group for the three months ended March 31, 2020 and 2019 were \$489 and \$926, respectively.
 - (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$3,516.
- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s mainland China subsidiary, Jupiter Technology (Wuxi) Inc, has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage was 19%. Other than the monthly contributions, the Company has no further obligations
 - (c) The Subsidiary, RadioComp ApS, accrued pension costs based on a certain appropriate rate of total salaries.
 - (d) The pension costs under defined contribution pension plans of the Group for the three months ended March 31, 2020 and 2019 were \$5,054 and \$15,189, respectively.

(16) Provisions

	2020	2019
Balance at January 1	\$ 12,600	\$ 37,884
Additional provisions	2,348	1,511
Used during the period	(747)	(540)
Exchange difference	(75)	458
Balance at March 31	<u>\$ 14,126</u>	<u>\$ 39,313</u>

Analysis of total provisions:

	March 31, 2020	December 31, 2019	March 31, 2019
Current	<u>\$ 12,927</u>	<u>\$ 10,935</u>	<u>\$ 33,732</u>
Non-current	<u>\$ 1,199</u>	<u>\$ 1,665</u>	<u>\$ 5,581</u>

The Group gives warranties on sales-related products. Provision for warranty is estimated based on historical warranty data of uninterruptible power supply and solar energy products.

(17) Share capital

As of March 31, 2020, the Company's authorised capital was \$7,000,000, consisting of 0.7 billion shares of ordinary stock (including 50 million shares reserved for employee stock options and convertible bonds issued by the Company), and the paid-in capital was \$2,280,283 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	(Unit: In thousand shares)	
	2020	2019
At January 1 (At March 31)	<u>228,028</u>	<u>228,028</u>

(18) Capital surplus

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

(19) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance. After setting aside or reversal of a special reserve in accordance with related laws, the Company shall appropriate dividends to preferred stock. The Board of Directors should present the distribution of the remaining earnings along with accumulated unappropriated earnings for the approval of the shareholders to distribute dividends to shareholders.
- B. As the Company is in the growth stage, considered entire environment and nature of industry as well as future capital needs and long-term financial plans in order to subsequent operation and stable development. Based on the Company's future budget of capital expenditure and demand of capital, the Company appropriated no less than 30% of distributable earnings to shareholders' dividends, but if the distributable earnings is lower than 5% of paid-in capital, no dividends will be distributed. Cash dividend has a first priority when distributing shareholders' dividends, and the ratio is 30~100% of current total dividends. Remaining dividend can be distributed in the form of stocks. The appropriation of retained earnings will be proposed by the Board of Directors every year, and will be approved by the shareholders.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in

excess of 25% of the Company's paid-in capital.

- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. On March 17, 2020, the Board of Directors during their meeting proposed not to distribute dividends from 2019 earnings, which is still pending for approval from the shareholders.
- F. The appropriations of earnings of year 2018 as resolved by the shareholders at their meetings on June 19, 2019 are as follows:

	Year ended December 31, 2018	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 5,211	
Special reserve	109,980	
Cash dividends	45,606	\$ 0.20
	<u>\$ 160,797</u>	

(20) Other equity items

	2020		
	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Financial statements translation differences of foreign operations	Total
At January 1	(\$ 144,506)	(\$ 104,070)	(\$ 248,576)
The Company's effect	(2,853)	-	(2,853)
Effects of associate accounted for under equity method	(34,354)	(2,394)	(36,748)
Tax effects of associate accounted for under equity method	-	478	478
At March 31	<u>(\$ 181,713)</u>	<u>(\$ 105,986)</u>	<u>(\$ 287,699)</u>

2019

	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Financial statements translation differences of foreign operations	Total
At January 1	(\$ 134,492)	(\$ 58,934)	(\$ 193,426)
The Company's effect	314	-	314
Effects of associate accounted for under equity method	-	24,792	24,792
Tax effects of associate accounted for under equity method	-	(4,962)	(4,962)
At March 31	(\$ 134,178)	(\$ 39,104)	(\$ 173,282)

(21) Operating revenue

	Three months ended March 31,	
	2020	2019
Revenue from contracts with customers	\$ 903,421	\$ 1,686,248

A. Disaggregation of revenue from contracts with customers

The Group derives revenue in the following major product lines and geographical regions:

	Three months ended March 31, 2020			
	USA	Mainland China	Other	Total
Total segment revenue	\$ 430,202	\$ 178,115	\$ 646,413	\$ 1,254,730
Inter-segment revenue	(120)	-	(351,189)	(351,309)
Revenue from external customer contracts	\$ 430,082	\$ 178,115	\$ 295,224	\$ 903,421

	Three months ended March 31, 2019			
	USA	Mainland China	Other	Total
Total segment revenue	\$ 953,923	\$ 332,429	\$ 1,059,786	\$ 2,346,138
Inter-segment revenue	(290)	-	(659,600)	(659,890)
Revenue from external customer contracts	\$ 953,633	\$ 332,429	\$ 400,186	\$ 1,686,248

B. Contract liabilities from customers

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

	March 31, 2020	December 31, 2019	March 31, 2019
Contract liabilities:			
Contract liabilities-			
Products sales contracts	\$ 26,575	\$ 55,824	\$ 17,857

(b) Revenue recognised that was included in the contract liability balance at the beginning of the period

	Three months ended March 31,	
	2020	2019
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ 38,289	\$ 1,441

(22) Other income

	Three months ended March 31,	
	2020	2019
Interest income:		
Interest income from bank deposits	\$ 2,036	\$ 2,122
Other income, others	1,297	2,738
	<u>\$ 3,333</u>	<u>\$ 4,860</u>

(23) Other gains and losses

	Three months ended March 31,	
	2020	2019
Gains on disposals of property, plant and equipment	\$ 101	\$ 766
Currency exchange losses	(804)	(405)
(Losses) gains on financial assets (liabilities) at fair value through profit or loss	(4,224)	122
Miscellaneous disbursements	(830)	(4,174)
	<u>(\$ 5,757)</u>	<u>(\$ 3,691)</u>

(24) Finance costs

	Three months ended March 31,	
	2020	2019
Interest expense	\$ 2,112	\$ 4,648
Interest expense of lease liability	1,617	1,982
	<u>\$ 3,729</u>	<u>\$ 6,630</u>

(25) Expenses by nature

	Three months ended March 31,	
	2020	2019
Employee benefit expense	\$ 222,777	\$ 219,371
Depreciation charges on property, plant and equipment	29,472	28,259
Amortisation (including amortisation on the land-use right)	7,243	7,083
	<u>\$ 259,492</u>	<u>\$ 254,713</u>

(26) Employee benefit expense

	Three months ended March 31,	
	2020	2019
Salary expenses	\$ 195,896	\$ 180,759
Labour and health insurance fees	14,872	13,611
Pension costs	5,543	16,115
Other personnel expenses	6,466	8,886
	<u>\$ 222,777</u>	<u>\$ 219,371</u>

- A. According to the Articles of Incorporation of the Company, the ratio of distributable profit of the current year shall not be lower than 7% for employees' compensation in the form of stocks/cash, and employees must be working for the Company. The current year's earnings, if any, shall not be higher than 1% for directors' remuneration. Appropriation of employees' compensation and directors' remuneration shall be submitted to the shareholders' meeting. If the Company has accumulated deficit, earnings should be reserved to cover losses and then be appropriated to employees' compensation and directors' remuneration based on the abovementioned ratios.
- B. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 7% and 1% of distributable profit for the three months ended March 31, 2020 and 2019, respectively. However, there were no amounts accrued for both periods as the Company incurred losses before tax.
For 2019, the employees' compensation and directors' remuneration resolved by the Board of Directors amounted to \$128 and \$0, respectively, which were in agreement with those amounts recognised in the 2019 financial statements.
- C. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Current tax:		
Current tax on profits for the period	\$ 1,725	\$ 2,616
Tax of foreign source income withheld at source	-	1,129
Total current tax	<u>1,725</u>	<u>3,745</u>
Deferred tax:		
Origination and reversal of temporary differences	9,263	3,258
Impact of tax losses	(9,263)	(6,058)
Total deferred tax	<u>-</u>	<u>(2,800)</u>
Income tax expense	<u>\$ 1,725</u>	<u>\$ 945</u>

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

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Currency translation differences	<u>(\$ 478)</u>	<u>\$ 4,962</u>

(c) The income tax charged/(credited) to equity during the period: None.

B. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

(28) (Loss) earnings per share

	<u>Three months ended March 31, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>			
Loss attributable to the parent	<u>(\$ 17,048)</u>	<u>228,028</u>	<u>(\$ 0.07)</u>
<u>Diluted loss per share</u>			
Loss attributable to the parent	(17,048)	228,028	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	-	
	<u>(\$ 17,048)</u>	<u>228,028</u>	<u>(\$ 0.07)</u>

Three months ended March 31, 2019			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 2,598	228,028	\$ 0.01
<u>Diluted earnings per share</u>			
Profit attributable to the parent	2,598	228,028	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	179	
	<u>\$ 2,598</u>	<u>228,207</u>	<u>\$ 0.01</u>

(29) Supplemental cash flow information

Investing activities with partial cash payments:

	Three months ended March 31,	
	2020	2019
Purchase of property, plant and equipment	\$ 36,953	\$ 16,517
Add: Opening balance of payable on equipment	24,037	28,881
Ending balance of prepayment for equipment	719	-
Less: Ending balance of payable on equipment	(34,016)	(19,294)
Opening balance of prepayment for equipment	(1,123)	(227)
Cash paid during the period	<u>\$ 26,570</u>	<u>\$ 25,877</u>

(30) Changes in liabilities from financing activities

	Payments of lease liabilities	Short-term borrowings	Long-term borrowings	Total
January 1, 2020	\$ 311,032	\$ 396,748	\$ 125	\$ 707,905
Changes in cash flow from financing activities	(9,623)	(7,898)	300,000	282,479
Impact of changes in foreign exchange rate	723	-	-	723
Interest expense	1,617	-	-	1,617
March 31, 2020	<u>\$ 303,749</u>	<u>\$ 388,850</u>	<u>\$ 300,125</u>	<u>\$ 992,724</u>

	Payments of lease liabilities	Short-term borrowings	Long-term borrowings	Total
January 1, 2019	\$ 378,746	\$ 559,660	\$ -	\$ 938,406
Changes in cash flow from financing activities	(12,795)	(59,852)	-	(72,647)
Impact of changes in foreign exchange rate	1,334	2,145	-	3,479
Interest expense	1,982	-	-	1,982
March 31, 2019	<u>\$ 369,267</u>	<u>\$ 501,953</u>	<u>\$ -</u>	<u>\$ 871,220</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Cybertan Technology Inc.	Entities with significant influence to the Group

(2) Significant related party transactions

A. Operating revenue

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Sales of goods:		
Cybertan Technology Inc.	<u>\$ 75,919</u>	<u>\$ 118,813</u>

The sales prices are based on mutual agreement, and no similar transactions can be compared with. The credit terms are 30 days from invoice date for the related parties. For third parties, credit terms are 30~90 days from invoice date or after monthly billings.

B. Purchases

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Purchases of goods:		
Entities with significant influence to the Group	<u>\$ -</u>	<u>\$ 711</u>

C. Receivables from related parties

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts receivable:			
Entities with significant influence to the Group	\$ 55,338	\$ 74,209	\$ 48,585
Other receivables:			
Entities with significant influence to the Group	222	385	433
	<u>\$ 55,560</u>	<u>\$ 74,594</u>	<u>\$ 49,018</u>

D. Payables to related parties

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts payable:			
Entities with significant influence to the Group	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 216</u>

E. Lease transactions – lessee

(a) The Group leases buildings from Cybertan Technology Inc.. Rental contracts are typically made for periods of 10 years. Rents are paid at the end of year.

(b) Acquisition of right-of-use assets:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Cybertan Technology Inc.	\$ <u> 213,298</u>	\$ <u> 219,392</u>	\$ <u> 242,037</u>

On January 1, 2019 (the date of initial application of IFRS 16), the Group increased right-of-use assets by \$248,243.

(c) Lease liabilities

(i) Outstanding balance:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Cybertan Technology Inc.	\$ <u> 215,830</u>	\$ <u> 221,507</u>	\$ <u> 242,575</u>

(ii) Interest expense

	<u>Three months ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Cybertan Technology Inc.	\$ <u> 1,108</u>	\$ <u> 1,241</u>

(d) As of March 31, 2020, December 31, 2019 and March 31, 2019, prepaid rents to entities with significant influence to the Group amounted to \$2,926, \$0 and \$1,904, respectively.

(e) As of March 31, 2020, December 31, 2019 and March 31, 2019, guarantee deposits paid (shown as ‘Other non-current assets’) to entities with significant influence to the Group both amounted to \$1,972.

(3) Key management compensation

	<u>Three months ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	\$ <u> 12,937</u>	\$ <u> 13,475</u>
Post-employment benefits	<u> 350</u>	<u> 502</u>
	\$ <u> 13,287</u>	\$ <u> 13,977</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>			<u>Purpose</u>
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>	
Time deposits (shown as 'Financial assets at amortised cost-current')				Guarantee for business card
	<u>\$ 533</u>	<u>\$ 537</u>	<u>\$ 572</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 6,045	\$ 8,667	\$ 6,700
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	188,622	224,207	243,583
Financial assets at amortised cost			
Cash and cash equivalents	1,168,086	1,057,733	1,103,459
Financial assets at amortised cost	28,458	28,235	28,306
Notes receivable	-	9,024	9,900
Accounts receivable (including related party transactions)	923,552	1,115,134	1,284,632
Other receivables (including related party transactions)	32,476	127,014	103,526
Guarantee deposits paid	4,448	4,441	9,677
	<u>\$ 2,351,687</u>	<u>\$ 2,574,455</u>	<u>\$ 2,789,783</u>

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ 1,826	\$ 273	\$ 126
Financial liabilities at amortised cost			
Short-term borrowings	388,850	396,748	501,953
Accounts payable (including related party transactions)	710,664	919,456	1,398,730
Other payables	290,336	358,092	308,920
Long-term borrowings	<u>300,125</u>	<u>125</u>	<u>-</u>
	<u>\$ 1,691,801</u>	<u>\$ 1,674,694</u>	<u>\$ 2,209,729</u>
Lease liability	<u>\$ 303,749</u>	<u>\$ 311,032</u>	<u>\$ 369,267</u>

B. Financial risk management policies

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2019.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group uses forward foreign exchange contracts, transacted with Company treasury.
- iii. The Group hedges foreign exchange rate by using forward exchange and cross currency swap contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Notes 6(2) and (12).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

				March 31, 2020		
				Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
	USD:NTD	\$	33,648	30.23	\$	1,017,179
	RMB:NTD		8,897	4.27		37,990
	EUR:NTD		491	33.24		16,321
	USD:RMB		7,226	7.09		218,442
<u>Financial liabilities</u>						
<u>Monetary items</u>						
	USD:NTD	\$	28,645	30.23	\$	865,938
	RMB:NTD		34,032	4.27		145,317
	EUR:NTD		602	33.24		20,010
	USD:RMB		8,312	7.09		251,272
				December 31, 2019		
				Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
	USD:NTD	\$	55,834	29.98	\$	1,673,903
	RMB:NTD		44	4.30		189
	EUR:NTD		1,070	33.59		35,941
	USD:RMB		25,058	6.98		751,239
<u>Financial liabilities</u>						
<u>Monetary items</u>						
	USD:NTD	\$	49,578	29.98	\$	1,486,348
	RMB:NTD		5,200	4.30		22,360
	EUR:NTD		1,125	33.59		37,789
	USD:RMB		20,623	6.98		618,278

				March 31, 2019		
				Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$	51,898		30.82	\$	1,599,496
RMB:NTD		29,720		4.58		136,118
EUR:NTD		1,342		34.61		46,447
USD:RMB		8,090		6.73		249,334
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$	40,146		30.82	\$	1,237,854
RMB:NTD		55,077		4.58		252,253
EUR:NTD		1,296		34.61		44,855
USD:RMB		25,724		6.73		792,814

v. The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended March 31, 2020 and 2019 amounted to (\$804) and (\$405), respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Three months ended March 31, 2020					
<u>Sensitivity analysis</u>					
		<u>Degree of variation</u>	<u>Effect on profit or loss</u>		<u>Effect on other comprehensive income</u>
(Foreign currency : functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	1%	\$	10,172	\$	-
RMB:NTD	1%		380		
EUR:NTD	1%		163		-
USD:RMB	1%		2,184		-
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	1%	(\$	8,659)	\$	-
RMB:NTD	1%	(1,453)		
EUR:NTD	1%	(200)		-
USD:RMB	1%	(2,513)		-

Three months ended March 31, 2019

Sensitivity analysis				
Degree of variation		Effect on profit or loss		Effect on other comprehensive income
(Foreign currency : functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 15,995	\$	-
RMB:NTD	1%	1,361		-
EUR:NTD	1%	464		-
USD:RMB	1%	2,493		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$ 12,379)	\$	-
RMB:NTD	1%	(2,523)		-
EUR:NTD	1%	(449)		-
USD:RMB	1%	(7,928)		-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares issued by the overseas and domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the three months ended March 31, 2020 and 2019 would have increased/decreased by \$60 and \$62, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$1,886 and \$2,436, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost and at fair value

- through profit or loss.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a optimised credit rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored.
 - iii. Impairment assessment of credit risk on financial assets at amortised cost is as follows:
 - (i) The Group adopts following assumptions under IFRS 9, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) In line with credit risk management procedure, when the counterparty is unable to pay the past-due payables, the default has occurred.
 - (iii) The Group used the forecastability to adjust historical and timely information and considered credit rating of issue banks to assess the default possibility of accounts and notes receivable.
 - (iv) The Group's financial assets at amortised cost are including time deposits deposited in banks and restricted time deposits. Such banks all have optimised credit rating, no past due has occurred, and no significant changes in the entire economic environment, therefore no credit loss is expected and the impact to the financial statement is remote.
 - iv. Impairment assessment of credit risk on accounts and notes receivable is as follows:
 - (i) The Group classifies customers' accounts and notes receivable in accordance with credit rating of customer. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
 - (ii) The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts and notes receivable. As of March 31, 2020, December 31, 2019 and March 31, 2019, the provision matrix is as follows:

	Not past due	90 days past due	91-180 days past due	Over 181 days past due	Total
<u>March 31, 2020</u>					
Expected loss rate	0%-1%	0%-1%	0%-1%	0%-1%	
Total book value	\$ 811,150	\$ 90,191	\$ 2,456	\$ 20,071	\$ 923,868
Loss allowance	\$ -	\$ -	\$ -	\$ 316	\$ 316

	<u>Not past due</u>	<u>90 days past due</u>	<u>91-180 days past due</u>	<u>Over 181 days past due</u>	<u>Total</u>
<u>December 31, 2019</u>					
Expected loss rate	0%-1%	0%-1%	0%-1%	0%-1%	
Total book value	\$ 907,138	\$ 145,858	\$ 20,937	\$ 51,478	\$ 1,125,411
Loss allowance	\$ -	\$ -	\$ -	\$ 1,253	\$ 1,253
	<u>Not past due</u>	<u>90 days past due</u>	<u>91-180 days past due</u>	<u>Over 181 days past due</u>	<u>Total</u>
<u>March 31, 2019</u>					
Expected loss rate	0%-1%	0%-1%	0%-1%	0%-1%	
Total book value	\$ 1,111,774	\$ 181,247	\$ 1,517	\$ 1,240	\$ 1,295,778
Loss allowance	\$ 2	\$ 4	\$ -	\$ 1,240	\$ 1,246

(iii) Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts and notes receivable are as follows:

	<u>2020</u>	<u>2019</u>
At January 1	\$ 1,253	\$ 1,242
Write-offs	(1,212)	-
Provision for impairment loss	271	-
Effect of exchange rate changes	4	4
At March 31	<u>\$ 316</u>	<u>\$ 1,246</u>

v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
- (ii) The disappearance of an active market for that financial asset because of financial difficulties;
- (iii) Default or delinquency in interest or principal repayments;
- (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of other receivables. As of March 31, 2020, December 31, 2019 and March 31, 2019, the provision matrix is as follows:

	<u>Not past due</u>	<u>90 days past due</u>	<u>91-180 days past due</u>	<u>Over 181 days past due</u>	<u>Total</u>
<u>March 31, 2020</u>					
Expected loss rate	0%	0%	0%	0%	
Total book value	\$ 32,353	\$ 123	\$ -	\$ -	\$ 32,476
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -

	<u>Not past due</u>	<u>90 days past due</u>	<u>91-180 days past due</u>	<u>Over 181 days past due</u>	<u>Total</u>
<u>December 31, 2019</u>					
Expected loss rate	0%	0%	0%	0%	
Total book value	\$ 126,650	\$ 364	\$ -	\$ -	\$ 127,014
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>Not past due</u>	<u>90 days past due</u>	<u>91-180 days past due</u>	<u>Over 181 days past due</u>	<u>Total</u>
<u>March 31, 2019</u>					
Expected loss rate	0%	0%	0%	0%	
Total book value	\$ 101,745	\$ 1,038	\$ 743	\$ -	\$ 103,526
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Company treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>March 31, 2020</u>						
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$ 389,648	\$ -	\$ -	\$ -	\$ -	\$ 389,648
Accounts payable (including related parties)	650,215	60,449	-	-	-	710,664
Other payables	290,336	-	-	-	-	290,336
Long-term borrowings	569	1,713	77,283	231,949	31	311,545
Lease liability	9,634	28,902	38,536	115,609	167,035	359,716
<u>Derivative financial liabilities</u>						
Forward exchange swap	\$ 1,826	\$ -	\$ -	\$ -	\$ -	\$ 1,826

December 31, 2019	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$ 397,282	\$ -	\$ -	\$ -	\$ -	\$ 397,282
Accounts payable (including related parties)	859,017	60,439	-	-	-	919,456
Other payables	358,092	-	-	-	-	358,092
Long-term borrowings	-	2	2	127	-	131
Lease liability	9,529	28,586	38,115	114,344	155,202	345,776
<u>Derivative financial liabilities</u>						
Forward exchange swap	\$ 273	\$ -	\$ -	\$ -	\$ -	\$ 273
March 31, 2019	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$ 503,365	\$ -	\$ -	\$ -	\$ -	\$ 503,365
Accounts payable (including related parties)	1,386,420	12,310	-	-	-	1,398,730
Other payables	308,920	-	-	-	-	308,920
Lease liability	12,820	38,459	95,805	194,600	68,110	409,794
<u>Derivative financial liabilities</u>						
Forward exchange swap	\$ 126	\$ -	\$ -	\$ -	\$ -	\$ 126

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's derivative instruments and emerging stocks are included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, financial assets at amortised cost, other financial assets, short-term borrowings, accounts payable and other payables are approximate to their fair values.

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

(a) The related information of natures of the assets and liabilities is as follows:

March 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Convertible bonds	\$ -	\$ -	\$ 6,045	\$ 6,045
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	188,622	188,622
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,667</u>	<u>\$ 194,667</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange swap transactions	\$ -	\$ 110	\$ -	\$ 110
Forward foreign exchange contracts	-	1,716	-	1,716
	<u>\$ -</u>	<u>\$ 1,826</u>	<u>\$ -</u>	<u>\$ 1,826</u>
December 31, 2019				
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Forward exchange swap transactions and forward foreign exchange contracts	\$ -	\$ 2,671	\$ -	\$ 2,671
Convertible bonds	-	-	5,996	5,996
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	224,207	224,207
	<u>\$ -</u>	<u>\$ 2,671</u>	<u>\$ 230,203</u>	<u>\$ 232,874</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange swap transactions	\$ -	\$ 273	\$ -	\$ 273

March 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Forward exchange swap transactions and forward foreign exchange contracts	\$ -	\$ 536	\$ -	\$ 536
Convertible bonds	-	-	6,164	6,164
Financial assets at fair value through other comprehensive income				
Equity securities	-	5,667	237,916	243,583
	<u>\$ -</u>	<u>\$ 6,203</u>	<u>\$ 244,080</u>	<u>\$ 250,283</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange swap transactions	<u>\$ -</u>	<u>\$ 126</u>	<u>\$ -</u>	<u>\$ 126</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. When assessing non-standard and low-complexity financial instruments, for example, interest rate swap contracts and foreign exchange swap contracts, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- ii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

D. For the three months ended March 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the three months ended March 31, 2020 and 2019:

	2020		
	Equity securities	Derivative instruments	Total
At January 1	\$ 224,207	\$ 5,996	\$ 230,203
Gain recognised in other comprehensive income	(37,207)	-	(37,207)
Net exchange differences	1,622	49	1,671
At March 31	<u>\$ 188,622</u>	<u>\$ 6,045</u>	<u>\$ 194,667</u>

	2019		
	Equity securities	Derivative instruments	Total
At January 1	\$ 237,134	\$ 6,143	\$ 243,277
Gain recognised in other comprehensive income	1	-	1
Net exchange differences	781	21	802
At March 31	<u>\$ 237,916</u>	<u>\$ 6,164</u>	<u>\$ 244,080</u>

F. Treasury department is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price.

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

	Fair value at March 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 6,422	Market comparable companies	Discount for lack of marketability P/B ratio	30%	The higher the discount for lack of marketability, the lower the fair value
Unlisted shares	27,301	Discounted cash flow	Long-term pre-tax operating margin	Not applicable	The higher the long-term pre-tax operating margin, the higher the fair value
Venture capital shares	154,899	Net asset value	Not applicable	Not applicable	The higher the net assets value, the higher the fair value

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 9,276	Market comparable companies	Discount for lack of marketability P/B ratio	30% 100%	The higher the discount for lack of marketability, the lower the fair value
Unlisted shares	54,811	Discounted cash flow	Long-term pre-tax operating margin	Not applicable	The higher the long-term pre-tax operating margin, the higher the fair value
Venture capital shares	160,120	Net asset value	Not applicable	Not applicable	The higher the net assets value, the higher the fair value

	Fair value at March 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 8,401	Market comparable companies	Discount for lack of marketability P/B ratio	30% 100%	The higher the discount for lack of marketability, the lower the fair value
Unlisted shares	61,640	Discounted cash flow	Long-term pre-tax operating margin	Not applicable	The higher the long-term pre-tax operating margin, the higher the fair value
Venture capital shares	167,875	Net asset value	Not applicable	Not applicable	The higher the net assets value, the higher the fair value

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets categorised within Level 3 if the inputs used to valuation models have changed:

		March 31, 2020				
				Recognised in other		
		Recognised in profit or loss		comprehensive income		
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets						
Equity instruments						
Discount for lack of marketability	±10%	\$ -	\$ -	\$ 275	(\$ 275)	
P/B ratio	±10%	-	-	642	(642)	
Profit before income tax	±1%	-	-	67	(67)	
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 984</u>	<u>(\$ 984)</u>	

		December 31, 2019					
				Recognised in profit or loss		Recognised in other comprehensive income	
		Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets							
Equity instruments	Discount for lack of marketability		±10%	\$ -	\$ -	\$ 398	(\$ 398)
	P/B ratio		±10%	-	-	928	(928)
	Profit before income tax		±1%	-	-	6,127	(6,127)
				<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,453</u>	<u>(\$ 7,453)</u>
		March 31, 2019					
				Recognised in profit or loss		Recognised in other comprehensive income	
		Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets							
Equity instruments	Discount for lack of marketability		±10%	\$ -	\$ -	\$ 360	(\$ 360)
	P/B ratio		±10%	-	-	840	(840)
	Profit before income tax		±1%	-	-	1,013	(1,013)
				<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,853</u>	<u>(\$ 1,853)</u>

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period: Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative financial instruments undertaken during the reporting periods: Please refer to Note 6(2) (12).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third areas, with investee companies in the Mainland China: Please refer to table 7.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker, which is the General Manager, that are used to make strategic decisions and the Group was identified as a single reportable segment.

(2) Measurement of segment information

The Group's General Manager assesses the performance of the operating segments based on the pre-tax net income (loss).

(3) Information about segment profit or loss, assets and liabilities

	Three months ended March 31,	
	2020	2019
Revenue from external customers	\$ 903,421	\$ 1,686,248
Inter-segment revenue	\$ 351,309	\$ 659,890
Total segment revenue	\$ 1,254,730	\$ 2,346,138
Segment (loss) income	(\$ 17,048)	\$ 2,598
Segment assets	\$ 4,905,103	\$ 5,746,970
Segment liabilities	\$ 2,305,819	\$ 2,964,671

(4) Reconciliation for segment income (loss)

Total measurement of segment income is consistent with the operating income recorded in the Group's financial statements, therefore, no reconciliation was needed.

Microelectronics Technology, Inc. and Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

March 31, 2020

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of March 31, 2020				Note
				Number of shares	Book value	Ownership (%)	Fair value	
Microelectronics Technology, Inc.	Stocks - TAIWAN AEROSPACE CORPORATION	None	Financial assets at fair value through other comprehensive income	648,576	\$ 6,422	0.48	\$ 6,422	
SASSON INTERNATIONAL HOLDING, INC.	Stocks - Optical Scientific, Inc.	None	Financial assets at fair value through profit or loss	16,023	-	5.02	-	
SASSON INTERNATIONAL HOLDING, INC.	Stocks - Firetide, Inc.	None	Financial assets at fair value through profit or loss	1,333,360	-	2.24	-	
SASSON INTERNATIONAL HOLDING, INC.	Stocks - Taicom Capital Ltd.	None	Financial assets at fair value through other comprehensive income	20,000	154,899	Note	154,899	
SASSON INTERNATIONAL HOLDING, INC.	Stocks - New Edge Signal Solutions LCC	None	Financial assets at fair value through other comprehensive income	1,355,663	27,301	12.5	27,301	
SASSON INTERNATIONAL HOLDING, INC.	Conversion of convertible bonds - Kymeta Corporation	None	Financial assets at fair value through profit or loss	-	6,045	-	6,045	

Note: Holding of 10,000 ordinary shares and 10,000 preference shares for 11.43% and 16.67% ownweship, respectively.

Microelectronics Technology, Inc. and Subsidiaries

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more

Three months ended March 31, 2020

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Note
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
Microelectronics Technology, Inc.	JUPITER TECHNOLOGY (WUXI) INC	Indirect subsidiary of the Company	Purchases	\$ 214,793	33%	90 days	Not applicable	Not applicable	(\$ 253,140)	(41%)		
JUPITER TECHNOLOGY (WUXI) INC	Microelectronics Technology, Inc.	Indirect subsidiary of the Company	Sales	(214,793)	(41%)	90 days	Not applicable	Not applicable	253,140	64%		

Microelectronics Technology, Inc. and Subsidiaries
 Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
 March 31, 2020

Table 3

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
JUPITER TECHNOLOGY (WUXI) INC	Microelectronics Technology, Inc.	Parent company	\$ 253,140	3.17	\$ -	-	\$ 91,278	\$ -

Microelectronics Technology, Inc. and Subsidiaries
Significant inter-company transactions during the reporting periods
Three months ended March 31, 2020

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Microelectronics Technology, Inc.	JUPITER TECHNOLOGY (WUXI) INC.	1	Purchases and processing overhead	\$ 214,793	Same as those to the third parties	23.78%
0	Microelectronics Technology, Inc.	JUPITER TECHNOLOGY (WUXI) INC.	1	Accounts payable	253,140	Payment term is 60 days from receipt of goods	5.17%
0	Microelectronics Technology, Inc.	JUPITER TECHNOLOGY (WUXI) INC.	1	Other current liabilities	16,509	Based on the mutual agreement	0.34%
0	Microelectronics Technology, Inc.	Radiocomp ApS	1	Research and development expenses	20,665	Same as those to the third parties	2.29%

Note 1: The information of transactions between the Company and the subsidiaries should be noted in "Number" column.

- (1) Number 0 represents the Company.
- (2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationship with counterparties are as follows:

- (1) The Company to the consolidated subsidiary.
- (2) The consolidated subsidiaries to the Company.
- (3) The consolidated subsidiaries to other consolidated subsidiaries.

Note 3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note 4: Only transaction amounts over 10 million were disclosed and if transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it was not required to be disclosed separately.

Microelectronics Technology, Inc. and Subsidiaries
Information on investees
Three months ended March 31, 2020

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2019			Net profit (loss) of the investee for the three months ended March 31, 2020	investment income (loss) recognised by the Company for the three months ended March 31, 2020	Note
				Balance as at March 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
Microelectronics Technology, Inc.	SASSON INTERNATIONAL HOLDING, INC.	British Virgin IS.	Investment management	\$ 908,778	\$ 908,778	3,920	100	\$ 1,588,180	(\$ 5,128)	\$ 2,702	Note 1
SASSON INTERNATIONAL HOLDING, INC.	Welltop Technology Co.,Ltd.	British Virgin IS.	Investment management	236,783	234,863	7,834,000	100	323,867	4,397	4,397	Note 2
SASSON INTERNATIONAL HOLDING, INC.	Jupiter Network Corp.	British Virgin IS.	Investment management	939,145	931,533	31,071,800	100	961,491	(10,008)	(10,008)	Note 2
Welltop Technology Co.,Ltd.	MTI Laboratory, Inc.	U.S.A	Communications	45,338	44,970	1,500,000	100	127,230	4,016	4,016	Note 2
Welltop Technology Co.,Ltd.	Radiocomp ApS	DENMARK	Communications	142,118	140,966	1,527,944	100	175,486	287	287	Note 2

Note 1: Subsidiary of the Company.

Note 2: Indirect subsidiary of the Company.

Microelectronics Technology, Inc. and Subsidiaries
Information on investees in Mainland China
Three months ended March 31, 2020

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated	Amount remitted from Taiwan		Accumulated	Net income of investee for the three months ended	Ownership held by the Company (direct or indirect)	Investment income	Book value of investments in Mainland China as of March 31, 2020	Accumulated amount	Note
				of remittance from Taiwan to Mainland China as of January 1, 2020	remitted back to Taiwan for the three months ended March 31, 2020	remitted to Mainland China	remitted back to Taiwan			of remittance from Taiwan to Mainland China as of March 31, 2020		(loss) recognised by the Company for the three months ended March 31, 2020 (Note 2)	
JUPITER TECHNOLOGY (WUXI) INC (Note 1)	The manufactures and sales of satellite and microwave communication system and related technical and consultation services	\$ 936,975	Through investing in an existing company in the third area, which then invested in the investee in Mainland China.	\$ 936,975	\$ -	\$ -	\$ 936,975	(\$ 10,008)	100	(\$ 10,008)	\$ 961,449	\$ -	-
<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2020</u>	<u>investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA</u>										
Microelectronics Technology, Inc.	\$ 1,056,968	\$ 1,179,017	\$ 1,559,571										

Note 1: It was indirectly invested through Jupiter Network Corp.

Note 2: Investment profit or loss was recognised based on the financial statements that were audited by R.O.C. parent company's CPA.

Microelectronics Technology, Inc. and Subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Three months ended March 31, 2020

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			Interest during the three months ended March 31, Others (Note)		
	Amount	%	Amount	%	Balance	%	Balance at March 31, 2020	Purpose	Maximum balance during the three months ended March 31, 2020	Balance at March 31, 2020	Interest rate			
JUPITER TECHNOLOGY (WUXI) INC	(\$ 214,793)	-	\$ -	-	(\$ 253,140)	36	\$ -	-	\$ -	\$ -	-	\$ -	-	(\$ 15,748)

Note: It consisted of other receivables amounting to \$761 and other current liabilities amounting to \$16,509.

Microelectronics Technology, Inc. and Subsidiaries

Major shareholders information
Three months ended March 31, 2020

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Name of major shareholders	No. of shares held	Ownership (%)
Cybertan Technology Inc.	60,924,995	26.71%

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data disclosed was the settlor's separate account for the fund set by the trustee.

As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.