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**FUSHENG PRECISION CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
FOR THE THREE-MONTH PERIODS ENDED
MARCH 31, 2020 AND 2019**

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

Review Report of Independent Accountants Translated from Chinese

To Fusheng Precision Co., Ltd.

Introduction

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

Scope of Review

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

Basis for Qualified Conclusion as of March 31, 2019

As explained in Note 4(3), the financial statements of certain insignificant subsidiaries were not reviewed by independent accountants. Those statements reflect total assets of \$2,509,287 thousand, constituting 23% of the consolidated total assets, and total liabilities of \$1,393,201 thousand, constituting 34% of the consolidated total liabilities as of March 31, 2019; and total comprehensive income of \$45,369 thousand, constituting 8% of the consolidated total comprehensive income for the three-month period ended March 31, 2019. The information related to above subsidiaries, and associates and joint ventures accounted for under the equity method disclosed in Note 13 was also not reviewed by independent accountants.

Unqualified and Qualified Conclusion

Based on our reviews, expect for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain insignificant subsidiaries and the information been reviewed by independent accountants described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as at March 31, 2020 and 2019, and their consolidated financial performance and cash flows for the three-month periods ended March 31, 2020 and 2019, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Lin, Su-Wen

Tu, Jia-Ling

Ernst & Young, Taiwan

May 12, 2020

Notice to Readers

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

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statement Originally Issued in Chinese
FUSHENG PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

March 31, 2020, December 31, 2019 and March 31, 2019(March 31, 2020 and 2019 are unaudited)
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of		
		March 31,2020	December 31,2019	March 31,2019
Current assets				
Cash and cash equivalents	4,6(1)	\$3,053,234	\$2,665,743	\$3,288,488
Financial assets at fair value through profit or loss - current	4,6(2)	172,535	181,748	357,878
Financial assets measured at amortized cost - current	4,6(4),6(17),8	47,274	17,158	19,358
Notes receivable, net	4,5,6(5),6(17)	9,132	13,144	15,788
Accounts receivable, net	4,5,6(6),6(17),7	2,055,253	3,065,493	2,275,534
Other receivable	7	208,430	196,561	108,261
Current income tax assets		289	706	9,828
Inventories, net	4,5,6(7)	1,816,498	2,117,552	1,259,742
Prepayments	4,7	150,462	124,118	184,262
Other current assets		1,885	3,258	2,121
Total current assets		7,514,992	8,385,481	7,521,260
Non-current assets				
Financial assets at fair value through profit or loss - non-current	4,6(2)	1,767	1,789	1,744
Financial assets at fair value through other comprehensive income - non-current	4,6(3),6(8)	-	-	25,200
Investments accounted for using equity method	4,6(8)	21,470	22,297	-
Property, plant and equipment	4,6(9),6(22),7	2,549,912	2,612,107	2,424,939
Right-of-use assets	4,6(18),7	406,184	409,218	324,922
Intangible assets	4,6(10)	160,197	159,547	162,790
Deferred tax assets	4,5,6(22)	69,198	77,826	88,342
Prepayment for equipment	9	23,839	10,980	46,419
Refundable deposits		6,560	15,557	6,932
Other non-current assets-others		118,806	125,940	77,315
Total non-current assets		3,357,933	3,435,261	3,158,603
Total assets		\$10,872,925	\$11,820,742	\$10,679,863

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English Translation of Consolidated Financial Statement Originally Issued in Chinese
FUSHENG PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
 March 31, 2020, December 31, 2019 and March 31, 2019 (March 31, 2020 and 2019 are unaudited)
 (Expressed in Thousands of New Taiwan Dollars)

Liability and Equity	Notes	As of		
		March 31,2020	December 31,2019	March 31,2019
Current liabilities				
Short-term loans	4,6(11)	\$744,803	\$894,177	\$670,831
Contract liabilities	4,6(16)	9,720	9,634	16,830
Notes payable	4	6,750	-	6,750
Accounts payable	4	1,276,202	2,271,270	1,485,454
Other payables	6(12),7	871,960	1,053,879	870,137
Current income tax liabilities	4,5,6(22)	348,422	340,447	509,755
Lease liabilities - current	4,6(18),6(20),7	60,718	56,894	49,921
Other current liabilities		16,921	14,981	6,113
Total current liabilities		<u>3,335,496</u>	<u>4,641,282</u>	<u>3,615,791</u>
Non-current liabilities				
Non-current provisions	4,5,6(14)	122,725	151,894	248,707
Deferred tax liabilities	4,5,6(22)	1,140	2,366	1,713
Lease liabilities - non-current	4,6(18),6(20),7	240,410	241,469	148,921
Net defined benefit liabilities	4,5,6(13)	133,930	136,303	118,171
Guarantee deposits		1,802	4,412	1,173
Other non-current liabilities		10,966	147	13,592
Total non-current liabilities		<u>510,973</u>	<u>536,591</u>	<u>532,277</u>
Total liabilities		<u>3,846,469</u>	<u>5,177,873</u>	<u>4,148,068</u>
Equity	6(15)			
Common stock		1,310,300	1,310,300	1,310,300
Additional paid-in capital		1,664,358	1,664,358	1,664,358
Retained earnings				
Legal reserve		966,346	966,346	765,783
Special reserve		434,124	434,124	350,167
Unappropriated retained earnings		2,938,742	2,508,703	2,514,666
Total retained earnings		<u>4,339,212</u>	<u>3,909,173</u>	<u>3,630,616</u>
Other components of equity	4			
Exchange differences on translation of foreign operations		(628,285)	(569,208)	(350,606)
Total equity attributable to stockholders of the parent		<u>6,685,585</u>	<u>6,314,623</u>	<u>6,254,668</u>
Non-controlling interests	6(15)	<u>340,871</u>	<u>328,246</u>	<u>277,127</u>
Total equity		<u>7,026,456</u>	<u>6,642,869</u>	<u>6,531,795</u>
Total liabilities and equity		<u><u>\$10,872,925</u></u>	<u><u>\$11,820,742</u></u>	<u><u>\$10,679,863</u></u>

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

English Translation of Consolidated Financial Statement Originally Issued in Chinese
 FUSHENG PRECISION CO., LTD. AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 For the three-month periods ended March 31, 2020 and 2019
 (Expressed in Thousands of New Taiwan Dollars)

Accounting Items	Notes	For the three-month periods ended March 31,	
		2020	2019
Operating revenues	4,6(16),7	\$3,626,255	\$4,211,629
Operating costs	6(7),6(10),6(13),6(18) 6(19)	(2,762,084)	(3,230,517)
Gross profit		<u>864,171</u>	<u>981,112</u>
Operating expenses	4,6(10),6(13),6(18) 6(19),7		
Sales and marketing expenses		(91,830)	(80,393)
General and administrative expenses		(183,258)	(169,071)
Research and development expenses		(109,377)	(116,410)
Expected credit gains	6(17)	4,134	1,376
		<u>(380,331)</u>	<u>(364,498)</u>
Net operating income		<u>483,840</u>	<u>616,614</u>
Non-operating income and expenses	4,6(3),6(18),6(20),7		
Other income		26,418	18,878
Other gains and losses		19,474	(49,042)
Finance costs		(8,727)	(6,824)
Share of profit or loss of associates and joint ventures	4,6(8)	(827)	-
Total non-operating income and expenses		<u>36,338</u>	<u>(36,988)</u>
Income from continuing operations before income tax		<u>520,178</u>	<u>579,626</u>
Income tax expenses	4,5,6(22)	<u>(74,225)</u>	<u>(116,517)</u>
Net income from continuing operations		<u>445,953</u>	<u>463,109</u>
Other comprehensive income(loss)	6(21)		
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(62,366)	86,439
Total other comprehensive income, net of tax		<u>(62,366)</u>	<u>86,439</u>
Total comprehensive income		<u>\$383,587</u>	<u>\$549,548</u>
Net income attributable to:			
Stockholders of the parent		\$430,039	\$436,596
Non-controlling interests		15,914	26,513
		<u>\$445,953</u>	<u>\$463,109</u>
Comprehensive income attributable to:			
Stockholders of the parent		\$370,962	\$520,114
Non-controlling interests		12,625	29,434
		<u>\$383,587</u>	<u>\$549,548</u>
Earnings per share(NT\$):	6(23)		
Earnings per share - basic		<u>\$3.28</u>	<u>\$3.33</u>
Earnings per share - diluted		<u>\$3.27</u>	<u>\$3.32</u>

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

English Translation of Consolidated Financial Statement Originally Issued in Chinese
 FUSHENG PRECISION CO., LTD. AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENTS OF CHANGE IN STOCKHOLDERS' EQUITY
 For the three-month periods ended March 31, 2020 and 2019
 (Expressed in Thousands of New Taiwan Dollars)

	Total equity attributable to owners of parent								
	Retained earnings					Other Components of Equity			
	Common stock	Additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign operations	Total	Non-controlling interests	Total equity
Balance as of January 1, 2019	\$1,310,300	\$1,664,358	\$765,783	\$350,167	\$2,078,070	\$(434,124)	\$5,734,554	\$247,693	\$5,982,247
Net income for the three-month periods ended March 31, 2019					436,596	-	436,596	26,513	463,109
Other comprehensive income, net of tax for the three-month periods ended March 31, 2019					-	83,518	83,518	2,921	86,439
Total comprehensive income	-	-	-	-	436,596	83,518	520,114	29,434	549,548
Balance as of March 31, 2019	<u>\$1,310,300</u>	<u>\$1,664,358</u>	<u>\$765,783</u>	<u>\$350,167</u>	<u>\$2,514,666</u>	<u>\$(350,606)</u>	<u>\$6,254,668</u>	<u>\$277,127</u>	<u>\$6,531,795</u>
Balance as of January 1, 2020	\$1,310,300	\$1,664,358	\$966,346	\$434,124	\$2,508,703	\$(569,208)	\$6,314,623	\$328,246	\$6,642,869
Net income for the three-month periods ended March 31, 2020					430,039	-	430,039	15,914	445,953
Other comprehensive income, net of tax for the three-month periods ended March 31, 2020					-	(59,077)	(59,077)	(3,289)	(62,366)
Total comprehensive income	-	-	-	-	430,039	(59,077)	370,962	12,625	383,587
Balance as of March 31, 2020	<u>\$1,310,300</u>	<u>\$1,664,358</u>	<u>\$966,346</u>	<u>\$434,124</u>	<u>\$2,938,742</u>	<u>\$(628,285)</u>	<u>\$6,685,585</u>	<u>\$340,871</u>	<u>\$7,026,456</u>

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

English Translation of Consolidated Financial Statement Originally Issued in Chinese
FUSHENG PRECISION CO., LTD. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
 For the three-month periods ended March 31, 2020 and 2019
 (Expressed in Thousands of New Taiwan Dollars)

	For the three-month periods ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net income before tax	\$520,178	\$579,626
Adjustments:		
Income and expense that not affecting cash flow:		
Depreciation	116,296	100,053
Amortization	2,837	3,117
Expected credit gains	(4,134)	(1,376)
Gains (losses) on financial assets or liabilities at fair value through profit or loss	9,235	(2,411)
Interest expenses	8,727	6,824
Interest income	(7,523)	(5,638)
Share of loss of associates and joint ventures	827	-
Loss on disposal of property, plan and equipment	807	5,494
Changes in operating assets and liabilities:		
Decrease/(Increase) in notes receivable,net	4,012	(4,581)
Decrease in accounts receivable,net	1,014,341	541,271
(Increase)/Decrease in other receivable	(11,265)	61,532
Decrease in inventories,net	301,054	553,894
Increase in prepayments	(26,344)	(106,877)
Decrease in other current assets	1,373	1,842
Increase in contract liabilities	86	5,134
Increase in notes payable	6,750	6,750
Decrease in accounts payable	(995,068)	(590,223)
Decrease in other payables	(181,919)	(251,789)
Decrease in provisions	(27,460)	(12,274)
Increase/(Decrease) in other current liabilities	1,940	(1,163)
Decrease in net defined benefit liabilities	(2,373)	(2,190)
Cash generated from operations	732,377	887,015
Interest received	6,919	5,638
Interest paid	(5,840)	(5,582)
Income tax paid	(58,431)	(28,895)
Net cash provided by operating activities	675,025	858,176

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English Translation of Consolidated Financial Statement Originally Issued in Chinese
FUSHENG PRECISION CO., LTD. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
 For the three-month periods ended March 31, 2020 and 2019
 (Expressed in Thousands of New Taiwan Dollars)

	For the three-month periods ended March 31,	
	2020	2019
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(25,200)
Acquisition of financial assets measured at amortized cost	(30,152)	-
Proceeds from disposal of financial assets measured at amortized cost	-	1,631
Acquisition of financial assets at fair value through profit or loss	-	(180,000)
Acquisition of property, plant and equipment	(66,898)	(159,226)
Proceeds from disposal of property, plant and equipment	12,003	1,082
Decrease/(Increase) in refundable deposits	8,997	(373)
Acquisition of intangible assets	(3,482)	(2,554)
Decrease/(Increase) in other non-current assets	7,134	(21,199)
Increase in prepayment for equipment	(12,859)	-
Decrease in prepayment for equipment	-	33,551
Net cash used in by investing activities	<u>(85,257)</u>	<u>(352,288)</u>
Cash flows from financing activities:		
Increase in short-term loans	-	235,059
Decrease in short-term loans	(148,200)	-
Decrease in guarantee deposits	(2,630)	(381)
Cash payments for the principal portion of the lease liability	(17,636)	(15,908)
Increase/(Decrease) in other non-current liabilities	10,819	(208)
Net cash (used in)/provided by financing activities	<u>(157,647)</u>	<u>218,562</u>
Effects of exchange rate changes on cash and cash equivalents	<u>(44,630)</u>	<u>59,527</u>
Net increase in cash and cash equivalents	387,491	783,977
Cash and cash equivalents, at beginning of period	2,665,743	2,504,511
Cash and cash equivalents, at end of the period	<u>\$3,053,234</u>	<u>\$3,288,488</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
FUSHENG PRECISION CO., LTD.
AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the Three-Month Periods Ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

- (1) FuSheng Precision Co., Ltd. (The Company) was established by Coöperatieve Valiant APO Global U.A. on September 14, 2010.
- (2) To work in line with the parent company, Coöperatieve Valiant APO Global U.A., to engage in re-organization and specialization to enhance competitiveness and efficiency of management, the Company's board of directors ("Board of Directors") approved on September 14, 2010 the proposed deal to divide and assign the Sporting Goods Divisions (SGD) and Precision Products Divisions (PPD) of Fu Sheng Industrial CO., Ltd. under "Business Mergers and Acquisitions Act" and "Company Act", effective November 1, 2010. The assets, liabilities, all rights and obligations of SGD and PPD, including the existing factories, equipment and employees, were assigned to the Company upon completion of the division and assignment. The Company will continue to operate its business.
- (3) The Company's first public offering was approved in October 2017 and its shares were first traded on the emerging stock market on November 30, 2017. The Company's common shares were publicly listed on the Taiwan Stock Exchange (TWSE) on December 18, 2018. The Company's registered office and the main business location are at 3F., No. 172. Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City, Taiwan (R.O.C.) and No. 9, Xingzhong St., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.).

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the three-month periods ended March 31, 2020 and 2019 were authorized for issue by the Board of Directors on May 12, 2020.

3. Newly issued or revised standards and interpretations

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2019. The adoption of these new standards and amendments had no material impact on the Group.

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

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

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

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

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

B. IFRS 17 “Insurance Contracts”

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

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

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

C. Classification of Liabilities as Current or Non-current – Amendments to IAS 1

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

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. All the above of new or amended standards and interpretations have no material impact on the Group.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the three-month periods ended March 31, 2020 and 2019 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and IAS 34 *Interim Financial Reporting* as endorsed and became effective by the FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statement

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

- A. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- B. exposure, or rights, to variable returns from its involvement with the investee, and
- C. the ability to use its power over the investee to affect its returns

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

- A. the contractual arrangement with the other vote holders of the investee
- B. rights arising from other contractual arrangements
- C. the Group's voting rights and potential voting rights

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

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

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

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. derecognizes the carrying amount of any non-controlling interest;
- C. recognizes the fair value of the consideration received;
- D. recognizes the fair value of any investment retained;
- E. recognizes any surplus or deficit in profit or loss; and
- F. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Name of the investors	Name of subsidiaries	Nature of Business	Percentage of ownership (%)		
			March 31, 2020	December 31, 2019	March 31, 2019
The Company	Sharphope Company Ltd.	Investment holding	100.00%	100.00%	100.00%
The Company	Vision International Co., Ltd.	Manufacture and sale of golf club head	100.00%	100.00%	100.00% (Note3)
The Company	Gainsmart Group Ltd.	Investment holding	100.00%	100.00%	100.00%
The Company	World Gate Holdings Ltd.	Investment holding	100.00%	100.00%	100.00%
The Company	NFT Technology CO., Ltd.	Manufacture and sale of medical equipment and automotive parts	69.74%	69.74%	69.74% (Note3)
The Company	Crosspace Co., Ltd.	Selling pure titanium tableware and kitchenware	100.00%	100.00%	100.00% (Note3)
Sharphope Company Ltd.	Extensor World Trading Ltd. (Cayman)	International trade	100.00%	100.00%	100.00%
Sharphope Company Ltd.	Extensor World Trading Ltd. (Hong Kong)	International trade	100.00% (Note1)	100.00% (Note1)	-
Gainsmart Group Ltd.	FS-North America, Inc.	Investment holding	100.00%	100.00%	100.00% (Note3)
FS-North America, Inc.	FS-Precision Tech Co., LLC.	Manufacture and sale of medical equipment and automotive parts	100.00%	100.00%	100.00% (Note3)
World Gate Holdings Ltd.	Zhong Shan Worldmark Sporting Goods Ltd.	Manufacture and sale of golf club head	100.00%	100.00%	100.00%
World Gate Holdings Ltd.	Zhong Shan LongXing Precision Machinery Co., Ltd.	Manufacture and sale of sports equipment, automotive parts, molds and other products	100.00%	100.00%	100.00% (Note3)
World Gate Holdings Ltd.	Wealth Max Creation Limited.	Investment holding and international trade	52.5%	52.5%	52.5% (Note3)
World Gate Holdings Ltd.	Zhong Shan Auto Precision Technology Co., Ltd.	Researching and developing and manufacturing of hardware, plastics and printing of packaging	52.5% (Note2)	52.5% (Note2)	-
Wealth Max Creation Limited.	Zhong Shan Auto Precision Technology Co., Ltd.	Researching and developing and manufacturing of hardware, plastics and printing of packaging	- (Note2)	- (Note2)	100.00% (Note3)

Name of the investors	Name of subsidiaries	Nature of Business	Percentage of ownership (%)		
			March 31, 2020	December 31, 2019	March 31, 2019
Zhong Shan Aubo Precision Technology Co., Ltd.	Zhong Shan Aubo Metal Surface Treatment Co., Ltd.	Anodizing process	100.00%	100.00%	100.00% (Note3)
Zhong Shan Aubo Precision Technology Co., Ltd.	Aubo (Vietnam) Precision Technology Company Limited	Manufacture hardware and plastics	100.00%	100.00%	100.00% (Note3)
Zhong Shan Worldmark Sporting Goods Ltd.	Zhong Shan Dingxing Vacuum Technology Co., Ltd.	Research, development and manufacturing of vacuum technology products, vacuum coating processing and sports equipment, metal products import and export business	100.00%	100.00%	100.00% (Note3)

(Note 1) As the Cayman Islands enacted the International Tax Co-operation Economic Substance Law, the Company established Extensor World Trading Ltd. (Hong Kong) through its subsidiary: Sharphope Company Ltd. for US\$ 1 on July 19, 2019 to replace the international trading function of the Cayman subsidiary, Extensor World Trading Ltd.. The establishment registration was approved and was ratified by the Board of Directors of the parent company on August 14, 2019.

(Note 2) After the Company purchased 52.5% equity of Wealth Max Creation Limited through its subsidiary: World Gate Holdings Ltd. in 2018, the Company indirectly held 100% of the subsidiary of Wealth Max Creation Limited—"Zhong Shan Aubo Precision Technology Co., Ltd. " In response to the future development plan of Zhong Shan Aubo Precision Technology Co., Ltd., the parent company's Board of Directors approved on August 14, 2019 to carry out related organizational reorganization and adjust the investment structure, and transferred 52.5% equity of Zhong Shan Aubo Precision Technology Co., Ltd. to the subsidiary: World Gate Holdings Ltd.. The equity transfer was completed on October 1, 2019.

(Note 3) The company is determined to be a non-essential subsidiary, so the relevant financial statements had not been reviewed by auditors.

The financial statements of some of the consolidated subsidiaries listed above had not been reviewed by auditors. As of March 31, 2019, the related assets of the subsidiaries which were unreviewed by auditors amount to \$2,509,287 thousand and the related liabilities amount to \$1,393,201 thousand. The comprehensive income of these subsidiaries amount to \$45,369 thousand for the three-month periods ended March 31, 2019.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

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

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

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

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

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

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

(6) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within three months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial instruments

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

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

A. Financial instruments: Recognition and Measurement

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

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

- (a) the Group's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

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

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

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

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

B. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial asset measured at amortized cost.

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

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

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

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

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

C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired
- (b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- (c) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(9) Fair value measurement

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

- A. In the principal market for the asset or liability, or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

(10) Inventories

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

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

Raw materials - Purchase cost on a weighted average cost basis.

Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(11) Investments accounted for using the equity method

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

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

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

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

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

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

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

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

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(12) Property, plant and equipment

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

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

Buildings	4~50 years
Machinery and equipment	1~10 years
Other equipment	1~20 years

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(13) Leases

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

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

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

Group as a lessee

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

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

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

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

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

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

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

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

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

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

Group as a lessor

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

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

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

(14) Intangible assets

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

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

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

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Relationship of customer

The cost of customer relationship incurs as a result of merger and acquisition and is amortized on a straight-line basis over the estimated useful life of 7 years.

Technology and Know-how

The cost of technology and know-how incurs as a result of merger and acquisition and is amortized on a straight-line basis over the estimated useful life of 7 years.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (1 to 2 years).

A summary of the policies applied to the Group's intangible assets is as follows:

	<u>Relationship of customer</u>	<u>Technology and Know-how</u>	<u>Computer software</u>
Useful lives	Finite	Finite	Finite
Amortization method used	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired	Acquired

(15) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

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

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16) Provisions

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

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Other long-term provision

According to management's judgement and other known reasons, the expected employee occupational injury expenses were recognized as miscellaneous expenses and estimated related provisions.

(17) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

Sale of goods

The Group manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is golf club head and revenue is recognized based on the consideration stated in the contract.

For some of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arised.

Rendering of services

The Group provides technology services. These services recognize revenue based on the content of the relevant agreement. Most of the contractual considerations of the Group are collected evenly throughout the contract period.

(18) Post-employment benefits

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

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

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

- A. the date of the plan amendment or curtailment, and
- B. the date that the Group recognizes restructuring-related costs

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

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

(19) Income taxes

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

Current income tax

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

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

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The estimated average annual effective income tax rate only includes current income tax. The recognition and measurement of deferred tax follows annual financial reporting requirements in accordance with IAS 12. The Group recognizes the effect of change in tax rate for deferred taxes in full if the new tax rate is enacted by the end of the interim reporting period, by charging to profit or loss, other comprehensive income, or directly to equity.

(20) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 9 *Financial Instruments* (before January 1, 2019: IAS 39) either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. Significant accounting judgments, estimates and assumptions

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

Estimates and assumptions

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

(1) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and change of the future salary etc..

(2) Income tax

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

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(3) Accounts receivables—estimation of impairment loss

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

(4) Inventories

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

(5) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of		
	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand	\$1,758	\$1,349	\$1,471
Checking and savings accounts	1,445,844	2,550,500	3,149,974
Time deposits	1,605,632	113,894	106,138
Equivalent cash — Investments in bonds with repurchase agreements	-	-	30,905
Total	\$3,053,234	\$2,665,743	\$3,288,488

The Group entered into a repurchase agreement on March 31, 2019 in the amount of US\$1,001 thousand recognized as cash and cash equivalents, which has been agreed to be sold back to the bills finance company in the amount of US\$1,003 thousand before April 8, 2019.

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

	As of		
	March 31, 2020	December 31, 2019	March 31, 2019
Financial assets mandatorily measured at fair value through profit or loss:			
Preferred stocks	\$172,535	\$181,748	\$177,833
Funds	-	-	180,045
Unlisted stocks	1,400	1,400	1,400
US dollar aggressive funds	367	389	344
Total	\$174,302	\$183,537	\$359,622
Current	\$172,535	\$181,748	\$357,878
Non-current	1,767	1,789	1,744
Total	\$174,302	\$183,537	\$359,622

Financial assets at fair value through profit or loss were not pledged.

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

	As of		
	March 31, 2020	December 31, 2019	March 31, 2019
Debt instrument investments measured at fair value through other comprehensive income -			
Non current :			
Unlisted stocks	\$-	\$-	\$25,200
			(Note)

Note: The Company's investment in the company is accounted for using the equity method after the Company has its significant influence. Please refer to Note 6(8) for more details.

Financial assets at fair value through other comprehensive income were not pledged.

The Group's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the three-month periods ended March 31, 2020 and 2019 are both \$0.

(4) Financial assets measured at amortized cost

	As of		
	March 31, 2020	December 31, 2019	March 31, 2019
Time deposits	\$45,150	\$15,000	\$15,000
Restricted deposit	2,124	2,158	4,358
Total	<u>\$47,274</u>	<u>\$17,158</u>	<u>\$19,358</u>

	As of		
	March 31, 2020	December 31, 2019	March 31, 2019
Current	\$47,274	\$17,158	\$19,358
Non-current	-	-	-
Total	<u>\$47,274</u>	<u>\$17,158</u>	<u>\$19,358</u>

The Group classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 6(17) for more details on loss allowance and Note 8 for more details on financial assets measured at amortized cost under pledge. Please refer to Note 12 for more details on credit risk.

(5) Notes receivables

	As of		
	March 31, 2020	December 31, 2019	March 31, 2019
Notes receivables arising from operating activities (total carrying amount)	\$9,132	\$13,144	\$15,788
Less: loss allowance	-	-	-
Total	<u>\$9,132</u>	<u>\$13,144</u>	<u>\$15,788</u>

Notes receivables were not pledged.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6(17) for more details on loss allowance and Note 12 for details on credit risk.

(6) Accounts receivable, net

	As of		
	March 31, 2020	December 31, 2019	March 31, 2019
Accounts receivable (total carrying amount)	\$2,056,529	\$3,069,401	\$2,282,395
Less: loss allowance	(2,156)	(6,257)	(8,085)
Subtotal	2,054,373	3,063,144	2,274,310
Accounts receivable - related parties (total carrying amount)	880	2,349	1,224
Less: loss allowance	-	-	-
Subtotal	880	2,349	1,224
Total	<u>\$2,055,253</u>	<u>\$3,065,493</u>	<u>\$2,275,534</u>

Accounts receivable were not pledged.

Accounts receivable are generally on 30-90 day terms. The total carrying amount as of March 31, 2020, December 31, 2019 and March 31, 2019 were \$2,066,541 thousand, \$3,084,894 thousand and \$2,299,407 thousand, respectively. Please refer to Note 6(17) for more details on loss allowance of accounts receivable for the three-month periods ended March 31, 2020 and 2019. Please refer to Note 12 for more details on credit risk management.

(7) Inventories

	As of		
	March 31, 2020	December 31, 2019	March 31, 2019
Raw materials	\$390,517	\$445,093	\$291,117
Work in progress	786,829	691,959	461,702
Finished goods	299,346	550,896	254,333
Goods	6,437	5,293	857
Inventories in transit	333,369	424,311	251,733
Total	<u>\$1,816,498</u>	<u>\$2,117,552</u>	<u>\$1,259,742</u>

For the three-month periods ended March 31, 2020 and 2019, the Group recognized \$2,762,084 thousand and \$3,230,517 thousand, respectively, in operating cost, including the write-down of inventories of \$12,867 thousand and \$(957) thousand, respectively. The reversal is due to disposal of slow-moving inventories.

No inventories were pledged.

(8) Investment accounted for using equity method

The following table lists the investments accounted for using the equity method of the Group:

Investees	As of					
	March 31, 2020		December 31, 2019		March 31, 2019	
	Carrying	Percentage of (%)	Carrying	Percentage of (%)	Carrying	Percentage of (%)
Investments in associates:						
Digital-Can Technology Co., Ltd. (Note)	\$21,470	9.93	\$22,297	9.93	\$-	-

Note: In order to enhance the manufacturing technology and expand the aerospace business, the Group completed the equity settlement on February 1, 2019, with the resolution of the parent company's board of directors passed on December 28, 2018 to acquired 9.93% equity of Digital-Can Technology Co., Ltd. in the amount of \$25,200 thousand, and it was listed as Financial asset at fair value through other comprehensive income. After having had its significant influence, we are using the equity method instead.

The Group's investment in Digital-Can Technology Co., Ltd. is not individually material. The aggregate carrying amount of the Group's interests in Digital-Can Technology Co., Ltd. is \$21,470 thousand, \$22,297 thousand and \$0 as of March 31, 2020, December 31, 2019 and March 31, 2019. The aggregate financial information of the Group's investments is as follows:

	3-month periods ended	
	March 31, 2020	March 31, 2019
Profit or loss from continuing operations	\$(827)	\$-
Other comprehensive income (post-tax)	-	-
Total comprehensive income	<u>\$(827)</u>	<u>\$-</u>

The associates had no contingent liabilities or capital commitments as of March 31, 2020, December 31, 2019 and March 31, 2019.

(9) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Others	Construction in progress and equipment awaiting inspection	Total
Cost:						
As of January 1, 2020	\$552,444	\$1,533,644	\$2,452,789	\$484,908	\$77,746	\$5,101,531
Additions	-	497	16,558	6,402	43,441	66,898
Disposals	-	-	(19,436)	(1,399)	-	(20,835)
Transfers	-	-	36,071	7,182	(43,253)	-
Exchange differences	-	(18,751)	(24,296)	(1,228)	(124)	(44,399)
As of March 31, 2020	<u>\$552,444</u>	<u>\$1,515,390</u>	<u>\$2,461,686</u>	<u>\$495,865</u>	<u>\$77,810</u>	<u>\$5,103,195</u>

					Construction in progress and equipment awaiting inspection	
	Land	Buildings	Machinery and equipment	Others		Total
As of January 1, 2019	\$552,444	\$1,475,910	\$2,058,554	\$384,345	\$156,715	\$4,627,968
Additions	-	215	83,715	12,119	63,177	159,226
Disposals	-	-	(20,555)	(717)	-	(21,272)
Transfers	-	107,424	23,727	(2,231)	(134,994)	(6,074)
Exchange differences	-	29,197	31,475	2,686	653	64,011
As of March 31, 2019	<u>\$552,444</u>	<u>\$1,612,746</u>	<u>\$2,176,916</u>	<u>\$396,202</u>	<u>\$85,551</u>	<u>\$4,823,859</u>
Depreciation and impairment:						
As of January 1, 2020	\$-	\$881,517	\$1,330,992	\$276,915	\$-	\$2,489,424
Depreciation	-	14,343	69,118	13,856	-	97,317
Disposals	-	-	(6,908)	(1,117)	-	(8,025)
Exchange differences	-	(11,777)	(12,957)	(699)	-	(25,433)
As of March 31, 2020	<u>\$-</u>	<u>\$884,083</u>	<u>\$1,380,245</u>	<u>\$288,955</u>	<u>\$-</u>	<u>\$2,553,283</u>
As of January 1, 2019	\$-	\$864,000	\$1,186,672	\$244,911	\$-	\$2,295,583
Depreciation	-	13,877	58,846	10,706	-	83,429
Disposals	-	-	(14,226)	(470)	-	(14,696)
Transfers	-	-	(1,692)	(2,314)	-	(4,006)
Exchange differences	-	18,754	17,829	2,027	-	38,610
As of March 31, 2019	<u>\$-</u>	<u>\$896,631</u>	<u>\$1,247,429</u>	<u>\$254,860</u>	<u>\$-</u>	<u>\$2,398,920</u>
Net carrying amount as of:						
March 31, 2020	<u>\$552,444</u>	<u>\$631,307</u>	<u>\$1,081,441</u>	<u>\$206,910</u>	<u>\$77,810</u>	<u>\$2,549,912</u>
December 31, 2019	<u>\$552,444</u>	<u>\$652,127</u>	<u>\$1,121,797</u>	<u>\$207,993</u>	<u>\$77,746</u>	<u>\$2,612,107</u>
March 31, 2019	<u>\$552,444</u>	<u>\$716,115</u>	<u>\$929,487</u>	<u>\$141,342</u>	<u>\$85,551</u>	<u>\$2,424,939</u>

Components of building that have different useful lives are main building structure, fire protection engineering, air conditioning units and elevators, which are depreciated respectively.

There were no capitalized borrowing costs of construction in progress for the three-month periods ended March 31, 2020 and 2019.

No property, plant and equipment were pledged. Please refer to Note 6(22) for more details on remaining land under pledge.

(10) Intangible assets

	Technology				
	Relationship of customer	and Know- how	Goodwill	Computer software	Total
Cost:					
As of January 1, 2020	\$28,000	\$19,000	\$107,476	\$47,461	\$201,937
Addition	-	-	-	3,482	3,482
Exchange differences	-	-	47	(70)	(23)
As of March 31, 2020	\$28,000	\$19,000	\$107,523	\$50,873	\$205,396
As of January 1, 2019	\$28,000	\$19,000	\$107,559	\$31,926	\$186,485
Addition	-	-	-	2,554	2,554
Transfers	-	-	-	6,074	6,074
Exchange differences	-	-	11	13	24
As of March 31, 2019	\$28,000	\$19,000	\$107,570	\$40,567	\$195,137
Amortization and impairment:					
As of January 1, 2020	\$6,000	\$4,071	\$-	\$32,319	\$42,390
Amortization	1,000	679	-	1,158	2,837
Exchange differences	-	-	-	(28)	(28)
As of March 31, 2020	\$7,000	\$4,750	\$-	\$33,449	\$45,199
As of January 1, 2019	\$2,000	\$1,357	\$-	\$21,858	\$25,215
Amortization	1,000	679	-	1,438	3,117
Transfers	-	-	-	4,006	4,006
Exchange differences	-	-	-	9	9
As of March 31, 2019	\$3,000	\$2,036	\$-	\$27,311	\$32,347
Net carrying amount as of:					
March 31, 2020	\$21,000	\$14,250	\$107,523	\$17,424	\$160,197
December 31, 2019	\$22,000	\$14,929	\$107,476	\$15,142	\$159,547
March 31, 2019	\$25,000	\$16,964	\$107,570	\$13,256	\$162,790

Amortization expense of intangible assets under the statement of comprehensive income:

	3-month periods ended March 31,	
	2020	2019
Operating costs	\$533	\$601
Operating expenses	\$2,304	\$2,516

(11) Short-term loans

	Interest Rates (%)	As of		
		March 31, 2020	December 31, 2019	March 31, 2019
Unsecured bank loans	1.22%~4.47%	\$744,803	\$894,177	\$670,831

The Group's unused short-term lines of credits amount to \$8,655,813 thousand, \$8,270,456 thousand and \$7,556,584 thousand, as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

(12) Other payables

	As of		
	March 31, 2020	December 31, 2019	March 31, 2019
Salaries payable	\$514,100	\$776,289	\$597,467
Accrued expenses	253,983	162,768	120,327
Bonuses payable	70,122	58,450	66,145
Other payable—other	33,619	41,149	69,339
Other payable—related party	136	15,223	16,859
Total	\$871,960	\$1,053,879	\$870,137

(13) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended March 31, 2020 and 2019 were \$29,268 thousand and \$46,086 thousand, respectively.

Defined benefits plan

Expenses under the defined benefits plan for the three-month periods ended March 31, 2020 and 2019 were \$989 thousand and \$1,121 thousand, respectively.

(14) Provisions

	Decommissioning, restoration and rehabilitation	Other long-term provision	Total
As of January 1, 2020	\$8,804	\$143,090	\$151,894
Utilized	-	(27,460)	(27,460)
Discount rate adjustment and unwinding of discount from the passage of time	80	-	80
Exchange differences	-	(1,789)	(1,789)
As of March 31, 2020	\$8,884	\$113,841	\$122,725

	Decommissioning, restoration and rehabilitation	Other long-term provision	Total
As of January 1, 2019	\$8,488	\$252,412	\$260,900
Utilized	-	(19,427)	(19,427)
Discount rate adjustment and unwinding of discount from the passage of time	82	-	82
Exchange differences	-	7,152	7,152
As of March 31, 2019	<u>\$8,570</u>	<u>\$240,137</u>	<u>\$248,707</u>
Current—March 31, 2020	\$-	\$-	\$-
Non-current—March 31, 2020	8,884	113,841	122,725
As of March 31, 2020	<u>\$8,884</u>	<u>\$113,841</u>	<u>\$122,725</u>
Current—December 31, 2019	\$-	\$-	\$-
Non-current—December 31, 2019	8,804	143,090	151,894
As of December 31, 2019	<u>\$8,804</u>	<u>\$143,090</u>	<u>\$151,894</u>
Current—March 31, 2019	\$-	\$-	\$-
Non-current—March 31, 2019	8,570	240,137	248,707
As of March 31, 2019	<u>\$8,570</u>	<u>\$240,137</u>	<u>\$248,707</u>

Decommissioning, restoration and rehabilitation

A provision has been recognized for decommissioning costs associated with a factory owned by subsidiary. The Group is committed to restore the site as was when decommissioning the site.

Other long-term provision

According to the management's judgement and other known reasons, the expected employee occupational injury expenses were recognized as miscellaneous expense and estimated related provisions.

(15)Equities

A. Common stock

The Company's authorized capital were both \$3,000,000 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019. The Company's issued capital were both \$1,310,300 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019, each at a par value of \$10. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	As of		
	March 31, 2020	December 31, 2019	March 31, 2019
Additional paid-in capital	\$1,515,684	\$1,515,684	\$1,515,684
Difference between consideration given/ received and carrying amount of interests in subsidiaries			
acquired/disposed of	75,872	75,872	75,872
Expired employee stock warrants	72,802	72,802	72,802
Total	<u>\$1,664,358</u>	<u>\$1,664,358</u>	<u>\$1,664,358</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

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

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

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide at least 10% of the dividends must be paid in the form of cash.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

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

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

On first-time adoption of the TIFRS, the Company's special reserve amounted to \$112,383 thousand as of the three-month periods ended March 31, 2020 and 2019. Following the Company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to other net deductions from shareholders' equity are both \$0 as of the three-month periods ended March 31, 2020 and 2019, respectively. The Company did not reverse special reserve to retained earnings for the period ended March 31, 2020 and 2019 as a result of the use, disposal of or reclassification of related assets.

Details of the 2019 and 2018 earnings distribution and dividends per share as approved by Board of Directors' meeting on March 24, 2020 and by the stockholders' meeting on June 27, 2019, respectively, are as follows:

	Appropriation of earnings		Dividend per share (\$)	
	2019	2018	2019	2018
Legal reserve	\$217,630	\$200,563		
Special reserve	135,084	83,957		
Common stock -cash dividend	1,048,240	1,441,330	\$8	\$11

Please refer to Note 6(19) for details on employees' compensation and remuneration to directors and supervisors.

D. Non-controlling interests

	3-month periods ended March 31,	
	2020	2019
Beginning balance	\$328,246	\$247,693
Net gains attributable to non-controlling interests	15,914	26,513
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	(3,289)	2,921
Ending balance	<u>\$340,871</u>	<u>\$277,127</u>

(16) Operating revenue

A. Disaggregation of revenue

	3-month periods ended March 31,	
	2020	2019
Revenue from contracts with customers		
Sale of goods	\$3,575,727	\$4,174,342
Other revenue	50,528	37,287
Total	<u>\$3,626,255</u>	<u>\$4,211,629</u>

B. The Group recognizes contract revenue according to IFRS 15, which is at a point in time.

(17) Expected credit losses/(gains)

	3-month periods ended March 31,	
	2020	2019
Operating expenses – Expected credit losses/(gains)		
Accounts receivables	<u>\$4,134</u>	<u>\$1,376</u>

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

The credit risk for the Group's financial assets measured at amortized cost are assessed as low (the same as the assessment result in the beginning of the period). Since the transaction objects of the company are all financial institutions such as banks with good credit, all of them are calculated based on the expected credit loss rate of 0% and the allowance loss amount is \$0.

The Group measures the loss allowance of its accounts receivable (including notes receivables and accounts receivable) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of March 31, 2020, December 31, 2019 and March 31, 2019 are as follow:

Considering counterparties credit rating, industry characteristics and past experiences, the loss allowance of accounts receivable is measured as a single group by using a provision matrix. Details for provision matrix are as follow:

As of March 31, 2020		Overdue			
	Not yet due (Note)	Under 60 days	61~180 days	Over 181 days	Total
Gross carrying amount					\$2,066,541
Loss ratio					0.1043%
Lifetime expected credit losses					(2,156)
Net carrying amount	<u>\$1,913,195</u>	<u>\$148,306</u>	<u>\$2,454</u>	<u>\$430</u>	<u>\$2,064,385</u>

As of December 31, 2019		Overdue			
	Not yet due (Note)	Under 60 days	61~180 days	Over 181 days	Total
Gross carrying amount					\$3,084,894
Loss ratio					0.2028%
Lifetime expected credit losses					(6,257)
Net carrying amount	<u>\$2,902,141</u>	<u>\$91,891</u>	<u>\$84,167</u>	<u>\$438</u>	<u>\$3,078,637</u>

As of March 31, 2019		Overdue			
	Not yet due (Note)	Under 60 days	61~180 days	Over 181 days	Total
Gross carrying amount					\$2,299,407
Loss ratio					0.3516%
Lifetime expected credit losses					(8,085)
Net carrying amount	<u>\$2,235,666</u>	<u>\$53,070</u>	<u>\$1,414</u>	<u>\$1,172</u>	<u>\$2,291,322</u>

Note: The Group's note receivables are not overdue.

The movement in the provision for impairment of notes receivables and accounts receivable during the three-month periods ended March 31, 2020 and 2019 is as follows:

	Notes receivables	Accounts receivable
As of January 1, 2020	\$-	\$6,257
Write off	-	(4,134)
Exchange differences	-	33
As of March 31, 2020	<u>\$-</u>	<u>\$2,156</u>
As of January 1, 2019	\$-	\$9,425
Write off	-	(1,376)
Exchange differences	-	36
As of December 31, 2019	<u>\$-</u>	<u>\$8,085</u>

(18)Leases

A. Group as a lessee

The Group leases various properties, including real estate such as land and buildings, machinery and equipment and other equipment. The lease terms range from 1 to 13 years. The Group is not subject to any special restrictions.

The Group's leases effect on the financial position, financial performance and cash flows are as follows:

(a) Amounts recognized in the balance sheet

i. Right-of-use assets

The carrying amount of right-of-use assets

	As of		
	March 31, 2020	December 31, 2019	March 31, 2019
Land	\$94,990	\$97,304	\$105,701
Buildings	311,194	311,914	219,221
Total	\$406,184	\$409,218	\$324,922

The Group's additions to right-of-use assets amounting to \$18,128 thousand and \$1,916 thousand in March 31, 2020 and 2019, respectively

ii. Lease liabilities

	As of		
	March 31, 2020	December 31, 2019	March 31, 2019
Lease liabilities	\$301,128	\$298,363	\$198,842
Current	\$60,718	\$56,894	\$49,921
Non-current	240,410	241,469	148,921
Total	\$301,128	\$298,363	\$198,842

Please refer to Note 6(20) for the interest on lease liabilities recognized during the three-month periods ended March 31, 2020 and 2019 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities.

(b) Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	3-month periods ended March 31,	
	2020	2019
Land	\$886	\$2,283
Buildings	18,093	14,341
Total	\$18,979	\$16,624

(c) Income and costs relating to leasing activities

	<u>3-month periods ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
The expenses relating to leases of low-value assets (Including the expenses relating to short-term leases of low-value assets)	<u>\$4,240</u>	<u>\$2,474</u>

(d) Cash outflow relating to leasing activities

During the three-month periods ended March 31, 2020 and 2019, the Group's total cash outflows for leases amounting to \$21,876 thousand and \$18,382 thousand, respectively.

(e) Other information relating to leasing activities

Some of the Group's agreements contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group.

After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

(19) Summary statement of employee benefits, depreciation and amortization expenses by function:

	3-month periods ended March 31,					
	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$563,946	\$192,465	\$756,411	\$596,469	\$174,871	\$771,340
Labor and health insurance	11,774	7,773	19,547	10,769	8,787	19,556
Pension	24,156	6,101	30,257	39,411	7,796	47,207
Other employee benefits expense	84,468	12,824	97,292	63,913	9,592	73,505
Depreciation	100,936	15,360	116,296	80,932	19,121	100,053
Amortization	533	2,304	2,837	601	2,516	3,117

According to the Articles of Incorporation, 2% of profit of the current year is distributable as employees' compensation and no higher than 0.5% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. If the Board of Directors subsequently modifies the estimates significantly, the company will recognize the change as an adjustment in the profit or loss in the subsequent period. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of the three-month period ended March 31, 2020, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the three-month period ended March 31, 2020 to be 2.22% of profit of the current three-month period and 0.07% of profit of the current three-month period, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors for the three-month period ended March 31, 2020 amount to \$11,297 thousand and \$375 thousand, respectively and recognized as salaries expense.

Based on profit of the three-month period ended March 31, 2019, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the three-month period ended March 31, 2019 to be 2.51% of profit of the current three-month period and 0.07% of profit of the current three-month period, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors for the three-month period ended March 31, 2019 amount to \$14,220 thousand and \$375 thousand, respectively and recognized as salaries expense.

A resolution was passed at a Board of Directors meeting held on March 24, 2020 to distribute \$56,880 thousand and \$15,000 thousand in cash as employees' compensation and remuneration to directors of 2019, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2019.

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

(20) Non-operating income and expenses

A. Other income

	<u>3-month periods ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest income		
Financial assets measured at amortized cost	\$7,158	\$5,638
Lending to others	365	-
Others	18,895	13,240
Total	<u>\$26,418</u>	<u>\$18,878</u>

B. Other gains and losses

	<u>3-month periods ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Losses on disposal of property, plant and equipment	<u>\$(807)</u>	<u>\$(5,494)</u>
Losses and gains on financial assets at fair value through profit or loss	(9,235)	2,411
Foreign exchange gains(losses), net	32,286	(38,280)
Others	(2,770)	(7,679)
Total	<u>\$19,474</u>	<u>\$(49,042)</u>

C. Finance costs

	<u>3-month periods ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest on borrowings from bank	<u>\$(5,920)</u>	<u>\$(5,234)</u>
Interest on lease liabilities	(2,807)	(1,590)
Total	<u>\$(8,727)</u>	<u>\$(6,824)</u>

(21) Components of other comprehensive income

3-month period ended March 31, 2020

	<u>Reclassification</u>	<u>Other</u>	<u>Income tax</u>	<u>relating to</u>	<u>Other</u>
	<u>adjustments</u>	<u>comprehensive</u>	<u>components of</u>	<u>comprehensive</u>	<u>comprehensive</u>
	<u>Arising during</u>	<u>income, before</u>	<u>other</u>	<u>income, net of</u>	<u>tax</u>
	<u>the period</u>	<u>period</u>	<u>tax</u>	<u>comprehensive</u>	<u>tax</u>
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	<u>\$62,366</u>	<u>\$-</u>	<u>\$62,366</u>	<u>\$-</u>	<u>\$62,366</u>

3-month period ended March 31, 2019

	Arising during the period	Reclassification during the period	Other income, before tax	comprehensive income, before other tax	components of comprehensive income, net of other comprehensive income	Income tax
To be reclassified to profit or loss in subsequent periods:						
Exchange differences resulting from translating the financial statements of foreign operations			\$86,439	\$-	\$86,439	\$-

(22) Income tax

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

Income tax expense (income) recognized in profit or loss

	3-month periods ended March 31,	
	2020	2019
Current income tax expense:		
Current income tax charge	\$73,766	\$122,657
Adjustments in respect of current income tax of prior periods	(6,943)	351
Deferred tax expense:		
Deferred tax expense (income) relating to origination and reversal of temporary differences	7,402	(6,491)
Total income tax expense	<u>\$74,225</u>	<u>\$116,517</u>

The assessment of income tax returns

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

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2018

The Company and the tax authority could not agree on the goodwill amortization in the Company's income tax returns from 2010 to 2015. The Company filed for administrative relief and has paid half of the taxable amount pursuant to relevant regulations. The unpaid amounts have been recognized as liabilities. The tax authority requested relevant competent authorities to prohibit land transfer registration or creation of other rights concerning certain pieces of land. The carrying amounts of restricted land both amounted to \$18,724 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019. The Company retained attorneys to work on the case and the Company's operations, finances and business remained normal and were not affected by the case.

(23) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

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

	3-month periods ended March 31,	
	2020	2019
A. Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$430,039	<u>\$436,596</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	131,030	<u>131,030</u>
Basic earnings per share (NT\$)	<u>\$3.28</u>	<u>\$3.33</u>
B. Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$430,039	<u>\$436,596</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	131,030	131,030
Effect of dilution:		
Employee compensation—stock (in thousands)	421	<u>394</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>131,451</u>	<u>131,424</u>
Diluted earnings per share (NT\$)	<u>\$3.27</u>	<u>\$3.32</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. Related party transactions

Information of related parties that had transactions with the Group during the financial reporting periods is as follows:

Name of the related parties	Nature of relationship of the related parties
Fu Sheng Elliott Co. LLC.	Substantive related party
Fusheng Curtis Direct	Substantive related party
Fu Sheng Industrial CO., Ltd.	Substantive related party
Fusheng Electronics Corporation	Substantive related party
Fu Sheng Industrial (Shanghai) Co., Ltd.	Substantive related party
Zhong Shan Fu Sheng Electromechanical Co., Ltd.	Substantive related party
Zhong Shan Fu Sheng Machinery Co., Ltd.	Substantive related party
Max Source Holdings Ltd.	Substantive related party
Worldmark Service Ltd.	Substantive related party
Well Base International Limited	Substantive related party
Chen, Chang-Chun	Substantive related party
California Air Compressor Company	Substantive related party

(1) Sales

	3-month periods ended March 31,	
	2020	2019
Fu Sheng Industrial CO., Ltd.	\$1,479	\$398
Other	2	737
Total	<u>\$1,481</u>	<u>\$1,135</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection period for domestic sales to related parties was month-end 90 days, while the terms for overseas sales were 30~120 days from FOB shipping point. The collection period for third party domestic sales was month-end 30~60 days, while the terms for overseas sales were 30~90 days from FOB shipping point. The outstanding balance at March 31, 2020 and 2019 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(2) Accounts receivable

	As of		
	March 31, 2020	December 31, 2019	March 31, 2019
FuSheng Industrial CO., Ltd.	\$880	\$952	\$558
Other	-	1,396	666
Total	<u>\$880</u>	<u>\$2,348</u>	<u>\$1,224</u>

(3) Other receivable

	As of		
	March 31, 2020	December 31, 2019	March 31, 2019
Max Source Holdings Ltd.	\$21	\$1,223	\$4,705
Other	117	-	574
Total	<u>\$138</u>	<u>\$1,223</u>	<u>\$5,279</u>

(4) Prepayments

	As of		
	March 31, 2020	December 31, 2019	March 31, 2019
Zhong Shan Fu Sheng Electromechanical Co., Ltd.	\$17	\$1,425	\$-
Other	-	-	756
Total	<u>\$17</u>	<u>\$1,425</u>	<u>\$756</u>

(5) Other payables

	As of		
	March 31, 2020	December 31, 2019	March 31, 2019
Max Source Holdings Ltd.	\$-	\$12,713	\$16,647
Other	136	2,510	10,309
Total	<u>\$136</u>	<u>\$15,223</u>	<u>\$26,956</u>

(6) Lease-related parties

A. Rent Income

	<u>3-month periods ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Max Source Holdings Ltd.	\$-	\$1,179
Other	1,139	1,170
Total	\$1,139	\$2,349

The rental income is generated from leasing the plant to related parties. The transaction conditions are agreed upon by both parties, and the rent is paid monthly.

B. Right-of-use assets

	<u>As of</u>		
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Zhong Shan Fu Sheng Electromechanical Co., Ltd.	\$32,049	\$34,660	\$42,841

C. Lease liabilities

	<u>As of</u>		
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Zhong Shan Fu Sheng Electromechanical Co., Ltd.	\$16,577	\$17,626	\$20,631

D. Interest Expense

	<u>3-month periods ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Zhong Shan Fu Sheng Electromechanical Co., Ltd.	\$210	\$244

E. Depreciation

	<u>3-month periods ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Zhong Shan Fu Sheng Electromechanical Co., Ltd.	\$2,078	\$2,198

(7) Operating expenses

	<u>3-month periods ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Sales and marketing expenses-freight, miscellaneous, etc. (Note) Max Source Holdings Ltd.		
	<u>\$-</u>	<u>\$22,934</u>

Note: The Company handles import and export of goods on behalf of the Company and subsidiaries, and collects shipping and miscellaneous fees from the Company and subsidiaries.

(8) Property transaction

A. Purchase of Property, plant and equipment

For the three-month period ended March 31, 2020: None.

For the three-month period ended March 31, 2019:

<u>Related party</u>	<u>Item of asset</u>	<u>Purchasing price</u>
Fu Sheng Industrial (Shanghai) Co., Ltd.	Machinery and equipment	<u>\$1,892</u>

B. Zhong Shan Aubo Precision Technology Co., Ltd. entered into an assignment contract with the related party, Zhong Shan Fu Sheng Electromechanical Co., Ltd., on August 21, 2019, to transfer land tenure right and the buildings located on Huo-ju Road, Zhongshan Torch High-tech Industrial Development Zone, Zhongshan, Guangdong Province, China. Please refer to Note 9.

(9) Key management personnel compensation

	<u>3-month periods ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	<u>\$17,869</u>	<u>\$17,596</u>

8. Assets pledged as security

Except as mentioned in Note 6(22), the following table lists assets of the Group pledged as security:

Items	Carrying amount			Secured liabilities
	March 31, 2020	December 31, 2019	March 31, 2019	
Financial assets measured at amortized cost	\$15,000	\$15,000	\$15,000	Gas guarantee
Financial assets measured at amortized cost	-	-	4,358	Subsidiary's Provisional Attachment of demand deposits
Total	<u>\$15,000</u>	<u>\$15,000</u>	<u>\$19,358</u>	

9. Commitments and contingencies

(1) As of March 31, 2020, the Group has the following unused letters of credit:

Currency	Amount (in dollar)
JPY	\$11,621,624
USD	\$1,300,000

(2) Please refer to Attachment 2 for information of guarantees for related parties.

(3) Financial institution commitments:

Financial institution	Purpose of guarantee	Amount
Mega International Commercial Bank	Customs Duty Guarantee	\$3,000

(4) Significant unpaid commitments:

Contract	Contract amount	Payment amount	Unpaid amount
Machinery and equipment	\$73,608	\$46,329	\$27,279

(5) The subsidiary of the Company, Zhong Shan Aubo Precision Technology Co., Ltd., passed the resolution in its board meeting on August 21, 2019 in response to the demand for additional factory to acquire from a substantial related party, Zhong Shan Fu Sheng Electromechanical Co., Ltd., the land tenure right and its buildings located on Huo-ju Road, Zhongshan Torch High-tech Industrial Development Zone, Zhongshan, Guangdong Province, China at RMB\$48,629 thousand, equivalent to approximately \$219,000 thousand. Both parties completed the execution of the assignment contract on the same day. According to the contract between the two parties, the aforementioned transaction amount will be paid in installments in accordance with the schedule of the transfer registration of the land tenure right and the buildings. As of March 31, 2020, Zhong Shan Aubo Precision Technology Co., Ltd. has not made the relevant payments.

10. Losses due to major disasters: None.

11. Significant subsequent events: None.

12. Others

(1) Categories of financial instruments

Financial assets

	As of		
	March 31, 2020	December 31, 2019	March 31, 2019
Financial assets at fair value through profit or loss:			
Designated at fair value through profit or loss	\$174,302	\$183,537	\$359,622
Subtotal	174,302	183,537	359,622
Financial asset at fair value through other comprehensive income	-	-	25,200
Financial assets measured at amortized cost:			
Cash and cash equivalents (excluding cash on hand)	3,051,476	2,664,394	3,287,017
Financial assets measured at amortized cost	47,274	17,158	19,358
Notes and accounts receivable, net (including related parties)	2,064,385	3,078,637	2,291,322
Other receivables (including related parties)	208,430	196,561	108,261
Refundable deposits	6,560	15,557	6,932
Subtotal	5,378,125	5,972,307	5,712,890
Total	\$5,552,427	\$6,155,844	\$6,097,712

Financial liabilities

	As of		
	March 31, 2020	December 31, 2019	March 31, 2019
Financial liabilities at amortized cost:			
Short-term borrowings	\$744,803	\$894,177	\$670,831
Accounts payables (including related parties)	1,282,952	2,271,270	1,492,204
Lease liabilities	301,128	298,363	198,842
Other payables (including related parties)	871,960	1,053,879	870,137
Guarantee deposits	1,802	4,412	1,173
Other non-current liability	10,966	147	13,592
Total	\$3,213,611	\$4,522,248	\$3,246,779

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against foreign currency USD by 1%, the profit for the three-month periods ended March 31, 2020 and 2019 is decrease/increase by \$39,405 thousand and \$35,488 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt instrument investments at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the three-month periods ended March 31, 2020 and 2019 to decrease/increase by \$735 thousand and \$671 thousand, respectively.

Equity price risk

The fair value of the Group's listed equity securities is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed equity securities is classified under financial assets measured at fair value through profit or loss. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments.

At the reporting date, a change of 1% in the price of the listed equity securities measured at fair value through profit or loss could increase/decrease the Group's profit for the three-month periods ended March 31, 2020 and 2019 by \$1,725 thousand and \$1,778 thousand, respectively.

Please refer to Note 12(8) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

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

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of March 31, 2020, December 31, 2019 and March 31, 2019, amounts receivables from top ten customers represent 90%, 91% and 87% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

The Group adopted IFRS 9 to assess the expected credit losses. Except for accounts and notes receivables, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories.

Financial assets are written off when there is no realistic prospect of future recovery.

When the credit risk on debt instrument investment has increased, the Group will dispose that investment in order to minimize the credit losses. When assessing the expected credit losses, the evaluation of the forward-looking information (available without undue cost and effort) is mainly based on the macroeconomic information and the credit loss ratio is further adjusted if there is significant impact from forward-looking information.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, bank borrowings and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1					Total	
	year	2 to 3 years	4 to 5 years	> 5 years			
As of March 31, 2020							
Short-term borrowings							
(including interest payable)	\$757,392	\$-	\$-	\$-	\$-	\$757,392	
Accounts payables (including related parties)	1,282,952	-	-	-	-	1,282,952	
Lease liabilities	71,552	130,057	105,318	24,606	331,533		
Other payables (including related parties)	871,960	-	-	-	-	871,960	
Guarantee deposits	1,802	-	-	-	-	1,802	
Other non-current liability	10,966	-	-	-	-	10,966	
Total	\$2,996,624	\$130,057	\$105,318	\$24,606	\$3,256,605		
 As of December 31, 2019							
Short-term borrowings							
(including interest payable)	\$918,110	\$-	\$-	\$-	\$-	\$918,110	
Accounts payables (including related parties)	2,271,270	-	-	-	-	2,271,270	
Lease liabilities	67,244	126,115	106,559	28,975	328,893		
Other payables (including related parties)	1,053,879	-	-	-	-	1,053,879	
Guarantee deposits	4,412	-	-	-	-	4,412	
Other non-current liability	147	-	-	-	-	147	
Total	\$4,315,062	\$125,115	\$106,559	\$28,975	\$4,576,711		
 As of March 31, 2019							
Short-term borrowings							
(including interest payable)	\$687,306	\$-	\$-	\$-	\$-	\$687,306	
Accounts payables (including related parties)	1,492,204	-	-	-	-	1,492,204	
Lease liabilities	54,202	73,847	47,073	44,420	219,542		
Other payables (including related parties)	870,137	-	-	-	-	870,137	
Guarantee deposits	1,173	-	-	-	-	1,173	
Other non-current liability	13,592	-	-	-	-	13,592	
Total	\$3,118,614	\$73,847	\$47,073	\$44,420	\$3,283,954		

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the three-month period ended March 31, 2020:

	Short-term borrowings	Guarantee deposits	Lease liabilities	Other non- current liability	Total liabilities from financing activities
As of January 1, 2020	\$894,177	\$4,412	\$298,363	\$147	\$1,197,099
Cash flows	(148,200)	(2,630)	(17,636)	10,819	(157,647)
Non-cash change	-	-	20,927	-	20,927
Exchange differences	(1,174)	20	(526)	-	(1,680)
As of March 31, 2020	<u>\$744,803</u>	<u>\$1,802</u>	<u>\$301,128</u>	<u>\$10,966</u>	<u>\$1,058,699</u>

Reconciliation of liabilities for the three-month period ended March 31, 2019:

	Short-term borrowings	Guarantee deposits	Lease liabilities	Other non- current liability	Total liabilities from financing activities
As of January 1, 2019	\$436,281	\$1,548	\$209,925	\$13,800	\$661,554
Cash flows	235,059	(381)	(15,908)	(208)	218,562
Non-cash change	-	-	3,506	-	3,506
Exchange differences	(509)	6	1,319	-	816
As of March 31, 2019	<u>\$670,831</u>	<u>\$1,173</u>	<u>\$198,842</u>	<u>\$13,592</u>	<u>\$884,438</u>

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- (a) The carrying amount of cash and cash equivalents, notes and accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

- (c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- (d) Fair value of debt instruments without market quotations, bank loans and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- (e) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

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

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

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

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

As of March 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss:				
Preferred stocks	\$172,535	\$-	\$-	\$172,535
Unlisted stocks	-	-	1,400	1,400
US dollar aggressive funds	-	-	367	367

As of December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss:				
Preferred stocks	\$181,748	\$-	\$-	\$181,748
Unlisted stocks	-	-	1,400	1,400
US dollar aggressive funds	-	-	389	389

As of March 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss:				
Preferred stocks	\$177,833	\$-	\$-	\$177,833
Funds	180,045	-	-	180,045
Unlisted stocks	-	-	1,400	1,400
US dollar aggressive funds	-	-	344	344
Financial asset at fair value through other comprehensive income				
Unlisted stocks	-	-	25,200	25,200

Transfers between Level 1 and Level 2 during the period

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

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets	
	At fair value through profit or loss	At fair value through other comprehensive income
Beginning balances as of January 1, 2020	\$1,789	\$-
Amount recognized in loss	(22)	-
Ending balances as of March 31, 2020	<u>\$1,767</u>	<u>\$-</u>
Beginning balances as of January 1, 2019	\$1,744	\$-
Acquisition for the three-month period ended March 31, 2019	-	25,200
Ending balances as of March 31, 2019	<u>\$1,744</u>	<u>\$25,200</u>

Total gains and losses recognized in profit or loss for the three-month periods ended March 31, 2020 and 2019 in the table above contain gains and losses related to assets on hand as of March 31, 2020 and 2019 in the amount of \$(22) thousand and \$0 thousand, respectively.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

- (a) No quantitative information of significant unobservable inputs and sensitivity analysis were available as the fair values of structured investment products and financial products were measured by the unadjusted quotes from transaction counterparties.
- (b) The fair value of unlisted securities is estimated using the market approach valuation techniques based on parameters such as the market transaction prices of comparable companies whose business and industry are similar to the investee's and considering the liquidity discount factor.

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Management Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of March 31, 2020		
	Foreign currencies (thousands)	Foreign exchange rate	NTD (thousands)
<u>Financial assets</u>			
Monetary items:			
USD	\$138,654	30.15	\$4,180,418
EURO	378	33.23	12,561
JPY	74,531	0.2789	20,787
Non-monetary items:			
USD	1,781	30.15	53,697
<u>Financial liabilities</u>			
Monetary items			
USD	17,957	30.15	541,404
JPY	49,758	0.2789	13,878
	As of December 31, 2019		
	Foreign currencies (thousands)	Foreign exchange rate	NTD (thousands)
<u>Financial assets</u>			
Monetary items:			
USD	\$157,302	29.99	\$4,717,487
JPY	48,293	0.276	13,305
EURO	511	33.60	17,170
RMB	2,428	4.30	10,440
Non-monetary items:			
USD	1,181	29.99	35,418
<u>Financial liabilities</u>			
Monetary items			
USD	22,095	29.99	662,629
HKD	12,901	3.85	49,669
Non-monetary items:			
USD	538	29.99	16,135

As of March 31, 2019

	Foreign currencies (thousands)	Foreign exchange rate	NTD (thousands)
<u>Financial assets</u>			
Monetary items:			
USD	\$136,130	30.86	\$4,200,977
EURO	861	34.65	29,834
Non-monetary items:			
USD	1,225	30.86	37,804
<u>Financial liabilities</u>			
Monetary items			
USD	21,132	30.86	652,134
JPY	83,055	0.279	23,172
RMB	3,958	4.58	18,128
Non-monetary items:			
USD	423	30.86	13,054

The above information is disclosed based on book value of foreign currency.

Since there were various functional currencies used within the subsidiaries of the Group, the Group was unable to disclose foreign exchange gains (losses) towards each foreign currency with significant impact. The realized and unrealized foreign exchange gains (losses) was \$32,286 thousand and \$(38,280) thousand for the three-month periods ended March 31, 2020 and 2019, respectively.

(10) Capital management

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

(11) Because of the outbreak of COVID-19, some subsidiaries of the Group were subjected to community isolation in the country where they were located to prevent the spread of the epidemic. The Group's operations in the first quarter of 2020 were affected by factors beyond control, such as reduced production days, shortage of raw materials in the supply chain, and stagnation of market demand. The Company will continue to closely monitor the risks and uncertainties that may arise from the epidemic, take appropriate measures from time to time and adjust its operating activities flexibly, in order to respond to the possible operational and financial impact of the Group from the COVID-19 pandemic.

13. Other disclosure

(1) Information at significant transactions

- A. Financing provided to others: Please refer to Attachment 1.
- B. Endorsement/Guarantee provided to others: Please refer to Attachment 2.
- C. Securities held at the end of the period: Please refer to Attachment 3.
- D. Individual securities acquired or disposed of with accumulated amount exceeding \$300 million or 20 percent of the capital stock or more: None.
- E. Acquisition of real estate with amount exceeding \$300 million or 20 percent of the capital stock or more: None.
- F. Disposal of real estate with amount exceeding \$300 million or 20 percent of the capital stock or more: None.
- G. Related party transactions for purchases and sales amounts exceeding \$100 million or 20 percent of the capital stock or more: Please refer to Attachment 4.
- H. Receivables from related parties with amounts exceeding \$100 million or 20 percent of capital stock or more: Please refer to Attachment 5.
- I. Financial instruments and derivative transactions: None.
- J. Others: Business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and accounts of any significant transactions between term: Please refer to Attachment 6.

(2) Information on investees

Of the investee company directly or indirectly has significant influence or control over, their investee companies' information: Please refer to Attachment 7.

(3) Information on investments in mainland China (written off as a result of consolidated statements):

- A. The investee company name, main businesses, paid-in capital, type of the investment, capital inflow and outflow, ownership, investment gains and loss, ending balance of investment, repatriation of investment income and the mainland investment limit scenario: Please refer to Attachment 8.
- B. Transactions with the investee companies directly or indirectly through and third country following the occurrence of significant transactions, prices, payment terms and unrealized gains and losses: Please refer to Attachment 9

(4) Information on major shareholders

Shareholder	Share	Number of shares	Percentage of ownership
Grateful Social Welfare Foundation		9,000,000	6.86%
Valiant APO Holdings III Limited		6,754,260	5.15%

14. Segment information

The main business of the Group is to undertake the production of consumer products from major brand manufacturers in the world. The main operating decision makers use the operating profit and loss of the consumer goods division to perform performance assessment and resource allocation. According to IFRS 8, the Group uses the consumer goods division as a single reportable department. Its basis of measurement is consistent with financial statements, and please refer to the consolidated statement of profit or loss for the revenue and operating profit and loss of the relevant departments.

(Unit : thousands of NTD)

No. (Note1)	Financing Company	Counterparty	Financial Statement Account (Note2)	Related Party	Maximum Balance for the period (Note3)	Ending Balance (Note8)	Actual Amount provided	Interest Rate	Nature of Financing (Note4)	Transaction Amounts (Note5)	Reason for Financing (Note6)	Allowance for Bad Debt	Collateral		Amount for Individual Counterparty (Note 7)	Financial Amount for Financing Company (Note 7)
													Item	Value		
0	Fusheng Precision Co., Ltd.	Ming Fa Cheng Enterprise Co., Ltd.	Other receivables	No	\$50,000	\$50,000	\$50,000	2.5%	1	\$122,577	-	S-	Cashier's check provided by third party	\$50,000	\$122,577 (Note7)	\$2,674,234 (Note7)

Note 1 : The Company and its subsidiaries are coded as follows:

- (1)The Company is coded "0".
- (2)The subsidiaries are coded starting from "1" in the order.

Note 2 : If the economic substance of transactions are financing to others, regardless of which component they recognized as in the financial statements, certain transactions are included herein.

Note 3 : Maximum balance of the Company and its subsidiaries' financing to others for the three-month period ended March 31, 2020

Note 4 : Nature of financing is coded as follows:

- (1)The financing occurred due to business transactions is coded "1".
- (2)The financing occurred due to short-term financing is coded "2".

Note 5 : Total amount of the financing is disclosed herein if the financing was related to business transactions. The amount shall mean the transaction amount between the lending entity and the borrower within the most recent year.

Note 6 : The reasons and counterparties of the financing are addressed herein as the financing associated with short-term capital needs.

Note 7 : Financing to an individual entity is limited to the amount of the business transaction between the two parties. The transaction amount is the higher of purchase or sale amount between the two parties in the most recent year and is limited to 10% of the Company's net value.

The accumulated total financing provided to others is limited to 40% of the Company's net value.

Note 8 : If a listed company brings the financing proposal to the board of directors according to Paragraph 1, Article 1 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the company still needs to disclose the resolution amount of the board in the balance to disclose the risk, even if the funds are not appropriated yet. With the return of the funds afterward, the company should disclose the amount returned to reflect the adjusted risk. If a listed company authorizes the chairman of the board of directors to appropriate or use certain limits of the funds several times in the period of a year according to Paragraph 2, Article 14 of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the company still needs to disclose the amount approved by the board.

(Unit : thousands of NTD/thousands of USD)

NO. (Note1)	Endorser/Guarantor	Receiving Party		Limited of Endorsement/Guarantee Amount for receiving party (Note3)	Maximum Balance of the period (Note4)	Ending Balance (Note5)(Note8)	Actual Amount provided (Note6)(Note8)	Amount of Endorsement/ Guarantee collateralized	Percentage of Accumulated Endorsement/Guarantee to Net Equity per latest Financial statements	Limit on the Endorsement/Guarantee Amount (Note 3)	Parent Company Endorsed or Guaranteed for the Subsidiaries (Note 7)	Subsidiaries Endorsed or Guaranteed for the Parent Company (Note 7)	Endorsement or Guarantee for Entities in China (Note 7)
		Company Name	Relationship (Note2)										
0	Fusheng Precision Co., Ltd.	World Gate Holdings Ltd.	2	\$16,713,963	\$1,688,400 (USD56,000)	\$1,688,400 (USD56,000)	\$-	N	25.25%	\$16,713,963	Y	-	-
0	Fusheng Precision Co., Ltd.	Extensor World Trading Ltd. (Cayman)	2	16,713,963	603,000 (USD20,000)	603,000 (USD20,000)	-	N	9.02%	16,713,963	Y	-	-
0	Fusheng Precision Co., Ltd.	FS-Precision Tech Co., LLC.	2	16,713,963	753,750 (USD25,000)	753,750 (USD25,000)	301,500 (USD10,000)	N	11.27%	16,713,963	Y	-	-
0	Fusheng Precision Co., Ltd.	Vision International Co., Ltd.	2	16,713,963	844,200 (USD28,000)	844,200 (USD28,000)	239,090 (USD7,930)	N	12.63%	16,713,963	Y	-	-
0	Fusheng Precision Co., Ltd.	Extensor World Trading Ltd. (Hong Kong)	2	16,713,963	904,500 (USD30,000)	904,500 (USD30,000)	-	N	13.53%	16,713,963	Y	-	-

Note 1 : The Company and its subsidiaries are coded as follows:

- (1)The Company is coded "0".
- (2)The subsidiaries are coded starting from "1" in numerical order.

Note 2 : The relationship between the guarantor of the endorsement and the object to be guaranteed is as follows:

- (1)An investee that has a business relationship with the Company
- (2)A subsidiary in which the Company holds directly over 50% of equity interest.
- (3)An investee in which the Company and its subsidiaries hold over 50% of equity interest.
- (4)An investee in which the Company holds directly or indirectly over 50% of equity interest.
- (5)A company which needs mutual insurance basing on the construction agreement.

(6)A company in which the Company endorses or guarantees basing on the holding proportion of mutual investments.

(7)The performance guarantee of the preconstruction real estate contact between the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

Note 3 : The maximum of endorsement guarantee to a single entity is capped at 120% of the Company's net value; 100% directly and indirectly owned subsidiaries are not subject to such limitation, however the maximum amount of guarantee shall not exceed 250% of the Company's net value.

The total guarantee provided externally is limited to 250% of the Company's net value; the total accumulated external guarantee the Company and subsidiaries provided shall not exceed 250% of the Company's net value.

Note 4 : The maximum amount of the Company and its subsidiaries' endorsement or guarantee to others for the three-month period ended March 31, 2020

Note 5 : It should be filled in the amount which approved by the Board of Directors. However, it should be filled in the amount which utilized by the chairman, whom authorized by the Board of Directors in accordance with Subparagraph 8,Article 12 of Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies.

Note 6 : Fill in the actual amount drawn from the balance.

Note 7 : Fill in "Y" if it belongs to "Parent Company Endorsed or Guaranteed for the Subsidiaries", "Subsidiaries Endorsed or Guaranteed for the Parent Company", or "Endorsement or Guarantee for Entities in China".

Note 8 : Foreign currency were exchanged by exchange rate as at balance sheet date.

Note 9 : The group has Tariff guarantee NT\$3,000 thousand as at March 31, 2020. It is 0.04% on last financial statement net value.

ATTACHMENT 3 : Securities held as of March 31, 2020 (excluding subsidiary, associates and jointly controlled)

(Unit : thousands of NTD/thousands of foreign currency)

Company	Type and Name of the securities (Note1)	Relationship (Note2)	Financial Statement Account	As of March 31, 2020				Remark (Note 4)
				Shares/Unit	Carrying Value(Note 3)	Percentage of Ownership	Fair Value	
Fusheng Precision Co., Ltd.	Preferred Shares B - Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit and losses—current	1,666 thousands shares	\$101,293	-	\$101,293	
Fusheng Precision Co., Ltd.	Preferred Stock B - Cathay Financial Holding Co., Ltd.	-	Financial assets at fair value through profit and losses—current	1,166 thousands shares	71,242	-	71,242	
NFT Technology CO., Ltd.	US dollar aggressive funds	-	Financial assets at fair value through profit and losses—non-current	USD 20,000	367	-	367	
NFT Technology CO., Ltd.	Sunny Bank stock	-	Financial assets at fair value through profit and losses—non-current	263 thousands shares	1,400	-	1,400	

Note 1 : The securities herein shall refer to stocks, bonds, beneficiary certificates and other marketable securities derived from the above items in the scope of IFRS 9-Financial Instruments.

Note 2 : Securities issued by non-related parties are not required to fill in this column.

Note 3 : For items measured at fair value, the carrying value is the balance of the book value adjusted by fair value valuation deducting accumulated impairment. For items not measured at fair value, the carrying value is the book value balance of the historical cost or amortized cost after deducting accumulated impairment.

Note 4 : Securities with restrictions because of being provided for security, as pledge or under other covenants should state the number of shares or dollar amount provided for security or pledge and the restriction terms.

ATTACHMENT 4: Related party transactions for purchases and sales amounts exceeding \$100 million or 20 percent of the capital stock as of March 31, 2020

(Unit : thousands of NTD)

Company Name	Related Party	Relationship	Transactions Details				Details Different from Non-arm's Length Transactions		Notes and Accounts Receivable (Payable)		Remark
			Purchases /Sales	Amount (Note2)	Percentage of Total Sales or Purchases(%)	Payment Terms	Unit Price	Payment Terms	Balance (Note2)	Percentage of Total Receivable (Payable)	
Fusheng Precision Co., Ltd.	Extensor World Trading Ltd. (Hong Kong)	Parent - subsidiary	Purchases	\$1,625,968	57.21%	T/T 60 days	No significant difference	No significant difference	Accounts payable	\$(1,142,240)	(57.44)%
Fusheng Precision Co., Ltd.	Vision International Co., Ltd.	Parent - subsidiary	Purchases	884,023	31.11%	T/T 90 days	No significant difference	No significant difference	Accounts payable	(236,606)	(11.90)%
Extensor World Trading Ltd. (Hong Kong)	Fusheng Precision Co., Ltd.	Parent - subsidiary	Sales	(1,625,968)	(99.99)%	T/T 60 days	No significant difference	No significant difference	Accounts receivable	1,142,240	99.73%
Extensor World Trading Ltd. (Hong Kong)	Zhong Shan Worldmark Sporting Goods Ltd.	Affiliate Company	Purchases	1,173,462	75.02%	T/T 120 days	No significant difference	No significant difference	Accounts payable	(1,510,512)	(87.25)%
Vision International Co., Ltd.	Fusheng Precision Co., Ltd.	Parent - subsidiary	Sales	(884,023)	(92.70)%	T/T 90 days	No significant difference	No significant difference	Accounts receivable	236,606	84.52%
Zhong Shan Worldmark Sporting Goods Ltd.	Extensor World Trading Ltd. (Hong Kong)	Affiliate Company	Sales	(1,173,462)	(99.93)%	T/T 90 days	No significant difference	No significant difference	Accounts receivable	1,510,512	99.95%

Note 1: The above ratios are calculated based on the Company's individual financial statements.

Note 2: It has been written off as a result of consolidated statements.

ATTACHMENT 5 : Receivables from related parties with amounts exceeding \$100 million or 20 percent of capital stock as of March 31, 2020

(Unit : thousands of NTD)

Company	Counterparty	Relationship	Ending Balance(Note)	Turnover	Overdue Receivables		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Collection		
Extensor World Trading Ltd. (Cayman)	Fusheng Precision Co., Ltd.	Parent - subsidiary	\$301,500	-	\$-	-	\$-	\$-
Extensor World Trading Ltd. (Hong Kong)	Fusheng Precision Co., Ltd.	Parent - subsidiary	1,142,240	2.03	-	-	360,798	-
Vision International Co., Ltd.	Fusheng Precision Co., Ltd.	Parent - subsidiary	236,606	3.14	-	-	236,606	-
Zhong Shan Worldmark Sporting Goods Ltd.	Extensor World Trading Ltd. (Hong Kong)	Affiliate Company	1,510,512	1.21	-	-	603,000	-

Note: It has been written off as a result of consolidated statements.

(Unit : thousands of NTD)

No. (Note1)	Related Party	Counter Party	Relationship with the Company	Transaction Details			
				Account	Amount (Note3)	Terms	Percentage of consolidated total operating revenues or total assets(Note2)
0	Fusheng Precision Co., Ltd.	Vision International Co., Ltd.	Parent company subsidiary	Accounts payable	\$236,606	T/T 90 days	2%
0	Fusheng Precision Co., Ltd.	Vision International Co., Ltd.	Parent company subsidiary	Sales	11,786	T/T 30 days	-%
0	Fusheng Precision Co., Ltd.	Vision International Co., Ltd.	Parent company subsidiary	Purchases	884,023	T/T 90 days	24%
0	Fusheng Precision Co., Ltd.	Extensor World Trading Ltd. (Cayman)	Parent company subsidiary	Accounts payable	301,500	T/T 60 days	3%
0	Fusheng Precision Co., Ltd.	Extensor World Trading Ltd. (Hong Kong)	Parent company subsidiary	Sales	29,943	T/T 60 days	1%
0	Fusheng Precision Co., Ltd.	Extensor World Trading Ltd. (Hong Kong)	Parent company subsidiary	Purchases	1,625,968	T/T 60 days	45%
0	Fusheng Precision Co., Ltd.	Extensor World Trading Ltd. (Hong Kong)	Parent company subsidiary	Accounts payable	1,142,240	T/T 60 days	11%
1	Vision International Co., Ltd.	Extensor World Trading Ltd. (Hong Kong)	Subsidiary to subsidiary	Accounts payable	90,559	T/T 60 days	1%
1	Vision International Co., Ltd.	Extensor World Trading Ltd. (Hong Kong)	Subsidiary to subsidiary	Sales	28,884	T/T 60 days	1%
1	Vision International Co., Ltd.	Extensor World Trading Ltd. (Hong Kong)	Subsidiary to subsidiary	Purchases	91,266	T/T 60 days	3%
1	Vision International Co., Ltd.	Wealth Max Creation Limited	Subsidiary to subsidiary	Purchases	22,090	T / T pay next month	1%
2	Extensor World Trading Ltd. (Hong Kong)	Wealth Max Creation Limited	Subsidiary to subsidiary	Accounts payable	40,619	T / T pay next month	-%
2	Extensor World Trading Ltd. (Hong Kong)	Wealth Max Creation Limited	Subsidiary to subsidiary	Purchases	63,963	T / T pay next month	2%
2	Extensor World Trading Ltd. (Hong Kong)	Zhong Shan Worldmark Sporting Goods Ltd.	Subsidiary to subsidiary	Accounts payable	1,510,512	T/T 120 days	14%
2	Extensor World Trading Ltd. (Hong Kong)	Zhong Shan Worldmark Sporting Goods Ltd.	Subsidiary to subsidiary	Purchases	1,173,462	T/T 120 days	32%

Note1 : The Company and its subsidiaries are coded as follows:

1.The Company is coded "0".

2.Subsidiaries are coded consecutively starting from "1" in the order presented in the table above.

Note 2: The percentage is determined by the ratio of the transaction amount to the consolidated revenues or the total assets. Items on the balance sheet are calculated by the ending balance to total consolidated assets; items on the income statement are calculated by their cumulative balance to the total consolidated income.

Note 3: The above important transactions have been written off as a result of consolidated statements.

Note 4: The disclosure of significant intercompany transactions in this attachment is determined by the company based on the materiality.

Investor company	Investee company (Note1,2)	Address	Main business and products	Initial Investment		Investment as of March 31, 2020			Book value (Note3)	Net income/(loss) of investee company	Investment income (loss) recognized (Note 3)	Remark
				Ending balance	Beginning balance	Number of shares	Percentage of ownership					
Fusheng Precision Co., Ltd.	World Gate Holdings Ltd.	Unit 908, 9/F, Lippo Sun Plaza, 28 Canton Road, Tsimshatsui, Kowloon, Hong Kong.	Investment holding	\$349,750 (HKD 93,000)	\$349,750 (HKD 93,000)	93,000,000	100.00%	\$3,115,699	\$15,057	\$15,057	\$15,057	Note 4
Fusheng Precision Co., Ltd.	Sharphope Company Ltd.	Tropic Isle Building, P.O. Box 438, Road Town, Tortola, British Virgin Island.	Investment holding	1,538 (USD 50)	1,538 (USD 50)	50,000	100.00%	903,429	18,800	18,800	18,800	Note 4
Fusheng Precision Co., Ltd.	Vision International Co., Ltd.	19 Friendship Avenue, Singapore Industrial Shun An County, Binh Duong Province,	Manufacture and sale of golf club head	375,418 (USD 11,000)	375,418 (USD 11,000)	11,000,000	100.00%	598,166	118,810	118,810	118,810	Note 4
Fusheng Precision Co., Ltd.	Gainsmart Group Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Island.	Investment holding	599,096 (USD 18,000)	599,096 (USD 18,000)	18,000,000	100.00%	(57,306)	(2,708)	(2,708)	(2,708)	Note 4
Fusheng Precision Co., Ltd.	NFT Technology CO., Ltd.	No. 88, Weisui W. Rd., Gangshan Dist., Kaohsiung	Manufacture and sale of medical equipment and automotive parts	226,000	226,000	13,600,000	69.74%	226,823	(5,509)	(5,509)	(3,842)	Note 4
Fusheng Precision Co., Ltd.	Crosspace Co., Ltd.	3F, No. 172, Sec. 2 Nanjing E Rd., Zhongshan Dist. Taipei City	Selling pure titanium tableware and kitchenware	1,000	1,000	100,000	100.00%	1,699	(102)	(102)	(102)	Note 4
Fusheng Precision Co., Ltd.	Digital-Can Tech. Co., Ltd.	2F-1, No. 88, Zhouzi St., Neihu Dist., Taipei City	Machinery and equipment manufacturing	25,200	25,200	1,260,000	9.93%	21,470	(827)	(827)	(827)	Note 4
World Gate Holdings Ltd.	Wealth Max Creation Limited	Unit 908, 9/F, Lippo Sun Plaza, 28 Canton Road, Tsimshatsui, Kowloon, Hong Kong.	Investment holding and international trade	57,163 (HKD 15,000)	57,163 (HKD 15,000)	5,250	52.50%	27,542	10,845	10,845	10,845	Note 4
Sharphope Company Ltd.	Extensor World Trading Ltd. (Cayman)	Genesis Building, 5th Floor, Genesis Close, George Town, PO Box 446, Grand Cayman Islands, KY1-1106.	International trade	1,538 (USD 50)	1,538 (USD 50)	50,000	100.00%	895,166	13,490	13,490	13,490	Note 4
Sharphope Company Ltd.	Extensor World Trading Ltd. (Hong Kong)	Unit 908, 9/F, Lippo Sun Plaza, 28 Canton Road, Tsimshatsui, Kowloon, Hong Kong.	International trade	31 (USD 1)	31 (USD 1)	1	100.00%	11,126	3,713	3,713	3,713	Note 4
Gainsmart Group Ltd.	FS-North America, Inc.	Ste. 1B, 9 E. Lockerman Street, Dover, Kent 19901, Delaware, USA.	Investment holding	522,548 (USD 15,700)	522,548 (USD 15,700)	10,000	100.00%	(57,310)	(2,708)	(2,708)	(2,708)	Note 4
FS-North America, Inc.	FS-Precision Tech Co., LLC.	3025 East Victoria Street, Rancho Dominguez, CA 90221, USA.	Manufacture and sale of medical equipment and automotive parts	522,548 (USD 15,700)	522,548 (USD 15,700)	-	100.00%	(59,242)	(1,989)	(1,989)	(1,989)	Note 4
Zhong Shan Auto Precision Technology Co., Ltd.	AUBO (VIET NAM) PRECISION TECHNOLOGY COMPANY LIMITED	CN16, No. 12D, N2 Road, Shenlong Third Industrial Zone, Fuxinfang, Tien Long, Vietnam	Manufacture hardware and plastics	92,155 (USD 3,000)	92,155 (USD 3,000)	300,000	100.00%	87,573	-	-	-	Note 4

Note1 : If a publicly-issued company has a foreign holding company and uses consolidated statements as its main financial statement in accordance with local laws and regulations, the disclosure of information about foreign invested companies may only disclose relevant information to the holding company.

Note 2: Those who are not in the situation described in Note 1 should fill in according to the following regulations:

(1)The columns of "Investee company", "Address", "Main business and products", "Initial Investment", and "Investment as of March 31, 2020" should fill in information of the reinvestment of the listed company, reinvestment of every direct or indirect reinvestment of the investee, and disclose the relationship of the investees with the Company in the Remark column.

(2)The column of "Net income/(loss) of investee company" should fill in the current profit and loss of the investees.

(3)The columns of "Investment income (loss) recognized" only require profit/loss of the direct investees and all investees accounted for under the equity method.

When filling in the above items, make sure the profit/loss of direct investee subsidiaries include the profit or loss of their reinvestments that are required to be recognized.

Note3 : It includes the unrealized gross profit of the current and downstream sales.

Note4 : It has been written off as a result of consolidated statements.

(Unit : thousands of NTD/thousands of foreign currency)

Investee company	Main business and products	Total amount of paid-in capital	Method of investment (Note1)	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated outflow of investment from Taiwan as of March 31, 2020	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized (Note9)	Carrying value as of March 31, 2020 (Note9)	Accumulated inward remittance of earnings as of outflow March 31, 2020	Remark
					Outflow	Inflow							
Zhong Shan Worldmark Sporting Goods Ltd.	Manufacture and sale of golf club head	USD 40,900	(2)	USD 54,000 (Note4)	\$-	\$-	USD 54,000 (Note4)	\$ (34,836) RMB (8,037)	100.00%	\$ (34,836) RMB (8,037) (Note2)(2)B	\$2,900,423 RMB 684,046 (Note2)(2)B	\$-	
Zhong Shan LongXing Precision Machinery Co., Ltd.	Manufacture and sale of sports equipment, automotive parts, molds and other products	USD 2,000	(2)	USD 2,000	-	-	USD 2,000	1,443 RMB 333	100.00%	1,443 RMB 333 (Note2)(2)B	99,120 RMB 23,377 (Note2)(2)B	-	
Zhong Shan DingXing Vacuum Technology Co., Ltd.	Researching and developing and manufacturing of vacuum technology products, vacuum coating processing and sports equipment, metal products import and export business	RMB 15,200	(3) (Note6)	-	-	-	-	(997) RMB (230)	100.00%	(997) RMB (230) (Note2)(2)B	60,902 RMB 14,363 (Note2)(2)B	-	
Zhong Shan Auto Precision Technology Co., Ltd.	Researching and developing and manufacturing hardware, plastics and printing of packaging	RMB 60,000	(2)	USD 5,500 (Note7)	-	-	USD 5,500	26,167 RMB 6,037	52.50%	13,738 RMB 3,170 (Note2)(2)B	240,450 RMB 58,709 (Note2)(2)B	-	
Zhong Shan Auto Metal Surface Treatment Co., Ltd.	Anodizing process	RMB 500	(3) (Note8)	-	-	-	-	1,371 RMB 317	52.50%	720 RMB 166 (Note2)(2)B	6,352 RMB 1,498 (Note2)(2)B	-	

Accumulated Investment in Mainland China as of March 31, 2020 (Note1)(Note3)	Investment Amounts Authorized by Investment Commission, MOEA (Note3)	Limit on Investment Amount to Mainland China (Note5)
\$1,854,225 (USD 61,500)	\$1,854,225 (USD 61,500)	\$4,215,874

Note1 : The methods for engaging in investment in Mainland China include the following:

- (1) Direct investment in Mainland China companies.
- (2) Investment in Mainland China companies through a company invested and established in a third region.
- (3) Other methods.

Note2 : In the column of profit or loss on investment:

- (1) The investment still in preparation and not generating profit or loss yet should be noted.
- (2) The gain or loss on investment were determined based on the following:
 - A. The financial report was reviewed by an international certified public accounting firm in cooperation with an R.O.C. accounting firm.
 - B. The financial statements were reviewed by the auditors of the parent company in Taiwan.
 - C. Others.

Note3 : The amount of this attachment are expressed in New Taiwan Dollars. The exchange rate on the financial reporting date used for translating the amount of investment in foreign currency.

Note4 : It is the indirect investment repatriation amount through the reinvestment company World Gate Holdings Ltd.

Note5 : Maximum investment in Mainland China: 60% of net or consolidated net value, whichever is higher.

Note6 : It is directly invested by Zhong Shan Worldmark Sporting Goods Ltd.

Note7 : The actual remittance amount was HK \$ 15,000 and RMB \$ 45,000, equivalent to approximately US \$ 5,500.

Note8 : It is directly invested by Zhong Shan Auto Precision Technology Co., Ltd.

Note9 : It has been written off as a result of consolidated statements.

ATTACHMENT 9 : Transactions with the investee companies directly or indirectly through a third country following the occurrence of significant transactions, prices, payment terms and unrealized gains and losses were as below:

(1) Sale/Purchase:

(Unit: thousands of NTD)

Company Name	Related Party	Transaction Details				Details Different from Non-arm's Length Transactions		Notes and Accounts Receivable(Payable)		Remark
		Purchases/ Sales	Amount	Percentage of Total Sales or Purchases	Payment Terms	Unit price	Payment Terms	Balance	Percentage of Total Receivable (Payable)	
Fusheng Precision Co., Ltd.	Zhong Shan Worldmark Sporting Goods Ltd.	Sales	\$(29,943)	(0.90)%	T/T 60 days	Not applicable		\$9,268	0.50%	Note 1, Note 2
Fusheng Precision Co., Ltd.	Zhong Shan Worldmark Sporting Goods Ltd.	Purchases	1,625,968	57.21%	T/T 60 days	Not applicable		(1,443,740)	(72.60)%	Note 1, Note 2

Note1 : The above ratios are calculated based on the company's individual financial statements.

Note2 : The above important transactions have been written off as a result of consolidated statements.

(2) Ending balance and purpose of endorsement guarantees or collateral : None.

(3) Ending balance, maximum limit, interest rate range and current interest amount of financing : None.

(4) Other investments that have significant impact on the current profit or financial condition : None.