

**Tongtai Machine & Tool Co., Ltd. and  
Subsidiaries**

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

## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders  
Tongtai Machine & Tool Co., Ltd.

The Board of Directors and Shareholders

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Tongtai Machine & Tool Co., Ltd. (the "Company") and its subsidiaries as of March 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and related notes, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

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

### **Basis for Modified Conclusion**

As disclosed in Note 11 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated statements were not reviewed. As of March 31, 2020 and 2019, the combined total assets of these non-significant subsidiaries were NT\$6,990,361 thousand and NT\$6,975,771 thousand, representing 41% and 36%, respectively, of the consolidated total assets; the combined total liabilities of these non-significant subsidiaries were NT\$4,495,634 thousand and NT\$4,482,389 thousand, representing 40% and 34%, respectively, of the consolidated total liabilities. For the three months ended March 31, 2020 and 2019, the amounts of the combined comprehensive income (loss) of these non-significant subsidiaries were NT\$(21,489) thousand and NT\$9,914 thousand, representing 12% and 6%, respectively, of the consolidated total comprehensive income. In addition, as disclosed in Note 12 to the consolidated financial statements, the total carrying amounts of the investments accounted for using the equity method were NT\$18,892 thousand and NT\$21,080 thousand as of March 31, 2020 and 2019, respectively; the share of loss of associates accounted for using the equity method were NT\$613 thousand and NT\$578 thousand for the three months ended March 31, 2020 and 2019, respectively. The amounts of the related equity-method investments were based on the equity-method investees' unreviewed financial statements for the same reporting periods.

### **Conclusion**

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and other equity-method investees' as

described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the Company and its subsidiaries as of March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the audit resulting in this independent auditors’ report are Yu-Shiang Liu and Jui-Hsuan Hsu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 13, 2020

Notice to Readers

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

*The English version of independent auditors’ review report and consolidated financial statements are not reviewed nor audited by independent auditors.*

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

# TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2020 (Reviewed)		December 31, 2019 (Audited)		March 31, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$1,419,099	8	\$ 1,089,689	6	\$ 1,111,946	6
Financial assets at fair value through profit or loss - current (Note 7)	13,986	-	18,456	-	41,216	-
Notes receivable, net (Note 9)	189,338	1	187,605	1	361,787	2
Accounts receivable, net (Note 9)	3,404,098	20	3,687,639	22	4,393,208	23
Accounts receivable - related parties (Notes 9 and 32)	7,984	-	5,503	-	16,474	-
Other receivables (Note 32)	86,915	1	82,851	1	167,033	1
Current tax assets	21,290	-	19,811	-	8,202	-
Inventories (Note 10)	5,638,980	33	5,607,161	33	6,782,021	35
Other financial assets - current (Notes 13 and 33)	873,781	5	799,366	5	660,459	3
Other current assets	297,031	2	350,438	2	281,954	2
Total current assets	<u>11,952,502</u>	<u>70</u>	<u>11,848,519</u>	<u>70</u>	<u>13,824,300</u>	<u>72</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	146,039	1	180,264	1	197,242	1
Investments accounted for using the equity method (Note 12)	18,892	-	19,505	-	21,080	-
Property, plant and equipment (Notes 14 and 33)	3,279,309	19	3,341,106	20	3,462,732	18
Right-of-use assets (Note 15)	649,296	4	644,667	4	891,922	5
Investment properties (Notes 16 and 33)	232,958	2	236,501	1	250,738	1
Intangible assets (Note 17)	83,593	1	89,775	1	107,985	1
Deferred tax assets	383,278	2	362,302	2	278,010	1
Refundable deposits	31,367	-	33,693	-	25,386	-
Long-term notes and accounts receivable (Note 9)	8,545	-	8,546	-	9,384	-
Net defined benefit assets (Note 4)	1,465	-	1,465	-	1,408	-
Other financial assets - non-current (Notes 13 and 33)	127,186	1	99,930	1	149,505	1
Other non-current assets (Note 9)	62,828	-	55,579	-	66,187	-
Total non-current assets	<u>5,024,756</u>	<u>30</u>	<u>5,073,333</u>	<u>30</u>	<u>5,461,579</u>	<u>28</u>
<b>TOTAL</b>	<u>\$16,977,258</u>	<u>100</u>	<u>\$ 16,921,852</u>	<u>100</u>	<u>\$19,285,879</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Notes 18 and 33)	\$3,114,521	18	\$ 2,999,533	18	\$3,347,951	17
Short-term bills payable (Note 18)	446,751	3	241,682	1	160,000	1
Financial liabilities at fair value through profit or loss - current (Note 7)	4,212	-	8,257	-	-	-
Contract liabilities - current (Note 24)	1,193,559	7	1,001,236	6	1,809,730	9
Notes payable (Note 19)	107,710	1	118,877	1	201,734	1
Accounts payable (Note 19)	1,435,323	8	1,474,197	9	1,966,783	10
Accounts payable - related parties (Notes 19 and 32)	89,128	1	73,348	-	119,072	1
Other payables (Notes 20 and 32)	658,870	4	721,381	4	803,181	4
Current tax liabilities	29,025	-	34,732	-	81,772	1
Provisions - current (Note 21)	107,377	1	111,884	1	93,876	1
Lease liabilities - current (Note 15)	44,672	-	39,812	-	46,256	-
Current portion of long-term bank borrowings (Notes 18 and 33)	1,023,841	6	1,041,152	6	764,314	4
Other current liabilities	78,285	-	87,543	1	63,664	-
Total current liabilities	<u>8,333,274</u>	<u>49</u>	<u>7,953,634</u>	<u>47</u>	<u>9,458,333</u>	<u>49</u>
<b>NON-CURRENT LIABILITIES</b>						
Long-term bank borrowings (Notes 18 and 33)	2,116,184	12	2,214,265	13	2,061,639	11
Long-term bills payable (Notes 18 and 33)	-	-	-	-	500,000	3
Provisions - non-current (Note 21)	-	-	-	-	3,219	-
Deferred tax liabilities	77,315	-	69,624	-	72,783	-
Lease liabilities - noncurrent (Note 15)	602,891	4	600,817	4	834,477	4
Net defined benefit liabilities (Note 4)	88,198	1	89,674	1	77,367	-
Guarantee deposits received	-	-	1,791	-	459	-
Total non-current liabilities	<u>2,884,588</u>	<u>17</u>	<u>2,976,171</u>	<u>18</u>	<u>3,549,944</u>	<u>18</u>
Total liabilities	<u>11,217,862</u>	<u>66</u>	<u>10,929,805</u>	<u>65</u>	<u>13,008,277</u>	<u>67</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 23)</b>						
Ordinary shares	2,548,265	15	2,548,265	15	2,548,265	13
Capital surplus	1,194,096	7	1,190,258	7	1,201,104	7
Retained earnings						
Legal reserve	725,249	4	725,249	4	694,026	4
Special reserve	133,443	1	133,443	1	89,749	-
Unappropriated earnings	643,181	4	775,619	5	993,869	5
Total retained earnings	<u>1,501,873</u>	<u>9</u>	<u>1,634,311</u>	<u>10</u>	<u>1,777,644</u>	<u>9</u>
Other equity	(142,118)	(1)	(88,270)	(1)	3,833	-
Total equity attributable to owners of the Company	<u>5,102,116</u>	<u>30</u>	<u>5,284,564</u>	<u>31</u>	<u>5,530,846</u>	<u>29</u>
NON-CONTROLLING INTERESTS (Note 23)	657,280	4	707,483	4	746,756	4
Total equity	<u>5,759,396</u>	<u>34</u>	<u>5,992,047</u>	<u>35</u>	<u>6,277,602</u>	<u>33</u>
<b>TOTAL</b>	<u>\$16,977,258</u>	<u>100</u>	<u>\$ 16,921,852</u>	<u>100</u>	<u>\$19,285,879</u>	<u>100</u>

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

(With Deloitte & Touche auditors' reviewed report dated May 13, 2020)

# TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUES (Note 24 and 32)	\$1,761,102	100	\$2,945,393	100
OPERATING COSTS (Notes 10, 25 and 32)	<u>1,457,352</u>	<u>83</u>	<u>2,243,468</u>	<u>76</u>
GROSS PROFIT	<u>303,750</u>	<u>17</u>	<u>701,925</u>	<u>24</u>
OPERATING EXPENSES (Notes 9, 25 and 32)				
Selling and marketing expenses	167,775	10	247,462	9
General and administrative expenses	144,984	8	184,958	6
Research and development expenses	87,737	5	110,353	4
Expected credit loss	( <u>2,679</u> )	-	( <u>35,526</u> )	-1
Total operating expenses	<u>397,817</u>	<u>23</u>	<u>578,299</u>	<u>20</u>
PROFIT (LOSS) FROM OPERATIONS	( <u>94,067</u> )	( <u>6</u> )	( <u>123,626</u> )	( <u>4</u> )
NON-OPERATING INCOME AND EXPENSES (Notes 12, 25 and 32)				
Other income	23,463	1	17,200	1
Other gains and losses	( 33,301 )	( 2 )	58,406	2
Finance costs	( 28,292 )	( 1 )	( 32,283 )	( 1 )
Share of loss of associates	( <u>613</u> )	-	( <u>578</u> )	-
Total non-operating income and expenses	( <u>38,743</u> )	( <u>2</u> )	( <u>42,745</u> )	( <u>2</u> )
PROFIT (LOSS) BEFORE INCOME TAX	( 132,810 )	( 8 )	166,371	6
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 26)	( <u>13,743</u> )	( <u>1</u> )	<u>49,614</u>	<u>2</u>

(Continued)

# TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
NET PROFIT (LOSS) FOR THE PERIOD	(\$ 119,067 )	( 7 )	\$ 116,757	4
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 23 and 26)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	( 34,225 )	( 2 )	26,171	1
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	( 24,953 )	( 1 )	27,087	1
Income tax relating to items that may be reclassified subsequently to profit or loss	4,905	-	( 5,338 )	-
Other comprehensive loss for the year, net of income tax	( 54,273 )	( 3 )	47,920	2
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(\$ 173,340 )	( 10 )	\$ 164,677	6
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	(\$ 132,438 )	( 8 )	\$ 106,199	4
Non-controlling interests	13,371	1	10,558	-
	(\$ 119,067 )	( 7 )	\$ 116,757	4
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	(\$ 186,286 )	( 11 )	\$ 153,726	5
Non-controlling interests	12,946	1	10,951	1
	(\$ 173,340 )	( 10 )	\$ 164,677	6
EARNINGS (LOSS) PER SHARE (Note 27)				
Basic	(\$ 0.52 )		\$ 0.42	
Diluted	( 0.52 )		0.41	

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

(Concluded)

(With Deloitte & Touche auditors' reviewed report dated May 13, 2020)

# TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company					Other Equity					
	Ordinary Shares	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Valuation Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity	Total Equity Attributable to Owners of the Company	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve							
BALANCE AT JANUARY 1, 2020	\$ 2,548,265	\$ 1,190,258	\$ 725,249	\$ 133,443	\$ 775,619	(\$ 137,912)	\$ 49,642	(\$ 88,270)	\$ 5,284,564	\$ 707,483	\$ 5,992,047
Net profit (loss) for the three months ended March 31, 2020	-	-	-	-	( 132,438)	-	-	-	( 132,438)	13,371	( 119,067)
Other comprehensive income (loss) for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	( 19,623)	( 34,225)	( 53,848)	( 53,848)	( 425)	( 54,273)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	( 132,438)	( 19,623)	( 34,225)	( 53,848)	( 186,286)	12,946	( 173,340)
Changes in percentage of ownership interests in subsidiaries (Note 28)	-	3,838	-	-	-	-	-	-	3,838	-	3,838
Adjustment of non-controlling interests (Note 23)	-	-	-	-	-	-	-	-	-	( 63,149)	( 63,149)
BALANCE AT MARCH 31, 2020	\$ 2,548,265	\$ 1,194,096	\$ 725,249	\$ 133,443	\$ 643,181	(\$ 157,535)	\$ 15,417	(\$ 142,118)	\$ 5,102,116	\$ 657,280	\$ 5,759,396
BALANCE AT JANUARY 1, 2019	\$ 2,548,265	\$ 1,201,104	\$ 694,026	\$ 89,749	\$ 887,670	(\$ 84,143)	\$ 40,449	(\$ 43,694)	\$ 5,377,120	\$ 744,237	\$ 6,121,357
Net profit for the three months ended March 31, 2019	-	-	-	-	106,199	-	-	-	106,199	10,558	116,757
Other comprehensive income (loss) for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	21,356	26,171	47,527	47,527	393	47,920
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	106,199	21,356	26,171	47,527	153,726	10,951	164,677
Adjustment of non-controlling interests (Note 23)	-	-	-	-	-	-	-	-	-	( 8,432)	( 8,432)
BALANCE AT MARCH 31, 2019	\$ 2,548,265	\$ 1,201,104	\$ 694,026	\$ 89,749	\$ 993,869	(\$ 62,787)	\$ 66,620	\$ 3,833	\$ 5,530,846	\$ 746,756	\$ 6,277,602

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche auditors' reviewed report dated May 13, 2020)

# TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	(\$ 132,810)	\$ 166,371
Adjustments for:		
Depreciation expense	78,520	83,378
Amortization expense	13,628	15,250
Expected credit loss	( 2,679)	35,526
Net loss (gain) on fair value change of financial assets and liabilities designated as at fair value through profit or loss	( 855)	( 9,394)
Finance costs	28,292	32,283
Interest income	( 7,463)	( 7,967)
Share of loss of associates	613	578
Gain on disposal of property, plant and equipment	( 1,002)	( 992)
Impairment loss recognized on nonfinancial assets	28,363	8,966
Recognition of provisions	34,623	36,440
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	1,280	21,273
Notes receivable and long-term notes and accounts receivable	( 2,383)	( 59,912)
Accounts receivable	284,231	( 452,136)
Accounts receivable - related parties	( 2,481)	( 7,273)
Other receivables	( 6,018)	( 10,127)
Inventories	( 56,091)	( 18,062)
Other current assets	53,407	12,750
Contract liabilities	192,323	188,958
Notes payable	( 11,167)	( 45,237)
Accounts payable	( 38,874)	( 36,888)
Accounts payable - related parties	15,780	( 26,511)
Other payables	( 60,631)	30,472
Provisions	( 38,643)	( 38,321)
Advance received	( 9,258)	2,259
Net defined benefit liabilities	( <u>1,476</u> )	( <u>1,263</u> )
Cash generated from (used in) operations	359,229	( 79,579)
Interest received	9,417	9,668
Interest paid	( 29,874)	( 31,263)
Income taxes paid	( <u>1,823</u> )	( <u>21,672</u> )

(Continued)



# TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Net cash generated from (used in) operating activities	\$ <u>336,949</u>	( \$ <u>122,846</u> )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	( 24,757 )	( 35,722 )
Proceeds from disposal of property, plant and equipment	1,405	1,659
Decrease (increase) in refundable deposits	2,326	( 329 )
Acquisition of intangible assets	( 1,101 )	( 1,100 )
Acquisition of investment properties	( 299 )	-
Decrease (increase) in other financial assets	( 101,671 )	163,613
Increase in other non-current assets	( <u>5,092</u> )	( <u>10,626</u> )
Net cash generated from (used in) investing activities	( <u>129,189</u> )	<u>117,495</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	547,428	1,025,358
Repayments of short-term borrowings	( 429,079 )	( 924,406 )
Decrease in short-term bills payable	205,069	( 169,907 )
Proceeds from long-term bank borrowings	108,125	-
Repayments of long-term bank borrowings	( 213,928 )	( 386,260 )
Increase in long-term bills payable	-	500,000
Proceeds from (refund of) guarantee deposits received	( 1,791 )	81
Repayment of principle of lease liabilities	( 12,314 )	( 12,039 )
Decrease in non-controlling interests	( <u>59,311</u> )	( <u>8,432</u> )
Net cash generated from financing activities	<u>144,199</u>	<u>24,395</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	( <u>22,549</u> )	<u>20,338</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	329,410	39,382
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		
	<u>1,089,689</u>	<u>1,072,564</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		
	<u>\$ 1,419,099</u>	<u>\$ 1,111,946</u>

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche auditors' reviewed report dated May 13, 2020)

(Concluded)

# TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

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

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### 1. GENERAL INFORMATION

Tongtai Machine & Tool Co., Ltd. (the “Company”) was incorporated in January 1969. It is mainly engaged in the manufacturing and selling of machine tools, computer components, computer numerical control lathes and cutting centers.

The Company’s shares have been listed on the Taiwan Stock Exchange since September 15, 2003.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Company’s board of directors and approved for issue on May 13, 2020.

### 3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company and its subsidiaries’ accounting policies.

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

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

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

As of the date the consolidated financial statements were reported to the board of directors for issue, the Company and its subsidiaries are in the process of assessing the impact of the impending initial application of the aforementioned and other standards and the amendments to interpretations on their financial position and results of operations. Disclosures will be provided after a detailed review of the impact has been completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. The consolidated financial statements do not present full disclosures required for a complete set of IFRSs annual financial statements.

##### b. Basis of preparation

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

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

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

##### c. Basis of consolidation

Refer to Note 11 Table 6 and Table 7 for the detail information of subsidiaries (including the percentage of ownership and main business).

##### d. Other significant accounting policies

Except for the following, refer to the summary of significant accounting policy and basis of preparation in the consolidated financial statements for the year ended December 31, 2019.

###### 1) Retirement benefits

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

###### 2) Taxation

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

The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2019.

## 6. CASH AND CASH EQUIVALENTS

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand	\$ 5,390	\$ 6,303	\$ 5,829
Checking accounts and demand deposits	1,368,290	1,083,386	1,045,999
Cash equivalents			
Time deposits with original maturities of less than three months	30,179	-	12,256
Bonds with repurchase agreements	15,240	-	47,862
	<u>\$ 1,419,099</u>	<u>\$ 1,089,689</u>	<u>\$ 1,111,946</u>

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Financial assets at FVTPL - current</u>			
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets			
Swap contracts	\$ -	\$ -	\$ 6,153
Cross-currency swap contracts	-	-	1,241
Foreign exchange forward contracts	-	-	31
Non-derivative financial assets			
CNY floating rate financial products	13,986	18,456	33,791
	<u>\$ 13,986</u>	<u>\$ 18,456</u>	<u>\$ 41,216</u>

(Continued)

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Financial liabilities at FVTPL - current</u>			
Financial liabilities held for trading			
Derivative financial liabilities			
Cross-currency swap contracts	\$ 2,992	\$ 6,357	\$ -
Swap contracts	<u>1,220</u>	<u>1,900</u>	<u>-</u>
	<u>\$ 4,212</u>	<u>\$ 8,257</u>	<u>\$ -</u>
			(Concluded)

- a. At the balance sheet date, outstanding cross-currency swap contracts not accounted for by hedge accounting were as follows:

Notional Amounts (In Thousands)	Maturity Date	Range of interest Rates Paid	Range of Interest Rates Received
<u>March 31, 2020</u>			
USD4,000/NTD123,600	2020.05	0.9	3M Libor + 0.5
USD2,000/NTD60,140	2020.02	0.92	1M Libor+ 0.48
<u>December 31, 2019</u>			
USD6,000/NTD185,200	2020.02-2020.05	0.8-0.9	3M Libor+0.5
USD2,000/NTD61,680	2020.01	0.78	1M Libor+0.93
<u>March 31, 2019</u>			
USD4,000/NTD123,580	2019.05	0.58	2.9
USD2,000/NTD61,680	2020.01	0.78	1M Libor+0.93
USD2,000/NTD61,600	2020.02	0.8	3M Libor+0.5
USD2,000/NTD61,600	2020.02	0.8	1M Libor+0.83

- b. At the balance sheet date, outstanding swap contracts and foreign exchange forward contracts not accounted for by hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>March 31, 2020</u>			
Swap	CNY/NTD	2020.06-2020.12	CNY26,000/NTD110,887
<u>December 31, 2019</u>			
Swap	CNY/NTD	2020.02-2020.06	CNY39,000/NTD168,123
<u>March 31, 2019</u>			
Swap	CNY/NTD	2019.04-2019.08	CNY38,800/NTD170,416
Foreign exchange forward	USD/MRY	2019.04	USD49/MRY194

The Company and its subsidiaries entered into cross-currency swap contracts, swap contracts and

foreign exchange forward contracts to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities. For the three months ended March 31, 2020 and 2019, the Company and its subsidiaries recognized gain on cross-currency swap contracts, swap contracts and foreign exchange forward contracts not accounted for by hedge accounting in the amounts of NT\$467 thousand and NT\$8,777 thousand, respectively, included in gain (loss) on financial instruments at fair value through profit or loss.

For the three months ended March 31, 2020 and 2019, the subsidiaries entered into CNY floating rate financial products and recognized gain of NT\$388 thousand and NT\$617 thousand, respectively, included in gain (loss) on financial instruments at fair value through profit or loss.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Investment in equity instruments</u>			
Domestic investments			
Listed shares	\$ 94,094	\$ 121,572	\$ 140,065
Unlisted shares	<u>51,945</u>	<u>58,692</u>	<u>57,177</u>
	<u>\$ 146,039</u>	<u>\$ 180,264</u>	<u>\$ 197,242</u>

## 9. NOTES AND ACCOUNTS RECEIVABLE, LONG-TERM NOTES AND ACCOUNTS RECEIVABLE, AND OVERDUE RECEIVABLE, NET

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Notes receivable (operating)			
Gross carrying amount at amortized cost	\$ 197,991	\$ 197,456	\$ 372,736
Less: Unrealized interest revenue	<u>8,653</u>	<u>9,851</u>	<u>10,949</u>
	<u>\$ 189,338</u>	<u>\$ 187,605</u>	<u>\$ 361,787</u>
Accounts receivable			
Gross carrying amount at amortized cost	\$ 3,772,680	\$ 4,057,385	\$ 4,681,621
Less: Allowance for impairment loss	<u>368,582</u>	<u>369,746</u>	<u>288,413</u>
	<u>\$ 3,404,098</u>	<u>\$ 3,687,639</u>	<u>\$ 4,393,208</u>
Accounts receivable - related parties			
Gross carrying amount at amortized cost	<u>\$ 7,984</u>	<u>\$ 5,503</u>	<u>\$ 16,474</u>
Long-term notes and accounts receivable (operating)			
Gross carrying amount at amortized cost	\$ 14,120	\$ 14,076	\$ 15,075
Less : Allowance for impairment loss	<u>5,575</u>	<u>5,530</u>	<u>5,691</u>
	<u>\$ 8,545</u>	<u>\$ 8,546</u>	<u>\$ 9,384</u>
Overdue receivable (included in other noncurrent assets)			
Gross carrying amount at amortized cost	\$ 82,048	\$ 81,442	\$ 81,791
Less : Allowance for impairment loss	<u>82,048</u>	<u>81,442</u>	<u>81,791</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## Accounts receivable

The credit period of the Company and its subsidiaries' receivables depends on customer classification and product category. The Company and its subsidiaries make prudent assessment of all their customers. The counterparties are creditworthy companies; as a result, the significant credit risk is unexpected. In order to minimize credit risk, the management of the Company and its subsidiaries have delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company and its subsidiaries review the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company and its subsidiaries' credit risk were significantly reduced.

The Company and its subsidiaries apply the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all notes and accounts receivables. The expected credit losses on notes and accounts receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company and its subsidiaries' historical credit loss experience do not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company and its subsidiaries' different customer base.

The Company and its subsidiaries write off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery after the recourse procedures. For accounts receivable that have been written off, the Company and its subsidiaries continue to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes and accounts receivables based on the Company and its subsidiaries' provision matrix. :

### March 31, 2020

	<u>Not Past Due</u>	<u>1 to 90 Days</u>	<u>91 to 180 Days</u>	<u>181 to 270 Days</u>	<u>271 to 365 Days</u>	<u>366 to 720 Days</u>	<u>Over 721 Days</u>	<u>Individual Identification</u>	<u>Total</u>
Gross carrying amount	\$ 2,299,580	\$ 516,135	\$ 283,580	\$ 101,579	\$ 99,178	\$ 299,097	\$ 167,768	\$ 299,253	\$ 4,066,170
Loss allowance (Lifetime ECL)	( 13,423)	( 41,501)	( 27,566)	( 10,734)	( 10,480)	( 82,156)	( 101,311)	( 169,034)	( 456,205)
Amortized cost	<u>\$ 2,286,157</u>	<u>\$ 474,634</u>	<u>\$ 256,014</u>	<u>\$ 90,845</u>	<u>\$ 88,698</u>	<u>\$ 216,941</u>	<u>\$ 66,457</u>	<u>\$ 130,219</u>	<u>\$ 3,609,965</u>

### December 31, 2019

	<u>Not Past Due</u>	<u>1 to 90 Days</u>	<u>91 to 180 Days</u>	<u>181 to 270 Days</u>	<u>271 to 365 Days</u>	<u>366 to 720 Days</u>	<u>Over 721 Days</u>	<u>Individual Identification</u>	<u>Total</u>
Gross carrying amount	\$ 2,463,905	\$ 622,330	\$ 252,863	\$ 137,722	\$ 101,781	\$ 261,860	\$ 180,451	\$ 325,099	\$ 4,346,011
Loss allowance (Lifetime ECL)	( 14,580)	( 42,879)	( 17,741)	( 14,040)	( 13,011)	( 71,681)	( 108,634)	( 174,152)	( 456,718)
Amortized cost	<u>\$ 2,449,325</u>	<u>\$ 579,451</u>	<u>\$ 235,122</u>	<u>\$ 123,682</u>	<u>\$ 88,770</u>	<u>\$ 190,179</u>	<u>\$ 71,817</u>	<u>\$ 150,947</u>	<u>\$ 3,889,293</u>

### March 31, 2019

	<u>Not Past Due</u>	<u>1 to 90 Days</u>	<u>91 to 180 Days</u>	<u>181 to 270 Days</u>	<u>271 to 365 Days</u>	<u>366 to 720 Days</u>	<u>Over 721 Days</u>	<u>Individual Identification</u>	<u>Total</u>
Gross carrying amount	\$ 3,696,849	\$ 517,307	\$ 243,410	\$ 117,493	\$ 115,970	\$ 178,241	\$ 159,967	\$ 127,511	\$ 5,156,748
Loss allowance (Lifetime ECL)	( 19,765)	( 47,284)	( 19,299)	( 9,259)	( 9,682)	( 47,289)	( 95,806)	( 127,511)	( 375,895)
Amortized cost	<u>\$ 3,677,084</u>	<u>\$ 470,023</u>	<u>\$ 224,111</u>	<u>\$ 108,234</u>	<u>\$ 106,288</u>	<u>\$ 130,952</u>	<u>\$ 64,161</u>	<u>\$ —</u>	<u>\$ 4,780,853</u>

The movements of the loss allowance of notes and accounts receivable were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Balance, beginning of period	\$ 456,718	\$ 343,152
Recognition	( 2,679 )	35,526
Written off	( 474 )	( 4,003 )
Effects of foreign currency exchange differences	<u>2,640</u>	<u>1,220</u>
Balance, end of period	<u>\$ 456,205</u>	<u>\$ 375,895</u>

## 10. INVENTORIES

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Raw materials	\$ 2,063,455	\$ 1,969,284	\$ 2,452,188
Supplies	178,536	191,607	254,665
Work-in-progress	2,493,369	2,525,369	3,088,103
Finished goods	888,791	897,136	931,426
Merchandise	4,993	16,444	55,639
Inventory in transit	<u>9,836</u>	<u>7,321</u>	-
	<u>\$ 5,638,980</u>	<u>\$ 5,607,161</u>	<u>\$ 6,782,021</u>

The cost of inventories recognized as operating costs for the three months ended March 31, 2020 and 2019 was NT\$1,457,352 thousand and NT\$2,243,468 thousand, respectively, which included write-downs of inventories and unallocated manufacturing overhead as follows.

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Write-downs of inventories	\$ 28,363	\$ 8,966
Unallocated manufacturing overhead (COVID-19)	2,787	-

## 11. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

<b>Investor</b>	<b>Investee</b>	<b>Nature of Activities</b>	<b>Proportion of Ownership</b>			<b>Remark</b>
			<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>	
Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited (Union Top)	General investment	100	100	100	
	Honor Seiki Co., Ltd. (Honor Seiki)	Sales and manufacturing of equipment	54	51	51	Note 1
	Quick-Tech Machinery Co., Ltd. (Quick-Tech)	Sales and manufacturing of equipment	52	52	52	
	Chin-Jig Technology Co., Ltd. (Chin-Jig)	Sales of mold and equipment	70	70	70	

(Continued)



Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			March 31, 2020	December 31, 2019	March 31, 2019	
	Tongfong Auto Tech Co., Ltd. (Tongfong)	Sales of electric automation equipment	99	99	99	
	Asia Pacific Elite Corp. (APEC)	Sales and manufacturing of equipment	99	99	99	
	Tongtai Europe B.V. (TTE)	Sales of merchandise	100	100	100	
	Tong-Yeh Precision Co., Ltd. (Tong-Yeh)	Manufacturing and processing of metal part	60	60	63	Note 2
	Tong-Tai Seiki USA, Inc. (TSU)	Sales of equipment	100	100	100	
	Tongtai Machine Tool (MFG) Sdn. Bhd. (TMM)	Sales and manufacturing of equipment	100	100	100	
	Tong Tai Machinery Co., Ltd. (TTM)	Sales of customized machine	100	100	100	
	Tongtai Seiki Vietnam Co., Ltd. (TTVN)	Sales of customized machine	100	100	100	
	Tongtai Machine Tool (SEA) Sdn. Bhd. (TTS)	Sales of customized machine	52	52	52	
	Tongtai Machine & Tool Japan Co., Ltd. (TTJP)	Sales and manufacturing of equipment	100	100	100	
	Process Conception Ingenierie-Societe de Construction D'equipments, De Mecanisations Et De Machines (PCI-SCEMM)	Sales and maintenance of machine tools	100	100	100	
	Tongan GmbH (Tongan)	General investment	100	100	100	
	Tongtai Mexico S.A.DE C.V (TTGMX)	Sales and maintenance of machine tools	100	100	100	
Union Top	Suzhou Tongyu Machine Tool Co., Ltd. (Suzhou Tongyu)	Manufacturing of digital control machine and system	100	100	100	Important subsidiary
	Shanghai Tong-Tai-Shin Trading Co., Ltd. (Shanghai Tong-Tai-Shin)	International trade	100	100	100	
	Tong-Yu Machine Tool (Shanghai) Co., Ltd. (Shanghai Tong-Yu)	Sales and maintenance of machine tools	100	100	100	
	Great Pursuit Limited	General investment	55	55	55	
	Hao-Tern-Shin Electronics (Shenzhen) Co., Ltd. (Hao-Tern-Shin)	Sales and manufacturing of printed circuit board	100	100	100	
Honor Seiki	Honor Seiki International Co., Ltd. (HSI)	Sales of machine tools	-	-	100	Note 3
	Honor Seiki USA Corporation (HSU)	Sales of machine tools	-	-	100	Note 3
Chin-Jig	Time Trade International Limited (Time Trade)	General investment	100	100	100	
Time Trade	Chin-Jig Precision Machine (Shanghai) Co., Ltd. (Shanghai Chin-Jig)	Sales and manufacturing of mold and equipment	100	100	100	
TTE	Topper East Europe S.R.L. (TEE)	Sales of merchandise	-	-	100	Note 4
PCI-SCEMM	TTGroup France	Sales of merchandise and general investment	100	100	100	
Tongan	Mbi-group Beteiligung GmbH (MBI)	General investment	100	100	99.97	Note 5
MBI	HPC Productions GmbH (HPC)	Sales, manufacturing and maintenance of machine tools	100	100	100	
	Anger Machining GmbH (Anger)	Sales, manufacturing and maintenance of machine tools	100	100	100	
Anger	Anger Machining Inc. (Anger - US)	Sales and maintenance of machine tools	100	100	100	
	Anger Service Deutschland GmbH (Anger - DE)	Sales and maintenance of machine tools	100	100	100	
TTJP	SKTD Co., Ltd. (SKTD)	Sales and maintenance of machine tools	98.73	98.73	98.73	

(Concluded)

Note 1: In March 2020, Honor Seiki purchased treasury shares which resulted in the changes in the Company's percentage of ownership interests in Honor Seiki. (Refer to Note 28)

Note 2: In September 2019, the Company subscribed for additional new shares at a percentage different from its existing ownership percentage. (Refer to Note 28)

Note 3: The subsidiaries HSI and HSU were liquidated in May and November 2019, respectively.

Note 4: The subsidiary TEE was liquidated in July 2019.

Note 5: In December 2019, the subsidiary Tongan acquired all of MBI's shares from non-controlling interest. (Refer to Note 28)

The financial statements of the non-significant subsidiaries were based on the subsidiaries' financial statements which have not been reviewed for the same periods.

c. Details of subsidiaries that have material non-controlling interests

<u>Name of subsidiary</u>	<b>Percentage of Ownership and Voting Rights of Non-controlling Interests</b>		
	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Honor Seiki	46%	49%	49%

Names, locations, and related information of investees Honor Seiki please refer to Table 6.

<u>Name of subsidiary</u>	<b>Profit Allocated to Non-controlling Interests For the Three Months Ended March 31</b>		<b>Accumulated, Non-controlling Interests</b>		
	<b>2020</b>	<b>2019</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Honor Seiki	<u>\$15,242</u>	<u>\$ 7,071</u>	<u>\$558,107</u>	<u>\$602,994</u>	<u>\$612,983</u>

Honor Seiki's financial information below represents amounts before intragroup eliminations.

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Current assets	\$ 1,936,732	\$ 1,859,299	\$ 2,105,231
Non-current assets	725,090	721,253	450,701
Current liabilities	( 1,172,345)	( 1,062,491)	( 1,160,559)
Non-current liabilities	( 277,151)	( 280,720)	( 137,534)
Equity	<u>\$ 1,212,326</u>	<u>\$ 1,237,341</u>	<u>\$ 1,257,839</u>
Equity attributable to			
Owner of Honor Seiki	\$ 654,219	\$ 634,347	\$ 644,856
Non-controlling interests of Honor Seiki	<u>558,107</u>	<u>602,994</u>	<u>612,983</u>
	<u>\$ 1,212,326</u>	<u>\$ 1,237,341</u>	<u>\$ 1,257,839</u>

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Revenue	<u>\$ 274,056</u>	<u>\$ 154,472</u>
Profit for the period	\$ 31,277	\$ 14,510
Other comprehensive income for the period	<u>-</u>	<u>7</u>
Total comprehensive income for the period	<u>\$ 31,277</u>	<u>\$ 14,517</u>
Profit attributable to		
Owners of Honor Seiki	\$ 16,035	\$ 7,439
Non-controlling interests of Honor Seiki	<u>15,242</u>	<u>7,071</u>
	<u>\$ 31,277</u>	<u>\$ 14,510</u>
Total comprehensive income attributable to		
Owners of Honor Seiki	\$ 16,035	\$ 7,443
Non-controlling interests of Honor Seiki	<u>15,242</u>	<u>7,074</u>
	<u>\$ 31,277</u>	<u>\$ 14,517</u>
Net cash inflow (outflow) from		
Operating activities	(\$ 60,554)	(\$ 25,459)
Investing activities	( 9,925)	150,512
Financing activities	46,294	( 202,218)
Effect of exchange rate	<u>-</u>	<u>10</u>
Net cash outflow	<u>(\$ 24,185)</u>	<u>(\$ 77,155)</u>

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Associates that are not individually material			
Cyber Laser Taiwan Co., Ltd.	\$ 8,990	\$ 9,397	\$ 10,579
Printin3d DigiTech Co., Ltd.	9,019	9,100	9,293
SOLIDCAMTAIWAN CO., LTD.	<u>883</u>	<u>1,008</u>	<u>1,208</u>
	<u>\$ 18,892</u>	<u>\$ 19,505</u>	<u>\$ 21,080</u>

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
The Company and its subsidiaries' share of		
Net loss for the period	(\$ 613)	(\$ 578)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>(\$ 613)</u>	<u>(\$ 578)</u>

Names, locations, and related information of associates please refer to Table 6.

The investments accounted for using the equity method and the share of loss and other comprehensive income of those investments for the three months ended March 31, 2020 and 2019 were based on the associates' financial statements which have not been reviewed for the same periods.

### 13. OTHER FINANCIAL ASSETS

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
<b>Current</b>			
Pledged deposits and time deposits	\$ 865,140	\$ 790,419	\$ 575,006
Restricted time deposits	6,746	7,063	12,899
Restricted deposits	<u>1,895</u>	<u>1,884</u>	<u>72,554</u>
	<u><b>\$ 873,781</b></u>	<u><b>\$ 799,366</b></u>	<u><b>\$ 660,459</b></u>
<b>Non-current</b>			
Pledged deposits and time deposits	\$ 108,668	\$ 79,068	\$ 128,431
Deposits for projects	<u>18,518</u>	<u>20,862</u>	<u>21,074</u>
	<u><b>\$ 127,186</b></u>	<u><b>\$ 99,930</b></u>	<u><b>\$ 149,505</b></u>

Refer to Note 33 for information relating to other financial assets pledged as collateral.

### 14. PROPERTY, PLANT AND EQUIPMENT

For the three months ended March 31, 2020

Cost	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Balance at January 1, 2020	\$ 908,875	\$ 2,966,157	\$ 1,190,170	\$ 170,291	\$ 174,592	\$ 514,216	\$ 2,758	\$ 5,927,059
Additions	-	1,095	9,989	-	546	3,825	122	15,577
Disposals	-	( 24,512)	( 2,024)	( 468)	( 172)	( 6,070)	-	( 33,246)
Reclassifications	-	-	( 3,535)	-	-	-	-	( 3,535)
Effects of foreign currency exchange difference	( 1,423)	( 12,482)	( 6,883)	( 1,005)	( 1,605)	( 1,932)	( 11)	( 25,341)
Balance at March 31, 2020	<u>907,452</u>	<u>2,930,258</u>	<u>1,187,717</u>	<u>168,818</u>	<u>173,361</u>	<u>510,039</u>	<u>2,869</u>	<u>5,880,514</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2020	-	1,143,956	861,612	124,870	137,185	318,330	-	2,585,953
Depreciation	-	28,832	14,155	2,614	3,969	11,549	-	61,119
Disposals	-	( 24,512)	( 2,024)	( 282)	( 172)	( 5,853)	-	( 32,843)
Reclassifications	-	-	( 413)	-	-	-	-	( 413)
Effects of foreign currency exchange difference	-	( 3,469)	( 5,675)	( 707)	( 1,285)	( 1,475)	-	( 12,611)
Balance at March 31, 2020	<u>-</u>	<u>1,144,807</u>	<u>867,655</u>	<u>126,495</u>	<u>139,697</u>	<u>322,551</u>	<u>-</u>	<u>2,601,205</u>
Carrying amount at December 31, 2019	<u>\$ 908,875</u>	<u>\$ 1,822,201</u>	<u>\$ 328,558</u>	<u>\$ 45,421</u>	<u>\$ 37,407</u>	<u>\$ 195,886</u>	<u>\$ 2,758</u>	<u>\$ 3,341,106</u>
Carrying amount at March 31, 2020	<u>\$ 907,452</u>	<u>\$ 1,785,451</u>	<u>\$ 320,062</u>	<u>\$ 42,323</u>	<u>\$ 33,664</u>	<u>\$ 187,488</u>	<u>\$ 2,869</u>	<u>\$ 3,279,309</u>

For the three months ended March 31, 2019

Cost	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Balance at January 1, 2019	\$ 929,998	\$ 2,948,790	\$ 1,192,233	\$ 168,008	\$ 192,228	\$ 494,175	\$ 3,876	\$ 5,929,308
Additions	-	5,382	8,339	312	1,338	7,310	7,905	30,586
Disposals	-	( 1,455)	( 2,861)	( 1,055)	( 6,759)	( 15,278)	-	( 27,408)
Reclassifications	( 19,791)	20,839	1,215	652	( 7,630)	( 259)	-	( 4,974)
Effects of foreign currency exchange difference	( 579)	7,103	( 468)	780	( 1,509)	743	26	6,096
Balance at March 31, 2019	<u>909,628</u>	<u>2,980,659</u>	<u>1,198,458</u>	<u>168,697</u>	<u>177,668</u>	<u>486,691</u>	<u>11,807</u>	<u>5,933,608</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2019	-	1,034,055	828,170	115,431	145,671	313,325	-	2,436,652
Depreciation	-	31,034	15,862	3,278	4,385	10,786	-	65,345
Disposals	-	( 1,455)	( 2,561)	( 1,055)	( 6,759)	( 14,911)	-	( 26,741)
Reclassifications	-	729	1,066	697	( 7,519)	53	-	( 4,974)
Effects of foreign currency exchange difference	-	1,825	2,119	682	( 2,277)	( 1,755)	-	594
Balance at March 31, 2019	<u>-</u>	<u>1,066,188</u>	<u>844,656</u>	<u>119,033</u>	<u>133,501</u>	<u>307,498</u>	<u>-</u>	<u>2,470,876</u>
Carrying amount at March 31, 2019	<u>\$ 909,628</u>	<u>\$ 1,914,471</u>	<u>\$ 353,802</u>	<u>\$ 49,664</u>	<u>\$ 44,167</u>	<u>\$ 179,193</u>	<u>\$ 11,807</u>	<u>\$ 3,462,732</u>

The subsidiary Anger evaluated that the estimated future cash inflows from machinery and equipment had declined due to unsatisfactory operating conditions, and the estimated recoverable amount was lower than the carrying amount. As a result, the subsidiary Anger has been recognized impairment loss in previous years. The accumulated impairment as of March 31, 2020, December 31, 2019 and March 31, 2019 was NT\$28,287 thousand, NT\$28,595 thousand and NT\$29,463 thousand, respectively.

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

Buildings	
Main structure	35-60 years
Mechanical and electrical facilities	5-35 years
Engineering system	2-35 years
Air conditioning system	2-35 years
Decoration	2-35 years
Machinery and equipment	2-13 years
Transportation equipment	2-15 years
Office equipment	3-10 years
Other equipment	2-15 years

Property, plant and equipment pledged by the Company and its subsidiaries as collateral for bank borrowings are described in Note 33.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

Carrying amounts	March 31, 2020	December 31, 2019	March 31, 2019
Land	\$ 503,328	\$ 487,426	\$ 713,163
Buildings	102,967	108,292	123,937
Machinery	22,633	25,048	32,652
Transportation equipment	<u>20,368</u>	<u>23,901</u>	<u>22,170</u>
	<u>\$ 649,296</u>	<u>\$ 644,667</u>	<u>\$ 891,922</u>
		<b>For the Three Months Ended March 31</b>	
		<b>2020</b>	<b>2019</b>
Additions to right-of-use assets		<u>\$ -</u>	<u>\$ 13,786</u>
Depreciation charge for right-of-use assets			
Land		\$ 4,867	\$ 5,667
Buildings		4,660	4,352
Machinery		1,737	2,253
Transportation equipment		<u>3,259</u>	<u>2,715</u>
		<u>\$ 14,523</u>	<u>\$ 14,987</u>

b. Lease liabilities

Carrying amounts	March 31, 2020	December 31, 2019	March 31, 2019
Current	<u>\$ 44,672</u>	<u>\$ 39,812</u>	<u>\$ 46,256</u>
Non-current	<u>\$ 602,891</u>	<u>\$ 600,817</u>	<u>\$ 834,477</u>

Range of discount rate for lease liabilities (%) was as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Land	2.16~2.48	2.16~2.48	2.16~2.48
Buildings	1.42~2.88	1.42~2.88	1.42~2.88
Machinery	1.45~2.88	1.45~2.88	1.45
Transportation equipment	1.05~5.65	1.05~5.65	1.42~2.88

c. Material lease activities and terms

The Company is leasing the land of Kaohsiung Luke plant from the management of Southern Taiwan Science Park. The lease period will expire in June 2039. The Company does not have a bargain purchase option to acquire the leased land at the expiration of the lease period.

The subsidiary Suzhou Tong-Yu is leasing land from the China government. The lease is recorded as land use rights with useful life of 50 years until July 2059.

The subsidiary Shanghai Chin-Jig is leasing its location from non-related parties. The lease period will expire in December 2020.

The subsidiary PCI is leasing its location from non-related parties. The lease period will expire in December 2027.

d. Other lease information

	For the Three Months Ended March 31	
	2020	2019
Expenses relating to short-term leases and low-value asset leases	<u>\$ 7,188</u>	<u>\$ 7,782</u>
Total cash outflow for leases	<u>(\$ 23,271)</u>	<u>(\$ 25,036)</u>

The Company and its subsidiaries lease certain buildings, transportation equipment and office equipment which qualify as short-term leases and low-value asset leases. The Company and its subsidiaries have elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 16. INVESTMENT PROPERTIES

### For the Three Months Ended March 31, 2020

Cost	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
Balance at January 1, 2020	\$ 81,840	\$ 217,045	\$ 298,885
Additions	-	299	299
Effects of foreign currency exchange differences	-	( 1,160)	( 1,160)
Balance at March 31, 2020	81,840	216,184	298,024
<b>Accumulated depreciation</b>			
Balance at January 1, 2020	-	62,384	62,384
Depreciation	-	2,878	2,878
Effects of foreign currency exchange differences	-	( 196)	( 196)
Balance at March 31, 2020	-	65,066	65,066
Balance at December 31, 2019	\$ 81,840	\$ 154,661	\$ 236,501
Carrying amount at March 31, 2020	\$ 81,840	\$ 151,118	\$ 232,958

### For the Three Months Ended March 31, 2019

Cost	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
Balance at January 1, 2019	\$ 81,840	\$ 220,918	\$ 302,758
Effects of foreign currency exchange differences	-	2,505	2,505
Balance at March 31, 2019	81,840	223,423	305,263
<b>Accumulated depreciation</b>			
Balance at January 1, 2019	-	51,202	51,202
Depreciation	-	3,046	3,046
Effects of foreign currency exchange differences	-	277	277
Balance at March 31, 2019	-	54,525	54,525
Carrying amount at March 31, 2019	\$ 81,840	\$ 168,898	\$ 250,738

The abovementioned investment properties were leased out for 2 to 15 years. The leases do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Year 1	\$ 6,452	\$ 6,440	\$ 7,310
Year 2	6,058	6,038	5,704
Year 3	5,821	5,797	5,820
Year 4	5,430	5,400	5,665
Year 5	5,550	5,520	5,400
Year 6 onwards	53,670	55,080	59,370
	\$ 82,981	\$ 84,275	\$ 89,269

The above items of investment properties are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	
Main structure	10-35 years
Engineering system	10 years

The investment properties of the Company and its subsidiaries are located at Hunei District in Kaohsiung City and Shanghai City in China. The fair value of the investment properties was assessed by the management of the Company and its subsidiaries based on the actual price registration information of nearby area or market evidence of transaction prices categorized as Level 3 input. Professional independent valuers were not involved in the fair value assessment. The fair value for the three months ended March 31, 2020, December 31, 2019 and March 31, 2019 are NT\$412,254 thousand.

All of the Company and its subsidiaries' investment properties are held under freehold interests.

Investment properties pledged by the Company and its subsidiaries as collateral for bank borrowings are described in Note 33.

## 17. INTANGIBLE ASSETS

For the Three Months Ended March 31, 2020

	<b>Computer Software</b>	<b>Goodwill</b>	<b>Patents</b>	<b>Others</b>	<b>Total</b>
<u>Cost</u>					
Balance at January 1, 2020	\$ 259,768	\$ 13,731	\$ 3,748	\$ 8,278	\$ 285,525
Additions	1,101	-	-	-	1,101
Disposals	( 764)	-	-	-	( 764)
Effects of foreign currency exchange differences	( 1,177)	-	( 39)	79	( 1,137)
Balance at March 31, 2020	<u>258,928</u>	<u>13,731</u>	<u>3,709</u>	<u>8,357</u>	<u>284,725</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2020	187,335	-	2,672	5,743	195,750
Amortization expenses	6,556	-	185	422	7,163
Disposals	( 764)	-	-	-	( 764)
Effects of foreign currency exchange differences	( 1,048)	-	( 28)	59	( 1,017)
Balance at March 31, 2020	<u>192,079</u>	<u>-</u>	<u>2,829</u>	<u>6,224</u>	<u>201,132</u>
Balance at December 31, 2019	<u>\$ 72,433</u>	<u>\$ 13,731</u>	<u>\$ 1,076</u>	<u>\$ 2,535</u>	<u>\$ 89,775</u>
Carrying amount at March 31, 2020	<u>\$ 66,849</u>	<u>\$ 13,731</u>	<u>\$ 880</u>	<u>\$ 2,133</u>	<u>\$ 83,593</u>



For the Three Months Ended March 31, 2019

	<b>Computer Software</b>	<b>Goodwill</b>	<b>Patents</b>	<b>Others</b>	<b>Total</b>
<u>Cost</u>					
Balance at January 1, 2019	\$ 276,734	\$ 13,731	\$ 3,927	\$ 8,507	\$ 302,899
Additions	1,100	-	-	-	1,100
Disposals	( 2,076)	-	-	-	( 2,076)
Effects of foreign currency exchange differences	( 1,574)	-	( 66)	( 1)	( 1,641)
Balance at March 31, 2019	<u>274,184</u>	<u>13,731</u>	<u>3,861</u>	<u>8,506</u>	<u>300,282</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2019	181,340	-	2,014	4,229	187,583
Amortization expenses	7,630	-	193	435	8,258
Disposals	( 2,076)	-	-	-	( 2,076)
Effects of foreign currency exchange differences	( 1,430)	-	( 36)	( 2)	( 1,468)
Balance at March 31, 2019	<u>185,464</u>	<u>-</u>	<u>2,171</u>	<u>4,662</u>	<u>192,297</u>
Carrying amount at March 31, 2019	<u>\$ 88,720</u>	<u>\$ 13,731</u>	<u>\$ 1,690</u>	<u>\$ 3,844</u>	<u>\$ 107,985</u>

The above items of intangible assets are amortized on a straight-line basis over the following estimated useful lives:

Computer software	1-10 years
Patents	3-8 years
Others	5-8 years

## 18. BORROWINGS

### a. Short-term borrowings

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Bank loans	\$ 2,350,654	\$ 2,264,437	\$ 2,751,027
Secured borrowings	751,589	691,619	518,835
Letters of credit	12,278	43,477	78,089
	<u>\$ 3,114,521</u>	<u>\$ 2,999,533</u>	<u>\$ 3,347,951</u>
Annual interest rate (%)	0.85~4.96	0.85~5	0.85~5

### b. Short-term bills payable

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Commercial paper	\$ 447,000	\$ 242,000	\$ 160,000
Less: Unamortized discounts	249	318	-
	<u>\$ 446,751</u>	<u>\$ 241,682</u>	<u>\$ 160,000</u>
Annual interest rate (%)	0.57~1.15	1~1.24	0.932~1.112

The above commercial paper was secured by Mega Bills Finance Corporation, International Bills Finance Corporation, Taching Bill Finance Ltd., Dah Chung Bills Finance Corp. and China Bills Finance Corporation.

c. Long-term borrowings

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Bank loans			
Due on various dates through September 2024	\$ 1,568,966	\$ 1,554,163	\$ 1,182,976
Mortgage loans			
Due on various dates through July 2039	<u>1,571,059</u>	<u>1,701,254</u>	<u>1,642,977</u>
	3,140,025	3,255,417	2,825,953
Less: Current portion	<u>1,023,841</u>	<u>1,041,152</u>	<u>764,314</u>
	<u>\$ 2,116,184</u>	<u>\$ 2,214,265</u>	<u>\$ 2,061,639</u>
Annual interest rate (%)	0.798~2.75	0.99~2.875	1.152~2.875

d. Long-term bills payable

	<u>March 31, 2019</u>
Commercial paper with, annual interest rate of 0.76%	<u>\$500,000</u>

1) The subsidiaries MBI and Anger entered into a loan agreement with CTBC Bank. The loan agreement stipulated that specified financial ratios and amounts should be met based on the Company and its subsidiaries' reviewed consolidated financial statements for six months ended June 30 and audited annual consolidated financial statements. The subsidiaries Tongan, MBI and Anger should meet certain amount of net worth based on unreviewed financial statements for six months ended June 30. The subsidiaries Tongan and Anger should meet certain amount of net worth based on the audited annual financial statements. The bank will check compliance with the loan agreement every six months. If the subsidiaries do not meet the financial ratios and amounts, they should take remedial measures within a specified period; otherwise, the bank management could cancel or adjust the amounts, periods and interests in accordance with the agreement.

The Company and the subsidiaries' consolidated financial statements breached the contract; therefore, the long-term borrowings were all classified as current portion of long-term bank borrowings.

2) The subsidiaries MBI and Anger entered into a loan agreement with Taipei Fubon Bank. The loan agreement stipulated that specified financial ratios and amounts should be met based on the Company and the subsidiaries audited annual consolidated financial statements. The subsidiaries MBI and Anger should meet certain amount of net worth based on the audited annual consolidated financial statements. The bank will check compliance with the loan agreement annually. If the subsidiaries breach the contract, the bank management could increase the interest rate by 0.25% on the first time of breach, and immediately terminate the credit line on the second time of breach in accordance with the agreement.

The Company and its subsidiaries' consolidated financial statements breached the contract; therefore, the long-term borrowings were all classified as current portion of long-term bank borrowings.

- 3) The Company entered into a facility agreement of NT\$1 billion with O-Bank for medium and long-term loans and guarantee the issuance of commercial paper until July 2023. The Company might not change the chairman during the contract period and the facility agreement stipulated that specified financial ratios and amounts should be met based on the Company and its subsidiaries' reviewed consolidated financial statements for six months ended June 30 and audited annual consolidated financial statements.

The Company's consolidated financial statements didn't breached the contract.

## 19. NOTES PAYABLE AND ACCOUNTS PAYABLE

All of the Company and its subsidiaries' notes payable and accounts payable (included related parties) are generated from operating and unsecured to the creditors.

The Company and its subsidiaries have financial risk management policies to ensure that all payables are paid within the agreed credit terms.

## 20. OTHER PAYABLES

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Salaries and incentive bonus	\$ 213,825	\$ 259,076	\$ 227,336
Commission and service fee	138,553	175,263	133,621
Employee compensation and remuneration of directors	86,002	83,606	125,106
Insurance	37,642	39,361	33,841
Pension	33,196	30,325	25,886
Purchases of equipment	33,168	33,466	38,518
Others	<u>116,484</u>	<u>100,284</u>	<u>218,873</u>
	<u>\$ 658,870</u>	<u>\$ 721,381</u>	<u>\$ 803,181</u>

## 21. PROVISIONS

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
<u>Current</u>			
Warranties	<u>\$ 107,377</u>	<u>\$ 111,884</u>	<u>\$ 93,876</u>
<u>Noncurrent</u>			
Others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,219</u>
	<b>Warranties</b>	<b>Others</b>	<b>Total</b>
Balance at January 1, 2020	\$ 111,884	\$ -	\$ 111,884
Recognized (reversed)	34,623	-	34,623
Paid	( 38,643 )	-	( 38,643 )
Effects of foreign currency exchange differences	( 487 )	-	( 487 )
Balance at March 31, 2020	<u>\$ 107,377</u>	<u>\$ -</u>	<u>\$ 107,377</u>

(Continued)

	<u>Warranties</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2019	\$ 95,854	\$ 3,332	\$ 99,186
Recognized (reversed)	36,440	-	36,440
Paid	( 38,263 )	( 58 )	( 38,321 )
Effects of foreign currency exchange differences	( 155 )	( 55 )	( 210 )
Balance at March 31, 2019	<u>\$ 93,876</u>	<u>\$ 3,219</u>	<u>\$ 97,095</u>

(Concluded)

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company and its subsidiaries' obligations for warranties under local sale of goods legislation. The estimate was made on the basis of historical warranty trends and may vary with actual as a result of new materials, altered manufacturing processes or other events affecting product quality.

## 22. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Company and its subsidiaries' defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2019 and 2018, the amounts was NT\$925 thousand and NT\$958 thousand for the three months ended March 31, 2020 and 2019, respectively.

## 23. EQUITY

### a. Ordinary Shares

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Numbers of shares authorized (in thousands)	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>
Amount of shares authorized	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
Numbers of shares issued and fully paid (in thousands)	<u>254,827</u>	<u>254,827</u>	<u>254,827</u>
Amount of shares issued	<u>\$ 2,548,265</u>	<u>\$ 2,548,265</u>	<u>\$ 2,548,265</u>

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and the right to dividends.

### b. Capital surplus

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)			
Additional paid-in capital	\$ 960,854	\$ 960,854	\$ 960,854
Conversion of bonds	222,593	222,593	222,593
Interest compensation	5,577	5,577	5,577
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	9,336
	<u>1,189,024</u>	<u>1,189,024</u>	<u>1,198,360</u>

(Continued)

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>May be used to offset a deficit only</u>			
Expired employee stock warrants	\$ 1,234	\$ 1,234	\$ 1,234
Changes in percentage of ownership interests in subsidiaries	<u>3,838</u>	<u>-</u>	<u>1,510</u>
	<u>5,072</u>	<u>1,234</u>	<u>2,744</u>
	<u>\$ 1,194,096</u>	<u>\$ 1,190,258</u>	<u>\$ 1,201,104</u> (Concluded)

Note: The capital surplus could be used to offset a deficit and distributed as cash dividends or transferred to capital when the Company has no deficit (limited to a certain percentage of the Company's paid-in capital and once a year).

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

The Company's dividend policy takes into consideration the entire corporate environment, the growth of industry, long-term financial planning for sustainable development, and stable business development. In the planning of dividend distribution, the Company performs the following steps:

- 1) Determine the best capital budget.
- 2) Determine the need for capital loan to satisfy the best capital budget.
- 3) Determine how much capital could be raised from retained earnings.
- 4) Determine the funds needed to maintain the profitable operations of the Company. After the operations are funded, dividends could be distributed to shareholders. In principle, cash dividends should not be less than 50% of the total dividends distributed.

Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 and Rule No.1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse special reserve.

The appropriation of earnings for 2019 and 2018 had been proposed by the board of directors in March 2020 and approved in the shareholder's meeting in June 2019, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividend Per Share (NT\$)</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Legal reserve	\$ 5,895	\$ 31,223		
Recognized (reversed) of Special reserve	( 43,694)	43,694		
Cash dividends	<u>50,965</u>	<u>76,448</u>	<u>\$ 0.2</u>	<u>\$ 0.3</u>
	<u>\$ 13,166</u>	<u>\$ 151,365</u>		

The appropriation of earnings for 2019 is subject to the resolution in the shareholders' meeting to be held in June 2020.

d. Other equity

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

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Balance, beginning of period	( \$ 137,912 )	( \$ 84,143 )
Recognized for the period		
Exchange differences on translating foreign operations	( 24,528 )	26,694
Income tax	<u>4,905</u>	( <u>5,338</u> )
Balance, end of period	( <u>\$ 157,535</u> )	( <u>\$ 62,787</u> )

2) Unrealized gain and loss on financial assets at FVTOCI

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Balance, beginning of period	\$ 49,642	\$ 40,449
Recognized for the period		
Unrealized gain and loss - equity instruments	( <u>34,225</u> )	<u>26,171</u>
Balance, end of period	<u>\$ 15,417</u>	<u>\$ 66,620</u>

e. Non-controlling interests

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Balance, beginning of period	\$ 707,483	\$ 744,237
Attributable to non-controlling interests:		
Share in profit for the period	13,371	10,558
Exchange difference on translating foreign operations	( 425 )	393
Purchase of treasury stock by subsidiaries	( 56,291 )	-
Dividend distributed by subsidiaries	( 3,020 )	( 8,432 )
Decrease in non-controlling interests	( <u>3,838</u> )	<u>-</u>
Balance, end of period	<u>\$ 657,280</u>	<u>\$ 746,756</u>

## 24. OPERATING REVENUE

	<u>For the Three Months Ended March 31</u>			
	2020	2019		
Revenue from sale of goods	\$ 1,613,037	\$ 2,746,850		
Revenue from maintenance and rebuilding services	<u>148,065</u>	<u>198,543</u>		
	<u>\$ 1,761,102</u>	<u>\$ 2,945,393</u>		
a. Contract balances				
	<u>March 31,</u> <u>2020</u>	<u>December</u> <u>31, 2019</u>	<u>March 31,</u> <u>2019</u>	<u>January 1,</u> <u>2019</u>
Notes and accounts receivable, long-term notes and accounts receivables	<u>\$3,609,965</u>	<u>\$3,889,293</u>	<u>\$4,780,853</u>	<u>\$4,298,278</u>
Contract liabilities				
Sales of goods	<u>\$1,193,559</u>	<u>\$1,001,236</u>	<u>\$1,809,730</u>	<u>\$1,620,772</u>
b. Disaggregation of revenue				

	<u>For the Three Months Ended March 31</u>	
	2020	2019
Taiwan	\$ 199,974	\$ 282,309
China	567,559	1,234,276
Asia	378,798	461,620
Europe	474,220	429,854
Others	<u>140,551</u>	<u>537,334</u>
	<u>\$ 1,761,102</u>	<u>\$ 2,945,393</u>

## 25. PROFIT (LOSS) BEFORE INCOME TAX

The following items were included in profit (loss) before income tax:

### a. Other income

	<u>For the Three Months Ended</u> <u>March 31</u>	
	2020	2019
Interest income	\$ 7,463	\$ 7,967
Rental income	7,126	4,179
Others	<u>8,874</u>	<u>5,054</u>
	<u>\$ 23,463</u>	<u>\$ 17,200</u>

b. Other gains and losses

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Net foreign exchange loss	\$ (11,160)	\$ 54,189
Gain on financial instruments at fair value through profit or loss	855	9,394
Depreciation expense	(3,413)	(3,143)
Gain on disposal of property, plant and equipment	1,002	992
Compensation expense	(19,836)	(58)
Others	<u>(749)</u>	<u>(2,968)</u>
	<u>\$ (33,301)</u>	<u>\$ 58,406</u>

The components of net foreign exchange loss were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Foreign exchange gain	\$ 29,650	\$ 57,673
Foreign exchange loss	<u>(40,810)</u>	<u>(3,484)</u>
Net foreign exchange loss	<u>\$ (11,160)</u>	<u>\$ 54,189</u>

c. Finance costs

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on bank loans	\$ 24,213	\$ 27,041
Interest on lease liabilities	3,769	5,215
Others	<u>310</u>	<u>27</u>
	<u>\$ 28,292</u>	<u>\$ 32,283</u>

d. Depreciation and amortization

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Depreciation and amortization expenses		
Property, plant and equipment	\$ 61,119	\$ 65,345
Right-of-use assets	14,523	14,987
Investment properties	2,878	3,046
Intangible assets	7,163	8,258
Others	<u>6,465</u>	<u>6,992</u>
	<u>\$ 92,148</u>	<u>\$ 98,628</u>

(Continued)



	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
An analysis of depreciation by function		
Operating costs	\$ 42,950	\$ 48,161
Operating expenses	32,157	32,074
Non-operating expenses	<u>3,413</u>	<u>3,143</u>
	<u>\$ 78,520</u>	<u>\$ 83,378</u>
An analysis of amortization by function		
Operating costs	\$ 8,497	\$ 8,808
Operating expenses	<u>5,131</u>	<u>6,442</u>
	<u>\$ 13,628</u>	<u>\$ 15,250</u>

(Concluded)

e. Operating expenses directly related to investment properties

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Direct operating expenses of investment properties that generated rental income	<u>\$ 2,878</u>	<u>\$ 3,046</u>

f. Employee benefits

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	<u>\$ 428,128</u>	<u>\$ 499,137</u>
Post-employment benefits		
Defined contribution plans	28,988	28,985
Defined benefit plans (Note 22)	<u>925</u>	<u>958</u>
	<u>29,913</u>	<u>29,943</u>
	<u>\$ 458,041</u>	<u>\$ 529,080</u>
Analysis of employee benefits by function		
Operating costs	\$ 292,130	\$ 323,666
Operating expenses	<u>165,911</u>	<u>205,414</u>
	<u>\$ 458,041</u>	<u>\$ 529,080</u>

To be in compliance with the Company Act, the Company distributed employees' compensation and remuneration of directors and supervisors at the rates no less than 1% and no higher than 5%, respectively, of the pre-tax profit before deduction for employees' compensation and remuneration of directors. Because of the net operating loss for the three months ended March 31, 2020, employees' compensation and remuneration of directors were not accrued. The employees' compensation and remuneration of directors and supervisors for the three months ended March 31, 2019 were NT\$8,994 thousand and NT\$2,180 thousand, respectively.

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

The employees' compensation and remuneration of directors (all in cash) for the year ended December 31, 2019 and 2018 which have been approved by the Company's board of directors were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Employees' compensation	\$ 3,894	\$ 20,963
Remuneration of directors	944	5,082

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018, respectively.

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

## 26. INCOME TAX

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

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current year	(\$ 2,344)	\$28,866
Adjustments for prior years	( 3,019)	-
	( 5,363)	28,866
Deferred tax		
In respect of the current year	( 8,380)	20,748
	( \$ 13,743)	\$49,614

- b. Income tax recognized directly in other comprehensive income

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2020</b>	<b>2019</b>
Deferred tax		
In respect of the current period		
Translation of foreign operations	( \$ 4,905)	\$ 5,338

- c. Income tax assessments

The income tax returns of the Company and the subsidiaries (included Tongfong, Tong-Yeh, Quick-Tech and Honor Seiki) through 2018 have been assessed by the tax authorities. The income tax returns of the subsidiary APEC through 2017 have been assessed by tax authorities.

## 27. EARNINGS (LOSS) PER SHARE

The net profit (loss) and weighted average number of ordinary shares outstanding in the computation of earnings (loss) per share were as follows:

### Net profit (loss) for the period

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Attributable to owners of the Company	(\$ <u>132,438</u> )	\$ <u>106,199</u>

### Weighted average number of ordinary shares outstanding (in thousands of shares)

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Weighted average number of ordinary shares in computation of basic earnings (loss) per share	254,827	254,827
Effect of potentially dilutive potential ordinary shares:		
Employees' compensation	<u>-</u>	<u>1,458</u>
Weighted average number of ordinary shares used in the computation of diluted earnings (loss) per share	<u>254,827</u>	<u>256,285</u>

Since the Company offered to settle the compensation paid to employees by cash or shares, the Company assumed that the entire amount of the compensation would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 28. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In March, 2020, the subsidiary Honor Seiki acquired its outstanding common shares and accounted for as treasury shares and the Company's percentage of ownership of Honor Seiki increased from 51% to 54%. The transaction was accounted for as equity transaction since the Company did not cease to have control over the subsidiary, and increased capital surplus by NT\$3,838 thousand.

In December 2019, the subsidiary Tongan acquired residual shares of MBI. The transaction was accounted for as equity transaction since the Company did not cease to have control over the subsidiary, reduced the capital surplus by NT\$10,622 thousand and the retained earnings by NT\$3,207 thousand (net of income tax of NT\$3,457 thousand).

In September 2019, the Company subscribed for additional new shares of Tong-Yeh at a percentage different from its existing ownership percentage. The transaction was accounted for as equity transaction since the Company did not cease to have control over the subsidiary, and reduced the capital surplus by NT\$224 thousand.

## 29. NON-CASH TRANSACTIONS

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

	<b>For the Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Investing activities affecting both cash and non-cash items		
Property, plant and equipment	\$ 15,577	\$ 30,586
Payable for equipment	298	4,341
Prepayment for equipment	<u>8,882</u>	<u>795</u>
Cash paid	<u>\$ 24,757</u>	<u>\$ 35,722</u>

## 30. CAPITAL MANAGEMENT

The Company and its subsidiaries manage their capital to ensure that, as a whole, they will be able to continue as going concerns; they use operating capital effectively and optimize debt and equity balance.

The key management personnel of the Company and its subsidiaries reviews the capital structure periodically. As part of the review, the key management personnel considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company and its subsidiaries may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

The capital structure of the Company and its subsidiaries consists of net debt and equity. It is the policy of the Company and its subsidiaries to monitor and comply with the terms of loan agreements (refer to Note 18).

## 31. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

Except as detailed in the following table, the Company and its subsidiaries believe the carrying amounts of financial asset and liabilities recognized in the consolidated financial statements approximate their fair values.

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

- 1) Fair value hierarchy

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>March 31, 2020</b>				
Financial assets at fair value through profit or loss - current				
CNY floating rate financial products	\$ -	\$ -	\$ 13,986	\$ 13,986
Financial assets at FVTOCI - non-current				
Domestic listed shares	\$ 94,094	\$ -	\$ -	\$ 94,094
Domestic unlisted shares	-	-	51,945	51,945
	<u>\$ 94,094</u>	<u>\$ -</u>	<u>\$ 51,945</u>	<u>\$ 146,039</u>
Financial liabilities at fair value through profit or loss - current				
Swap contracts	\$ -	\$ 1,220	\$ -	\$ 1,220
Cross-currency swap contract	-	2,992	-	2,992
	<u>\$ -</u>	<u>\$ 4,212</u>	<u>\$ -</u>	<u>\$ 4,212</u>
<b>December 31, 2019</b>				
Financial assets at fair value through profit or loss - current				
CNY floating rate financial products	\$ -	\$ -	\$ 18,456	\$ 18,456
Financial assets at FVTOCI - non-current				
Domestic listed shares	\$ 121,572	\$ -	\$ -	\$ 121,572
Domestic unlisted shares	-	-	58,692	58,692
	<u>\$ 121,572</u>	<u>\$ -</u>	<u>\$ 58,692</u>	<u>\$ 180,264</u>
Financial liabilities at fair value through profit or loss - current				
Cross-currency swap contract	\$ -	\$ 6,357	\$ -	\$ 6,357
Swap contracts	-	1,900	-	1,900
	<u>\$ -</u>	<u>\$ 8,257</u>	<u>\$ -</u>	<u>\$ 8,257</u>
<b>March 31, 2019</b>				
Financial assets at fair value through profit or loss - current				
Swap contracts	\$ -	\$ 6,153	\$ -	\$ 6,153
Cross-currency swap contract	-	1,241	-	1,241
Forward	-	31	-	31
CNY floating rate financial products	-	-	33,791	33,791
	<u>\$ -</u>	<u>\$ 7,425</u>	<u>\$ 33,791</u>	<u>\$ 41,216</u>
Financial assets at FVTOCI - non-current				
Domestic listed shares	\$ 140,065	\$ -	\$ -	\$ 140,065
Domestic unlisted shares	-	-	57,177	57,177
	<u>\$ 140,065</u>	<u>\$ -</u>	<u>\$ 57,177</u>	<u>\$ 197,242</u>

There was no transfer between Level 1 and Level 2 for the three months ended March 31, 2020 and 2019.

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

For the three months ended March 31, 2020

Financial assets	<b>Non-derivatives Financial Assets at FVTPL</b>	<b>Equity Instruments Financial Assets at FVTOCI</b>	<b>Total</b>
Balance, beginning of period	\$ 18,456	\$ 58,692	\$ 77,148
Purchase	-	-	-
Disposal	( 4,698 )	-	( 4,698 )
Change in fair value recognized in profit or loss	388	-	388
Reclassification	-	( 7,170 )	( 7,170 )
Change in fair value recognized in other comprehensive income	-	423	423
Effect of foreign currency exchange difference	( 160 )	-	( 160 )
Balance, end of period	<u>\$ 13,986</u>	<u>\$ 51,945</u>	<u>\$ 65,931</u>

For the three months ended March 31, 2019

Financial assets	<b>Non-derivatives Financial Assets at FVTPL</b>	<b>Equity Instruments Financial Assets at FVTOCI</b>	<b>Total</b>
Balance, beginning of period	\$ 46,411	\$ 56,005	\$ 102,416
Disposal	( 14,312 )	-	( 14,312 )
Change in fair value recognized in profit or loss	617	-	617
Change in fair value recognized in other comprehensive income	-	1,172	1,172
Effect of foreign currency exchange difference	1,075	-	1,075
Balance, end of period	<u>\$ 33,791</u>	<u>\$ 57,177</u>	<u>\$ 90,968</u>

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

Derivative instruments used the quoted price of bank as the basis of the fair values.

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

If there are no market price for reference, fair values were estimated by assessment approach.

For unlisted shares, fair values were determined based on the net worth of companies. For CNY floating rate financial products, fair values were estimated on the basis of expected rate of return.

c. Categories of financial instruments

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 13,986	\$ 18,456	\$ 41,216
Financial assets at amortized cost (1)	6,148,313	5,994,822	6,895,182
Financial assets at FVTOCI			
Equity instruments	146,039	180,264	197,242
<u>Financial liabilities</u>			
Financial liabilities at FVTPL	4,212	8,257	-
Financial liabilities at amortized cost (2)	8,992,328	8,886,226	9,925,133

- 1) The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, other financial assets (current and non-current), refundable deposits, and long-term notes and accounts receivable.
- 2) The balances included financial liabilities at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable (including related parties), other payables, long-term borrowings (including those due in one year) and deposits received.

d. Financial risk management objectives and policies

The Company and its subsidiaries' major financial instruments include equity investments, notes and accounts receivable, notes and accounts payable, short-term and long-term borrowings, short-term bills payable and lease liabilities. The Finance Department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company and its subsidiaries through internal risk reports which analyze exposures by degree and magnitude of risks. These risks are market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company and its subsidiaries minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company and its subsidiaries' policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company and its subsidiaries do not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company and its subsidiaries' activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (refer to (a) below), interest rates (refer to (b) below) and other price (refer to (c) below).

There has been no change to the Company and its subsidiaries' exposure to market risks or

the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company and its subsidiaries are exposed to foreign currency risk due to sales, purchases, capital expenditures and equity investments denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilizing swap contract, cross-currency swap contract, and foreign exchange forward contracts.

The carrying amounts of significant foreign currency monetary assets and liabilities at the balance sheet date are disclosed in Note 35.

The Company and its subsidiaries are mainly exposed to the USD, CNY and EUR. The following table details the Company and its subsidiaries' sensitivity to a 3% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 3%. The sensitivity analysis included only outstanding foreign currency denominated monetary items.

	<b>USD Impact</b>		<b>CNY Impact</b>		<b>EUR Impact</b>	
	<b>For the Three Months Ended</b>		<b>For the Three Months Ended</b>		<b>For the Three Months Ended</b>	
	<b>March 31</b>		<b>March 31</b>		<b>March 31</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Pre-tax profit or loss (Note)	(\$39,630)	(\$24,557)	(\$59,277)	(\$64,408)	(\$ 7,137)	(\$ 1,800)

Note: These were mainly attributable to the exposure of the USD, CNY and EUR (including cash and cash equivalent, accounts receivable and payable (including related parties), other receivable, other payable and short-term and long-term borrowings), which were not hedged at the balance sheet date.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the balance sheet date did not reflect the exposure during the period. Foreign currency sales change according to customer order and business cycle.

b) Interest rate risk

The Company and its subsidiaries are exposed to interest rate risk because the Company and its subsidiaries borrowed funds at both fixed and floating interest rates. The risk is managed by the Company and its subsidiaries by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Company and its subsidiaries' financial liabilities with exposure to interest rates at the balance sheet date were as follows:



	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Fair value interest rate risk			
Financial assets	\$ 8,545	\$ 8,546	\$ 9,384
Financial liabilities	1,565,280	1,566,822	1,960,807
Cash flow interest rate risk			
Financial liabilities	3,561,666	3,692,051	3,799,268

The sensitivity analysis below was determined based on the Company and its subsidiaries' exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. The interest rates change of 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates of financial liabilities had been 1% higher/lower and all other variables were held constant, the Company and its subsidiaries' pre-tax profit would have been lower/higher by NT\$8,904 thousand and NT\$9,498 thousand for the three months ended March 31, 2020 and 2019, respectively.

c) Other price risk

The Company and its subsidiaries are exposed to equity price risk through their investments in mutual funds, and domestic listed shares.

If equity prices had been 1% higher/lower, the pre-tax other comprehensive income for the three months ended March 31, 2020 and 2019 would have been higher/lower by NT\$941 thousand and NT\$1,401 thousand, as a result of the changes in fair value of financial assets at FVTOCI respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company and its subsidiaries. As of the balance sheet date, the Company and its subsidiaries' maximum exposure to credit risk is the carrying amount of the financial assets on the consolidated balance sheets.

The Company and its subsidiaries adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company and its subsidiaries' exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Except for the following customer, the Company and its subsidiaries did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company and its subsidiaries' concentration of credit risk in receivables (including notes and accounts receivable, long-term notes and accounts receivable, overdue receivables and other receivables) by customer was as follows:

<b>Customer</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Company A	<u>\$ 832,642</u>	<u>\$ 863,211</u>	<u>\$ 1,140,427</u>

### 3) Liquidity risk

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

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

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate at the end of the balance sheet date.

#### March 31, 2020

	<u>1 Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>	<u>Total</u>
Non-interest bearing liabilities	\$ 2,291,031	\$ -	\$ -	\$ 2,291,031
Interest bearing liabilities	4,641,444	1,895,888	276,794	6,814,126
Finance lease liabilities	60,827	173,442	657,890	892,159
	<u>\$ 6,993,302</u>	<u>\$ 2,069,330</u>	<u>\$ 934,684</u>	<u>\$ 9,997,316</u>

Further information for maturity analysis of lease liabilities was as follows:

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>10-15 Years</u>	<u>15-20 Years</u>	<u>20+ Years</u>
Lease liabilities	<u>\$ 60,827</u>	<u>\$ 173,442</u>	<u>\$ 148,149</u>	<u>\$ 118,115</u>	<u>\$ 117,242</u>	<u>\$ 274,384</u>

#### December 31, 2019

	<u>1 Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>	<u>Total</u>
Non-interest bearing liabilities	\$ 2,387,803	\$ -	\$ -	\$ 2,387,803
Interest bearing liabilities	4,341,830	1,995,227	284,038	6,621,095
Finance lease liabilities	53,912	167,060	660,688	881,660
	<u>\$ 6,783,545</u>	<u>\$ 2,162,287</u>	<u>\$ 944,726</u>	<u>\$ 9,890,558</u>

Further information for maturity analysis of lease liabilities was as follows:

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>10-15 Years</u>	<u>15-20 Years</u>	<u>20+ Years</u>
Lease liabilities	<u>\$ 53,912</u>	<u>\$ 167,060</u>	<u>\$ 166,159</u>	<u>\$ 113,434</u>	<u>\$ 112,552</u>	<u>\$ 268,543</u>

#### March 31, 2019

	<u>1 Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>	<u>Total</u>
Non-interest bearing liabilities	\$ 3,090,770	\$ -	\$ -	\$ 3,090,770
Interest bearing liabilities	4,330,710	2,494,036	139,494	6,964,240
Finance lease liabilities	70,598	220,501	990,984	1,282,083
	<u>\$ 7,492,078</u>	<u>\$ 2,714,537</u>	<u>\$ 1,130,478</u>	<u>\$ 11,337,093</u>

Further information for maturity analysis of lease liabilities was as follows:

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>10-15 Years</u>	<u>15-20 Years</u>	<u>20+ Years</u>
Lease liabilities	<u>\$ 70,598</u>	<u>\$ 220,501</u>	<u>\$ 197,827</u>	<u>\$ 147,250</u>	<u>\$ 147,250</u>	<u>\$ 498,657</u>

### 32. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and its subsidiaries and other related parties are disclosed below:

- a. The name of the related parties and their relationships with the Company and its subsidiaries

<u>Related Party Name</u>	<u>Relationship</u>
Contrel Technology Co., Ltd.	Other related parties
F.S.E Corporation	Other related parties
Ever Lumin Incorporation	Other related parties
Shiang Jen Co., Ltd. (Shiang Jen)	Other related parties
Hao Shiang Co., Ltd.	Other related parties
San Shin Co., Ltd. (San Shin)	Other related parties
Sysco Machinery Corporation	Other related parties
Dong Ying Investment Co., Ltd.	Other related parties
Sheng Li Machine Industry Co., Ltd.	Other related parties
Pt Tong - Tai Seikindo Utama	Substantial related party

- b. Sales of goods

<u>Account Item</u>	<u>Related Party Type</u>	<u>For the Three Months Ended March 31</u>	
		<u>2020</u>	<u>2019</u>
Revenues from sales	Other related parties	<u>\$ 4,849</u>	<u>\$ 10,624</u>

Sales to related parties are made at arm's length and the collection terms have no material difference with unrelated parties.

- c. Purchase of goods

<u>Related Party Type</u>	<u>For the Three Months Ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Other related parties	<u>\$ 51,307</u>	<u>\$ 58,949</u>

The purchase prices and payment term have no material difference with unrelated parties.

- d. Receivables from related parties

<u>Account Item</u>	<u>Related Party Type</u>	<u>March 31,</u> <u>2020</u>	<u>December</u> <u>31, 2019</u>	<u>March 31,</u> <u>2019</u>
Accounts receivable - related parties	Other related parties	<u>\$ 7,984</u>	<u>\$ 5,503</u>	<u>\$ 16,474</u>
Other accounts receivable	Other related parties	<u>\$ 441</u>	<u>\$ 786</u>	<u>\$ 431</u>

e. Payables to related parties

<u>Account Item</u>	<u>Related Party Type</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts payable - related parties	Other related parties	<u>\$ 89,128</u>	<u>\$ 73,348</u>	<u>\$ 119,072</u>
Other accounts payable	Other related parties	<u>\$ 3,723</u>	<u>\$ 4,031</u>	<u>\$ 4,806</u>

f. Other transactions with related parties

1) Commission expense (recognized as selling and marketing expenses)

<u>Related Party Type</u>	<u>For the Three Months Ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Other related parties	<u>\$ 1,123</u>	<u>\$ 898</u>

2) Rental income

<u>Related Party Type</u>	<u>For the Three Months Ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Other related parties		
Shiang Jen	\$ 1,260	\$ 1,230
Others	<u>1</u>	<u>1</u>
	<u>\$ 1,261</u>	<u>\$ 1,231</u>

The above rent was determined by negotiation and collected according to the contract. The contract price is comparable to the prices of similar contracts in the area.

h. Compensation of key management personnel

	<u>For the Three Months Ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 4,079	\$ 3,124
Post-employment benefits	<u>100</u>	<u>58</u>
	<u>\$ 4,179</u>	<u>\$ 3,182</u>

### 33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Company and its subsidiaries' assets mortgaged or pledged as collateral for short-term and long-term borrowings, lease of land at Southern Science Industrial Park, and banker's guarantee were as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Property, plant and equipment	\$ 1,747,194	\$ 1,755,738	\$ 1,676,104
Investment properties	150,900	152,290	157,355
Pledged deposits (including in other financial assets)	<u>973,808</u>	<u>869,487</u>	<u>703,437</u>
	<u>\$ 2,871,902</u>	<u>\$ 2,777,515</u>	<u>\$ 2,536,896</u>

### 34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 15, significant commitments and contingencies of the Company and its subsidiaries as of March 31, 2020 were as follows:

- a. Unused letters of credit in the amount of NT\$64,631 thousand.
- b. For sales bidding, export tariff and commodity tax, the Company and its subsidiaries entered into credit facility agreements with banks for commitment amount of NT\$305,954 thousand.

### 35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and its subsidiaries and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

March 31, 2020	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
Monetary foreign currency assets				
USD	\$ 65,649	30.225	(USD:NTD)	\$ 1,984,241
EUR	7,367	33.24	(EUR:NTD)	244,879
CNY	473,057	4.255	(CNY:NTD)	2,012,858
Non-monetary foreign currency assets				
Investment accounted for using the equity method				
USD	456	30.225	(USD:NTD)	13,786
EUR	9,415	33.24	(EUR:NTD)	312,938
MRY	7,131	6.718	(MRY:NTD)	47,907
JPY	77,794	0.2788	(JPY:NTD)	21,689
Monetary foreign currency liabilities				
USD	18,598	30.225	(USD:NTD)	562,125
USD	3,346	0.909	(USD:EUR)	101,133
CNY	8,682	4.255	(CNY:NTD)	36,942
EUR	210	33.24	(EUR:NTD)	6,980
December 31, 2019				
Monetary foreign currency assets				
USD	64,357	29.98	(USD:NTD)	1,929,423
USD	1,112	0.893	(USD:EUR)	33,338
CNY	443,536	4.305	(CNY:NTD)	1,909,422
EUR	7,364	33.59	(EUR:NTD)	247,357

(Continued)

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>		<b>Carrying Amount (In Thousands of New Taiwan Dollars)</b>
Non-monetary foreign currency assets				
Investment accounted for using the equity method				
USD	\$ 457	29.98	(USD:NTD)	\$ 13,709
EUR	10,088	33.59	(EUR:NTD)	338,856
MRY	6,927	7.033	(MRY:NTD)	48,716
JPY	90,967	0.276	(JPY:NTD)	25,107
Monetary foreign currency liabilities				
USD	20,333	29.98	(USD:NTD)	609,583
USD	5,347	0.893	(USD:EUR)	160,303
CNY	11,345	4.305	(CNY:NTD)	48,840
EUR	364	33.59	(EUR:NTD)	12,227
March 31, 2019				
Monetary foreign currency assets				
USD	53,175	30.82	(USD:NTD)	1,638,868
USD	1,137	0.8905	(USD:EUR)	35,036
CNY	473,596	4.58	(CNY:NTD)	2,169,072
EUR	2,343	34.61	(EUR:NTD)	81,106
Non-monetary foreign currency assets				
Investment accounted for using the equity method				
USD	465	30.82	(USD:NTD)	14,341
EUR	11,970	34.61	(EUR:NTD)	414,284
MRY	6,909	7.274	(MRY:NTD)	50,259
JPY	85,084	0.2783	(JPY:NTD)	23,679
Monetary foreign currency liabilities				
USD	24,896	30.82	(USD:NTD)	767,295
USD	2,857	0.8905	(USD:EUR)	88,043
CNY	4,835	4.58	(CNY:NTD)	22,146
EUR	610	34.61	(EUR:NTD)	21,120

(Concluded)

For the three months ended March 31, 2020 and 2019, net foreign exchange gains and losses were loss of NT\$11,160 thousand and gain of NT\$54,189 thousand, respectively. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the variety of the foreign currency transaction and functional currencies.

### 36. ADDITIONAL DISCLOSURES

- a. Following are the additional disclosures required by the Securities and Futures Bureau for the Company:
- 1) Financial provided: Please see Table 1 attached;
  - 2) Endorsement/guarantee provided: Please see Table 2 attached;
  - 3) Marketable securities held (excluding investments in subsidiaries, associates and joint venture): Please see Table 3 attached;
  - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
  - 5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None;
  - 6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None;
  - 7) Total purchase from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None;
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
  - 9) Information about the derivative financial instruments transaction: Please see Note 7;
  - 10) Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Please see Table 5 attached;
  - 11) Names, locations, and related information of investees over which the Company and its subsidiaries exercises significant influence (excluding information on investment in Mainland China): Please see Table 6 attached;
- b. Information on investment in Mainland China
- 1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 7 attached;
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None;

- b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Please see Table 5 attached;
- c) The amount of property transactions and the amount of the resultant gains or losses: None;
- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None;
- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Please see Table 1 attached;
- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.
- c. Information of major shareholders: Please see Table 8 attached.

### 37. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Reported segments of the Company and its subsidiaries were as follows:

- Tongtai - Mainly doing business in Taiwan, China and Asia.
- Union Top and its subsidiaries - Mainly doing business in China.
- Honor Seiki and its subsidiaries - Mainly doing business in China, Asia and Europe.
- Tongan and its subsidiaries - Mainly doing business in Europe.
- Others - The operating units of the Company and its subsidiaries, which did not reach the quantitative threshold.

#### a. Segment revenues and operating results

The following is an analysis of the Company and its subsidiaries' revenues and results of operations by reportable segment.

	Tongtai	Union Top	Honor Seiki	Tongan	Others	Adjustment and Elimination	Total
<u>For the three months ended March 31, 2020</u>							
Revenues from external customers	\$ 782,782	\$ 198,055	\$ 250,671	\$ 230,574	\$ 299,020	\$ -	\$ 1,761,102
Inter-segment revenues	<u>124,677</u>	<u>4,437</u>	<u>23,385</u>	<u>-</u>	<u>69,367</u>	<u>( 221,866)</u>	<u>-</u>
Segment revenues	<u>\$ 907,459</u>	<u>\$ 202,492</u>	<u>\$ 274,056</u>	<u>\$ 230,574</u>	<u>\$ 368,387</u>	<u>(\$ 221,866)</u>	<u>\$ 1,761,102</u>
Segment profit (loss)	(\$ 48,803)	(\$ 25,430)	\$ 25,885	(\$ 16,596)	(\$ 31,740)	\$ 2,617	(\$ 94,067)
Interest income	5,328	189	3,639	1	130	( 1,824)	7,463
Financial costs	( 14,744)	( 4,581)	( 2,389)	( 3,048)	( 5,354)	1,824	( 28,292)
Share of the profit of associates	( 65,182)	-	-	-	( 2,283)	66,852	( 613)
Other non-operating income and expenses	<u>(26,195)</u>	<u>(1,326)</u>	<u>11,961</u>	<u>(857)</u>	<u>1,475</u>	<u>(2,359)</u>	<u>(17,301)</u>
Profit (loss) before income tax	( 149,596)	( 31,148)	39,096	( 20,500)	( 37,772)	67,110	( 132,810)
Income tax expense (benefit)	<u>( 17,158)</u>	<u>( 1,014)</u>	<u>7,819</u>	<u>16</u>	<u>( 3,406)</u>	<u>-</u>	<u>( 13,743)</u>
Net profit (loss) for the year	<u>(\$ 132,438)</u>	<u>(\$ 30,134)</u>	<u>\$ 31,277</u>	<u>(\$ 20,516)</u>	<u>(\$ 34,366)</u>	<u>\$ 67,110</u>	<u>(\$ 119,067)</u>



	Tongtai	Union Top	Honor Seiki	Tongan	Others	Adjustment and Elimination	Total
For the three months ended March 31, 2019							
Revenues from external customers	\$ 1,269,319	\$ 781,560	\$ 154,337	\$ 290,225	\$ 449,952	\$ -	\$ 2,945,393
Inter-segment revenues	<u>164,227</u>	<u>6,456</u>	<u>135</u>	<u>1,184</u>	<u>104,178</u>	<u>( 276,180)</u>	<u>-</u>
Segment revenues	<u>\$ 1,433,546</u>	<u>\$ 788,016</u>	<u>\$ 154,472</u>	<u>\$ 291,409</u>	<u>\$ 554,130</u>	<u>(\$ 276,180)</u>	<u>\$ 2,945,393</u>
Segment profit (loss)	\$ 1,449	\$ 89,715	\$ 8,675	(\$ 14,149)	\$ 17,277	\$ 20,659	\$ 123,626
Interest income	3,692	496	4,486	1	54	( 762)	7,967
Financial costs	( 18,620)	( 5,184)	( 1,808)	( 2,143)	( 5,290)	762	( 32,283)
Share of the profit of associates	65,745	-	-	-	6,600	( 72,923)	( 578)
Other non-operating income and expenses	<u>77,078</u>	<u>( 2,980)</u>	<u>6,630</u>	<u>2,540</u>	<u>4,770</u>	<u>( 20,399)</u>	<u>67,639</u>
Profit (loss) before income tax	129,344	82,047	17,983	( 13,751)	23,411	( 72,663)	166,371
Income tax expense (benefit)	<u>23,145</u>	<u>14,699</u>	<u>3,473</u>	<u>3,612</u>	<u>4,685</u>	<u>-</u>	<u>49,614</u>
Net profit (loss) for the year	<u>\$ 106,199</u>	<u>\$ 67,348</u>	<u>\$ 14,510</u>	<u>(\$ 17,363)</u>	<u>\$ 18,726</u>	<u>(\$ 72,663)</u>	<u>\$ 116,757</u>

Segment profit represented the profit from operations earned by each segment and was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Segment assets</u>			
Tongtai	\$ 11,203,468	\$ 11,109,745	\$ 12,942,064
Union Top and its subsidiaries	2,130,784	2,065,501	2,729,640
Honor Seiki	2,661,822	2,580,552	2,555,932
Tongan and its subsidiaries	1,065,933	1,015,564	860,001
Others	3,479,338	3,743,116	3,797,277
Adjustment and elimination	<u>( 3,564,087)</u>	<u>( 3,592,626)</u>	<u>( 3,599,035)</u>
	<u>\$ 16,977,258</u>	<u>\$ 16,921,852</u>	<u>\$ 19,285,879</u>
<u>Segment liabilities</u>			
Tongtai	\$ 6,101,352	\$ 5,825,181	\$ 7,411,121
Union Top and its subsidiaries	1,216,221	1,107,043	1,639,692
Honor Seiki	1,449,496	1,343,211	1,298,093
Tongan and its subsidiaries	1,122,993	1,052,437	814,188
Others	2,459,275	2,625,227	2,630,019
Adjustment and elimination	<u>( 1,131,475)</u>	<u>( 1,023,294)</u>	<u>( 784,836)</u>
	<u>\$ 11,217,862</u>	<u>\$ 10,929,805</u>	<u>\$ 13,008,277</u>

**TABLE 1**

**TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS  
FOR THE THREE MONTHS ENDED MARCH 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn (Note 4)	Interest Rate (%)	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits	Note
													Item	Value			
0	Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Other receivables - related party	Yes	\$ 129,720	\$ 127,650	\$ 127,650	1.7	Note 1	\$ -	Operating capital	\$ -		\$ -	\$ 510,212	\$ 1,020,423	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Tong Tai Machinery Co., Ltd.	Other receivables - related party	Yes	77,074	77,074	37,781	2.7	Note 1	-	Acquiring Building	-		-	510,212	1,020,423	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Anger Machining GmbH	Other receivables - related party	Yes	398,880	398,880	199,440	1.7	Note 1	-	Operating capital	-		-	510,212	1,020,423	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Tongtai Europe B.V.	Other receivables - related party	Yes	129,968	129,968	69,518	1.7	Note 1	-	Operating capital	-		-	510,212	1,020,423	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Union Top Industrial(Samoa) Limited	Other receivables - related party	Yes	151,250	75,563	63,473	1.7~2.7	Note 1	-	Operating capital	-		-	510,212	1,020,423	Note 2
0	Tongtai Machine & Tool Co., Ltd.	SKTD Co., Ltd	Other receivables - related party	Yes	11,152	5,576	5,576	1.7	Note 1	-	Operating capital	-		-	510,212	1,020,423	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Quick-Tech Machinery Co., Ltd.	Other receivables - related party	Yes	60,000	60,000	24,500	1.5	Note 1	-	Operating capital	-		-	510,212	1,020,423	Note 2
1	Union Top	Quick-Tech Machinery Co., Ltd.	Other receivables - related party	Yes	10,080	-	-	2.7	Note 1	-	Operating capital	-		-	92,949	185,898	Note 3
1	Union Top	Tongtai Machine Tool (SEA) Sdn. Bhd.	Other receivables - related party	Yes	6,912	-	-	3	Note 1	-	Operating capital	-		-	92,949	185,898	Note 3
2	PCI-SCEMM	TTGroup France	Other receivables - related party	Yes	6,658	6,648	4,986	1.5	Note 1	-	Operating capital	-		-	38,469	76,939	Note 3
3	Honor Seiki Co., Ltd.	Quick-Tech Machinery Co., Ltd.	Other receivables - related party	Yes	10,000	10,000	10,000	1.7	Note 1	-	Operating capital	-		-	123,734	247,468	Note 3

Note 1: The need for short-term financing.

Note 2: According to the "Procedures for Lending Funds to Other Parties" established by the Company, the aggregate lending amount and the amount lending to any individual entity having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of 12 months prior to the time of lending and shall not exceed 20% of the net worth of the Company. The aggregate lending amount and the amount lending to any individual entity for short-term financing shall not exceed 20% and 10% of the net worth of the Company.

Note 3: According to the "Procedures for Lending Funds to Other Parties" established by the subsidiaries, the aggregate lending amount and the amount lending to any individual entity having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of 12 months prior to the time of lending and shall not exceed 20% of the net worth of the Company. The aggregate lending amount and the amount lending to any individual entity for short-term financing shall not exceed 20% and 10% of the net worth of the Company.

Note 4: All the transactions had been eliminated when preparing consolidated financial statements.

## TONGTAI MACHINE &amp; TOOL CO., LTD. AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE THREE MONTHS ENDED MARCH 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorsement/Guarantee Provider	Endorsee/Guarantee		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	Tongtai Machine & Tool Co., Ltd.	Tongtai Machine Tool (SEA) Sdn. Bhd.	The Company owns directly or indirectly over 50% ownership of the investee company	\$ 1,530,635	\$ 30,250	\$ 30,225	\$ 12,248	\$ -	0.59	\$ 2,551,058	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	PCI-SCEMM	The Company owns directly or indirectly over 50% ownership of the investee company	1,530,635	29,961	29,961	17,899	-	0.59	2,551,058	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited	The Company owns directly or indirectly over 50% ownership of the investee company	1,530,635	527,258	526,822	205,832	-	10.33	2,551,058	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Mbi-group Beteiligungs GmbH	The Company owns directly or indirectly over 50% ownership of the investee company	1,530,635	66,580	66,480	63,911	-	1.30	2,551,058	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Anger Machining GmbH	The Company owns directly or indirectly over 50% ownership of the investee company	1,530,635	932,120	930,720	556,541	-	18.24	2,551,058	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Asia Pacific Elite Corp.	The Company owns directly or indirectly over 50% ownership of the investee company	1,530,635	275,000	275,000	239,823	-	5.39	2,551,058	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Tongan GmbH	The Company owns directly or indirectly over 50% ownership of the investee company	1,530,635	19,974	19,944	16,620	-	0.39	2,551,058	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Tong-Yeh Precision Co., Ltd.	The Company owns directly or indirectly over 50% ownership of the investee company	1,530,635	10,000	10,000	-	-	0.20	2,551,058	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Quick-Tech Machinery Co., Ltd.	The Company owns directly or indirectly over 50% ownership of the investee company	1,530,635	85,000	85,000	-	-	1.67	2,551,058	Y	-	-	

Note: According to the "Procedures for Making Endorsements and Guarantees" established by the Company, the ceilings on the amounts to make endorsements/guarantees are as follows,

1. For Tongtai Machine & Tool Co., Ltd.,

- (1) The ceilings on the amounts for the aggregate amounts to the entities shall not exceed 50% of the net worth of the Company.
- (2) The ceilings on the amounts for any individual entity to the entities shall not exceed 30% of the net worth of the Company.

2. For Tongtai Machine & Tool Co., Ltd. and subsidiaries,

- (1) The ceilings on the amounts for the aggregate amounts to the entities shall not exceed 50% of the net worth of the Company.
- (2) The ceilings on the amounts for any individual entity to the entities shall not exceed 30% of the net worth of the Company.

- (3) Except for (1) and (2), the total amount of endorsement/guarantee provided by the Company to any individual entity deriving from business relations shall not exceed the total business amount between such party and the Company for the twelve-month period immediately before the extension of endorsement/guarantee (the business amount refers to purchase amount or sales amount of the goods between the parties, whichever is higher).

## TONGTAI MACHINE &amp; TOOL CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

MARCH 31, 2020

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

Held Company Name	Type and Name of Marketable Securities	Relationship with The Company	Financial Statement Account	March 31, 2020				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Tongtai Machine & Tool Co., Ltd.	Common stock Contrel Technology Co., Ltd.	Same president	Financial assets at fair value through other comprehensive income - non current	6,849,178	\$ 83,902	4	\$ 83,902	
	HAU SHYANG TECHNOLOGIES ELECTRONIC CO., LTD. SHIANG JEN CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - non current	3,995,000	18,502	15	18,502	
		The held company as its director	Financial assets at fair value through other comprehensive income - non current	1,520,000	17,392	19	17,392	
	USYNC INC.	-	Financial assets at fair value through other comprehensive income - non current	295,371	10,378	4	10,378	
	World Known MFG (Cayman) Limited	-	Financial assets at fair value through other comprehensive income - non current	280,000	10,192	1	10,192	
	WORLD KNOWN MFG. CO., LTD.	-	Financial assets at fair value through other comprehensive income - non current	229,729	5,673	1	5,673	
						<u>\$ 146,039</u>		<u>\$ 146,039</u>
	Common stock YI XIANG Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - current	75,000	\$ -	14	\$ -	
CHIN-JIG CO., LTD (SHANGHAI)	QIAN YUAN - MAN-YI 180 days open-end wealth management products	-	Financial assets at fair value through profit or loss - current		\$ 9,121		\$ 9,121	
	QIAN YUAN - HUI XIANG open-end wealth management products	-	Financial assets at fair value through profit or loss - current		4,865		4,865	
					<u>\$ 13,986</u>		<u>\$ 13,986</u>	

## TONGTAI MACHINE &amp; TOOL CO., LTD. AND SUBSIDIARIES

## RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

MARCH 31, 2020

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

Company Name	Related Party	Relationship	Ending Balance (Note 3)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Amount		
Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Subsidiary	\$ 247,345 (Note 1)	0.22	\$ -	-	\$ -	\$ -
	Anger Machining GmbH	Subsidiary	202,700 (Note 2)	0.19	-	-	202,700	-

Note 1: Including accounts receivable amounted of NT\$119,382 thousand and other receivable amounted of NT\$127,963 thousand. Other receivable was excluded in the calculation turnover rate.

Note 2: All amount was recorded as other receivable and was excluded in the calculation turnover rate.

Note 3: All the transactions had been eliminated when preparing consolidated financial statements.

## TONGTAI MACHINE &amp; TOOL CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Investee Company	Counterparty	Relationship	Transaction Details			% of Total Operating Revenues or Assets
				Financial Statement Accounts	Amount	Payment Terms	
0	Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Parent to subsidiary	Accounts receivable	\$ 119,382	Based on contracts	1.00
0	Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Parent to subsidiary	Other receivable	127,963	Based on contracts and BOD resolution	1.00
0	Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited	Parent to subsidiary	Other receivable	63,576	Based on contracts and BOD resolution	-
0	Tongtai Machine & Tool Co., Ltd.	Tong Tai Machinery Co., Ltd.	Parent to subsidiary	Other receivable	39,416	Based on contracts and BOD resolution	-
0	Tongtai Machine & Tool Co., Ltd.	Anger Machining GmbH	Parent to subsidiary	Other receivable	202,700	Based on contracts and BOD resolution	1.00
0	Tongtai Machine & Tool Co., Ltd.	Tongtai Europe B.V.	Parent to subsidiary	Other receivable	69,563	Based on contracts and BOD resolution	-
0	Tongtai Machine & Tool Co., Ltd.	Tongtai Machine Tool (SEA) Sdn. Bhd.	Parent to subsidiary	Accounts receivable	62,940	Based on contracts	-
0	Tongtai Machine & Tool Co., Ltd.	Tongfong Auto Tech Co., Ltd.	Parent to subsidiary	Sales	51,543	Based on contracts	3.00
1	Tongfong Auto Tech Co., Ltd.	Tongtai Machine & Tool Co., Ltd.	Subsidiary to Parent	Accounts receivable	63,597	Based on contracts	-
1	Tongfong Auto Tech Co., Ltd.	Tongtai Machine & Tool Co., Ltd.	Subsidiary to Parent	Sales	41,026	Based on contracts	2.00
2	HPC Produktions GmbH	Anger Machining GmbH	Subsidiary to Subsidiary	Sales	35,909	Based on contracts	2.00

**TABLE 6**

**TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES**

**FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
Tongtai Machine & Tool Co., Ltd.	Honor Seiki Co., Ltd.	Kaohsiung City	Sales and manufacturing of equipment	\$ 100,731	\$ 100,731	18,253,424	54.00	\$ 540,675	\$ 31,277	\$ 16,035	Note
Tongtai Machine & Tool Co., Ltd.	Asia Pacific Elite Corp.	Taichung City	Sales and manufacturing of equipment	409,238	409,238	14,515,414	99.00	56,440	( 23,170 )	( 22,872 )	Note
Tongtai Machine & Tool Co., Ltd.	Quick-Tech Machinery Co., Ltd.	Tainan City	Sales and manufacturing of equipment	80,582	80,582	6,238,800	52.00	81,841	( 6,978 )	( 3,628 )	Note
Tongtai Machine & Tool Co., Ltd.	Chin-Jig Technology Co., Ltd.	Taipei City	Sales of mold and equipment	27,971	27,971	2,799,000	70.00	51,903	96	67	Note
Tongtai Machine & Tool Co., Ltd.	Tongfong Auto Tech Co., Ltd.	Kaohsiung City	Sales of electric automation equipment	13,974	13,974	1,499,000	99.00	35,980	4,589	4,586	Note
Tongtai Machine & Tool Co., Ltd.	Tong-Yeh Precision Co., Ltd.	Kaohsiung City	Manufacturing and processing of metal part	14,476	14,476	1,052,898	60.00	27,571	76	46	Note
Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited	Samoa	General investment	560,867	560,867	16,465,400	100.00	916,619	( 30,134 )	( 30,134 )	Note
Tongtai Machine & Tool Co., Ltd.	PCI-SCEMM	France	Sales and manufacturing of equipment	182,200	182,200	1,000,000	100.00	381,967	1,280	1,280	Note
Tongtai Machine & Tool Co., Ltd.	Tong-Tai Seiki USA, Inc.	USA	Sales of merchandise	71,667	71,667	100	100.00	13,786	( 35 )	( 35 )	Note
Tongtai Machine & Tool Co., Ltd.	Tongtai Mexico ,S.A. DE C.V.	Mexico	Sales of merchandise	10,155	10,155	65,999	100.00	8,120	1,529	1,529	Note
Tongtai Machine & Tool Co., Ltd.	Tongtai Europe B.V.	Netherlands	Sales of merchandise	96,221	96,221	9,000	100.00	( 11,969 )	( 3,826 )	( 3,826 )	Note
Tongtai Machine & Tool Co., Ltd.	Tong Tai Machinery Co., Ltd.	Thailand	Sales of customized machine	5,854	5,854	999,998	100.00	24,694	( 5,296 )	( 5,296 )	Note
Tongtai Machine & Tool Co., Ltd.	Tongtai Seiki Vietnam Co., Ltd.	Vietnam	Sales of customized machine	9,054	9,054	631,080	100.00	19,420	295	295	Note
Tongtai Machine & Tool Co., Ltd.	Tongtai Machine Tool (SEA) Sdn. Bhd.	Malaysia	Sales of customized machine	5,107	5,107	520,000	52.00	9,338	3,145	1,636	Note
Tongtai Machine & Tool Co., Ltd.	Tongan GmbH	Austrian	General investment	597,771	597,771	35,000	100.00	( 57,060 )	( 20,516 )	( 20,516 )	Note
Tongtai Machine & Tool Co., Ltd.	Tongtai Machine & Tool Japan Co., Ltd.	Japan	Sales and manufacturing of equipment	31,561	31,561	889	100.00	21,689	( 3,641 )	( 3,641 )	Note
Tongtai Machine & Tool Co., Ltd.	Tongtai Machine Tool (MFG) Sdn. Bhd.	Malaysia	Sales and manufacturing of equipment	71,952	71,952	8,500,000	100.00	38,569	( 220 )	( 220 )	Note
Tongtai Machine & Tool Co., Ltd.	Cyber Laser Taiwan Co., Ltd.	Tainan City	Machine and manufacturing of electronic component	20,000	20,000	2,000,000	33.00	8,990	( 1,233 )	( 407 )	
Tongtai Machine & Tool Co., Ltd.	Printin3d DigiTech Co., Ltd.	Taoyuan City	Development of 3D printer of digital Implantology	10,000	10,000	1,000,000	40.00	9,019	( 203 )	( 81 )	
Union Top Industrial (Samoa) Limited	Great Pursuit Limited	Samoa	General investment	40,054	40,054	-	55.00	-	-	-	Note
Chin-Jig Technology Co., Ltd.	Time Trade International Limited	Samoa	General investment	32,771	32,771	-	100.00	66,651	950	950	Note
PCI-SCEMM	TTGroup France	France	Sales of merchandise	1,076	1,076	30,000	100.00	1,041	( 315 )	( 315 )	Note
Tongan GmbH	Mbi-group Beteiligung GmbH	Austrian	General investment	611,202	611,202	-	100.00	( 43,185 )	( 20,856 )	( 20,423 )	Note
Mbi-group Beteiligung GmbH	HPC Produktions GmbH	Austrian	Sales, manufacturing and maintenance of machine tools	1,215	1,215	-	100.00	58,212	1,913	1,913	Note
Mbi-group Beteiligung GmbH	Anger Machining GmbH	Austrian	Sales, manufacturing and maintenance of machine tools	595,855	595,855	-	100.00	253	( 22,874 )	( 22,874 )	Note
Anger Machining GmbH	Anger Machining Inc.	USA	Sales and maintenance of machine tools	122	122	60,000	100.00	( 2,998 )	( 905 )	( 905 )	Note
Anger Machining GmbH	Anger Service Deutschland GmbH	Germany	Sales and maintenance of machine tools	868	868	-	100.00	989	158	158	Note
Tongtai Machine & Tool Japan Co., Ltd.	SKTD Co., Ltd.	Japan	Design and development of machine tools	21,497	21,497	780	98.73	15,928	( 4,287 )	( 4,232 )	Note
Quick-Tech Machinery Co., Ltd.	SCTW.Co.,Ltd.	Tainan City	Software related service	1,000	1,000	100,000	40.00	883	( 312 )	( 125 )	

Note: All the transactions had been eliminated when preparing consolidated financial statements.

**TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE THREE MONTHS ENDED MARCH 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2020 (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of March 31, 2020	Accumulated Repatriation of Investment Income as of March 31, 2020	Note
					Outward	Inward							
Tong-Yu Machine Tool (Shanghai) Co., Ltd.	Sales and maintenance of machine tools	\$ 72,782	Investments through a holding company registered in a third region	\$ 72,782	\$	\$	\$ 72,782	(\$ 1,280)	100.00	(\$ 1,280)	\$ 99,111	\$ -	Note 4
Suzhou Tongyu Machine Tool Co., Ltd.	Manufacturing of digital control machine and system	755,625	Investments through a holding company registered in a third region	755,625			755,625	( 23,807)	100.00	( 23,807)	1,079,782	53,223	Note 4
Shanghai Tong-Tai-Shin Trading Co., Ltd.	International trade	6,045	Investments through a holding company registered in a third region	6,045			6,045	( 22)	100.00	( 22)	9,564	8,972	Note 4
Hao-Tern-Shin Electronics (Shenzhen) Co., Ltd.	Sales and manufacturing of printed circuit board	75,563	Investments through a holding company registered in a third region	41,559			41,559	-	55.00	-	-	-	Note 4
Chin-Jig Precision Machine (Shanghai) Co., Ltd.	Sales and manufacturing of mold and equipment	16,624	Investments through a holding company registered in a third region	16,624			16,624	1,440	70.00	1,008	44,362	47,997	Note 4

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2020 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
Tongtai Machine & Tool Co., Ltd.	\$ 876,011	\$ 876,011	\$ 3,061,270
Chin-Jig Technology Co., Ltd.	16,624	16,624	31,142

Note 1: The amounts were calculated based on the foreign exchange rate as of March 31, 2020.

Note 2: The basis for recognition of investment income (loss) of Suzhou Tongyu Machine Tool Co., Ltd. was based on the financial statements reviewed and attested by R.O.C. parent company's CPA while the others were based on the financial statements which have not been reviewed for the same periods.

Note 3: The limit on investment in Mainland China pursuant to "Principle of investment or Technical Cooperation in Mainland China" shall not exceed 60% of their net worth.

Note 4: All the transactions had been eliminated when preparing consolidated financial statements.



**TABLE 8****TONGTAI MACHINE & TOOL CO., LTD.  
INFORMATION OF MAJOR SHAREHOLDERS  
MARCH 31, 2020**

Name of The Major Shareholder	Shares	
	Number of Shares Owned	Percentage of Ownership (%)
San Shin Investment Co., Ltd.	20,776,889	8.15

Note 1: Major shareholders in the Table above are shareholders owning 5% or more of the Company's common shares (only ones that have completed dematerialized registration and delivery) based on calculations performed by the Taiwan Depository & Clearing Corporation using data as of the last business date at the end of each quarter. The amount of capital in the financial statements may differ from the Company's actual number of stocks that have completed dematerialized registration and delivery due to different calculation bases.

Note 2: Where the stocks are entrusted by shareholders, information is disclosed by the individual account of settlor who has segregated trust accounts opened by trustees. As for shareholders filing shareholdings of insiders with 10% or more of the Company's stocks pursuant to the securities and exchange laws and regulations, the number of stocks owned shall be ones owned by the persons plus ones entrusted where the shareholders have the power to decide how to utilize the trust property. Please access the Market Observation Post System website for information on insiders' shareholding filings.