

(English Translation of Financial Report Originally Issued in Chinese)
YEN SUN TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Financial Statements for the

**Three Months Ended March 31, 2020 and 2019 and
Independent Auditors' Review Report**

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Independent Auditors' Review Report

The Board of Director's
YEN SUN TECHNOLOGY CORP.

Introduction

We have reviewed the accompanying consolidated balance sheets of Yen Sun Technology Corp. (the Company) and 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 ended March 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed issued into effect and 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 Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(2), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$ 109,302 thousand and \$ 169,711 thousand, constituting 4% and 7% of consolidated total assets as of March 31, 2020 and 2019, respectively, total liabilities amounting to \$ 433,639 thousand and \$ 193,829 thousand, constituting 29% and 13% of consolidated total liabilities as of March 31, 2020 and 2019, respectively, and total comprehensive income amounting to (\$4,927) thousand and \$3,035 thousand, constituting (29%) and 26% of consolidated total comprehensive income for the three months ended March 31, 2020 and 2019, respectively.

Qualified Conclusion

Based on our reviews, except for the effects of the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Yen Sun Technology Corp. and subsidiaries as of March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of

Financial Reports by Securities Issuers and 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 reviews resulting in this independent auditors’ review report are Po Jen, Yang and Kuo Tsing, Chen

KPMG

Kaohsiung, Taiwan (Republic of China)

May 13, 2020

Notes to Readers

The accompanying consolidated financial statements are intended only to present the statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China. The independent auditors’ review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors’ review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

YEN SUN TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2020, December 31, 2019 and March 31, 2019

(Expressed in thousands of New Taiwan Dollar)

(Reviewed, not audited)

		<u>March 31, 2020</u>		<u>December 31, 2019</u>		<u>March 31, 2019</u>				<u>March 31, 2020</u>		<u>December 31, 2019</u>		<u>March 31, 2019</u>	
Assets		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	Liabilities and equity		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(1))	\$ 226,454	9	178,432	7	179,687	7	2100	Short-term borrowings (note 6(11) and 8)	\$ 233,135	10	224,574	9	323,492	13
1151	Notes receivables, net (note 6(3) and (19))	32,182	1	20,978	1	44,594	2	2170	Accounts payable	544,199	22	577,675	24	447,481	18
1170	Accounts receivable, net (note 6(3) and (19))	653,031	27	696,195	29	620,917	26	2200	Other payables	118,640	5	144,657	6	152,275	6
130X	Inventories (note 6(5))	667,181	27	662,756	27	677,110	28	2230	Current income tax liabilities	23,294	1	17,034	-	20,343	1
1470	Other current assets (note 6(10))	41,108	2	43,706	2	55,968	2	2280	Lease liabilities, current (note 6(13))	18,042	1	17,977	1	13,572	1
1476	Other financial assets, current (note 6(4) and 8)	27,656	1	29,827	1	60,540	3	2320	Long-term borrowings, current portion (note 6(12) and 8)		2	54,576	2	39,836	2
Total current assets		<u>1,647,612</u>	<u>67</u>	<u>1,631,894</u>	<u>67</u>	<u>1,638,816</u>	<u>68</u>	2399	Other current liabilities (note 6(14) and (19))	<u>36,555</u>	<u>1</u>	<u>30,414</u>	<u>1</u>	<u>70,612</u>	<u>3</u>
Non-Current Assets								Total of current liabilities		<u>1,028,441</u>	<u>42</u>	<u>1,061,022</u>	<u>43</u>	<u>1,067,611</u>	<u>44</u>
1517	Non-current financial assets at fair value through other comprehensive income (note 6(2))	2,464	-	4,204	-	4,357	-	Non-current liabilities:							
1600	Property, plant and equipment (note 6(6) and 8)	630,567	26	640,924	26	606,984	25	2540	Long-term borrowings (note 6(12) and 8)	326,823	13	300,746	12	312,107	13
1755	Right-of-use assets (note 6(7))	119,183	5	125,550	5	119,157	5	2570	Deferred tax liabilities	127	-	127	-	-	-
1760	Investment property, net (note 6(8))	12,611	1	12,856	1	13,991	1	2580	Lease liabilities, non-current (note 6(13))	104,550	4	110,332	5	106,079	5
1780	Intangible assets (note 6(9))	3,744	-	3,702	-	4,046	-	2600	Other non-current liabilities (note 6(14))	538	-	538	-	4,373	-
1840	Deferred income tax assets	9,170	-	9,170	-	7,868	-	2640	Net defined benefit liability, non-current	<u>25,873</u>	<u>1</u>	<u>27,683</u>	<u>1</u>	<u>23,236</u>	<u>1</u>
1980	Other financial assets, non-current (note 6(4) and 8)	13,592	1	11,635	1	15,363	1	Total non-current liabilities		<u>457,911</u>	<u>18</u>	<u>439,426</u>	<u>18</u>	<u>445,795</u>	<u>19</u>
1995	Other non-current assets (notes 6(10))	7,051	-	4,642	-	7,886	-	Total liabilities		<u>1,486,352</u>	<u>60</u>	<u>1,500,448</u>	<u>61</u>	<u>1,513,406</u>	<u>63</u>
Total non-current assets		<u>798,382</u>	<u>33</u>	<u>812,683</u>	<u>33</u>	<u>779,652</u>	<u>32</u>	Equity attributable to owners of parent (note 6(17)):							
								3100	Capital stock	697,869	29	697,869	29	697,869	29
								3200	Capital surplus	119,761	5	119,761	5	119,761	5
								3300	Retained earnings	126,525	5	109,353	4	79,178	3
								3400	Other equity interest	16,872	1	17,146	1	8,254	-
								3500	Treasury stock	<u>(1,385)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
								Total equity		<u>959,642</u>	<u>40</u>	<u>944,129</u>	<u>39</u>	<u>905,062</u>	<u>37</u>
Total Assets		<u>\$ 2,445,994</u>	<u>100</u>	<u>2,444,577</u>	<u>100</u>	<u>2,418,468</u>	<u>100</u>	Total liabilities and equity		<u>\$ 2,445,994</u>	<u>100</u>	<u>2,444,577</u>	<u>100</u>	<u>2,418,468</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
YEN SUN TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
For the three months ended March 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollar)
(Reviewed, not audited)

		For the three months ended March 31			
		2020		2019	
		Amount	%	Amount	%
4000	Operating revenues (note 6(19))	\$ 699,599	100	706,505	100
5000	Operating costs (notes 6(5)(17))	586,883	84	585,319	83
5900	Gross profit	112,716	16	121,186	17
6000	Operating expenses (notes 6(17)(20)):				
6100	Selling expenses	41,987	6	58,397	8
6200	General and administrative expenses	20,677	3	26,312	4
6300	Research and development expenses	31,623	5	31,133	5
6450	Expected credit impairment loss (gain)(note6(3)(4))	(3,717)	(1)	337	-
	Total operating expenses	90,570	13	116,179	17
6900	Net operating income	22,146	3	5,007	-
7000	Non-operating income and expenses (notes 6(21)):				
7010	Other income	5,728	1	10,352	1
7020	Other gains and losses	(506)	-	7,337	1
7050	Finance costs	(3,832)	(1)	(4,559)	-
	Total non-operating income and expenses	1,390	-	13,130	2
7900	Profit before income tax from continuing operations:	23,536	3	18,137	2
7950	Less: Income tax expense (notes 6(16))	6,364	1	2,482	-
8200	Net Profit	17,172	2	15,655	2
8300	Other comprehensive income:				
8310	items that will not be reclassified to profit or loss				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (notes 6(17))	(1,740)	-	190	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(1,740)	-	190	-
8360	Items that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements (notes 6(17))	1,466	-	(4,049)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
		1,466	-	(4,049)	-
8300	Other comprehensive income, net	(274)	-	(3,859)	-
8500	Comprehensive income	\$ 16,898	2	11,796	2
	Earnings per share (in dollar, note6(18))				
9750	Basic earnings per share	\$ 0.25		0.23	
9850	Diluted earnings per share	\$ 0.25		0.22	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

YEN SUN TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollar)

(Reviewed, not audited)

Equity attributable to owners of parent

	Equity attributable to owners of parent								Other equity interest				
	Share capital			Retained earnings					Exchange differences on translation of foreign financial statements	Unrealized gains from financial assets measured at fair value through other comprehensive income	Treasury stock	Total equity	
	Ordinary shares	Entitled Certificate	Total	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total					
Balance at January 1, 2019	\$ 672,666	5,691	678,357	114,729	43,394	3,798	16,331	63,523	11,177	936	12,113	-	868,722
Profit	-	-	-	-	-	-	15,655	15,655	-	-	-	-	15,655
Other comprehensive income	-	-	-	-	-	-	-	-	(4,049)	190	(3,859)	-	(3,859)
Total comprehensive income	-	-	-	-	-	-	15,655	15,655	(4,049)	190	(3,859)	-	11,796
Conversion of convertible bonds	-	19,512	19,512	5,032	-	-	-	-	-	-	-	-	24,544
Balance as of March 31, 2019	\$ 672,666	25,203	697,869	119,761	43,394	3,798	31,986	79,178	7,128	1,126	8,254	-	905,062
Balance at January 1, 2020	\$ 697,869	-	697,869	119,761	43,394	3,798	62,161	109,353	16,173	973	17,146	-	944,129
Profit	-	-	-	-	-	-	17,172	17,172	-	-	-	-	17,172
Other comprehensive income	-	-	-	-	-	-	-	-	1,466	(1,740)	(274)	-	(274)
Total comprehensive income	-	-	-	-	-	-	17,172	17,172	1,466	(1,740)	(274)	-	16,898
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	(1,385)	(1,385)
Balance as of March 31, 2020	\$ 697,869	-	697,869	119,761	43,394	3,798	79,333	126,525	17,639	(767)	16,872	(1,385)	959,642

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

YEN SUN TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended March 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollar)

(Reviewed, not audited)

	For the three months ended March 31	
	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 23,536	18,137
Adjustments:		
Adjustments to reconcile profit (loss)		
Expected credit impairment loss (reversal gain)	(3,717)	337
Depreciation expense	22,704	18,289
Amortization expense	376	808
Net profit on financial assets or liabilities at fair value through profit or loss	-	(14)
Interest expense	3,832	4,559
Interest income	(37)	(390)
Loss on disposal of property, plant and equipment	9	888
Unrealized foreign exchange loss (gain)	(7,434)	1,195
Total adjustments to reconcile profit:	15,733	25,672
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(11,204)	(14,507)
Accounts receivable	44,725	25,745
Inventories	(6,328)	15,119
Other current assets	2,447	(864)
Other financial assets	3,203	4,308
Total net changes in operating assets:	32,843	29,801
Changes in operating liabilities:		
Accounts payable	(23,643)	2,021
Other payables	(23,514)	(22,366)
Other current liabilities	6,210	21,360
Net defined benefit liability	(1,810)	(477)
Total net changes in operating liabilities	(42,757)	538
Total changes in operating assets and liabilities	(9,914)	30,339
Total adjustments	5,819	56,011
Cash inflow generated from operating	29,355	74,148
Interest received	35	172
Interest paid	(3,751)	(4,221)
Income taxes paid	(104)	(1,009)
Net cash flows from operating activities	25,535	69,090
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(5,929)	(24,638)
Proceeds from disposal of property, plant and equipment	-	29
Proceeds from disposal of Mainland China home appliances department	-	12,572
Decrease in guarantee deposits paid	431	209
Acquisition of intangible assets	(422)	(637)
(Increase) decrease in restricted deposit	(3,813)	31,149
Increase in other non-current assets	(7,051)	(7,869)
Net cash flows from (used in) investing activities:	(16,784)	10,815
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	9,059	(15,411)
Proceeds from long-term borrowings	40,000	-
Repayment of long-term borrowings	(8,038)	(14,739)
Decrease in guarantee deposits received	-	(21)
Payment of lease liabilities	(4,428)	(3,507)
Payments to acquire treasury shares	(897)	-
Net cash flows from (used in) financing activities	35,696	(33,678)
Effect of exchange rate changes on cash and cash equivalents	3,575	(7,120)
Net increase (decrease) in cash and cash equivalents	48,022	39,107
Cash and cash equivalents at beginning of period	178,432	140,580
Cash and cash equivalents at end of period	\$ 226,454	179,687

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

YEN SUN TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollar unless otherwise specified)

(Reviewed, not audited)

1. Company history

Yen Sun Technology Corporation (the “Company”) was incorporated in March 10, 1987 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The consolidated financial statements for the three months ended March 31, 2020 comprise the Company and its subsidiaries (jointly referred to as the Group). The Group is engaged in the manufacture and sale of home appliances and electronic cooling products such as electric fans, electric cookers, induction cookers, juice machines, bowl dryers, water dispensers, dehumidifiers, electric heaters and other home appliances, cooling fans, heat sink and thermal modules.

2. Financial Statements Authorization Date and Authorization Process

The consolidated financial statements were authorized for issuance by the Board of Directors on May 13, 2020.

3. New standards, amendments and interpretations adopted

(1) The impact of new and revised International Financial Reporting Standards and Interpretations endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”)

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

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

The Group assess that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements.

(2) Newly released or amended standards and interpretations not yet endorsed by the FSC

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

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

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

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

Issue Dates	New, Revised or Amended Standards	Content of amendment
January 23, 2020	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments are intended to improve the consistency in applying the requirements, in order to assist companies in determining whether debts or other liabilities in the statement of balance sheet with uncertain settlement date should be classified as current (or those that may or may be due within one year) or non-current.</p> <p>The amendments also clarify the classification requirements for debts a company might settle by converting it into equity.</p>

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

4. Summary of Significant Accounting Policies

(1) Statement of compliance

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

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

Except as described below, the significant accounting policies for the consolidated financial statement applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2019. Please refer to Note 4 of 2019 consolidated financial statement for detail information.

(2) Basis of consolidation

A. Subsidiaries included in the consolidated financial statements are as follows:

Name of investor	Name of subsidiary	Business activity	Percentage of Ownership			Note
			March 31, 2020	December 31, 2019	March 31, 2019	
The Company	YEN SUN TECHNOLOGY (BVI) CORP.	Investment holding	100% Note1	100%	100%	-
The Company	YEN SUN TECH INTERNATIONAL (SAMOA) CORP.	Investment holding	100%	100%	100%	-
The Company	LUCRATIVE INT'L GROUP INC.	Investment holding	100%	100%	-	-
The Company	YEN JIU TECHNOLOGY CORP. ("YEN JIU")	Sales and manufacture of home appliances products	100%	100%	100%	-
YEN SUN TECHNOLOGY (BVI) CORP.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD. ("SHANGHAI YENSUN")	Sales and manufacture of home appliances products	100% Note1	100%	100%	-
YEN SUN TECH INTERNATIONAL (SAMOA) CORP.	YEN HUNG INTERNATIONAL CORP.	Investment holding	100%	100%	100%	-
YEN SUN TECH INTERNATIONAL (SAMOA) CORP.	YEN TONG TECH INTERNATIONAL (SAMOA) CORP.	Investment holding	100%	100%	100%	Note1
YEN HUNG INTERNATIONAL CORP.	Y.H.TECH INTERNATIONAL CORP.	Investment holding	100%	100%	100%	-
Y.H.TECH INTERNATIONAL CORP.	DARSON ELECTRONICS (DONGGUAN) LTD. ("DARSON")	Manufacture of electronic cooling products	100%	100%	100%	-
DARSON ELECTRONICS (DONGGUAN) LTD. and LUCRATIVE INT'L GROUP INC. (Note2)	YEN GIANT METAL (DONGGUAN) CO., LTD. ("YEN GIANT")	Sales and manufacture of heat sink and thermal module, and electronic cooling products	100%	100%	100% Note1	-

Note1: Financial statements are not reviewed by the Company's independent auditors.

Note2: In accordance with the adjustment of the organizational structure of the Group, DARSON sold 100% shares of YEN GIANT to LUCRATIVE INT'L GROUP INC. on January 31, 2020. Because of it does not affect the Group's control of YEN GIANT, the transaction is regarded as an equity transaction.

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

B. Subsidiaries which are not included in the consolidated financial statements: None.

(3) Income taxes

The measurement and disclosure of interim income taxes were in conformity with paragraph B12 of IAS 34 “Interim Financial Reporting”.

Income tax expense is calculated based on an interim period’s pre-tax income multiplied by best estimation of the annual income tax rate expected for the full financial year and recognized as current income tax expense.

When income tax rate changes occur in interim period, the effect on deferred income tax is recognized in the period at once.

Income tax expense is recognized directly in equity or other comprehensive income which is the temporary difference between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases to measure by using appropriate tax of expected realize assets and settle the liabilities.

(4) Employee benefit

Interim defined benefit pension is calculated on a year-to-date basis using the actuarially determined pension cost rate at the ended of prior financial year, adjusted for significant market fluctuations, curtailments, settlement or other one-time events.

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

The Management prepared quarterly consolidated financial statements in conformity with IAS 34, “Interim Financial Reporting,” and make judgement, estimation and assumption and the reporting amount will be affected by accounting policies, assets, liabilities, revenue and expense. The actual outcome might be different from the estimation.

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

6. Explanation of significant accounting items

Except as described below, the explanation of significant accounting items of this quarterly consolidated financial statements had no significant difference compared with the Group consolidated financial statements for the year ended December 31, 2019. Please refer to Note 6 of consolidated financial statements for the year ended December 31, 2019.

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

(1) Cash and cash equivalents

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Cash and petty cash	\$ 2,680	1,152	1,696
Check deposits	50	50	50
Demand deposits	223,424	176,930	168,395
Time deposits	<u>300</u>	<u>300</u>	<u>9,546</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u><u>\$ 226,454</u></u>	<u><u>178,432</u></u>	<u><u>179,687</u></u>

(2) 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>
Equity instruments at fair value through other comprehensive income:			
Foreign un-listed stocks —			
Y.S. Tech U.S.A Inc.	<u><u>\$ 2,464</u></u>	<u><u>4,204</u></u>	<u><u>4,357</u></u>

The Group intends to hold this equity Instrument for long-term strategic purposes and not for trading intend therefore the Group designated these investments as equity securities at fair value through other comprehensive income.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments both for the three months ended March 31, 2020 and 2019.

For credit risk (including the impairment of debt investments) and market risk, please refer to Note 6(22)

None of the abovementioned financial assets at fair value through other comprehensive profit or loss have been pledged as collateral.

(3) Notes and accounts receivable

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Notes receivable from operating activities	\$ 32,182	20,978	44,594
Accounts receivables—	677,553	724,649	650,258
measured as amortized cost			
Less: Allowance for impairment	<u>(24,522)</u>	<u>(28,454)</u>	<u>(29,341)</u>
	<u><u>\$ 685,213</u></u>	<u><u>717,173</u></u>	<u><u>665,511</u></u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Book as:			
Notes receivable	\$ 32,182	20,978	44,594
Accounts receivable, net	<u>653,031</u>	<u>696,195</u>	<u>620,917</u>
	<u>\$ 685,213</u>	<u>717,173</u>	<u>665,511</u>

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

	<u>March 31, 2020</u>		
	Carrying amount of Notes and accounts receivable	Weighted-avera ge expected credit loss rate	Loss allowance for lifetime expected credit losses
Not over due	\$ 670,841	0.01%	74
Overdue less than 90 days	13,698	0.59%	263
Overdue 91 to 180 days	1,420	29.07%	413
Overdue 181 to 240 days	19	77.88%	15
Overdue 241 to 365 days	-	100.00%	-
Overdue over 366 days	<u>23,757</u>	<u>100.00%</u>	<u>23,757</u>
	<u>\$ 709,735</u>		<u>24,522</u>

	<u>December 31, 2019</u>		
	Carrying amount of Notes and accounts receivable	Weighted-aver age expected credit loss rate	Loss allowance for lifetime expected credit losses
Not over due	\$ 683,148	0.01%	79
Overdue less than 90 days	27,041	0.54%	147
Overdue 91 to 180 days	9,856	26.89%	2,650
Overdue 181 to 240 days	19	76.70%	15
Overdue 241 to 365 days	2	100.00%	2
Overdue over 366 days	<u>25,561</u>	<u>100.00%</u>	<u>25,561</u>
	<u>\$ 745,627</u>		<u>28,454</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

	March 31, 2019		
	Carrying amount of Notes and accounts receivable	Weighted-aver age expected credit loss rate	Loss allowance for lifetime expected credit losses
Not over due	\$ 606,981	0.09%	546
Overdue less than 90 days	50,194	2.00%	1,004
Overdue 91 to 180 days	3,591	3.00%	108
Overdue 181 to 240 days	6,348	5.00%	317
Overdue 241 to 365 days	413	10.00%	41
Overdue over 366 days	27,325	100.00%	27,325
	<u>\$ 694,852</u>		<u>29,341</u>

The movement in the provision for impairment loss with respect to trade receivables was as follows:

	For the three months ended March 31	
	2020	2019
Balance at January 1	\$ 28,454	28,545
Impairment losses recognized (reversed)	(3,717)	337
Foreign exchange losses	(215)	459
Balance at March 31	<u>\$ 24,522</u>	<u>29,341</u>

The abovementioned financial assets were not pledged as collateral.

Please refer to Note 6(22) for credit risk.

(4) Other financial assets

	March 31, 2020	December 31, 2019	March 31, 2019
Refundable deposits	\$ 6,984	7,462	7,112
Other receivables-disposal of operation department in Mainland China	22,993	22,833	40,168
Other receivables — Other	19,252	22,801	17,467
Restricted deposits	15,016	11,203	11,212
Less: Loss allowance	(22,997)	(22,837)	(56)
	<u>\$ 41,248</u>	<u>41,462</u>	<u>75,903</u>

Book as:

Other financial assets — current	\$ 27,656	29,827	60,540
Other financial assets — non-current	13,592	11,635	15,363
	<u>\$ 41,248</u>	<u>41,462</u>	<u>75,903</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

Please refer to Note 6(22) for credit risk. The abovementioned other financial assets pledged as collateral are disclosed in Note 8.

(5) Inventories

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Raw materials and supplies	\$ 283,296	268,830	302,160
Work in progress	175,663	148,692	133,571
Finished goods and Merchandise	<u>208,222</u>	<u>245,234</u>	<u>241,379</u>
inventories			
	<u>\$ 667,181</u>	<u>662,756</u>	<u>677,110</u>

For the three months ended March 31, 2020 and 2019, recognition of inventory impairment losses due to write-off of inventories to net realizable value was \$5,488 thousand and \$393 thousand, and has been recognize under operating costs.

Abovementioned inventories were not pledged as collaterals.

(6) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Molds</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:							
Balance at January 1, 2020	\$ 267,535	182,286	224,997	402,029	95,114	426	1,172,387
Additions	-	1,729	2,587	1,994	1,532	-	7,842
Reclassification	-	-	-	-	426	(426)	-
Disposals	-	-	(41)	-	(88)	-	(129)
Effect of movements in exchange rates	<u>-</u>	<u>(174)</u>	<u>(827)</u>	<u>(536)</u>	<u>(154)</u>	<u>-</u>	<u>(1,691)</u>
Balance at March 31, 2020	<u>\$ 267,535</u>	<u>183,841</u>	<u>226,716</u>	<u>403,487</u>	<u>96,830</u>	<u>-</u>	<u>1,178,409</u>
Balance at January 1, 2019	\$ 267,535	23,950	183,868	388,340	84,710	134,065	1,082,468
Additions	-	1,745	4,236	7,624	9,501	2,287	25,393
Reclassification	-	123,796	-	-	-	(123,796)	-
Disposals	-	-	(2,883)	-	(3,144)	-	(6,027)
Effect of movements in exchange rates	<u>-</u>	<u>106</u>	<u>1,332</u>	<u>984</u>	<u>281</u>	<u>30</u>	<u>2,733</u>
Balance at March 31, 2019	<u>\$ 267,535</u>	<u>149,597</u>	<u>186,553</u>	<u>396,948</u>	<u>91,348</u>	<u>12,586</u>	<u>1,104,567</u>
Accumulated depreciation and Impairment:							
Balance at January 1, 2020	\$ -	25,534	125,818	318,270	61,841	-	531,463
Depreciation for the year	-	3,463	4,918	7,301	1,805	-	17,487
Disposals	-	-	(38)	-	(82)	-	(120)
Effect of movements in exchange rates	<u>-</u>	<u>(82)</u>	<u>(425)</u>	<u>(378)</u>	<u>(103)</u>	<u>-</u>	<u>(988)</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Molds</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Balance at March 31, 2020	<u>\$ -</u>	<u>28,915</u>	<u>130,273</u>	<u>325,193</u>	<u>63,461</u>	<u>-</u>	<u>547,842</u>
Balance at January 1, 2019	\$ -	14,070	113,169	297,769	61,713	-	486,721
Depreciation for the year	-	2,101	3,543	6,723	1,815	-	14,182
Disposals	-	-	(2,241)	-	(2,869)	-	(5,110)
Effect of movements in exchange rates	-	106	813	685	186	-	1,790
Balance at March 31, 2019	<u>\$ -</u>	<u>16,277</u>	<u>115,284</u>	<u>305,177</u>	<u>60,845</u>	<u>-</u>	<u>497,583</u>
Carrying amounts:							
Balance at January 1, 2020	<u>\$ 267,535</u>	<u>156,752</u>	<u>99,179</u>	<u>83,759</u>	<u>33,273</u>	<u>426</u>	<u>640,924</u>
Balance at March 31, 2020	<u>\$ 267,535</u>	<u>154,926</u>	<u>96,443</u>	<u>78,294</u>	<u>33,369</u>	<u>-</u>	<u>630,567</u>
Balance at January 1, 2019	<u>\$ 267,535</u>	<u>9,880</u>	<u>70,699</u>	<u>90,571</u>	<u>22,997</u>	<u>134,065</u>	<u>595,747</u>
Balance at March 31, 2019	<u>\$ 267,535</u>	<u>133,320</u>	<u>71,269</u>	<u>91,771</u>	<u>30,503</u>	<u>12,586</u>	<u>606,984</u>

Please refer to Note 6(21) for detail of disposal gain and loss.

Property, plant and equipment pledged as collateral for borrowings were disclosed in note 8.

(7) Right-of-use assets

The movements in the cost and depreciation of the leased buildings and transportation equipment were as follows:

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Right-of-use assets cost:			
Balance at January 1, 2020	\$ 139,850	3,855	143,705
Effect of movements in exchange rates	(1,472)	-	(1,472)
Balance at March 31, 2020	<u>\$ 138,378</u>	<u>3,855</u>	<u>142,233</u>
Balance at January 1, 2019	\$ 116,788	2,420	119,208
Additions	-	1,435	1,435
Effect of movements in exchange rates	2,527	-	2,527
Balance at March 31, 2019	<u>\$ 119,315</u>	<u>3,855</u>	<u>123,170</u>
Accumulated Depreciation:			
Balance at January 1, 2020	\$ 16,778	1,377	18,155
Depreciation for the period	4,755	364	5,119
Effect of movements in exchange rates	(224)	-	(224)
Balance at March 31, 2020	<u>\$ 21,309</u>	<u>1,741</u>	<u>23,050</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Balance at January 1,2019	\$ -	-	-
Depreciation for the period	3,715	285	4,000
Effect of movements in exchange rates	<u>13</u>	<u>-</u>	<u>13</u>
Balance at March 31, 2019	<u>\$ 3,728</u>	<u>285</u>	<u>4,013</u>
Carrying amounts:			
Balance at March 31, 2020	<u>\$ 117,069</u>	<u>2,114</u>	<u>119,183</u>
Balance at January 1, 2020	<u>\$ 123,072</u>	<u>2,478</u>	<u>125,550</u>
Balance at March 31, 2019	<u>\$ 115,587</u>	<u>3,570</u>	<u>119,157</u>
Balance at January 1, 2019	<u>\$ 116,788</u>	<u>2,420</u>	<u>119,208</u>

(8) Investment Property

	<u>Owned property Buildings and others</u>	<u>Right-of-use assets Land</u>	<u>Total</u>
Carrying amounts:			
Balance at January 1, 2020	<u>\$ 5,880</u>	<u>6,976</u>	<u>12,856</u>
Balance at March 31, 2020	<u>\$ 5,784</u>	<u>6,827</u>	<u>12,611</u>
Balance at January 1, 2019	<u>\$ 6,228</u>	<u>7,537</u>	<u>13,765</u>
Balance at March 31, 2019	<u>\$ 6,346</u>	<u>7,645</u>	<u>13,991</u>

There was no significant increase for acquisition, disposal, reversal or write-down of impairment loss of investment property for the three months ended March, 2020 and 2019. Please refer Note 6(10) for other related information.

There is no material difference between the fair value of investment property and the information disclosed in Note 6 (10) of the consolidated financial report for the year ended December 31, 2019.

Investment property were not pledged as collateral.

(9) Intangible assets

The cost, amortization and impairment loss of the Group's intangible assets are as follows:

	<u>Computer software</u>	<u>Others</u>	<u>Total</u>
Carrying amounts:			
Balance at January 1, 2020	<u>\$ 3,037</u>	<u>665</u>	<u>3,702</u>
Balance at March 31, 2020	<u>\$ 3,124</u>	<u>620</u>	<u>3,744</u>
Balance at January 1, 2019	<u>\$ 3,370</u>	<u>847</u>	<u>4,217</u>
Balance at March 31, 2019	<u>\$ 3,244</u>	<u>802</u>	<u>4,046</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

There was no significant increase for acquisition, disposal, reversal or write-down of impairment loss of intangible assets for the three months ended March, 2020 and 2019. Please refer Note 6(11) for other related information.

Intangible assets were not pledged as collateral.

(10) Other current assets and Other non-current assets

The other current assets others and other non-current assets of the Group were as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Prepayment for purchases	\$ 8,303	8,817	7,805
Prepaid expense	5,823	8,170	7,448
Prepayments for equipment	7,051	4,642	7,886
Income tax refund receivable	23,478	22,301	37,898
Assets for right to recover product to be returned	2,770	3,684	2,817
Other	734	734	-
	<u><u>\$ 48,159</u></u>	<u><u>48,348</u></u>	<u><u>63,854</u></u>

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current	\$ 41,108	43,706	55,968
Non-current	7,051	4,642	7,886
	<u><u>\$ 48,159</u></u>	<u><u>48,348</u></u>	<u><u>63,854</u></u>

(11) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Letters of credit	\$ -	6,586	-
Unsecured bank loans	168,135	137,988	263,492
Secured bank loans	65,000	80,000	60,000
Total	<u><u>\$ 233,135</u></u>	<u><u>224,574</u></u>	<u><u>323,492</u></u>
Unused short-term credit lines	<u><u>\$ 613,512</u></u>	<u><u>615,106</u></u>	<u><u>543,142</u></u>
Range of interest rates	<u><u>1.25%~3.48%</u></u>	<u><u>1.25%~3.48%</u></u>	<u><u>1.25%~4.60%</u></u>

For the collateral information of Group using asset as collateral for bank borrowings, please refer to Note 8.

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

(12) Long-term borrowings

The details of long-term borrowings were as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Unsecured bank borrowings	\$ 49,292	57,152	51,621
Secured bank loans	<u>332,107</u>	<u>292,285</u>	<u>300,322</u>
	381,399	349,437	351,943
Less: current portion	<u>54,576</u>	<u>48,691</u>	<u>39,836</u>
Total	<u>\$ 326,823</u>	<u>300,746</u>	<u>312,107</u>
Unused long-term credit lines	<u>\$ -</u>	<u>-</u>	<u>-</u>
Range of interest rates	<u>1.40%~1.73%</u>	<u>1.55%~1.88%</u>	<u>1.40%~1.70%</u>

A. The increased amount of long-term borrowing of the Group for the three months ended March 31, 2020, was \$40,000 thousand, the interest rate ranges were 1.4% to 1.6%. There were no new long-term borrowings for the three months ended March 31, 2019; the repayment amount were \$8,038 thousand and \$14,739 thousand respectively. Please refer to Note 6 (21) for interest expenses. For other related information, please refer to Note 6 (14) of the consolidated financial report for the year ended December 31, 2019.

B. Assets pledged as collateral for long-term borrowings are disclosed in note 8.

(13) Lease liabilities

The details of lease liabilities were as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current	<u>\$ 18,042</u>	<u>17,977</u>	<u>13,572</u>
Non-current	<u>\$ 104,550</u>	<u>110,332</u>	<u>106,079</u>

For maturity analysis, please refer to Note 6 (22) Financial Instruments.

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	<u>\$ 1,447</u>	<u>1,450</u>
Expenses relating to short-term leases	<u>\$ 270</u>	<u>1,000</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 113</u>	<u>129</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

The amounts recognized in the statement of cash flows for the Group were as follow:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	<u>\$ 6,258</u>	<u>5,795</u>

A. Lease of land and Buildings

The Group leases buildings for its factory and warehouse. The leases typically run for a period of 3 to 8 years. Some leases include an option to renew the lease after the end of the contract term.

B. Other leases

The Group leases transportation equipment, with lease terms of 3 to 4 years. The Group also leases office and office equipment with contract terms of 1 to 3 years. These leases are short-term or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(14) Other current and non-current liabilities

The details of other current and non-current liabilities were as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Advance receipts	\$ 12,253	5,294	41,856
Guarantee deposit received	3,027	3,057	4,300
Provision for warranties	1,135	1,243	2,110
Refund liabilities	6,061	9,627	5,776
Others	<u>14,617</u>	<u>11,731</u>	<u>20,943</u>
	<u>\$ 37,093</u>	<u>30,952</u>	<u>74,985</u>

	<u>March 31, 202</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current	\$ 36,555	30,414	70,612
Non-Current	<u>538</u>	<u>538</u>	<u>4,373</u>
	<u>\$ 37,093</u>	<u>30,952</u>	<u>74,985</u>

There was no significant changes of liabilities provision for the three months ended March, 2020 and 2019. Please refer Note 6(17) of the consolidated financial report for the year ended December 31, 2019 for other related information

(15) Employee benefits

A. Defined benefit plans

There were no significant market fluctuations, curtailments, settlement or other one-time events after the end the prior financial year, the pension cost measurement and disclosure of interim pension cost were calculated based on actuarial adopted on December 31, 2019 and 2018.

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

Cost recognized in expense was as below:

	For the three months ended March 31,	
	2020	2019
Operating cost	\$ 72	75
Selling expenses	36	175
General and administrative expenses	-	50
Total	\$ 108	300

B. Defined contribution plans

The Company and its subsidiary YEN JIU Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The other entities of the Group defined contribution plans based on their respective local regulation; cost recognized in expense are as follow:

	For the three months ended March 31,	
	2020	2019
Operating cost	\$ 2,811	2,933
Selling expenses	664	715
General and administrative expenses	351	341
Research and development expenses	672	599
Total	\$ 4,498	4,588

(16) Income tax

Income tax expense for the period is best estimated by multiplying pretax income for the interim reporting period with the effective annual tax rate as forecasted by management.

	For the three months ended March 31,	
	2020	2019
Current tax expense		
Current	\$ 6,364	2,482

The Group did not recognize income tax which under other comprehensive income for the three months ended March 2020 and 2019, nor directly recognized the income tax in equity.

The Group's income tax returns for all fiscal years up to 2017 have been examined and approved by the tax authority. There were no disputes between the Group and the Tax Authority.

(17) Capital and other equity

The Group had no significant capital and other equity change for the three months ended March 31, 2020 and 2019 except below statement. Please refer to Note 6(21) of the consolidated financial statements for the year ended December 31, 2019 for detail information.

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

A. Issuance of common stock

For the three months ended March 31, 2019, the fifth convertible bonds issued by the Company amounting to \$24,000 thousand were converted into 1,951 thousand shares of common stock, resulting in premium on conversion of convertible bonds \$5,032 thousand. For the shares that were converted, the related registration procedures were not completed as of March 31, 2019.

B. Capital surplus

The balances of capital surplus were as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Premium on conversion of convertible bonds	\$ 86,977	86,977	86,977
Lapsed option	18,643	18,643	18,643
Treasury share transactions	<u>14,141</u>	<u>14,141</u>	<u>14,141</u>
	<u>\$ 119,761</u>	<u>119,761</u>	<u>119,761</u>

According to the R.O.C Company Act, capital surplus can only be used to make up a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock (including premium on conversion of convertible bonds) and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring additional paid-in capital should not exceed 10% of the total common stock outstanding.

C. Retained earnings

Base on the Company's article of incorporation, if the Company's annual final accounts show surplus, it shall first pay the taxes, offset past annual loss, and then set 10% as regulatory surplus reserve. However, it is not applicable if the statutory surplus reserve has reached our Company's paid-up capital. Also based on the Company's operational needs and regulatory requirements, provisions shall be make for special reserve. If there are still surplus left, the board of directors shall draft a surplus distribution proposal by combining it with the undistributed surplus at the beginning of period and submit to the shareholders meeting for approval.

The dividends policy shall first take into consideration its operating environment, financial program, company's sustainable operation and development and the biggest interests of stockholders as follows:

- The company is currently in the stage of active market development. In order to support the growth of the company, the company's dividends can continue to operate in the future as the principle, and after comprehensively considering and improving the

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

financial structure, maintaining stable dividends and protecting shareholders' reasonable compensation and other conditions, the board of directors prepare a plan in accordance with the articles of association and deliver it after approval by the shareholders' general meeting and the competent authority.

- Distribution ratio of cash dividends and stock dividends:

The distribution of dividends of the company's shareholders will be based on the stock dividends, cash dividends, or both two ways of issuance. When dividends being distribute, an appropriate ratio of cash and stock dividends shall be set up. Only cash dividends shall be paid at a rate not less than 10% of the current year's distribution.

On May 5, 2020, as the proposal by the board of directors, the Company did not plan to distribute the earnings of 2019. In addition, on June 25, 2019, according to the result of shareholders' general meeting, the company decided not to distribute the earnings of 2018.

D. Other equity (Net amount after tax)

	Foreign exchange differences arising from foreign operation	Unrealized gains (losses) on financial assets measured at FVOCI	Total
Balance at January 1, 2020	\$ 16,173	973	17,146
Changes of the Group	1,466	(1,740)	(274)
Balance at March 31, 2020	<u>\$ 17,639</u>	<u>(767)</u>	<u>16,872</u>
Balance at January 1, 2019	\$ 11,177	936	12,113
Changes of the Group	(4,049)	190	(3,859)
Balance at March 31, 2019	<u>\$ 7,128</u>	<u>1,126</u>	<u>8,254</u>

E. Treasury stock

For the three months ended March 31, 2020, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 108 thousand shares as treasury shares in order to transfer shares to employees, the repurchase cost was \$1,385 thousand. As of March 31, 2020, a total 108 thousand shares were not yet cancelled.

In accordance with Securities and Exchange Act requirements, treasury shares held by the Company should not be pledged, and do not hold shareholder rights before their transfer.

(18) Earnings per share

The calculation of basic earnings per share and diluted earnings per share were as follows

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	<u>\$ 17,172</u>	<u>15,655</u>
Weighted-average number of common shares (in thousands)	<u>69,782</u>	<u>68,704</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

	For the three months ended March 31,	
	2020	2019
Earnings per share(in dollars)	<u>\$ 0.25</u>	<u>0.23</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ 17,172	15,655
Effect of potentially dilutive common stock-Convertible Bonds	-	21
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 17,172</u>	<u>15,676</u>
Weighted-average number of common shares (in thousands)	\$ 69,782	68,704
Effect of convertible bonds (in thousands)	-	1,083
Effect of employee share bonus (in thousands)	162	15
Weighted-average number of common shares (in thousands)	<u>\$ 69,944</u>	<u>69,802</u>
Diluted earnings per share (in dollars)	<u>\$ 0.25</u>	<u>0.22</u>

(19) Revenue from contracts with customers

A. Details of revenue

	For the three months ended March 31, 2020		
	Home appliance Department	Electronic cooling Department	Total
Primary geographical markets:			
Domestic	\$ 195,008	132,783	327,791
Mainland China	1,804	53,853	55,657
Germany	-	225,074	225,074
America	4,175	27,369	31,544
Japan	2,593	1,706	4,299
South Korea	-	17,400	17,400
Others	4,689	33,145	37,834
	<u>\$ 208,269</u>	<u>491,330</u>	<u>699,599</u>
Major products services lines:			
Cooling fan	\$ -	431,686	431,686
Product of home appliances–air series	128,157	-	128,157
Product of home appliances–water series	67,158	-	67,158
Heat sink and thermal module	-	55,356	55,356
Others	12,954	4,288	17,242
	<u>\$ 208,269</u>	<u>491,330</u>	<u>699,599</u>

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Notes to the Consolidated Financial Statements (Continued)

For the three months ended March 31, 2019

	Home appliance Department	Electronic cooling Department	Total
Primary geographical markets:			
Domestic	\$ 195,561	153,193	348,754
Mainland China	4,170	54,716	58,886
Germany	-	160,691	160,691
America	5,030	50,627	55,657
Japan	11,311	3,422	14,733
South Korea	-	18,526	18,526
Others	4,413	44,845	49,258
	\$ 220,485	486,020	706,505
Major products services lines:			
Cooling fan	\$ -	416,626	416,626
Product of home appliances—air series	148,179	-	148,179
Product of home appliances—water series	53,653	-	53,653
Heat sink and thermal module	-	65,860	65,860
Others	18,653	3,534	22,187
	\$ 220,485	486,020	706,505

B. Contract balance

	March 31, 2020	December 31, 2019	March 31, 2019
Notes and accounts receivables	\$ 709,735	745,627	694,852
Less: allowance for impairment	(24,522)	(28,454)	(29,341)
Total	\$ 685,213	717,173	665,511
Contract liabilities — unearned revenue	\$ 12,253	5,294	41,856

Please refer to Note 6(3) for notes and accounts receivable impairment.

The amount of revenue recognized for the years ended March 31, 2020 and 2019 that was included in the contract liability balance at the beginning of the period were \$3,424 thousand and \$3,029 thousand, respectively.

The change in contract liabilities is mainly due to the difference between the time when the Group transfers the goods to the customer and meets the performance obligations and the time when customer pays. Contract liabilities was classified under other current liabilities in the consolidated balance sheet.

(20) Employee compensation and directors' and supervisors' remuneration

According to the Company's articles of association, the Company should contribute 1% to 10% of the profit as employee compensation and a less than 5% as directors' remuneration when there is profit for the year. However, certain amounts of the profits should be reserved if there is an accumulated deficit from operations in previous years in advance of the appropriation of the employee bonuses. The aforementioned employee bonuses will be distributed in cash or stock

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

to employees who satisfy certain specifications of the Company and its affiliates.

For the three months ended at March 31, 2020 and 2019, the Company accrued the compensation of employees amounted to \$476 thousand and \$363 thousand, respectively and the remuneration of directors' amounted to \$238 thousand and \$182 thousand, respectively. The compensation of employees, remuneration of directors were estimated as the Company's net income before tax, excluding compensation of employees and remuneration of directors, multiplied by the appropriate percentage in compliance with the Company's articles. These expenses recognized under operating costs or operating expenses for the respective period. In case the variances between actual and estimated expenses occur during next year, the variances concerned will be recognized in next year's profit. If the Company's Board of Directors resolve to issue its stocks as the compensation of employees, it will be calculated based on the closing price of its stock on the day before the approval by of Directors.

For the year ended December 31, 2019 and 2018, the accrued compensation of employees amounted to \$1,473 thousand and \$0 thousand, respectively; and the accrued remuneration of directors' and supervisor's amounted to \$737 thousand and \$0 thousand, respectively. Actual distribution amount had no difference with approved amounts by Board of Directors; for related information, please go to website: <http://emops.twse.com.tw>.

(21) Non-operating income and expenses

A. Other income

Details of other income were as follows:

	For the three months ended March 31,	
	2020	2019
Interest income		
Bank deposit	\$ 29	163
Other interest income	8	227
Sample income	1,287	1,736
Others	4,404	8,226
	<u>\$ 5,728</u>	<u>10,352</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

B. Other gains and losses

Details of other gains and losses were as follows:

	For the three months ended March 31,	
	2020	2019
Net profit (losses) on foreign exchange gains	\$ (402)	9,491
Net gain on financial assets at fair value through profit or loss	-	14
Net loss on disposal of property, plant and equipment	(9)	(888)
Others	(95)	(1,280)
	<u>\$ (506)</u>	<u>7,337</u>

C. Finance costs

Details of finance costs were as follows:

	For the three months ended March 31,	
	2020	2019
Interest expenses		
Bank loan	\$ (2,385)	(3,074)
Lease liability	(1,447)	(1,450)
Amortization of discount on bonds payable	-	(35)
	<u>\$ (3,832)</u>	<u>(4,559)</u>

(22) Financial instruments

There was no significant change of the Group's fair value of financial instruments, exposure to credit risk, liquidity risk and market risk except below mentioned. For related information, please refer to Note 6(26) of the consolidated financial statements for the year ended December 31, 2019.

A. Credit risk

(a) Concentration of credit risk

The Group has no significant concentration of credit risk as of March 31, 2020, December 31, and March 31, 2019.

(b) Credit risk of receivable and debt instrument investment

For credit risk exposure of notes and accounts receivable, please refer to Note 6 (3). Other financial assets measured with amortized cost include other receivables, restricted bank deposits, and guarantee deposit paid.

The following presents whether loss reserves and credit impairments for the above financial assets measured in 12-month expected credit losses (ECL) or lifetime expected credit losses (ECL) were credit-impaired:

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Notes to the Consolidated Financial Statements (Continued)

March 31, 2020

	Financial assets measured at amortized cost		
	12-month ECL	Lifetime ECL-unimpaired	Lifetime ECL-impaired
Refundable deposits	\$ 6,984	-	-
Other receivable	17,138	1,997	23,110
Restricted Deposit	15,016	-	-
Loss allowance	-	-	(22,997)
Amortized cost	<u>\$ 39,138</u>	<u>1,997</u>	<u>113</u>
Carrying amount	<u>\$ 39,138</u>	<u>1,997</u>	<u>113</u>

December 31, 2019

	Financial assets measured at amortized cost		
	12-month ECL	Lifetime ECL-unimpaired	Lifetime ECL-impaired
Refundable deposits	\$ 7,462	-	-
Other receivable	21,149	1,534	22,951
Restricted Deposit	11,203	-	-
Loss allowance	-	-	(22,837)
Amortized cost	<u>\$ 39,814</u>	<u>1,534</u>	<u>114</u>
Carrying amount	<u>\$ 39,814</u>	<u>1,534</u>	<u>114</u>

March 31, 2019

	Financial assets measured at amortized cost		
	12-month ECL	Lifetime ECL-unimpaired	Lifetime ECL-impaired
Refundable deposits	\$ 7,112	-	-
Other receivable	17,411	40,168	56
Restricted Deposit	11,212	-	-
Loss allowance	-	-	(56)
Amortized cost	<u>\$ 35,735</u>	<u>40,168</u>	<u>-</u>
Carrying amount	<u>\$ 35,735</u>	<u>40,168</u>	<u>-</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

The movement in the provision for impairment with respect to the financial assets measured at amortized cost as of March 31, 2020 and 2019 were as follows:

	12-month ECL	Lifetime ECL-unimpaired	Lifetime ECL-impaired	Total
Balance at January 1, 2020	\$ -	-	22,837	22,837
Amount of convert to cash	-	-	431	431
Effect of changes in foreign currency exchange rates	-	-	(271)	(271)
Balance at March 31, 2020	<u>\$ -</u>	<u>-</u>	<u>22,997</u>	<u>22,997</u>

	12-month ECL	Lifetime ECL-unimpaired	Lifetime ECL-impaired	Total
Balance at January 1, 2019	\$ -	-	-	-
Impairment loss recognized	-	-	56	56
Balance at March 31, 2019	<u>\$ -</u>	<u>-</u>	<u>56</u>	<u>56</u>

B. Liquidity risk

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

	Carrying amount	Contracted cash flow	Within 6 months	6-12 months	1-2 years	2-5 years	over 5 years
<u>March 31, 2020</u>							
Non-derivative financial liabilities							
Long- and Short-term borrowings (floating rate)	\$ 614,534	645,904	272,420	21,682	68,840	112,562	170,400
Accounts payable (non-interest bearing)	544,199	544,199	544,199	-	-	-	-
Other payables (non-interest bearing)	118,640	118,640	118,640	-	-	-	-
Lease liability (fixed interest rate)	122,592	142,536	11,656	11,655	22,428	63,008	33,789
Guarantee deposits (non-interest bearing)	<u>3,027</u>	<u>3,027</u>	<u>-</u>	<u>2,562</u>	<u>465</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,402,992</u>	<u>1,454,306</u>	<u>946,915</u>	<u>35,899</u>	<u>91,733</u>	<u>175,570</u>	<u>204,189</u>
<u>December 31, 2019</u>							
Non-derivative financial liabilities							
Long- and Short-term borrowing (floating rate)	\$ 574,011	605,648	264,377	15,058	44,447	103,661	178,105
Accounts payable (non-interest bearing)	577,675	577,675	577,675	-	-	-	-
Other payables (non-interest bearing)	82,332	82,332	82,332	-	-	-	-
Lease liability (fixed interest rate)	128,309	149,930	11,745	11,745	23,248	64,122	39,070
Guarantee deposits (non-interest bearing)	<u>3,057</u>	<u>3,057</u>	<u>-</u>	<u>2,592</u>	<u>465</u>	<u>-</u>	<u>-</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

	Carrying amount	Contracted cash flow	Within 6 months	6-12 months	1-2 years	2-5 years	over 5 years
bearing)							
	<u>\$ 1,365,384</u>	<u>1,418,642</u>	<u>936,129</u>	<u>29,395</u>	<u>68,160</u>	<u>167,783</u>	<u>217,175</u>
March 31, 2019							
Non-derivative financial liabilities							
Long- and Short-term borrowing (floating rate)	\$ 675,435	710,234	356,683	12,861	43,601	95,698	201,391
Accounts payable (non-interest bearing)	447,481	447,481	447,481	-	-	-	-
Other payables (non-interest bearing)	115,956	115,956	115,956	-	-	-	-
Lease liability (fixed interest rate)	119,651	143,720	9,528	9,529	18,591	55,771	50,301
Guarantee deposits (non-interest bearing)	<u>4,300</u>	<u>4,300</u>	<u>-</u>	<u>-</u>	<u>4,300</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,362,823</u>	<u>1,421,691</u>	<u>929,648</u>	<u>22,390</u>	<u>66,492</u>	<u>151,469</u>	<u>251,692</u>

The Group does not expect the cash flows would occur significantly earlier or at significantly different amounts.

C. Market Risk

(a) Exchange rate risk

Group's financial assets and liabilities exposed to significant foreign currency risk as follows:

	March 31, 2020			December 31, 2019			March 31, 2019		
	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount
Financial assets									
<u>Monetary items</u>									
USD	\$ 39,231	30.225	1,185,770	45,363	29.98	1,360,005	37,029	30.820	1,141,250
EUR	640	33.240	21,289	545	33.59	18,297	408	34.61	14,126
CNY	34,146	4.255	145,339	37,114	4.305	159,812	42,652	4.580	195,345
Financial liabilities									
<u>Monetary items</u>									
USD	30,612	30.225	925,266	35,115	29.98	1,052,819	26,222	30.820	808,199
EUR	78	33.240	2,601	124	33.59	4,182	94	34.61	3,257
CNY	13,164	4.255	56,015	27,441	4.305	118,133	39,177	4.580	179,436
TWD	37,018	1	37,018	52,756	1	52,756	38,811	1	38,811

The foreign currency risk of Group was mainly incurred from the translation cash and cash equivalents, accounts receivable, other receivables, restricted deposits, loans, accounts payable and other payables. For the three months end of March 31, 2020 and 2019, the exchange rate of the TWD versus the USD, CNY and EUR increases or decreases by 1%, given no changes in other factors, profit after tax will increase or decrease by \$2,948 thousand and \$2,879 thousand, respectively. The analysis adopt same assumes of variables.

The exchange gains and losses (including realized and unrealized) of the currency items of the Group are converted into the functional currency of the Company, TWD (the currency of Group's expression) and exchange rate information are as follows:

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the three months ended March 31,				
2020		2019		
	Profit(loss) of exchange	Average exchange rate	Profit(loss) of exchange	Average exchange rate
TWD	\$ 5,081	-	3,822	-
CNY	(5,483)	4.3077	5,669	4.5636
	<u>\$ (402)</u>		<u>9,491</u>	

(b) Interest rate analysis

Please refer to the notes on liquidity risk management and the interest rate exposure of the Group's financial liabilities.

Sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. The method of analysis assumes that the amount of liabilities in circulation on the reporting date is in circulation throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25% and other factors remained unchanged, the Group's net income would have increased or decreased as follows:

	Interest rate increase 0.25%	Interest rate decrease 0.25%
Net profits after tax for the three months ended March, 2020	Net profit decrease \$307 thousand	Net profit increase \$307 thousand
Net profits after tax, for the three months ended March, 2019	Net profit decrease \$338 thousand	Net profit increase \$338 thousand

(c) Other price risk

If the equity securities price changes on the reporting date (adopt the same basis of analysis for both periods, with the assumption that other variable factors remain unchanged), the impact to the comprehensive gain or loss items are as follows:

For the three months ended March 31,				
2020		2019		
Equity price at reporting date	Other comprehensive income after tax	Net profit (loss)	Other comprehensive income after tax	Net profit (loss)
Increase 3%	<u>\$ 59</u>	<u>-</u>	<u>105</u>	<u>-</u>
Decrease 3%	<u>\$ (59)</u>	<u>-</u>	<u>(105)</u>	<u>-</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

D. Fair value

(a) Categories and fair values of financial instruments

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

March 31, 2020					
	Carrying Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at FVOCI					
Unlisted stock	\$ <u>2,464</u>	-	-	2,464	2,464
Financial assets at amortized cost					
Cash and cash equivalent	\$ 226,454	-	-	-	-
Notes and accounts receivables	685,213	-	-	-	-
Other Financial assets -current	27,656	-	-	-	-
Other Financial assets -non current	<u>13,592</u>	-	-	-	-
Subtotal	<u>\$ 952,915</u>				
Financial liabilities at amortized cost					
Short-term borrowing	\$ 233,135	-	-	-	-
Account payable	544,199	-	-	-	-
Other payable	118,640	-	-	-	-
Long- term borrowing-current portion	54,576	-	-	-	-
Lease liability — current	18,042	-	-	-	-
Long -term borrowing	326,823	-	-	-	-
Lease liability — non-current	104,550	-	-	-	-
Guarantee deposits received	<u>3,027</u>	-	-	-	-
Subtotal	<u>\$ 1,402,992</u>				
December 31, 2019					
	Carrying Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at FVTPL					
Financial assets at FVOCI					
Unlisted stock	\$ <u>4,204</u>	-	-	4,204	4,204
Financial assets at amortized cost					
Cash and cash equivalent	\$ 178,432	-	-	-	-
Notes and Account receivables	717,173	-	-	-	-
Other Financial assets -current	29,827	-	-	-	-
Other Financial assets -noncurrent	<u>11,635</u>	-	-	-	-
Subtotal	<u>\$ 937,067</u>				
Financial liabilities at amortized					

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2019					
	Carrying Amount	Fair value			Total
		Level 1	Level 2	Level 3	
cost					
Short-term borrowing	\$ 224,574	-	-	-	-
Account payable	577,675	-	-	-	-
Other payable	82,332	-	-	-	-
Long- term borrowing-current portion	48,691	-	-	-	-
Lease liability— current	17,977	-	-	-	-
Long -term borrowing	300,746	-	-	-	-
Lease liability— non-current	110,332	-	-	-	-
Guarantee deposits received	3,057	-	-	-	-
Subtotal	<u>\$ 1,365,384</u>				
March 31, 2019					
	Carrying Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at FVTPL					
Financial assets at FVOCI					
Unlisted stock	<u>\$ 4,357</u>	-	-	4,357	4,357
Financial assets at amortized cost					
Cash and cash equivalent	\$ 179,687	-	-	-	-
Notes and Account receivables	665,511	-	-	-	-
Other Financial assets -current	60,540	-	-	-	-
Other Financial assets -noncurrent	15,363	-	-	-	-
Subtotal	<u>\$ 921,101</u>				
Financial liabilities at amortized cost					
Short-term borrowing	\$ 323,492	-	-	-	-
Account payable	447,481	-	-	-	-
Other payable	115,956	-	-	-	-
Long- term borrowing-current portion	39,836	-	-	-	-
Lease liability— current	13,572	-	-	-	-
Long -term borrowing	312,107	-	-	-	-
Lease liability— noncurrent	106,079	-	-	-	-
Guarantee deposits received	4,300	-	-	-	-
Subtotal	<u>\$ 1,362,823</u>				

The Company used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair values are based on the degree to which the fair value can be observed and are grouped into Level 1 to Level 3 as follows:

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liability that are not based on observable market data.

(b) Valuation technique of financial instruments not measured at fair value

Financial instruments measured at amortized cost, due to the expiry date are close or future payment prices are similar to the carrying amount; therefor, the carrying amount in financial reports is a reasonable approximation of the fair value.

(c) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments:

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. Quoted prices of major stock exchanges and quoted prices of government bonds are the basis for measuring the fair value of stocks listed on an exchange, stocks listed on the OTC, and debt instruments with quoted prices in an active market.

Except for the above-mentioned financial instruments with active markets, the fair value of the remaining financial instruments is obtained through evaluation or reference with counterparty quotations. The fair value can be calculated by reference to the current fair value of other financial instruments with similar replacement conditions and characteristics, discounted cash flow method or other evaluation techniques, including the use of market information available on the balance sheet date.

The equity instruments held by the Group without public quotes are based on the comparable company method to estimate fair value. The main assumptions are based on the net equity value of being-investors and the equity multiplier derived from the market quotes of comparable listed (counter) companies. The estimate has adjusted the discount effect of the lack of market liquidity.

(d) Transfers between Level 1 and Level 2

For the three months ended March 31, 2020 and 2019, there was no transfer in the fair value grade of financial instruments assessed by the Group.

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

- (e) Movement of financial assets through other comprehensive income categorized within Level 3.

	Financial assets measured at fair value through other comprehensive income Equity investment without an active market
Balance at January 1, 2020	\$ 4,204
Profit or loss	
Recognized in other comprehensive profit or loss	(1,740)
Balance at March 31, 2020	<u>\$ 2,464</u>
Balance at January 1, 2019	\$ 4,167
Profit or loss	
Recognized in other comprehensive profit or loss	190
Balance at March 31, 2019	<u>\$ 4,357</u>

The benefits or losses are reported in the unrealized valuation benefits (losses) of financial assets measured at fair value, which is the outcome of assets that still hold by Group as of March 31, 2020 and 2019.

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

The Group's fair value have been classified as Level3 and only contains single significant unobservable inputs. Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between Significant and fair value measurement
Financial assets at fair value through other comprehensive income -equity investments without an active market	Comparable listed company approach	<ul style="list-style-type: none"> • Lack of market liquidity discount (as March 31, 2020, December 31, March 31, 2019 were 53.08%, 43.58% and 30.73%, respectively) • Valuation multiples (as March 31, 2020, December 31, March 31, 2019 were 0.92, 1.32 and 1.05, respectively) • Stock price volatility 	<ul style="list-style-type: none"> • The higher the lack of market liquidity discount is, the lower the fair value will be. • The higher the valuation multiples is, the higher the fair value will be. • The lower the stock price volatility is,

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between Significant and fair value measurement
		(as March 31, 2020, December 31, March 31, 2019 were 51.45%, 49.86% and 38.19%, respectively)	the higher the fair value will be.

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

The group measure the fair value of financial instruments is reasonable, but the use of different evaluation models or evaluation parameters may outcome with different results. For level 3 fair value measurements, changing one or more assumptions will have the following effects:

	Inputs	Fluctuation in inputs	Changes in fair value reflected in OCI	
			Favorable	Unfavorable
Balance at March 31, 2020				
Financial assets at fair value through other comprehensive income-				
Investment of equity instruments without an active market	Market liquidity discount rate 53.08%	10%	\$ 513	(520)
	Valuation multiples 0.92	5%	121	(121)
	Stock price volatility 51.45%	5%	235	(223)
Balance at December 31, 2019				
Financial assets at fair value through other comprehensive income-				
Investment of equity instruments without an active market	Market liquidity discount rate 43.58%	10%	\$ 752	(752)
	Valuation multiples 1.32	5%	205	(240)
	Stock price volatility 49.86%	5%	308	(308)

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

	Inputs	Fluctuation in inputs	Changes in fair value reflected in OCI	
			Favorable	Inputs
Balance at March 31, 2019				
Financial assets at fair value through other comprehensive income-				
Investment of equity instruments without an active market	Market liquidity discount rate 30.73%	10%	\$ 632	(632)
	Valuation multiples 1.05	5%	176	(211)
	Stock price volatility 38.19%	5%	268	(280)

The Group's favorable and unfavorable changes refer to changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique.

(23) Financial risk management

There was no significant change of the Group's financial risk management objectives and policy as disclosed in the consolidated financial report for the year ended December 31, 2019. Please refer to Note 6(27) of 2019 consolidated financial report.

(24) Capital management

The Group's capital management objectives, policies and procedures were compliance with 2019 consolidated financial report. Further, there was no significant change of the summary quantitative information as disclosed in 2019 consolidated financial report. Please refer to Note 6(28) of 2019 consolidated financial report for more information.

(25) Investing and financing activities not affecting current cash flow

The reconciliation of liabilities from financing activities is as follows:

	January 1, 2020	Cash flows	foreign exchange	Non-cash changes			March 31, 2020
				Convert to ordinary share	Interest amortized	Lease liability	
Short-term borrowing	\$ 224,574	9,059	(498)	-	-	-	233,135
Long-term borrowing-current portion	349,437	31,962	-	-	-	-	381,399
Lease liability (Current and non-current)	128,309	(4,428)	(1,289)	-	-	-	122,592
Guarantee deposits received	3,057	-	(30)	-	-	-	3,027
Total liabilities from financing activities	<u>\$ 705,377</u>	<u>36,593</u>	<u>(1,817)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>740,153</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

	January 1, 2019	Cash flows	foreign exchange	Non-cash changes			March 31, 2019
				Convert to ordinary share	Interest amortized	Other	
Short-term borrowing	\$ 338,941	(15,411)	(38)	-	-	-	323,492
Long-term borrowing-current portion	366,682	(14,739)	-	-	-	-	351,943
Bonds payable	24,586	-	-	(24,621)	35	-	-
Lease liability (Current and non-current)	119,208	(3,507)	2,515	-	-	1,435	119,651
Guarantee deposits received	4,210	(21)	111	-	-	-	4,300
Total liabilities from financing activities	<u>\$ 853,627</u>	<u>(33,678)</u>	<u>2,588</u>	<u>(24,621)</u>	<u>35</u>	<u>1,435</u>	<u>799,386</u>

7. Related-party transactions

A. Compensation of major management staff

The information on major management staff compensation was as follows:

	For the three months ended March 31,	
	2020	2019
Short-term employee benefits	\$ 1,932	1,673
Post-employment benefits	-	-
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	<u>\$ 1,932</u>	<u>1,673</u>

A rental car which cost \$1,551 thousand was provided by Group, for the use of major management, have been recognized as right of use assets of transportation equipment on March 31, 2020, December 31, 2019 and March 31, 2019.

B. Endorsement and guarantee

The Group borrowed from financial institutions on December 31, 2019, March 31, 2020 and 2019. According to the requirements of some contracts, the major management of the company should provide a joint guarantee.

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

8. Pledged assets

The carrying values of pledged assets were as follows:

<u>Pledged Assets</u>	<u>Purpose</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Deposit account (Reserve account)	Long-term/short-term borrowing, customs taxes, company debt and other repayment accounts	\$ 12,203	10,203	10,212
Time deposit	Guarantee of sales channel and short-term borrowing	2,813	1,000	1,000
Land	Guarantee of long-term/short-term borrowing	267,535	267,535	267,535
Buildings	Guarantee of long-term/short-term borrowing	<u>139,392</u>	<u>141,761</u>	<u>133,320</u>
		<u>\$ 421,943</u>	<u>420,499</u>	<u>412,067</u>

9. Significant Commitments and Contingencies

A. Unrecognized contingencies of contracts:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Acquisition of property, plant and equipment	<u>\$ -</u>	<u>-</u>	<u>17,232</u>

B. Standby letter of credit:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Purchases of raw materials	<u>\$ 31,488</u>	<u>48,308</u>	<u>31,858</u>

10. Losses due to major disasters: None

11. Subsequent events: None

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

12. Other

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

By function By item	For the three months ended March 31, 2020			For the three months ended March 31, 2019		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee benefits:						
Salary	57,400	35,989	93,389	67,320	37,835	105,155
Labor and health insurance	3,559	3,607	7,166	4,181	3,395	7,576
Pension expense	2,882	1,724	4,606	3,008	1,880	4,888
Remuneration of directors	-	973	973	-	941	941
Other personnel cost	3,358	1,607	4,965	3,500	1,673	5,173
Depreciation	11,811	10,893	22,704	7,278	11,011	18,289
Amortization	-	376	376	-	808	808

B. Seasonality of operation

The operation of Group is not affected by seasonal or periodic factors.

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

13. Supplementary Disclosures

A. Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the three months ended March 31, 2020.

(a) Loans extended to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 3)	Ending balance (Note 3)	Actual usage amount during the period (Note1,3)	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reason for financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	value		
0	The Company	Yen Sun Technology (BVI) Corp.	Other receivable-related parties	Yes	45,338 (USD 1,500,000)	45,338 (USD 1,500,000)	45,338 (USD 1,500,000)	-	Short - term financing	-	Working capital	-	-	-	383,857 (Note 2)	383,857 (Note 2)
1	Yen Sun Technology (BVI) Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	long-term receivables – related parties	Yes	130,177 (USD 4,306,943)	130,177 (USD 4,306,943)	130,031 (USD 4,302,111)	-	Short - term financing	-	Working capital	-	-	-	383,857 (Note 2)	383,857 (Note 2)
1	Yen Sun Technology (BVI) Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	long-term receivables – related parties	Yes	25,530 (RMB 6,000,000)	25,530 (RMB 6,000,000)	25,530 (RMB 6,000,000)	-	Short - term financing	-	Working capital	-	-	-	383,857 (Note 2)	383,857 (Note 2)
2	Y.H. Tech International Corp.	Yen Sun Technology (BVI) Corp.	long-term receivables – related parties	Yes	50,827 (USD 1,681,614)	50,827 (USD 1,681,614)	50,827 (USD 1,681,614)	-	Short - term financing	-	Working capital	-	-	-	383,857 (Note 2)	383,857 (Note 2)

(Note 1) When prepared this consolidated financial report, it has been eliminated.

(Note 2) If necessary for financing, the loan limit shall not exceed 40% of the Company's net equity

(Note 3) The amount of TWD is translated at the exchange rate on the balance sheet date.

(b) Guarantees and endorsements for other parties:

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

No.	Endorser/ guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period (Note4)	Balance of guarantees and endorsements as of reporting date (Note 4)	Actual usage amount during the period (Note 4)	Property pledged for guarantees and endorsements	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsement (Note 3)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Company name	Relationship with the endorser/ guarantor										
0	The Company	Yen Sun Technology (BVI) Corp.	Subsidiary	287,893 (Note 1)	93,698 (USD 3,100,000)	93,698 (USD 3,100,000)	18,135 (USD 600,000)	63,473	9.76%	479,821	Y	-	-
0	The Company	YEN JIU TECHNOLOGY CORP.	Subsidiary	191,928 (Note 2)	36,000	36,000	-	-	3.75%	479,821	Y	-	-

(Note 1) For a single overseas affiliated company, the limit shall not exceed 30% of the Company's net equity.

(Note 2) For a single enterprise, the limit is not more than 20% of the Company's net equity.

(Note 3) Not exceeding 50% of the Company's net equity.

(Note 4) The amount of TWD is converted at the exchange rate on the balance sheet date.

(c) Securities owned as of March 31, 2020 (subsidiaries, associates and joint ventures not included):

Name of security holder	Name of security and type	Relationship with company	Account title	Ending balance				Remarks
				Units (shares)	Carrying Value	Percentage of ownership	Fair value	
Yen Tong Tech International (Samoa) Corp.	SHANGHAI CHANSON WATER CO., LTD.	-	Financial assets at FVTPL— non-current	-	- (Note)	17.75%	-	-
The Company	Y.S. Tech U.S.A Inc. stock	-	Financial assets at FVOCI— non-current	114,000	2,464	19.16%	2,464	-

(Note) Impairment has been mentioned.

(d) Accumulated trading amount of a single security in excess of \$300 million or 20% of paid in capital: None.

(e) Acquisition of property, plant and equipment that excess of \$300 million or 20% of paid in capital: None.

(f) Disposal of property, plant and equipment in excess of \$300 million or 20% of paid in capital: None.

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

(g) Sales to and purchases from related parties in excess of \$100 million or 20% of paid in capital was as follows:

Purchasing (selling) company	Counterparty	Relationship	Detail of transaction				Circumstances of and reasons for deviation from regular trading conditions		Resulting receivables (payables)		Remarks
			Purchase (sale)	Amount (Note3)	% of net purchase (sales)	Credit line	Unit price	Period for credit	Balance (Note3)	% of notes and accounts receivable (payable)	
The Company	YEN JIU TECHNOLOGY CORP.	Subsidiary	Purchase	178,090	34.76%	6 months	Single supplier	6 month There is no significant difference from the general transaction	50,400 (Note2)	27.26% (Note4)	
The Company	Yen Sun Technology (BVI) Corp.	Subsidiary	Purchase	112,020	21.86%	(Note 1)	Single supplier	(Note 1)	(19,246)	5.64%	
YEN JIU TECHNOLOGY CORP.	The Company	Ultimate parent company	Sale	178,090	99.94%	6 months	Single sales object	6 month There is no significant difference from the general transaction	(50,400) (Note 2)	100.00% (Note4)	
Yen Sun Technology (BVI) Corp.	The Company	Ultimate parent company	Sale	112,020	89.50%	(Note 1)	Single sales object	(Note 1)	19,246	21.01%	

(Note1)The accounts receivable (payment) balance offset with other prepayments (advance receipts) arising from purchasing raw materials, monthly.

(Note2)Recognized as account prepayments (advance receipts).

(Note3)When prepared this consolidated financial report, it was eliminated.

(Note 4) The ratio of prepayments (advance receipts) is calculated based on the proportion of the prepayments (advance receipts)

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

(h) Receivables from related parties in excess of \$100 million or 20% of issued share capital were as follows:

Name of company	Counterparty	Relationship	Balance of amount	Turnover ratio	Overdue		Amount collected in the subsequent period	Allowance for doubtful accounts	Remarks
					Amount	Status			
Yen Sun Technology (BVI) Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	Subsidiary to Son Company	169,869 (Note 2)	- (Note 1)	-	-	-	-	

(Note 1) Principal of capital financing, interest receivable and overdue receivables reclassified as the receivables.

(Note 2) When editing this consolidated financial report, it was eliminated in the consolidation.

(i) Trading in derivative instruments: None.

(j) Business relationships and significant intercompany transactions:

No.	Name	Counterparty	Relationship (Note)	Details of transaction			
				Account name	Amount	Trading terms	% of total consolidated revenue or total asset
0	The Company	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	1	Other receivables	13,460	Overdue accounts receivable No comparable terms	0.55%
0	The Company	Yen Sun Technology (BVI) Corp.	1	Endorsement/Guarantee	93,698	No comparable terms	3.83%
				Other receivables – Loans extended to other parties	45,338		1.85%
0	The Company	Yen Sun Technology (BVI) Corp.	1	Purchase material	112,020	No comparable terms	16.01%
				Procurement of raw materials	13,409		1.92%
				Prepayment for purchases	7,556		0.31%
				Accounts payable	19,246		0.79%
0	The Company	Y.H. Tech International Corp.	1	Purchase material	8	No comparable terms ;	-
				Other receivables	2,740	The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	0.11%

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

No.	Name	Counterparty	Relationship (Note)	Details of transaction			
				Account name	Amount	Trading terms	% of total consolidated revenue or total asset
0	The Company	Yen Sun Tech International (Samoa) Corp.	1	Purchase material	48,648	No comparable terms ;	6.95%
				Sales revenue	5,859	The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	0.84%
				Prepayment for purchases	50,546		2.07%
				Accounts receivable	60,322		2.47%
				Other receivables	642		0.03%
				Procurement of raw materials	8,130		1.16%
0	The Company	YEN JIU TECHNOLOGY CORP.	1	Purchase material	178,090	No comparable terms ;	25.46%
				Procurement of raw materials	1,090	The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	0.16%
				Prepayment for purchases	50,400		2.06%
				Rental income	1,260		0.18%
0	The Company	YEN JIU TECHNOLOGY CORP.	1	Endorsement/Guarantee	36,000	No comparable terms	1.47%
1	Yen Sun Technology (BVI) Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	3	Long-term accounts receivable	155,561	Financial intermediation. No interest-bearing	6.36%
				Long-term accounts receivable -Interest	13,714		0.56%
1	Yen Sun Technology (BVI) Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	3	Accounts receivable	593	The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	0.02%
1	Yen Sun Technology (BVI) Corp.	DARSON ELECTRONIC (DONGGUAN) LTD.	3	Purchase material	99,410	No comparable terms ;	14.21%
				Procurement of raw materials	13,135	The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	1.88%
				Accounts payable	7,169		0.29%
2	Y.H. Tech International Corp.	Yen Sun Technology (BVI) Corp.	3	Other receivables – Loans extended to other parties	50,827	Financial intermediation. No interest-bearing	2.08%

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

No.	Name	Counterparty	Relationship (Note)	Details of transaction			
				Account name	Amount	Trading terms	% of total consolidated revenue or total asset
2	Y.H. Tech International Corp.	DARSON ELECTRONIC (DONGGUAN) LTD.	3	Purchase material Accounts receivable	8 2,097	No comparable terms ; The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	- 0.09%
2	Y.H. Tech International Corp.	Yen Hung International Corp.	3	Other receivables	517	Entrusted collection No comparable terms	0.02%
3	Yen Sun Tech International (Samoa) Corp.	YEN GIANT METAL (DONGGUAN) CO., LTD.	3	Purchase material Sales revenue Prepayment for purchases Accounts receivable Procurement of raw materials Other receivables	48,231 5,030 56,733 51,219 8,369 646	No comparable terms ; The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	6.89% 0.72% 2.32% 2.09% 1.20% 0.03%
4	DARSON ELECTRONIC (DONGGUAN) LTD.	YEN GIANT METAL (DONGGUAN) CO., LTD.	3	Purchase material Accounts payable	2,143 3,285	No comparable terms ;	0.31% 0.13%
4	DARSON ELECTRONIC (DONGGUAN) LTD.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	3	Other payables	2,659	Entrusted collection, No comparable terms ;	0.11%

Note: Relationship notes as follows:

1. Parent company to subsidiary
2. Subsidiary to parent company
3. Subsidiary to subsidiary

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

B. Information on investees:

Relevant information about investees is as follows: (excluding information on investees in Mainland China)

Name of investor	Name of investee	Location	Business Scope	Original cost of investment		Held at the end of term			Net income (loss) of the Investee (Note1)	Investment income (less) recognized (Note1)	Remarks
				March 31,2020	December 31,2019	Shares owned	Percentage owned	Carrying value (Note1)			
The Company	Yen Sun Technology (BVI) Corp.	British Virgin Islands	Investment holding	259,842	259,842	500,000	100%	(146,383)	(4,833)	(4,833)	Subsidiary
The Company	LUCRATIVE INT'L GROUP INC.	Samoa	Investment holding	3,003	-	1,000,000	100%	10,357	10,534	10,534	Subsidiary
The Company	Yen Sun Tech International (Samoa) Corp.	Samoa	Investment holding	32,098	32,098	1,000,000	100%	116,749	(1,756)	(1,756)	Subsidiary
The Company	YEN JIU TECHNOLOGY CORP.	Taiwan	Home Appliance OEM Business	122,686	122,686	11,050,000	100%	83,688	(10,998)	(10,998)	Subsidiary
Yen Sun Tech International (Samoa) Corp.	Yen Hung International Corp.	Samoa	Investment holding	30,179	30,179	1,000,000	100%	111,598	(1,350)	(1,350)	Subsidiary of the Company (indirectly hold)
Yen Sun Tech International (Samoa) Corp.	Yen Tong Tech International (Samoa) Corp.	Samoa	Investment holding	1,916	1,916	10,000,000	100%	1	-	-	Subsidiary of the Company (indirectly hold)
Yen Hung International Corp.	Y.H. Tech International Corp.	ST. Kitts and Nevis	Investment holding	30,179	30,179	1,000,000	100%	111,590	(1,350)	(1,350)	Subsidiary of the Company (indirectly hold)

(Note 1) When prepared this consolidated financial report, it was eliminated.

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

C. Information on investments in Mainland China:

(a) Information of investments in Mainland China

Investee company	Main businesses and products	Received capital	Investment method	Accumulated amount invested in Mainland China as of Jan.1,2019	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of Mar. 31, 2020	Net income of investee (Note 3)	The Company's direct or indirect investment ratio	Investment gain (loss) recognized by the Company (Note 3)	Book value of the investment as of Mar. 31, 2020 (Note 3)	Accumulated investment income repatriated to Taiwan as of Mar. 31,2020
					Remittance	Repatriation						
SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	Manufacturing and sales of Home Appliances, Cooling fan	233,347 (USD 7,800,000)	Invest through Yen Sun Technology (BVI) Corp. then invest in Mainland China	233,347 (USD 7,800,000)	-	-	233,347 (USD 7,800,000)	(3,979)	100%	(3,979) (Note 4)	(177,955) (Note 4)	-
DARSON ELECTRONICS (DONGGUAN) LTD.	Manufacturing of Cooling fan	30,179 (USD 1,000,000)	Invest through Y.H. Tech International Corp. then invest in Mainland China	30,179 (USD 1,000,000)	-	-	30,179 (USD 1,000,000)	(2,244)	100%	(2,244) (Note 1)	12,993 (Note 1)	-
SHANGHAI CHANSON WATER CO., LTD.	Development and production of water making machine, pure water machine and purification device	20,503 (USD 700 ,000)	Invest through Yen Tong Tech International (Samoa) Corp. then invest in Mainland China	1,916 (USD 60,000)	-	-	1,916 (USD 60,000)	-	17.75%	-	-	-
YEN GIANT METAL (DONGGUAN) CO., LTD.	Manufacturing and sales of heat sink	9,008 (CNY 2,002 ,000)	Invest through LUCRATIVE INT'L GROUP INC. then invest in Mainland China (Note 5)	-	3,003 (USD 100,000)	-	3,003 (USD 100,000)	10,076	100%	10,076 (Note 1)	18,892 (Note 1)	-

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

(b) Limitation of investment amount to Mainland China

Accumulated investment amount remitted from Taiwan to Mainland China as of March 31, 2020	Investment amount approved by the Investment Commission, Ministry of Economic Affairs	Limit on investment in Mainland China set by the Investment Commission, Ministry of Economic Affairs
270,816(Note 2) (USD 8,960,000)	319,176(Note 2) (USD 10,560,000)	575,782

(Note 1) Investment gains and losses are recognized in accordance with the financial report audited by the audit firm of the Company.

(Note 2) Translated with the exchange rate of balance sheet date.

(Note 3) When prepared this consolidated financial report, it was eliminated.

(Note 4) Investment gains and losses are recognized in the financial reports, which have not been reviewed by the Company's independent auditors during the same period.

(Note 5) It was originally reinvestment by the subsidiary in Mainland China. In accordance with the adjustment of the organizational structure of the Group, DARSON ELECTRONICS (DONGGUAN) LTD., sold the entire shareholding of YEN GIANT METAL (DONGGUAN) CO., LTD. to LUCRATIVE INT'L GROUP INC. on January 31, 2020.

(c) Significant transactions:

The significant inter-company transactions (direct or indirect) with the investees in Mainland China for the three months ended March 31, 2020 are disclosed in "Information on significant transactions". (When prepared this consolidated financial report, it was eliminated.)

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

D. Information of major shareholders:

Name of major shareholders	Shares held	Shares held ratio
CHEN-CHIEN-JUNG	6,106,739	8.75%

The Company applied to Taiwan Depository & Clearing Corporation (“TDCC”) to obtain the information in this form, to explain the following:

- (a) The major shareholders information of this table is calculated by the TDCC on the last business day at the end of each quarter, and the total number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (included treasury shares) by the Company. The share capital in the consolidated financial report may differ from the actual number of shares that have been issued without physical registration because of different calculation bases.
- (b) Where the stocks are entrusted by shareholders, it will be disclosed by the individual trustee who opened the trust account. As for shareholders' declaration of insider's shareholdings that hold more than 10% of their shares in accordance with the Securities and Exchange Act, the number of stocks owned shall be ones owned by the persons plus ones entrusted where the shareholders have the right to decide how to utilize the trust property, etc. For information on insider's shareholding declarations, please refer to Market Observation Post System.

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

14. Segment Information

Reportable segment information is as follows:

	For the three months ended March 31, 2020			
	Home Appliances	Electronics Cooling	Adjustments and elimination	Total
Revenue:				
Revenue from external customers	\$ 208,269	491,330	-	699,599
Total revenue	\$ 208,269	491,330	-	699,599
Reportable segment income	\$ (10,484)	37,590	(3,570)	23,536

	For the three months ended March 31, 2019			
	Home Appliances	Electronics Cooling	Adjustments and elimination	Total
Revenue:				
Revenue from external customers	\$ 220,485	486,020	-	706,505
Total revenue	\$ 220,485	486,020	-	706,505
Reportable segment income	\$ (12,296)	24,181	6,252	18,137

	Home Appliances	Electronics Cooling	Adjustments and elimination	Total
Reportable Segment Assets				
March 31, 2020	\$ 973,488	2,268,672	(796,166)	2,445,994
December 31, 2019	\$ 948,935	2,366,309	(870,667)	2,444,577
March 31, 2019	\$ 942,258	2,072,707	(596,497)	2,418,468