

**ZENITRON CORPORATION AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
MARCH 31, 2020 AND 2019**

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Zenitron Corporation

Introduction

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

Scope of Review

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

Basis for Qualified Conclusion

As explained in Note 4(3)B, the financial statements of certain insignificant consolidated subsidiaries were not reviewed by independent accountants. Those statements reflect total assets of NT\$1,819,159 thousand and NT\$2,032,398 thousand, both constituting 13% of the consolidated total assets, and total liabilities of NT\$823,833 thousand and NT\$787,296 thousand, constituting 8% and 7% of the consolidated total liabilities as at March 31, 2020 and 2019, respectively, and total comprehensive income of (NT\$39,061) thousand and (NT\$42,582) thousand, constituting (11%) and (17%) of the consolidated total comprehensive income for the three months then ended, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Chen, Chin-Chang

Yi-Fan Lin

For and on behalf of PricewaterhouseCoopers, Taiwan

May 13, 2020

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

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

ZENITRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2020, DECEMBER 31, 2019 AND MARCH 31, 2019
(Expressed in thousands of New Taiwan Dollars)
(The consolidated balance sheets as of March 31, 2020 and 2019 are reviewed, not audited)

Assets	Notes	March 31, 2020		December 31, 2019		March 31, 2019	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets							
Cash and cash equivalents	6(1)	\$ 1,432,845	10	\$ 1,198,560	8	\$ 1,497,759	10
Financial assets at fair value through profit or loss - current	6(2)	49,811	-	70,050	-	77,279	1
Financial assets at fair value through other comprehensive income - current	6(3)	940,154	7	667,431	5	590,487	4
Notes receivable, net	6(4)	208,326	1	247,446	2	353,274	2
Accounts receivable, net	6(4)	6,650,641	46	6,904,459	49	6,831,060	45
Other receivables		64,871	-	105,692	1	52,255	-
Inventories, net	6(5)	4,341,272	30	4,184,671	29	4,932,466	32
Other current assets		133,610	1	115,070	1	135,663	1
Total current assets		<u>13,821,530</u>	<u>95</u>	<u>13,493,379</u>	<u>95</u>	<u>14,470,243</u>	<u>95</u>
Non-current assets							
Financial assets at fair value through other comprehensive income - non-current	6(3)	98,954	1	110,509	1	84,813	1
Property, plant and equipment	6(6)	442,983	3	449,200	3	460,832	3
Right-of-use assets	6(7)	11,371	-	21,563	-	54,944	-
Investment property, net	6(9) and 8	37,443	-	37,579	-	37,987	-
Deferred income tax assets		47,207	-	48,809	-	35,946	-
Other non-current assets	8	65,514	1	66,061	1	68,407	1
Total non-current assets		<u>703,472</u>	<u>5</u>	<u>733,721</u>	<u>5</u>	<u>742,929</u>	<u>5</u>
Total assets		<u>\$ 14,525,002</u>	<u>100</u>	<u>\$ 14,227,100</u>	<u>100</u>	<u>\$ 15,213,172</u>	<u>100</u>

(Continued)

ZENITRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2020, DECEMBER 31, 2019 AND MARCH 31, 2019
(Expressed in thousands of New Taiwan Dollars)

(The consolidated balance sheets as of March 31, 2020 and 2019 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2020		December 31, 2019		March 31, 2019	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities							
Short-term borrowings	6(10)	\$ 5,795,503	40	\$ 5,512,308	39	\$ 6,405,708	42
Short-term notes and bills payable	6(11)	599,430	4	499,481	4	599,343	4
Notes payable		2,312	-	3,664	-	3,089	-
Accounts payable		2,758,059	19	3,185,177	22	2,779,694	18
Other payables		508,326	3	324,944	2	429,616	3
Current income tax liabilities		34,011	-	32,573	-	82,181	1
Current lease liabilities	6(7)	10,137	-	20,499	-	44,459	-
Other current liabilities		88,916	1	54,713	-	54,282	-
Total current liabilities		<u>9,796,694</u>	<u>67</u>	<u>9,633,359</u>	<u>67</u>	<u>10,398,372</u>	<u>68</u>
Non-current liabilities							
Deferred income tax liabilities		114,468	1	114,468	1	114,468	1
Non-current lease liabilities	6(7)	1,303	-	1,216	-	10,711	-
Other non-current liabilities		72,470	1	72,349	1	71,713	1
Total non-current liabilities		<u>188,241</u>	<u>2</u>	<u>188,033</u>	<u>2</u>	<u>196,892</u>	<u>2</u>
Total liabilities		<u>9,984,935</u>	<u>69</u>	<u>9,821,392</u>	<u>69</u>	<u>10,595,264</u>	<u>70</u>
Equity attributable to owners of parent							
Share capital							
Common stock	6(13)	2,138,249	15	2,138,249	15	2,138,249	14
Capital surplus							
Capital surplus	6(14)	958,734	6	965,034	6	965,034	6
Retained earnings							
Legal reserve	6(15)	695,154	5	695,154	5	654,490	4
Unappropriated retained earnings		240,189	2	390,067	3	638,729	4
Other equity interest							
Other equity interest		507,741	3	217,204	2	221,406	2
Total equity attributable to owners of parent		<u>4,540,067</u>	<u>31</u>	<u>4,405,708</u>	<u>31</u>	<u>4,617,908</u>	<u>30</u>
Total equity		<u>4,540,067</u>	<u>31</u>	<u>4,405,708</u>	<u>31</u>	<u>4,617,908</u>	<u>30</u>
Significant contingent liabilities and unrecognised contract commitments							
Total liabilities and equity		<u>\$ 14,525,002</u>	<u>100</u>	<u>\$ 14,227,100</u>	<u>100</u>	<u>\$ 15,213,172</u>	<u>100</u>

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

ZENITRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan Dollars, except for earnings per share)
(UNAUDITED)

Items	Notes	Three months ended March 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
Operating Revenue	6(16)	\$ 6,221,559	100	\$ 6,492,099	100
Operating Costs	6(5)	(5,879,600)	(95)	(6,086,396)	(94)
Gross Profit		<u>341,959</u>	<u>5</u>	<u>405,703</u>	<u>6</u>
Operating Expenses	6(20)				
Selling expenses		(179,548)	(3)	(195,673)	(3)
General and administrative expenses		(59,949)	(1)	(92,670)	(1)
Total operating expenses		<u>(239,497)</u>	<u>(4)</u>	<u>(288,343)</u>	<u>(4)</u>
Operating Profit		<u>102,462</u>	<u>1</u>	<u>117,360</u>	<u>2</u>
Non-operating Income and Expenses					
Other income	6(17)	16,059	-	20,647	-
Other gains and losses	6(18)	(7,625)	-	36,158	1
Finance costs	6(19)	(39,073)	-	(60,897)	(1)
Total non-operating income and expenses		<u>(30,639)</u>	<u>-</u>	<u>(4,092)</u>	<u>-</u>
Profit before Income Tax		<u>71,823</u>	<u>1</u>	<u>113,268</u>	<u>2</u>
Income tax expense	6(21)	(20,602)	-	(38,306)	(1)
Profit for the Period		<u>\$ 51,221</u>	<u>1</u>	<u>\$ 74,962</u>	<u>1</u>
Other Comprehensive Income					
Components of other comprehensive income that will not be reclassified to profit or loss					
Unrealised gains from investments in equity instruments measured at fair value through other comprehensive income	6(3)	\$ 283,235	5	\$ 156,270	3
Components of other comprehensive income that will be reclassified to profit or loss					
Exchange differences on translation of foreign financial statements		<u>13,803</u>	<u>-</u>	<u>20,324</u>	<u>-</u>
Other Comprehensive Income for the Period		<u>\$ 297,038</u>	<u>5</u>	<u>\$ 176,594</u>	<u>3</u>
Total Comprehensive Income		<u>\$ 348,259</u>	<u>6</u>	<u>\$ 251,556</u>	<u>4</u>
Net profit attributable to					
Owners of the parent		\$ 51,221	1	\$ 74,962	1
Non-controlling interest		-	-	-	-
		<u>\$ 51,221</u>	<u>1</u>	<u>\$ 74,962</u>	<u>1</u>
Comprehensive income attributable to					
Owners of the parent		\$ 348,259	6	\$ 251,556	4
Non-controlling interest		-	-	-	-
		<u>\$ 348,259</u>	<u>6</u>	<u>\$ 251,556</u>	<u>4</u>
Earnings per Share (in dollars)	6(22)				
Basic earnings per share		<u>\$</u>	<u>0.24</u>	<u>\$</u>	<u>0.35</u>
Diluted earnings per share		<u>\$</u>	<u>0.24</u>	<u>\$</u>	<u>0.35</u>

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

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

	Notes	Equity attributable to owners of the parent						Total equity
		Share capital - common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Other Equity Interest	
						Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income		
<u>Three months ended March 31, 2019</u>								
Balance at January 1, 2019		\$ 2,138,249	\$ 965,034	\$ 654,490	\$ 563,767	\$ 83,731	\$ 4,366,352	
Net income for the period		-	-	-	74,962	-	74,962	
Other comprehensive income	6(3)	-	-	-	-	156,270	176,594	
Total comprehensive income		-	-	-	74,962	156,270	251,556	
Balance at March 31, 2019		\$ 2,138,249	\$ 965,034	\$ 654,490	\$ 638,729	\$ 240,001	\$ 4,617,908	
<u>Three months ended March 31, 2020</u>								
Balance at January 1, 2020		\$ 2,138,249	\$ 965,034	\$ 695,154	\$ 390,067	\$ 307,875	\$ 4,405,708	
Net income for the period		-	-	-	51,221	-	51,221	
Other comprehensive income	6(3)	-	-	-	-	283,235	297,038	
Total comprehensive income		-	-	-	51,221	283,235	348,259	
Appropriation and distribution of 2019 earnings	6(15)	-	-	-	(207,600)	-	(207,600)	
Cash dividends (Note)		-	(6,300)	-	-	-	(6,300)	
Cash payment from capital surplus (Note)		-	-	-	-	-	-	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(3)	-	-	-	6,501	(6,501)	-	
Balance at March 31, 2020		\$ 2,138,249	\$ 958,734	\$ 695,154	\$ 240,189	\$ 584,609	\$ 4,540,067	

Note: The appropriation for cash dividends and cash payment from capital surplus have been resolved by the Board of Directors during its meeting on May 13, 2020 but have not yet been reported to the shareholders.

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

ZENITRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan Dollars)
(UNAUDITED)

	Notes	Three months ended March 31	
		2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 71,823	\$ 113,268
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss (gain) on financial assets at fair value through profit or loss	6(18)	6,099	(10,761)
Expected credit (gain) loss	6(4)	(12,063)	16,197
Depreciation and amortization	6(20)	18,007	18,506
Loss on disposal of property, plant and equipment	6(18)	10	98
Interest expense	6(19)	39,073	60,897
Interest income	6(17)	(1,159)	(1,005)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets mandatorily measured at fair value through profit or loss		14,140	-
Notes and accounts receivable		305,001	928,061
Other receivables		26,915	7,295
Inventories		(156,601)	879,050
Other current assets		(18,540)	(9,379)
Changes in operating liabilities			
Notes and accounts payable		(428,470)	(805,952)
Other payables		(30,831)	(36,539)
Other current liabilities		34,203	(6,361)
Other non-current liabilities		121	4,620
Cash (outflow) inflow generated from operations		(132,272)	1,157,995
Interest received		1,159	1,005
Interest paid		(38,760)	(66,671)
Income tax paid		(3,439)	(8,927)
Net cash flows (used in) from operating activities		(173,312)	1,083,402
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		12,044	24,664
Proceeds from disposal of financial assets at fair value through other comprehensive income		10,512	-
Acquisition of property, plant and equipment	6(6)	(550)	(4,848)
Proceeds from disposal of property, plant and equipment		73	-
Decrease in refundable deposits		(543)	-
Increase in other non-current assets		(76)	(462)
Net cash flows from investing activities		21,460	19,354
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term loans	6(24)	283,195	(975,587)
Increase (decrease) in short-term notes and bills payable	6(24)	99,949	(59)
Payment of lease liabilities	6(24)	(10,958)	(10,109)
Net cash flows from (used in) financing activities		372,186	(985,755)
Effect of exchange rate changes		13,951	17,024
Net increase in cash and cash equivalents		234,285	134,025
Cash and cash equivalents at beginning of period		1,198,560	1,363,734
Cash and cash equivalents at end of period		\$ 1,432,845	\$ 1,497,759

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

ZENITRON CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2020 AND 2019

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

1. HISTORY AND ORGANISATION

Zenitron Corporation (the “Company”) was incorporated as a company limited by shares in October 1982. The Company has been listed on the Taiwan Stock Exchange and started trading since August 26, 2002. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the sales of electrical components.

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020

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

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

None.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

Basis for preparation of the current period financial statements and the 2019 consolidated financial statements is the same.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiaries	Main business activities	Ownership (%)			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
The Company	Supertronic International Corp. (Supertronic)	Investment business	100.00	100.00	100.00	Note 1
The Company	Yo-Teh Investment Corporation (Yo-Teh)	Investment business	100.00	100.00	100.00	Note 1
The Company	Raytronic Corporation (Raytronic)	Sales of electronic components	100.00	100.00	100.00	Note 1
The Company	Zenitron (HK) Limited (Zenitron (HK))	Sales of electronic components	1.47	1.47	1.47	Note 1
Supertronic	Zenitron (HK)	Sales of electronic components	98.53	98.53	98.53	Note 1
Supertronic	Zenicom (HK) Limited (Zenicom (HK))	Sales of electronic components	100.00	100.00	100.00	Note 1
Zenitron (HK)	Zenicom Electronic (Shenzhen) Limited (Zenicom (Shenzhen))	Sales of electronic components	-	-	100.00	Notes 1 and 2
Zenitron (HK)	Zenitron (Shanghai) Limited (Zenitron (Shanghai))	Sales of electronic components	100.00	100.00	100.00	Note 1

Name of investor	Name of subsidiaries	Main business activities	Ownership (%)			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
Zenitron (HK)	Zenitron (Shenzhen) Technology Co., Ltd (Zenitron (Shenzhen))	Sales of electronic components	100.00	100.00	100.00	Note 1
Zenitron (HK)	Shanghai Zenitron Electronics Co., Ltd (Shanghai Zenitron)	Sales of electronic components	100.00	100.00	100.00	Note 1
Zenitron (HK)	ZTHC (Shanghai) Co., Ltd (ZTHC (Shanghai))	Sales of computer storage device, providing technical service and sales of related components	100.00	100.00	100.00	Note 1

Note 1: The individual financial statements of the Company's consolidated subsidiaries were not reviewed by independent accountants, except for Supertronic and Zenitron (HK), whose financial statements were reviewed by independent accountants.

Note 2: Zenicom (Shenzhen) had been liquidated on September 30, 2019.

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

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

E. Significant restrictions: None.

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

(4) Employee benefits

Pensions

Defined benefit plans

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

(5) Income taxes

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

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Cash on hand and revolving funds	\$ 2,200	\$ 1,792	\$ 4,327
Checking accounts and demand deposits	1,133,675	906,232	1,493,432
Time deposits	296,970	290,536	-
	<u>\$ 1,432,845</u>	<u>\$ 1,198,560</u>	<u>\$ 1,497,759</u>

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

B. The Group has no cash and cash equivalents pledged to others.

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current items			
Financial assets mandatorily measured at fair value through profit or loss			
Listed stocks	\$ 51,928	\$ 85,097	\$ 94,139
Unlisted stocks	96,780	96,780	96,780
Emerging stocks	1,130	1,130	1,130
	<u>149,838</u>	<u>183,007</u>	<u>192,049</u>
Valuation adjustments	(100,027)	(112,957)	(114,770)
	<u>\$ 49,811</u>	<u>\$ 70,050</u>	<u>\$ 77,279</u>

A. The Group recognised net (loss) profit amounting to (\$6,099) and \$10,761 on financial assets at fair value through profit or loss for the three months ended March 31, 2020 and 2019, respectively.

B. The Group has no financial assets at fair value through profit or loss pledged to others as collateral.

C. Information relating to financial assets at fair value through profit or loss is provided in Note 12(3).

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current items			
Equity instruments			
Listed stocks	\$ 353,157	\$ 357,168	\$ 348,098
Emerging stocks	<u>2,388</u>	<u>2,388</u>	<u>2,388</u>
	355,545	359,556	350,486
Valuation adjustment	<u>584,609</u>	<u>307,875</u>	<u>240,001</u>
	<u>\$ 940,154</u>	<u>\$ 667,431</u>	<u>\$ 590,487</u>
Non-current items			
Equity instruments			
Unlisted stocks	<u>\$ 98,954</u>	<u>\$ 110,509</u>	<u>\$ 84,813</u>

- A. The Group has elected to classify stock investments with steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$1,039,108, \$777,940 and \$675,300 as at March 31, 2020, December 31, 2019 and March 31, 2019, respectively. Without considering any collateral held or other credit enhancements, until the end of the reporting period, the maximum credit risk in relation to the financial loss arising from unsatisfied performance obligation of the counterparties is the carrying amount of the financial assets.
- B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Three months ended March 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	<u>\$ 283,235</u>	<u>\$ 156,270</u>
Cumulative gains (losses) reclassified to retained earnings due to derecognition	<u>(\$ 6,501)</u>	<u>\$ -</u>

- C. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.
- D. Information relating to fair value of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(4) Notes and accounts receivable

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Notes receivable	\$ 208,326	\$ 247,446	\$ 353,274
Accounts receivable	\$ 6,736,375	\$ 7,002,403	\$ 6,958,488
Less: Allowance for uncollectible accounts	(85,734)	(97,944)	(127,428)
	<u>\$ 6,650,641</u>	<u>\$ 6,904,459</u>	<u>\$ 6,831,060</u>

A. The Group uses historical experience and takes into consideration the customers' historical default records, current financial conditions and economic conditions of the industry to estimate expected loss rate in recognising loss allowance. In addition, the Group provides for adequate allowance for uncollectible accounts from individual customers where there is an indication that they are impaired based on specific identification or a credit impairment actually occurred and the customers did not provide any collateral.

B. The ageing analysis of accounts and notes receivable is as follows:

	<u>March 31, 2020</u>		<u>December 31, 2019</u>		<u>March 31, 2019</u>	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 6,148,028	\$ 208,326	\$ 6,437,642	\$ 247,446	\$ 6,539,860	\$ 353,274
Up to 30 days	246,159	-	243,239	-	125,890	-
31 to 90 days	228,200	-	241,050	-	204,672	-
Over 90 days	113,988	-	80,472	-	88,066	-
	<u>\$ 6,736,375</u>	<u>\$ 208,326</u>	<u>\$ 7,002,403</u>	<u>\$ 247,446</u>	<u>\$ 6,958,488</u>	<u>\$ 353,274</u>

The above ageing analysis was based on past due date.

C. The Group applies the simplified approach using provision matrix and loss rate methodology to estimate expected credit loss under the provision matrix basis.

D. The Group adjusts historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. On March 31, 2020, December 31, 2019 and March 31, 2019, the provision matrix and loss rate methodology are as follows:

	<u>Not past due</u>	<u>Up to 30 days past due</u>	<u>31~90 days past due</u>	<u>Over 90 days past due</u>	<u>Total</u>
<u>March 31, 2020</u>					
Expected loss rate	0.11%-0.44%	0.11%-2.5%	0.11%-100%	0.11%-100%	
Total accounts receivable	<u>\$ 6,148,028</u>	<u>\$ 246,159</u>	<u>\$ 228,200</u>	<u>\$ 113,988</u>	<u>\$ 6,736,375</u>

	<u>Not past due</u>	<u>Up to 30 days past due</u>	<u>31~90 days past due</u>	<u>Over 90 days past due</u>	<u>Total</u>
<u>December 31, 2019</u>					
Expected loss rate	0.3%	0.3%	0.3%	53.6%-100%	
Total accounts receivable	<u>\$ 6,437,642</u>	<u>\$ 243,239</u>	<u>\$ 241,050</u>	<u>\$ 80,472</u>	<u>\$ 7,002,403</u>
	<u>Not past due</u>	<u>Up to 30 days past due</u>	<u>31~90 days past due</u>	<u>Over 90 days past due</u>	<u>Total</u>
<u>March 31, 2019</u>					
Expected loss rate	0.3%	0.3%	0.3%	53.6%-100%	
Total accounts receivable	<u>\$ 6,539,860</u>	<u>\$ 125,890</u>	<u>\$ 204,672</u>	<u>\$ 88,066</u>	<u>\$ 6,958,488</u>

E. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	<u>2020</u>	<u>2019</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 97,944	\$ 110,287
(Reversal of) provision for impairment loss	(12,063)	16,197
Write-offs	(83)	-
Effect of foreign exchange	(64)	944
At March 31	<u>\$ 85,734</u>	<u>\$ 127,428</u>

F. As of March 31, 2020, December 31, 2019, March 31, 2019, and January 1, 2019, the balances of receivables (including notes receivable) from contracts with customers amounted to \$6,944,701, \$7,249,849, \$7,311,762, and \$8,238,879, respectively. Without taking into account any collateral held or other credit enhancements, until the end of the reporting period, the maximum credit risk in relation to the financial loss arising from unsatisfied performance obligation of the counterparties is the carrying amount of financial assets.

G. Transferred financial assets that are derecognised in their entirety

The Group entered into a factoring agreement with financial institutions to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the accounts receivable but is liable for the losses incurred on any business dispute. The Group meets the condition of financial assets derecognition as it did not provide other collaterals except for issuing a promissory note equal to the facility as the collateral. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable, and the related information is as follows:

March 31, 2020				
Purchaser of accounts receivable	Accounts receivable transferred (amount derecognised)	Amount advanced	Amount available for advance	Interest rate of amount advanced
Chang Hwa Bank	\$ 297,471	\$ 297,471	\$ -	2.51%~2.76%

December 31, 2019				
Purchaser of accounts receivable	Accounts receivable transferred (amount derecognised)	Amount advanced	Amount available for advance	Interest rate of amount advanced
Chang Hwa Bank	\$ 188,511	\$ 188,511	\$ -	2.94%~3.31%

March 31, 2019				
Purchaser of accounts receivable	Accounts receivable transferred (amount derecognised)	Amount advanced	Amount available for advance	Interest rate of amount advanced
Chang Hwa Bank	\$ 815,107	\$ 815,107	\$ -	3.5%~3.8%

H. Transferred financial assets that are not derecognised in their entirety

- (a) There were no transferred financial assets that are not derecognised in their entirety as of March 31, 2020 and December 31, 2019.
- (b) The Group entered into a factoring agreement with Chang Hwa Bank to sell its accounts receivable. Under the agreement, the Group transferred accounts receivable in their entirety and is obligated to provide guarantees for the default risk of the transferred accounts receivable. Therefore, the Group did not derecognise accounts receivable transferred. Related advance payments are recorded under short-term borrowings. The information on transferred accounts receivable which had not reached maturity as of March 31, 2019 is as follows:

	<u>March 31, 2019</u>
Accounts receivable transferred	\$ 597,473
Amount advanced	USD 19,394 thousand

(5) Inventories

	March 31, 2020		
	Cost	Allowance for valuation loss	Book value
Merchandise inventories	\$ 4,189,269	(\$ 321,970)	\$ 3,867,299
Inventories in transit	473,973	-	473,973
	<u>\$ 4,663,242</u>	<u>(\$ 321,970)</u>	<u>\$ 4,341,272</u>

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Merchandise inventories	\$ 4,410,597	(\$ 330,834)	\$ 4,079,763
Inventories in transit	104,908	-	104,908
	<u>\$ 4,515,505</u>	<u>(\$ 330,834)</u>	<u>\$ 4,184,671</u>

	March 31, 2019		
	Cost	Allowance for valuation loss	Book value
Merchandise inventories	\$ 4,781,515	(\$ 234,763)	\$ 4,546,752
Inventories in transit	385,714	-	385,714
	<u>\$ 5,167,229</u>	<u>(\$ 234,763)</u>	<u>\$ 4,932,466</u>

The cost of inventories recognised as expense for the period:

	Three months ended March 31	
	2020	2019
Cost of goods sold	\$ 5,889,263	\$ 6,083,639
(Gain on reversal of) loss on decline in market value	(9,663)	2,757
	<u>\$ 5,879,600</u>	<u>\$ 6,086,396</u>

The gain on reversal of decline in market value of inventory for the three months ended March 31, 2020 was due to the Group's disposal of slow-moving inventory.

(6) Property, plant and equipment

	Land	Buildings and structures	Transportation equipment	Office equipment	Total
<u>At January 1, 2020</u>					
Cost	\$ 252,592	\$ 408,193	\$ 52,602	\$ 110,365	\$ 823,752
Accumulated depreciation	-	(256,041)	(35,212)	(83,299)	(374,552)
	<u>\$ 252,592</u>	<u>\$ 152,152</u>	<u>\$ 17,390</u>	<u>\$ 27,066</u>	<u>\$ 449,200</u>

2020

Opening net book amount as at January 1	\$ 252,592	\$ 152,152	\$ 17,390	\$ 27,066	\$ 449,200
Additions	-	-	-	550	550
Disposals	-	-	(73)	(10)	(83)
Depreciation charge	-	(2,053)	(1,300)	(2,545)	(5,898)
Net exchange differences	-	(679)	(40)	(67)	(786)
Closing net book amount as at March 31	<u>\$ 252,592</u>	<u>\$ 149,420</u>	<u>\$ 15,977</u>	<u>\$ 24,994</u>	<u>\$ 442,983</u>

At March 31, 2020

Cost	\$ 252,592	\$ 407,151	\$ 51,006	\$ 110,569	\$ 821,318
Accumulated depreciation	-	(257,731)	(35,029)	(85,575)	(378,335)
	<u>\$ 252,592</u>	<u>\$ 149,420</u>	<u>\$ 15,977</u>	<u>\$ 24,994</u>	<u>\$ 442,983</u>

	Land	Buildings and structures	Transportation equipment	Office equipment	Total
<u>At January 1, 2019</u>					
Cost	\$ 252,592	\$ 410,892	\$ 54,478	\$ 116,447	\$ 834,409
Accumulated depreciation	-	(248,422)	(37,293)	(88,387)	(374,102)
	<u>\$ 252,592</u>	<u>\$ 162,470</u>	<u>\$ 17,185</u>	<u>\$ 28,060</u>	<u>\$ 460,307</u>

2019

Opening net book amount as at January 1	252,592	162,470	17,185	28,060	460,307
Additions	-	-	-	4,848	4,848
Disposals	-	-	-	(98)	(98)
Depreciation charge	-	(2,289)	(1,328)	(2,544)	(6,161)
Net exchange differences	-	1,553	86	297	1,936
Closing net book amount as at March 31	<u>\$ 252,592</u>	<u>\$ 161,734</u>	<u>\$ 15,943</u>	<u>\$ 30,563</u>	<u>\$ 460,832</u>

At March 31, 2019

Cost	\$ 252,592	\$ 413,104	\$ 54,714	\$ 120,925	\$ 841,335
Accumulated depreciation	-	(251,370)	(38,771)	(90,362)	(380,503)
	<u>\$ 252,592</u>	<u>\$ 161,734</u>	<u>\$ 15,943</u>	<u>\$ 30,563</u>	<u>\$ 460,832</u>

(7) Leasing arrangements – lessee

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Right-of-use assets:			
Buildings and structures	\$ <u>11,371</u>	\$ <u>21,563</u>	\$ <u>54,944</u>
Lease liabilities:			
Current	\$ 10,137	\$ 20,499	\$ 44,459
Non-current	<u>1,303</u>	<u>1,216</u>	<u>10,711</u>
	<u>\$ 11,440</u>	<u>\$ 21,715</u>	<u>\$ 55,170</u>

- A. The Group leases various assets including buildings. Rental contracts are typically made for periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise transportation equipment, buildings and structures. Low-value assets comprise office equipment. Right-of-use asset and lease liabilities were not recognized for these leases.
- C. The depreciation charges on right-of-use assets are as follows:

	<u>Three months ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Buildings and structures	\$ <u>10,848</u>	\$ <u>11,046</u>

- D. For the three months ended March 31, 2020 and 2019, the additions to right-of-use assets were \$706 and \$1,149, respectively.
- E. Except for depreciation charge, the information on profit or loss in relation to lease contracts is as follows:

	<u>Three months ended March 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 205	\$ 404
Expense on short-term leases and leases of low-value assets	3,572	3,053

- F. For the three months ended March 31, 2020 and 2019, the Group's total cash outflow for leases were \$14,735 and \$13,566, respectively.

(8) Leasing arrangements – lessor

For the three months ended March 31, 2020 and 2019, the Group recognised rent income in the amounts of \$1,716 and \$1,731, respectively, based on the operating lease agreement, which does not include variable lease payments.

(9) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>January 1, 2020</u>			
Cost	\$ 32,466	\$ 29,941	\$ 62,407
Accumulated depreciation and impairment	(15,410)	(9,418)	(24,828)
	<u>\$ 17,056</u>	<u>\$ 20,523</u>	<u>\$ 37,579</u>
<u>2020</u>			
Opening net book amount as at January 1	\$ 17,056	\$ 20,523	\$ 37,579
Depreciation	-	(136)	(136)
Closing net book amount as at March 31	<u>\$ 17,056</u>	<u>\$ 20,387</u>	<u>\$ 37,443</u>
<u>March 31, 2020</u>			
Cost	\$ 32,466	\$ 29,941	\$ 62,407
Accumulated depreciation and impairment	(15,410)	(9,554)	(24,964)
	<u>\$ 17,056</u>	<u>\$ 20,387</u>	<u>\$ 37,443</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>January 1, 2019</u>			
Cost	\$ 32,466	\$ 29,941	\$ 62,407
Accumulated depreciation and impairment	(15,410)	(8,874)	(24,284)
	<u>\$ 17,056</u>	<u>\$ 21,067</u>	<u>\$ 38,123</u>
<u>2019</u>			
Opening net book amount as at January 1	\$ 17,056	\$ 21,067	\$ 38,123
Depreciation charge	-	(136)	(136)
Closing net book amount as at March 31	<u>\$ 17,056</u>	<u>\$ 20,931</u>	<u>\$ 37,987</u>
<u>March 31, 2019</u>			
Cost	\$ 32,466	\$ 29,941	\$ 62,407
Accumulated depreciation and impairment	(15,410)	(9,010)	(24,420)
	<u>\$ 17,056</u>	<u>\$ 20,931</u>	<u>\$ 37,987</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Three months ended March 31	
	2020	2019
Rental revenue from investment property	\$ <u>636</u>	\$ <u>636</u>
Direct operating expenses arising from the investment property that generated rental income during the period	\$ <u>136</u>	\$ <u>136</u>

B. The fair value of the investment property held by the Group was \$94,113, \$91,476 and \$103,906 as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively, which were based on the trading prices of nearby areas.

C. Refer to Note 8 for further information on investment property pledged to others as collateral.

(10) Short-term borrowings

	March 31, 2020	December 31, 2019	March 31, 2019
Unsecured borrowings	\$ <u>5,795,503</u>	\$ <u>5,512,308</u>	\$ <u>6,405,708</u>
Interest rate range	1%~4.79%	1%~4.79%	1%~5.01%

A. For the three months ended March 31, 2020 and 2019, the interest expense recognised in profit or loss amounted to \$36,340 and \$47,619, respectively.

B. As of March 31, 2020, December 31, 2019 and March 31, 2019, the Group provided collaterals for the financing facility of short-term borrowings and issued guaranteed notes as collateral in the amount of \$15,157,319, \$15,441,663 and \$13,848,748, respectively.

(11) Short-term notes and bills payable

	March 31, 2020	December 31, 2019	March 31, 2019
Short-term notes and bills payable	\$ 600,000	\$ 500,000	\$ 600,000
Discount on short-term notes and bills payable	(<u>570</u>)	(<u>519</u>)	(<u>657</u>)
	\$ <u>599,430</u>	\$ <u>499,481</u>	\$ <u>599,343</u>
Coupon rate	1%~1.2%	1%~1.2%	1%~1.5%

The abovementioned commercial paper was secured by financial institutions.

(12) Pensions

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

employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

- (b) The pension costs under the defined benefit pension plan of the Group for the three months ended March 31, 2020 and 2019 were \$114 and \$150, respectively.
 - (c) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2020 amount to \$180.
- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount not lower than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Group for the three months ended March 31, 2020 and 2019 were \$3,724 and \$3,600, respectively.
- (b) The overseas subsidiaries, Zenitron (HK) Limited, Zenitron (Shanghai) Limited, Zenitron (Shenzhen) Technology Co., Ltd., ZTHC (Shanghai) Co., Ltd., Zenicom Electronic (Shenzhen) Limited and Shanghai Zenitron Electronics Co., Ltd., have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the local are based on a certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, aforementioned companies have no further obligations. For the three months ended March 31, 2020 and 2019, the amount of pension expenses that were recognised were \$4,802 and \$7,768, respectively.
- C. The overseas subsidiaries, Supertronic International Corp., Zenicom (HK) Limited and domestic subsidiaries, Yo-Teh Investment Corporation and Raytronic Corporation, have no employees, thus, they have no pension plan.

(13) Share capital

- A. As of March 31, 2020, the Company's authorised capital was \$3,500,000, consisting of 350 million shares of ordinary stock (including 20 million shares reserved for employee stock options), and the paid-in capital was \$2,138,249 with a par value of \$10 (in dollars) per share.
- B. As of March 31, 2020, and 2019, the beginning and ending number of outstanding shares were both 213,825 thousand shares.

(14) Capital surplus

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

in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(15) Retained earnings

- A. In accordance with the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, and setting aside or reversal of special reserve in accordance with related laws, if any. The remaining earnings are the distributable earnings for the year.
- B. Dividend policy:
 - (a) The distribution of dividends shall be above 50% of the current year's distributable earnings and the cash dividends distributed shall not be lower than 20% of the current actual earnings distributed.
 - (b) The Board of Directors is authorised to distribute all or part of the dividends and bonus in cash through a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors which shall be reported to the shareholders during their meeting.
 - (c) When the Company has no deficit, the Board of Directors is authorised to distribute all or part of the legal reserve (for the part that exceeds 25% of paid-in capital) and capital surplus if it meets the requirements under the Company Act in cash through a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors which shall be reported to the shareholders during their meeting.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The appropriations of 2019 earnings as approved by the Board of Directors on March 20, 2020 and the appropriations of 2018 earnings as resolved by the shareholders on June 12, 2019 are as follows:
 - (a) The distribution of 2019 and 2018 earnings is as follows:

	2019		2018	
	Amount	Dividend per share and cash distributed	Amount	Dividend per share and cash distributed
Legal surplus	\$ 23,046		\$ 43,249	
Cash dividends	207,600	\$ 0.9708	389,161	\$ 1.82
	<u>\$ 230,646</u>		<u>\$ 432,410</u>	

(b) For the year ended December 31, 2019, the cash payment from capital surplus was \$0.0294 per share, totaling \$6,300.

For the year ended December 31, 2019, aforementioned cash dividends and the cash payment from capital surplus had been approved by the Board of Directors but has not yet been reported to the shareholders.

(16) Operating revenue

	Three months ended March 31	
	2020	2019
Revenue from contracts with customers	<u>\$ 6,221,559</u>	<u>\$ 6,492,099</u>

The Group derives revenue from the transfer of goods at a point in time in the following geographical regions:

Three months ended	China	Taiwan	Others	Total
March 31, 2020				
Revenue from external customer contracts	<u>\$ 5,152,233</u>	<u>\$ 927,176</u>	<u>\$ 142,150</u>	<u>\$ 6,221,559</u>
Three months ended	China	Taiwan	Others	Total
March 31, 2019				
Revenue from external customer contracts	<u>\$ 5,451,476</u>	<u>\$ 940,445</u>	<u>\$ 100,178</u>	<u>\$ 6,492,099</u>

(17) Other income

	Three months ended March 31	
	2020	2019
Interest income from bank deposits	\$ 1,159	\$ 1,005
Rent income	1,716	1,731
Advertisement income	1,947	1,082
Other income	11,237	16,829
	<u>\$ 16,059</u>	<u>\$ 20,647</u>

(18) Other gains and losses

	Three months ended March 31	
	2020	2019
Foreign exchange (losses) gains	(\$ 1,504)	\$ 25,292
(Losses) gains on financial assets at fair value through profit or loss	(6,099)	10,761
Losses on disposals of property, plant and equipment	(10)	(98)
Others	(12)	203
	<u>(\$ 7,625)</u>	<u>\$ 36,158</u>

(19) Finance costs

	Three months ended March 31	
	2020	2019
Interest expense	\$ 36,340	\$ 47,619
Other interest expenses	2,733	13,278
	<u>\$ 39,073</u>	<u>\$ 60,897</u>

(20) Expenses by nature

	Three months ended March 31	
	2020	2019
Employee benefit expense		
Salary expenses	\$ 142,115	\$ 137,146
Labor and health insurance fees	9,545	10,552
Pension costs	8,640	11,518
Other personnel expenses	7,490	8,926
Depreciation	16,882	17,343
Amortisation	1,125	1,163

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 3%~12% for employees' compensation and shall not be higher than 3% for directors' remuneration.
- B. The Company's directors' remuneration and employees' compensation accounted as operating expenses were as follows:

	Three months ended March 31	
	2020	2019
Directors' remuneration	\$ 1,500	\$ 2,500
Employees' compensation	2,000	3,500
	<u>\$ 3,500</u>	<u>\$ 6,000</u>

- C. For the three months ended March 31, 2020, the employees' compensation and directors' remuneration were estimated and accrued based on a certain percentage of distributable profit of

current year as of the end of reporting period.

D. The employees' compensation of \$9,000 and directors' remuneration of \$6,000 for 2019 were resolved by the Board of Directors and were in agreement with those amounts recognised in the 2019 financial statements.

E. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(21) Income tax

A. Income tax expense

	Three months ended March 31	
	2020	2019
Current tax:		
Current tax on profits for the period	\$ 19,000	\$ 39,018
Deferred tax:		
Origination and reversal of temporary differences	1,602	(712)
Income tax expense	<u>\$ 20,602</u>	<u>\$ 38,306</u>

B. The Company's and domestic subsidiaries' income tax returns through 2017 and 2018 have been assessed and approved by the Tax Authority, respectively.

(22) Earnings per share

	Three months ended March 31, 2020		
	Profit after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 51,221	213,825	\$ 0.24
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 51,221	213,825	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	625	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 51,221</u>	<u>214,450</u>	<u>\$ 0.24</u>

Three months ended March 31, 2019

	Profit after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 74,962	213,825	\$ 0.35
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 74,962	213,825	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	757	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 74,962	214,582	\$ 0.35

(23) Supplemental cash flow information

Financing activities with no cash flow effects:

	March 31, 2020
Cash dividends declared but yet to be paid and cash payment from capital surplus	\$ 213,900

(24) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Lease liability	Liabilities from financing activities-gross
At January 1, 2020	\$ 5,512,308	\$ 499,481	\$ 21,715	\$ 6,033,504
Changes in cash flow from financing activities	283,195	99,949	(10,958)	372,186
Changes in other non-cash items	-	-	683	683
At March 31, 2020	\$ 5,795,503	\$ 599,430	\$ 11,440	\$ 6,406,373

	Short-term borrowings	Short-term notes and bills payable	Lease liability	Liabilities from financing activities-gross
At January 1, 2019	\$ 7,381,295	\$ 599,402	\$ 64,130	\$ 8,044,827
Changes in cash flow from financing activities	(975,587)	(59)	(10,109)	(985,755)
Changes in other non- cash items	-	-	1,149	1,149
At March 31, 2019	<u>\$ 6,405,708</u>	<u>\$ 599,343</u>	<u>\$ 55,170</u>	<u>\$ 7,060,221</u>

(25) Seasonality of operations

Due to the seasonal nature of the 3C electronic channel, higher revenues and operating profits are usually expected in the second half of the year as compared to the first six months.

7. RELATED PARTY TRANSACTIONS

Key management compensation

	Three months ended March 31	
	2020	2019
Salaries and other short-term employee benefits	<u>\$ 9,658</u>	<u>\$ 11,517</u>

8. PLEGDED ASSETS

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

Pledged assets	Book value			Purpose
	March 31, 2020	December 31, 2019	March 31, 2019	
Investment property	\$ 3,003	\$ 3,023	\$ 3,081	Short-term borrowings
Guarantee deposits paid (shown as other non- current assets)	10,000	10,000	10,000	Court deposits
	<u>\$ 13,003</u>	<u>\$ 13,023</u>	<u>\$ 13,081</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

As of March 31, 2020, other significant commitments were as follows:

As a requirement for the release of imported goods before duty and customs clearance, the Group has applied for customs guarantee with certain banks in the amount of \$20,000.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital risk management

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

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 49,811	\$ 70,050	\$ 77,279
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	\$ 1,039,108	\$ 777,940	\$ 675,300
Financial assets at amortised cost/ receivables			
Cash and cash equivalents	\$ 1,432,845	\$ 1,198,560	\$ 1,497,759
Notes receivable	208,326	247,446	353,274
Accounts receivable	6,650,641	6,904,459	6,831,060
Other receivables	64,871	105,692	52,255
Guarantee deposits paid (shown as other non-current assets)	56,986	56,443	58,108
	<u>\$ 8,413,669</u>	<u>\$ 8,512,600</u>	<u>\$ 8,792,456</u>

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 5,795,503	\$ 5,512,308	\$ 6,405,708
Short-term notes and bills payable	599,430	499,481	599,343
Notes payable	2,312	3,664	3,089
Accounts payable	2,758,059	3,185,177	2,779,694
Other accounts payable	508,326	324,944	429,616
Guarantee deposits received (shown as other non-current assets)	7,962	7,936	7,706
	<u>\$ 9,671,592</u>	<u>\$ 9,533,510</u>	<u>\$ 10,225,156</u>
Lease liability	<u>\$ 11,440</u>	<u>\$ 21,715</u>	<u>\$ 55,170</u>

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

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

Market risk

Foreign exchange risk

- (a) The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, RMB and HKD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

March 31, 2020

(Foreign currency: functional currency)	Sensitivity analysis					
	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
	<u>Financial assets</u>					
<u>Monetary items</u>						
USD:NTD	\$ 149,461	30.18	\$ 4,510,733	1%	\$ 45,107	\$ -
JPY:NTD	237,887	0.28	66,608	1%	666	-
RMB:NTD	54,353	4.23	229,913	1%	2,299	-
USD:HKD (Note)	128,168	7.75	3,868,110	1%	38,681	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 152,094	30.28	\$ 4,605,406	1%	\$ 46,054	\$ -
JPY:NTD	183,440	0.28	51,363	1%	514	-
USD:HKD (Note)	115,136	7.75	3,486,318	1%	34,863	-
USD:RMB (Note)	6,259	7.09	189,523	1%	1,895	-

December 31, 2019

(Foreign currency: functional currency)	Sensitivity analysis					
	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
	<u>Financial assets</u>					
<u>Monetary items</u>						
USD:NTD	\$ 142,764	29.93	\$ 4,272,927	1%	\$ 42,729	\$ -
JPY:NTD	181,021	0.27	48,876	1%	489	-
RMB:NTD	54,037	4.28	231,278	1%	2,313	-
USD:HKD (Note)	104,322	7.79	3,122,357	1%	31,224	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 148,837	30.03	\$ 4,469,575	1%	\$ 44,696	\$ -
JPY:NTD	135,897	0.28	38,051	1%	381	-
USD:HKD (Note)	90,537	7.79	2,718,826	1%	27,188	-
USD:RMB (Note)	7,613	6.98	228,618	1%	2,286	-

March 31, 2019

(Foreign currency: functional currency)	Sensitivity analysis					
	Foreign currency amount (In thousands)	Exchange rate	Book value (In thousands of NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
	<u>Financial assets</u>					
<u>Monetary items</u>						
USD:NTD	\$ 151,380	30.77	\$ 4,657,963	1%	\$ 46,580	\$ -
JPY:NTD	205,131	0.28	57,437	1%	574	-
RMB:NTD	52,977	4.56	241,575	1%	2,416	-
USD:HKD (Note)	131,730	7.84	4,053,332	1%	40,533	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 151,915	30.87	\$ 4,689,616	1%	\$ 46,896	\$ -
JPY:NTD	108,441	0.28	30,363	1%	304	-
USD:HKD (Note)	116,447	7.84	3,594,719	1%	35,947	-
USD:RMB (Note)	8,571	6.73	264,587	1%	2,646	-

Note: The functional currencies of certain consolidated entities are not NTD, thus, this

information must be considered when reporting. For example, when a subsidiary's functional currency is RMB, the subsidiary's segments that are involved with USD must be taken into consideration.

- (b) The total exchange (loss) gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended March 31, 2020 and 2019, amounted to (\$1,504) and \$25,292, respectively.

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. An active market refers to a market in which transactions for an asset or liability take place with enough frequency and volume to provide pricing information on an ongoing basis. The fair values of the Group's investment in listed stocks and OTC stocks are included in Level 1.

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

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

- B. Financial and non-financial instruments measured at fair value

- (a) The related information on financial and non-financial instruments measured at fair value by level based on the nature, characteristics and risks of the assets and liabilities are as follows:

March 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Listed stocks	\$ 21,021	\$ -	\$ -	\$ 21,021
Emerging stocks	192	-	-	192
Unlisted stocks	-	-	28,598	28,598
Financial assets at fair value through other comprehensive income				
Listed stocks	939,720	-	-	939,720
Emerging stocks	434	-	-	434
Unlisted stocks	-	-	98,954	98,954
	<u>\$ 961,367</u>	<u>\$ -</u>	<u>\$ 127,552</u>	<u>\$ 1,088,919</u>

December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Listed stocks	\$ 41,235	\$ -	\$ -	\$ 41,235
Emerging stocks	217	-	-	217
Unlisted stocks	-	-	28,598	28,598
Financial assets at fair value through other comprehensive income				
Listed stocks	666,941	-	-	666,941
Emerging stocks	490	-	-	490
Unlisted stocks	-	-	110,509	110,509
	<u>\$ 708,883</u>	<u>\$ -</u>	<u>\$ 139,107</u>	<u>\$ 847,990</u>
March 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Listed stocks	\$ 48,420	\$ -	\$ -	\$ 48,420
Emerging stocks	261	-	-	261
Unlisted stocks	-	-	28,598	28,598
Financial assets at fair value through other comprehensive income				
Listed stocks	589,897	-	-	589,897
Emerging stocks	591	-	-	591
Unlisted stocks	-	-	84,813	84,813
	<u>\$ 639,169</u>	<u>\$ -</u>	<u>\$ 113,411</u>	<u>\$ 752,580</u>

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

- i. For the instruments the Group used market quoted prices as their fair values (that is, Level 1), the Group uses the closing price as market quoted price.
- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

- iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
 - iv. The Group considers adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.
- C. For the three months ended March 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.
 - D. For the three months ended March 31, 2020 and 2019, there was no transfer in and out from Level 3.
 - E. Investment department is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
 - F. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at March 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 28,598	Market comparable companies	Price to book ratio multiple and discount for lack of marketability	Not applicable	The higher the multiple and control premium, the higher the fair value. The higher the discount for lack of marketability, the lower the fair value.
Unlisted shares	27,500	Most recent non-active market price	Not applicable	Not applicable	Not applicable
Unlisted shares	<u>71,454</u>	Net asset value	Not applicable	Not applicable	Not applicable
	<u>\$ 127,552</u>				

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 28,598	Market comparable companies	Price to book ratio multiple and discount for lack of marketability	Not applicable	The higher the multiple and control premium, the higher the fair value. The higher the discount for lack of marketability, the lower the fair value.
Unlisted shares	27,500	Most recent non-active market price	Not applicable	Not applicable	Not applicable
Unlisted shares	<u>83,009</u>	Net asset value	Not applicable	Not applicable	Not applicable
	<u>\$ 139,107</u>				

	Fair value at March 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 28,598	Market comparable companies	Price to book ratio multiple and discount for lack of marketability	Not applicable	The higher the multiple and control premium, the higher the fair value. The higher the discount for lack of marketability, the lower the fair value.
Unlisted shares	<u>84,813</u>	Net asset value	Not applicable	Not applicable	Not applicable
	<u>\$ 113,411</u>				

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Notes 13(1) A, B and J.

(4) Major shareholders information

The Company has no shareholder with a shareholding ratio above 5%.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry. The Board of Directors who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Segment information

The pre-tax net income is used to measure the operating segment profit (loss) and performance of the operating segments. The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Three months ended March 31	
	2020	2019
Segment revenue	\$ 6,221,559	\$ 6,492,099
Segment income	\$ 51,221	\$ 74,962
Segment income, including:		
Depreciation and amortisation	\$ 18,007	\$ 18,506

(3) Reconciliation for segment income (loss)

A. The revenue from external customers reported to the Board of Directors is measured in a manner consistent with that in the statement of comprehensive income.

B. The Group's Board of Directors assesses performance of operating segments and allocates resources based on pre-tax net income; thus, reconciliation is not needed.

Zenitron Corporation and Subsidiaries

Loans to others
Three months ended March 31, 2020

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Yes	Maximum outstanding balance during the three months ended March 31, 2020 (Note 3)	Balance at March 31, 2020 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral Item	Value	Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
0	Zenitron Corporation	ZTHC (Shanghai) Co., Ltd.	Other receivables	Yes	\$ 626,590	\$ 616,175	\$ 211,500	2.50%	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,816,027	\$ 1,816,027	
1	ZTHC (Shanghai) Co., Ltd.	Zenitron (Shanghai) Limited	Other receivables	Yes	86,480	85,200	-	-	2	-	-	Operating capital	-	-	-	568,826	568,826	
1	ZTHC (Shanghai) Co., Ltd.	Zenitron (Shenzhen) Technology Co., Ltd.	Other receivables	Yes	259,440	255,600	106,500	2.50%	2	-	-	Operating capital	-	-	-	568,826	568,826	
2	Shanghai Zenitron Electronics Co., Ltd.	Zenitron (Shanghai) Limited	Other receivables	Yes	51,888	51,120	42,600	4.35%	2	-	-	Operating capital	-	-	-	173,266	173,266	
3	Yo-Teh Investment Corporation	Raytronic Corporation	Other receivables	Yes	20,000	20,000	20,000	1.10%	2	-	-	Operating capital	-	-	-	44,420	44,420	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: The name of account in which the loans are recognised, such as receivables-related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: The maximum outstanding balance of loans to others for the period.

Note 4: The nature of the loan as follows:

(1) '1' for business transaction.

(2) '2' for short-term financing.

Note 5: The amount of business transactions when nature of the loan is 1, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Purpose of loan when nature of loan is 2, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company's "Procedures for Provision of Loans", the calculation and amount are as follows:

(1) Limit on loans granted to a single party is 40% of the creditor company's net assets based on the latest financial statements.

(2) Ceiling on total loans granted is 40% of the creditor company's net assets based on the latest financial statements.

(3) Limit on loans granted between foreign companies which the Company directly or indirectly holds 100% of their voting shares is 200% of the creditor company's net assets based on the latest financial statements.

Note 8: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

Zenitron Corporation and Subsidiaries

Provision of endorsements and guarantees to others

Three months ended March 31, 2020

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of March 31, 2020 (Note 4)	Outstanding endorsement/ guarantee amount at March 31, 2020 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/guara ntor company	Ceiling on total amount of endorsements/gu arantees provided (Note 3)	Provision of endorsements/g uarantees by parent company to subsidiary (Note 7)	Provision of endorsements/g uarantees by subsidiary to parent company (Note 7)	Provision of endorsements/g uarantees to party in Mainland China (Note 7)	Fromme
0	Zenitron Coponiton	Zenitron (HK) Limited	3	\$ 6,810,101	\$ 1,661,500	\$ 1,661,500	\$ 755,346	-	36.60%	\$ 6,810,101	Y	N	N	
0	Zenitron Coponiton	Zenitron (Shenzhen) Technology Co., Ltd.	3	6,810,101	496,870	491,950	202,491	-	10.84%	6,810,101	Y	N	Y	
0	Zenitron Coponiton	Zenitron (Shanghai) Limited	3	6,810,101	624,420	624,420	314,186	-	13.75%	6,810,101	Y	N	Y	
0	Zenitron Coponiton	ZTHC (Shanghai) Co., Ltd.	3	6,810,101	462,200	458,280	21,300	-	10.09%	6,810,101	Y	N	Y	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/ guaranteed subsidiary.
- (3) The Endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/ guaranteed company.
- (4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
- (5) Mutual guarantee of the trade as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: The calculation for and amount of limit on endorsements/guarantees are as follows: (If any contingent loss is recognised in the financial statements, the recognised amount should be indicated)

- (1) Limit on endorsements/guarantees provided for a single party is 150% of the Company's net assets.

Note 4: Ceiling on total amount of endorsements/guarantees is 150% of the Company's net assets.

Note 5: The year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 6: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities.

Note 7: 'Y' for these cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to party in Mainland China.

Note 8: 'Fromme' for these cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to party in Mainland China.

Zentron Corporation and Subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
March 31, 2020

Table 3

Expressed in NTD
(Except as otherwise indicated)

As of March 31, 2020

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	Number of shares (Share Unit)	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
Zentron Corporation	Stock	-	Current financial assets at fair value through profit or loss	44,000	\$ 1,408,000	0.01	\$ 1,408,000	
Zentron Corporation	Stock	-	Current financial assets at fair value through profit or loss	90,000	4,554,000	0.09	4,554,000	
Zentron Corporation	Stock	-	Current financial assets at fair value through profit or loss	45,000	5,602,500	0.01	5,602,500	
Zentron Corporation	Stock	-	Current financial assets at fair value through profit or loss	7,000	169,050	0.01	169,050	
Zentron Corporation	Stock	-	Current financial assets at fair value through profit or loss	16,000	1,169,600	0.02	1,169,600	
Zentron Corporation	Stock	-	Current financial assets at fair value through profit or loss	16,291	184,903	0.01	184,903	
Zentron Corporation	Stock	-	Current financial assets at fair value through profit or loss	34,439	1,234,638	0.01	1,234,638	
Zentron Corporation	Stock	-	Current financial assets at fair value through profit or loss	732	50,069	0.00	50,069	
Zentron Corporation	Stock	-	Current financial assets at fair value through other comprehensive income	13,738,592	939,719,693	6.32	939,719,693	
Zentron Corporation	Stock	-	Current financial assets at fair value through other comprehensive income	33,804	434,381	0.02	434,381	
Zentron Corporation	Stock	-	Non-current financial assets at fair value through other comprehensive income	1,136,364	8,610,838	7.89	8,610,838	
Zentron Corporation	Stock	-	Non-current financial assets at fair value through other comprehensive income	500,000	10,000,000	3.62	10,000,000	
Zentron Corporation	Stock	-	Non-current financial assets at fair value through other comprehensive income	100,000	27,500,000	0.07	27,500,000	
Raytronic Corporation	Stock	-	Current financial assets at fair value through profit or loss	49,000	2,479,400	0.05	2,479,400	
Raytronic Corporation	Stock	-	Current financial assets at fair value through profit or loss	200,000	2,190,000	0.07	2,190,000	
Raytronic Corporation	Stock	-	Current financial assets at fair value through profit or loss	14,952	192,133	0.01	192,133	
Yo-Teh Investment Corporation	Stock	-	Current financial assets at fair value through profit or loss	20,000	640,000	0.00	640,000	
Yo-Teh Investment Corporation	Stock	-	Current financial assets at fair value through profit or loss	58,103	1,339,274	0.13	1,339,274	
Yo-Teh Investment Corporation	Stock	-	Current financial assets at fair value through profit or loss	1,423,409	28,598,596	5.82	28,598,596	Note 5
Supertonic International Corp.	Stock	-	Non-current financial assets at fair value through other comprehensive income	2,000,000	52,842,524	3.57	52,842,524	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 'Financial Instruments'.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Note 5: Number of shares disclosed refers to preference shares.

Zenitron Corporation and Subsidiaries

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Three months ended March 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 4

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Differences in transaction terms compared to third party transactions (Note 1)			Notes/accounts receivable (payable)		Footnote (Note 2)
						Transaction	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Zenitron Corporation	Zenitron (HK) Limited	Second-tier subsidiary	Sales	(\$ 1,095,434)	(29)	Approximately 60-90 days after monthly billings	Selling price is based on initial cost plus necessary profit	Approximately 30-120 days after monthly billings for third parties	\$ 1,076,552	24	
Zenitron (HK) Limited	Zenitron Corporation	Parent company	Purchases	1,095,434	35	Approximately 60-90 days after monthly billings	Approximately same as the normal price	Approximately 30-120 days after monthly billings for third parties	(1,076,552)	(48)	
Zenitron (HK) Limited	Zenitron (Shenzhen) Technology Co., Ltd.	Third-tier subsidiary	Sales	(136,667)	(4)	Approximately 60-90 days after monthly billings	Selling price is based on initial cost plus necessary profit	Approximately 30-120 days after monthly billings for third parties	59,476	2	
Zenitron (Shenzhen) Technology Co., Ltd.	Zenitron (HK) Limited	Second-tier subsidiary	Purchases	136,667	79	Approximately 60-90 days after monthly billings	Approximately same as the normal price	Approximately 10-75 days after monthly billings for third parties	(59,476)	(78)	
Zenitron (HK) Limited	Zenitron (Shanghai) Limited	Third-tier subsidiary	Sales	(137,333)	(4)	Approximately 60-90 days after monthly billings	Selling price is based on initial cost plus necessary profit	Approximately 30-120 days after monthly billings for third parties	74,715	2	
Zenitron (Shanghai) Limited	Zenitron (HK) Limited	Second-tier subsidiary	Purchases	137,333	59	Approximately 60-90 days after monthly billings	Approximately same as the normal price	Approximately 10-75 days after monthly billings for third parties	(74,715)	(48)	

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case of related party transaction terms involving advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Zenitron Corporation and Subsidiaries

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
Three months ended March 31, 2020

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2020 (Note 1)		Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			Amount	Turnover rate		Amount	Action taken		
Zenitron Coporation	Zenitron (HK) Limited	Second-tier subsidiary	\$ 1,076,552	5.72	\$ -	-	\$ 301,356	\$ -	
Zenitron Coporation	ZTHC (Shanghai) Co., Ltd.	Third-tier subsidiary	213,430	-	-	-	-	-	
ZTHC (Shanghai) Co., Ltd.	Zenitron (Shenzhen) Technology Co., Ltd.	Third-tier subsidiary	106,495	-	-	-	-	-	

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties....

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Zenitron Corporation and Subsidiaries
Significant inter-company transactions during the reporting period
Three months ended March 31, 2020

Table 6
Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount \$	Transaction		Percentage of consolidated total operating revenues or total assets (Note 3)
						Transaction terms	Transaction terms	
0	Zenitron Coporation	Zenitron (HK) Limited	1	Sales	1,095,434	Selling price has no obvious difference compared to third parties		18
0	Zenitron Coporation	Zenitron (HK) Limited	1	Accounts receivable	1,076,552	60-90 days after monthly billings		7
0	Zenitron Coporation	Zenitron (Shanghai) Limited	1	Sales	74,233	Selling price has no obvious difference compared to third parties		1
0	Zenitron Coporation	Zenitron (Shanghai) Limited	1	Accounts receivable	47,550	60-90 days after monthly billings		0
0	Zenitron Coporation	ZTHC (Shanghai) Co., Ltd.	1	Other receivables	213,430	In accordance with mutual agreements		1
1	Zenitron (HK) Limited	Zenitron Coporation	2	Sales	45,176	Selling price has no obvious difference compared to third parties		1
1	Zenitron (HK) Limited	Zenitron Coporation	2	Accounts receivable	37,585	60-90 days after monthly billings		0
1	Zenitron (HK) Limited	Zenitron (Shenzhen) Technology Co., Ltd.	3	Sales	136,667	Selling price has no obvious difference compared to third parties		2
1	Zenitron (HK) Limited	Zenitron (Shenzhen) Technology Co., Ltd.	3	Accounts receivable	59,476	60-90 days after monthly billings		0
1	Zenitron (HK) Limited	Zenitron (Shanghai) Limited	3	Sales	137,333	Selling price has no obvious difference compared to third parties		2
1	Zenitron (HK) Limited	Zenitron (Shanghai) Limited	3	Accounts receivable	74,715	60-90 days after monthly billings		1
2	ZTHC (Shanghai) Co., Ltd.	Zenitron (Shenzhen) Technology Co., Ltd.	3	Other receivables	106,495	In accordance with mutual agreements		1

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Zenitron Corporation and Subsidiaries
Information on investees
Three months ended March 31, 2020

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2020		Net profit (loss) of the investee for the three months ended March 31, 2020 (Note 2(2))	Investment income (loss) recognised by the Company for the three months ended March 31, 2020 (Note 2(3))	Footnote
				Balance as at March 31, 2020	Balance as at December 31, 2019	Number of shares (in thousand)	Ownership (%)			
Zenitron Coporation	Raytronic Corporation	Taiwan	Trading of electronic components and assembly	\$ 55,854	\$ 55,854	1,520	100.00	27,064	1,090	Subsidiary
Zenitron Coporation	Zenitron (HK) Limited	Hong Kong	Trading of electronic components and assembly	2,008	2,008	510	1.47	30,553	36,966	543 Second-tier subsidiary
Zenitron Coporation	Supertronic International Corp.	B. V. I.	Reinvested holding company	618,023	618,023	18,704	100.00	2,237,553	36,292	36,292 Subsidiary
Zenitron Coporation	Yo-Teh Investment Corpo	Taiwan	Reinvested holding company	115,000	115,000	17,783	100.00	111,049	700	700 Subsidiary
Supertronic International Corp.	Zenitron (HK) Limited	Hong Kong	Trading of electronic components and assembly	471,639	471,639	34,272	98.53	2,047,898	36,966	36,423 Subsidiary
Supertronic International Corp.	Zenitron (HK) Limited	Hong Kong	Trading of electronic components and assembly	92,780	92,780	23,800	100.00	92,448	133	133 Subsidiary

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at March 31, 2020' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee for the three months ended March 31, 2020' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognised by the Company for the three months ended March 31, 2020' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Zenitron Corporation and Subsidiaries
Information on investments in Mainland China
Three months ended March 31, 2020

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the three months ended March 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2020	Net income of investee for the three months ended March 31, 2020 (direct or indirect)	Ownership held by the Company	Investment income (loss) recognised by the Company for the three months ended March 31, 2020 (Note 2)	Book value of investments in Mainland China as of March 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2020	Footnote
				Remitted to Mainland China	Remitted back to Taiwan								
Zenitron (Shanghai) Limited	Trading of electronic components and assembly	\$ 157,730	(2)-1	\$ -	\$ -	\$ 97,270	\$ 97,270	\$ 18,168	\$ 18,168	\$ 141,658	\$ -		
ZTHC (Shanghai) Co., Ltd.	Selling computer memory equipment and related components and providing technical support	116,601	(2)-1	-	-	116,601	116,601	14,952	14,952	284,413	-		
Zenitron (Shenzhen) Technology Co., Ltd.	Trading of electronic components and assembly	93,080	(2)-1	-	-	32,620	32,620	(33,896)	(33,896)	19,050	-		
Shanghai Zenitron Electronics Co., Ltd.	Trading of electronic components and assembly	94,760	(2)-1	-	-	-	-	(26)	(26)	86,633	-		
Company name		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2020		Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)		Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA							
Zenitron Corporation and its second-tier subsidiaries		\$	246,491	\$	443,484	\$	2,724,040						

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2)-1 Through investing in Zenitron (HK) Limited, an existing company in the third area, which then invested in the investee in Mainland China.
- (2)-2 Through investing in Zenicom (HK) Limited, an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: Basis for investment income (loss) recognition is the self-edit financial statements of the investees.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.