

**APAQ Technology Co., Ltd. and
Subsidiaries**

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

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Independent Auditors' Review Report

To the Board of Directors of APAQ Technology Co., Ltd.

Introduction

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

Scope

Except for matters described in the following paragraph titled "Basis for Qualified Conclusion", 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.” 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. Since a review is substantially less in scope than an audit, we might not be fully aware of all material matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note VI(VI) of the consolidated financial statements, investments accounted for under the equity method of APAQ Technology Co., Ltd. and subsidiaries amounted to NT\$45,513 thousand and NT\$45,697 thousand as of March 31, 2020 and 2019, respectively. The share of profits (losses) of associates accounted for under the equity method were NT\$281 thousand and NT\$(238) thousand for the three months then ended, respectively. Those amounts were recognized based on financial statements of the investees for the same period and have not been reviewed by independent auditors.

Qualified Conclusion

Based on our reviews, except for possible effects from financial statements of the investees mentioned in the paragraph titled "Basis for Qualified Conclusion" if they were reviewed by independent auditors, we did not discover matters which would lead us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial status of APAQ Technology Co., Ltd. and subsidiaries as of March 31, 2020 and 2019, and its consolidated financial performance and cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" endorsed and issued into effect by Financial Supervisory Commission.

KPMG

Wan-Yuan, You

CPAs:

Qian-Hui, Lu

Securities Competent Authority (88)
Approval Document No. : Taiwan-Finance-Securities-VI-18311
Financial-Supervisory-Securities-Auditing-1040007866

May 6, 2020

----- Disclaimer -----

This English version is a translation based on the original Chinese version.

Where any discrepancy arises between the two versions, the Chinese version shall prevail.

**(Numbers as of March 31, 2020 and 2019 are Reviewed Only, Not Audited in Accordance with the
Generally Accepted Auditing Standards in the Republic of China)**

**APAQ Technology Co., Ltd. and Subsidiaries
Consolidated Balance Sheets**

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

Unit: NT\$ thousands

	109.3.31		108.12.31		108.3.31			109.3.31		108.12.31		108.3.31	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Assets							Liabilities and Equity						
Current assets:							Current liabilities:						
1100 Cash and cash equivalents [Note VI(I)] \$	767,180	22	700,953	19	748,118	20	2100 Short-term loans [Note VI(XII)]	\$ 901,800	26	924,840	25	1,145,580	31
1110 Financial assets at fair value through profit or loss - current [Notes VI(II) & (XIII)]	-	-	-	-	28	-	2200 Accounts payable	223,634	6	307,178	9	150,475	4
1120 Financial assets at fair value through other comprehensive income - current [Note VI(III)]	125,522	4	143,891	4	225,968	6	2213 Accounts payable - related parties [Note VII]	2,333	-	4,968	-	511	-
1150 Notes receivable [Note VI(IV)]	72,920	2	87,461	2	26,748	1	2280 Payroll and bonus payable	82,203	3	79,378	2	57,247	2
1170 Accounts receivable [Note VI(IV)]	682,951	19	780,770	21	537,579	14	2213 Payable on equipment	13,237	-	14,419	-	28,212	1
1180 Accounts receivable - related parties [Notes VI(IV) & VII]	19,183	-	22,724	1	18,926	1	2280 Lease liabilities - current [Note VI(XIV)]	9,074	-	6,113	-	5,057	-
1310 Inventories, net [Note VI(V)]	375,859	10	390,840	11	535,465	14	2280 Long-term liabilities due within one year [Note VI(XIII)]	-	-	2,095	-	4,012	-
1476 Other financial assets - current [Note VI(IX)]	-	-	37	-	446	-	2280 Other current liabilities	85,484	2	92,973	3	128,510	3
1479 Other current assets [Note VI(X)]	27,316	1	30,746	1	24,614	1		1,317,765	37	1,431,964	39	1,519,604	41
	2,070,931	58	2,157,422	59	2,117,892	57	Non-current liabilities:						
Non-current assets:							2570 Deferred income tax liabilities [Note VI(XVI)]	-	-	-	-	745	-
1517 Financial assets at fair value through other comprehensive income - non-current [Note VI(III)]	114,773	3	117,349	3	120,767	3	2570 Bonds payable [Note VI(XIII)]	244,727	7	243,423	7	239,559	6
1550 Investments accounted for under the equity method [Note VI(VI)]	45,513	1	45,174	1	45,697	1	2570 Lease liabilities - non-current [Note VI(XIV)]	24,136	1	13,739	-	13,148	-
1600 Property, plant and equipment [Note VI(VII)]	1,145,727	33	1,176,196	32	1,290,626	35		268,863	8	257,162	7	253,452	6
1840 Deferred income tax assets [Note VI(XVI)]	56,764	2	54,726	2	34,837	1	Total liabilities	1,586,628	45	1,689,126	46	1,773,056	47
1755 Right-of-use assets [Note VI(VIII)]	44,088	1	30,967	1	30,349	1	Equity [Note VI(XIII) & (XVII)]:						
1780 Intangible assets [Note VI(XI)]	37,048	1	37,259	1	40,358	1	3100 Share capital	845,248	23	845,011	23	844,419	23
1984 Other financial assets - non-current [Notes VI(IX) & VIII]	25,852	1	25,458	1	26,664	1	3200 Capital surplus	561,362	16	560,800	15	559,411	15
1990 Other non-current assets [Note VI(X)]	7,948	-	9,562	-	12,916	-	3300 Retained earnings	706,265	20	680,939	19	624,036	17
	1,477,713	42	1,496,691	41	1,602,214	43	3400 Other equity	(150,859)	(4)	(121,763)	(3)	(42,761)	(1)
							3500 Treasury stocks	-	-	-	-	(38,055)	(1)
Total assets	\$ 3,548,644	100	3,654,113	100	3,720,106	100	Total equity	1,962,016	55	1,964,987	54	1,947,050	53
							Total liabilities and equity	\$ 3,548,644	100	3,654,113	100	3,720,106	100

(See the attached notes for the consolidated financial statements)

Chairman: Dr. DJ Zheng

Manager: Shi-Dong Lin

Accounting Manager: Pei-Ling Li

**Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards
in the Republic of China**

**APAQ Technology Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three Months Ended March 31, 2020 and 2019**

Unit: NT\$ thousands

	January to		January to	
	March, 2020		March, 2019	
	Amount	%	Amount	%
4110 Net sales revenue [Notes VI(XIX) & VII]	\$ 398,514	100	360,356	100
5110 Operating costs [Notes VI(V), (XIV), (XV), (XX) & VII]	318,496	80	309,040	86
5900 Gross profit	80,018	20	51,316	14
6000 Operating expenses [Notes VI(XIV), (XV), (XX) & VII]				
6100 Selling expenses	17,648	4	16,996	5
6200 Administrative expenses	31,361	8	25,309	7
6300 Research and development expenses	14,578	4	12,670	3
Total operating expenses	63,587	16	54,975	15
6900 Operating income (loss)	16,431	4	(3,659)	(1)
7000 Non-operating income and expenses:				
7020 Other gains and losses [Notes VI(XIII) & (XXI)]	13,800	3	(720)	-
7050 Finance costs [Notes VI(XIII), (XIV) & (XXI)]	(5,416)	(1)	(9,275)	(3)
7100 Interest income	626	-	1,687	-
7230 Foreign exchange gain (loss) [Note VI(XXII)]	6,399	2	14,062	4
7370 Share of profit or loss of associates accounted for under the equity method [Note VI(VI)]	281	-	(238)	-
Non-operating income and expenses, net	15,690	4	5,516	1
7900 Income before income tax	32,121	8	1,857	-
7950 Less: Income tax expense [Note VI(XVI)]	6,795	2	-	-
Net income (loss)	25,326	6	1,857	-
8300 Other comprehensive income (loss):				
8310 Items that may not be reclassified subsequently to profit or loss				
8316 Unrealized valuation gains (losses) from investments in equity instruments at fair value through other comprehensive income	(20,945)	(5)	(17,913)	(5)
Total of items that may not be reclassified subsequently to profit or loss	(20,945)	(5)	(17,913)	(5)
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign operations	(10,189)	(3)	32,939	9
8399 Less: Income tax related to items that may be reclassified [Note VI(XVI)]	(2,038)	(1)	6,588	2
Total of items that may be reclassified subsequently to profit or loss	(8,151)	(2)	26,351	7
8300 Other comprehensive income, net of tax	(29,096)	(7)	8,435	2
Total comprehensive income	\$ (3,770)	(1)	10,292	2
Earnings per share (Unit: NT\$) [Note VI(XVIII)]				
9750 Basic earnings per share	\$	0.30	\$	0.0
9850 Diluted earnings per share	\$	0.29	\$	0.0

(See the attached notes for the consolidated financial statements)

Chairman: Dr. DJ Zheng

Manager: Shi-Dong Lin

Accounting Manager: Pei-Ling Li

Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China
APAQ Technology Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
For the Three Months Ended March 31, 2020 and 2019

Unit: NT\$ thousands

	Share capital			Retained earnings					Exchange differences on translation of foreign operations	Other equity items		Treasury stocks	Total equity
	Share capital - common stocks	Capital collected in advance	Total	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total		Gain (loss) on equity instruments at fair value through other comprehensive income	Total		
Balance as of January 1, 2019	\$ 844,419	-	844,419	559,411	107,525	44,089	470,565	622,179	(60,112)	8,913	(51,199)	(27,897)	1,946,913
Net income	-	-	-	-	-	-	1,857	1,857	-	-	-	-	1,857
Other comprehensive income	-	-	-	-	-	-	-	-	26,351	(17,913)	8,438	-	8,438
Total comprehensive income	-	-	-	-	-	-	1,857	1,857	26,351	(17,913)	8,438	-	10,295
Buyback of treasury stocks	-	-	-	-	-	-	-	-	-	-	-	(10,158)	(10,158)
Balance as of March 31, 2019	\$ 844,419	-	844,419	559,411	107,525	44,089	472,422	624,036	(33,761)	(9,000)	(42,761)	(38,055)	1,947,050
Balance as of January 1, 2020	\$ 844,419	592	845,011	560,800	125,760	51,199	503,980	680,939	(114,755)	(7,008)	(121,763)	-	1,964,987
Net income	-	-	-	-	-	-	25,326	25,326	-	-	-	-	25,326
Other comprehensive income	-	-	-	-	-	-	-	-	(8,151)	(20,945)	(29,096)	-	(29,096)
Total comprehensive income	-	-	-	-	-	-	25,326	25,326	(8,151)	(20,945)	(29,096)	-	(3,770)
Conversion of convertible bonds	-	237	237	562	-	-	-	-	-	-	-	-	799
Balance as of March 31, 2020	\$ 844,419	829	845,248	561,362	125,760	51,199	529,306	706,265	(122,906)	(27,953)	(150,859)	-	1,962,016

(See the attached notes for the consolidated financial statements)

Chairman: Dr. DJ Zheng

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Accounting Manager: Pei-Ling Li

**Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards
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**APAQ Technology Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2020 and 2019**

Unit: NT\$ thousands

	<u>January to March, 2020</u>	<u>January to March, 2019</u>
Cash flows from operating activities:		
Income before income tax	\$ 32,121	1,857
Adjustments:		
Income and expense items:		
Depreciation	52,270	45,231
Amortization	1,040	1,272
Interest expense	5,416	9,275
Interest income	(626)	(1,687)
Loss on market value decline and obsolete and slow-moving inventories	-	1,500
Share of profit or loss of associates accounted for under the equity method	(281)	238
Loss on disposal and retirement of property, plant and equipment	19	1,369
Other non-cash expense items, net	<u>152</u>	<u>1,534</u>
Total income and expense items	<u>57,990</u>	<u>58,732</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable (including related parties)	118,715	(6,131)
Inventories	12,919	64,625
Other operating assets	3,054	73,867
Accounts payable (including related parties)	(84,951)	(36,696)
Other operating liabilities	<u>(1,557)</u>	<u>(10,778)</u>
Total adjustments	<u>106,170</u>	<u>143,619</u>
Cash generated from operations	138,291	145,476
Interest received	626	1,632
Interest paid	(3,537)	(8,304)
Income tax paid	<u>(9,755)</u>	<u>(4,714)</u>
Net cash generated by operating activities	<u>125,625</u>	<u>134,090</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(26,573)	(53,627)
Acquisition of intangible assets	(830)	-
Increase in other non-current assets	<u>(408)</u>	<u>(431)</u>
Net cash used in investing activities	<u>(27,811)</u>	<u>(54,058)</u>
Cash flows from financing activities:		
Increase in short-term loans	25,000	40,000
Decrease in short-term loans	(50,000)	-
Repayment for bonds due	(1,300)	-
Repayment of lease principal	(2,024)	(1,290)
Costs for buyback of treasury stocks	-	<u>(13,520)</u>
Net cash (used in) generated by financing activities	<u>(28,324)</u>	<u>25,190</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(3,263)</u>	<u>7,187</u>
Net increase in cash and cash equivalents	66,227	112,409
Cash and cash equivalents at beginning of period	<u>700,953</u>	<u>635,709</u>
Cash and cash equivalents at end of period	<u>\$ 767,180</u>	<u>748,118</u>

(See the attached notes for the consolidated financial statements)

Chairman: Dr. DJ Zheng Manager: Shi-Dong Lin Accounting Manager: Pei-Ling Li

Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China

APAQ Technology Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2020 and 2019

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

I. Company History

APAQ TECHNOLOGY CO., LTD. (hereinafter referred to as the Company) was established on December 23, 2005 with the registered address at 4F., No. 2 and 6, Kedong 3rd Rd., Zhunan Township, Miaoli County. The Company's stock has been listed and traded at TWSE since December 9, 2014.

The core business of the Company and its subsidiaries (hereinafter referred to as "the consolidated company") focuses on the research, development, manufacturing and sales of electronic components.

II. Approval Date and Procedures of the Consolidated Financial Statements

The consolidated financial statements were approved and issued on May 6, 2020, by the Board of Directors.

III. Application of New and Amended Standards and Interpretations

(I) Impact of adopting newly issued or amended standards and interpretations endorsed by the Financial Supervisory Commission

The consolidated company has adopted International Financial Reporting Standards (hereinafter referred to as "IFRSs") approved to take effect for annual periods beginning on January 1, 2020 by the Financial Supervisory Commission (hereinafter referred to as "FSC") in 2020 to prepare the consolidated financial statements. The new, revised and amended standards and interpretations are summarized below:

New/Revised/Amended Standards and Interpretations	Effective Date Issued by International Accounting Standards Board
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
Amendment to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The adoption of newly endorsed IFRSs above does not have a material impact on the consolidated financial statements.

(II) Newly issued and amended standards and interpretations yet to be endorsed by the FSC

The table below lists standards and interpretations released or amended by International Accounting Standards Board (hereinafter referred to as "IASB") but not yet endorsed by FSC.

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be decided by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	January 1, 2022

Ones with potential impact to the consolidated company are as follows:

Date of Issuance	New or amended standards	Major amendments
January 23, 2020	Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	<p>The amendments are to promote consistency in applying the standards by helping companies determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current in the balance sheet.</p> <p>The amendments also clarify the classification rules for debts companies might settle by converting them into equity.</p>

The consolidated company is in the process of evaluating the impact on its financial position and performance by adopting the standards and interpretations mentioned above, and will disclose relevant impacts when the evaluation is completed.

IV. Summary of Significant Accounting Policies

(I) Statement of compliance

The consolidated financial statements for the three months ended March 31, 2020 and 2019 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Preparation Regulations" and IAS 34 "Interim Financial Reporting" endorsed and issued into effect by FSC. The consolidated financial statements did not contain all necessary information required in annual consolidated financial statements pursuant to IFRSs, IAS, IFRIC interpretations and SIC interpretations endorsed by the FSC (hereinafter referred to as "IFRSs endorsed by FSC").

Except for the following descriptions, the consolidated financial statements for the three months ended March 31, 2020 and 2019 adopt the same accounting policies as the ones used in the consolidated financial statements for the year ended December 31, 2019. Please refer to Note IV of the consolidated financial statements for the year ended

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

December 31, 2019 for details.

(II) Basis of consolidation

1. Subsidiaries included in the consolidated financial statements

Name of		Business Activities	Percentage of Ownership			Description
Investor	Name of Subsidiaries		2020.3.31	2019.12.31	2019.3.31	
The Company	APAQ Investment Limited (APAQ Samoa)	Investment holding company	100%	100%	100%	
APAQ Samoa	Amaq Technology (Wuxi) Co., Ltd. (Amaq Wuxi)	Production and sales of electronic products	100%	100%	100%	
The Company	Amaq Technology (Hubei) Co., Ltd. (Amaq Hubei)	Production and sales of electronic products	100%	100%	-	Note

Note: The Company invested and established Amaq Hubei in September 2019. Amaq Hubei was included in the consolidated financial statements since the date of its investment.

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

(III) Income Tax

The consolidated company measured and disclosed interim income tax expense pursuant to Paragraph B12, IAS 34 "Interim Financial Reporting."

Income tax expenses for an interim period are accrued by applying management's best estimate of tax rate applicable based on expected total annual earnings to the pre-tax income of the interim period.

Income tax expense recognized directly in equity or other comprehensive income is measured using the applicable tax rates at the time of expected realization or settlement of the temporary differences between the carrying amount of related assets and liabilities for financial reporting purposes and their tax bases.

V. Significant Accounting Judgments, Estimates and Key Sources of Uncertainty over Assumptions

When preparing the consolidated financial statements according to Preparation Regulations and IAS 34 "Interim Financial Reporting" endorsed by FSC, the management have to make judgements, estimates and assumptions, which may influence the adoption of accounting policies, and the reporting amount of assets, liabilities, incomes and expenses. There may be differences between actual results and estimates.

When preparing the consolidated financial statements, significant accounting judgments, estimates and key sources of uncertainty made by the management for the adoption of the consolidated company's accounting policies are consistent with Note V(I) of the consolidated

**Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its
Subsidiaries (Continued)**

financial statements for the year ended December 31, 2019.

**Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its
Subsidiaries (Continued)**

VI. Details of Significant Accounts

Except for the following descriptions, the descriptions of significant accounts in the consolidated financial statements are not materially different from the consolidated financial statements for the year ended December 31, 2019. Please refer to Note VI of the consolidated financial statements for the year ended December 31, 2019 for details.

(I) Cash and cash equivalents

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Cash and demand deposit	\$ 724,520	572,028	565,034
Time deposits	42,660	128,925	183,084
Cash and cash equivalents	<u>\$ 767,180</u>	<u>700,953</u>	<u>748,118</u>

Please refer to Note VI(XXII) for currency risk disclosure of the financial assets and liabilities.

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

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Right of redemption - Convertible bonds payable	<u>\$ -</u>	<u>-</u>	<u>28</u>

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

1. Current:

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Domestic listed stocks	<u>\$ 125,522</u>	<u>143,891</u>	<u>225,968</u>

2. Non-current:

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Domestic and foreign unlisted common stocks -			
Foxfortune Technology Ventures Limited	\$ 40,288	42,551	26,547
Inpaq Korea Co., Ltd.	874	701	808
Element I Venture Capital Co., Ltd.	19,860	20,125	18,842
Taiwan Innovative Space Inc.	-	-	19,507
Kuan Kun Electronic Enterprise Co., Ltd.	49,247	49,468	51,317
AICP Technology Corporation	4,504	4,504	3,746
	<u>\$ 114,773</u>	<u>117,349</u>	<u>120,767</u>

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

Information on major equity investments denominated in foreign currencies as of the reporting date is as follows:

	2020.3.31			2019.12.31			2019.3.31		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
USD\$	1,017	30.23	30,744	1,017	29.98	30,490	1,017	30.82	31,344

Equity instruments held by the consolidated company are strategic long-term investments and not for trading purposes, so they have been designated to be measured at fair value through other comprehensive income.

For the three months ended March 31, 2020 and 2019, the consolidated company did not dispose of any strategic investment and hence there is no transfer of cumulative gains or losses during the periods.

(IV) Notes and accounts receivable

	2020.3.31	2019.12.31	2019.3.31
Notes receivable	\$ 72,920	87,461	26,748
Accounts receivable	682,951	780,770	537,579
	<u>\$ 755,871</u>	<u>868,231</u>	<u>564,327</u>

The consolidated company adopts a simplified method to estimate the expected credit loss for all receivables (including related parties), that is, using the lifetime expected credit loss. For this purpose, these receivables are categorized based on common credit risk characteristics of customers' capability to pay for amount due in accordance with the contracts with forward-looking information incorporated, including general economic and related industry information. The expected credit losses of the consolidated company's receivables (including related parties) are analyzed as follows:

	2020.3.31		
	Carrying amount of accounts receivable (including related parties)	Loss Ratio of Lifetime Expected Credit Loss	Allowance for Lifetime Expected Credit Loss
Not past due	\$ 771,749	0%	-
Overdue for 0-60 days	2,905	0%	-
Overdue for 61-90 days	400	0%	-
Overdue for 90 days and longer	-	100%	-
Total	<u>\$ 775,054</u>		<u>-</u>

**Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its
Subsidiaries (Continued)**

	2019.12.31		
	Carrying amount of accounts receivable (including related parties)	Loss Ratio of Lifetime Expected Credit Loss	Allowance for Lifetime Expected Credit Loss
Not past due	\$ 880,459	0%	-
Overdue for 0-60 days	10,496	0%	-
Overdue for 61-90 days	-	0%	-
Overdue for 90 days and longer	-	100%	-
Total	\$ 890,955		-

	2019.3.31		
	Carrying amount of accounts receivable (including related parties)	Loss Ratio of Lifetime Expected Credit Loss	Allowance for Lifetime Expected Credit Loss
Not past due	\$ 565,180	0%	-
Overdue for 0-60 days	17,885	0%	-
Overdue for 61-90 days	188	0%	-
Overdue for 90 days and longer	-	100%	-
Total	\$ 583,253		-

No impairment loss has been provided for receivables (including related parties) for the three months ended March 31, 2020 and 2019.

(V) Inventories, net

	2020.3.31	2019.12.31	2019.3.31
Raw materials	\$ 149,200	125,015	188,872
Work in process and semi-finished products	59,994	49,683	58,169
Finished goods and commodity	166,665	216,142	288,424
	\$ 375,859	390,840	535,465

The details of operating costs were as follows:

	January to March, 2020	January to March, 2019
Cost of goods sold	\$ 318,496	307,545
Loss on market value decline and obsolete and slow-moving inventories	-	1,500
Income from sale of scraps	-	(5)
	\$ 318,496	309,040

**Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its
Subsidiaries (Continued)**

(VI) Investments accounted for under the equity method

The summarized financial information of the consolidated company's associates accounted for under the equity method is as follows and the amount is included in the consolidated financial statements of the consolidated company:

	2020.3.31	2019.12.31	2019.3.31
The carrying amount of equity of individually immaterial associates at end of period	<u>\$ 45,513</u>	<u>45,174</u>	<u>45,697</u>

Share attributable to the consolidated company:

	January to March, 2020	January to March, 2019
Net income (loss)	\$ 281	(238)
Other comprehensive income	-	-
Total comprehensive income	<u>\$ 281</u>	<u>(238)</u>

The consolidated company's share of profit or loss and other comprehensive income of investments accounted for under the equity method is measured based on the financial statements not reviewed by the CPAs as it is not individually material.

(VII) Property, plant and equipment (PP&E)

	Buildings	Machinery and equipment	Other equipment and others	Constructi on in progress	Total
Cost:					
Balance as of January 1, 2020	\$ 353,940	1,489,109	114,134	52,619	2,009,802
Additions	-	2,556	2,292	22,458	27,306
Disposals and obsolescence	-	(120)	(173)	-	(293)
Reclassifications	-	17,696	(11,529)	(6,319)	(152)
Effect of Exchange Rate	(2,593)	(10,472)	(427)	(695)	(14,187)
Balance as of March 31, 2020	<u>\$ 351,347</u>	<u>1,498,769</u>	<u>104,297</u>	<u>68,063</u>	<u>2,022,476</u>
Balance as of January 1, 2019	\$ 368,584	1,413,492	90,793	106,163	1,979,032
Additions	-	18,868	3,879	8,032	30,779
Disposals and obsolescence	-	(2,660)	(4,710)	-	(7,370)
Reclassifications	-	27,069	831	(29,407)	(1,507)
Effect of Exchange Rate	8,384	30,178	1,246	2,333	42,141
Balance as of March 31, 2019	<u>\$ 376,968</u>	<u>1,486,947</u>	<u>92,039</u>	<u>87,121</u>	<u>2,043,075</u>
Depreciation:					
Balance as of January 1, 2020	\$ 113,230	666,892	53,484	-	833,606
Depreciation for the current period	6,240	39,835	4,014	-	50,089
Disposals and obsolescence	-	(120)	(154)	-	(274)
Effect of Exchange Rate	(934)	(5,481)	(257)	-	(6,672)
Balance as of March 31, 2020	<u>\$ 118,536</u>	<u>701,126</u>	<u>57,087</u>	<u>-</u>	<u>876,749</u>
Balance as of January 1, 2019	\$ 95,175	559,623	45,016	-	699,814
Depreciation for the current period	5,759	34,756	3,324	-	43,839

**Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its
Subsidiaries (Continued)**

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment and others</u>	<u>Constructi on in progress</u>	<u>Total</u>
Disposals and obsolescence	-	(1,820)	(4,181)	-	(6,001)
Effect of Exchange Rate	2,151	11,999	647	-	14,797
Balance as of March 31, 2019	\$ 103,085	604,558	44,806	-	752,449
Carrying Amount					
January 1, 2020	\$ 240,710	822,217	60,650	52,619	1,176,196
March 31, 2020	\$ 232,811	797,643	47,210	68,063	1,145,727
March 31, 2019	\$ 273,883	882,389	47,233	87,121	1,290,626

(VIII) Right-of-use assets

	<u>Land use rights</u>	<u>Buildings</u>	<u>Transport ation equipment</u>	<u>Total</u>
Cost of right-of-use assets:				
Balance as of January 1, 2020	\$ 11,497	24,497	1,082	37,076
Additions	-	15,382	-	15,382
Effect of foreign exchange rate changes	(83)	-	-	(83)
Balance as of March 31, 2020	\$ 11,414	39,879	1,082	52,375
Balance as of January 1, 2019	\$ 11,974	18,413	1,082	31,469
Effect of foreign exchange rate changes	272	-	-	272
Balance as of March 31, 2019	\$ 12,246	18,413	1,082	31,741
Accumulated depreciation of right-of-use assets:				
Balance as of January 1, 2020	\$ 284	5,342	483	6,109
Depreciation	72	1,988	121	2,181
Effect of foreign exchange rate changes	(3)	-	-	(3)
Balance as of March 31, 2020	\$ 353	7,330	604	8,287
Balance as of January 1, 2019	\$ -	-	-	-
Depreciation	76	1,195	121	1,392
Balance as of March 31, 2019	\$ 76	1,195	121	1,392
Carrying Amount				
January 1, 2020	\$ 11,213	19,155	599	30,967
March 31, 2020	\$ 11,061	32,549	478	44,088
March 31, 2019	\$ 12,170	17,218	961	30,349

(IX) Other financial assets - current and non-current

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Refundable deposits	\$ 25,852	25,458	26,664
Other receivables	-	37	446
	\$ 25,852	25,495	27,110

(X) Other assets - current and non-current

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Business tax credit	\$ 9,971	17,677	16,529
Prepayments for business facilities	5,632	7,182	10,931
Prepayments to suppliers	1,468	721	838

**Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its
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Prepaid expenses and others	18,193	14,728	9,232
	<u>\$ 35,264</u>	<u>40,308</u>	<u>37,530</u>

(XI) Intangible assets

	<u>Computer software</u>	<u>Royalty fees</u>	<u>Total</u>
January 1, 2020	\$ 353	36,906	37,259
March 31, 2020	\$ 1,080	35,968	37,048
March 31, 2019	\$ 637	39,721	40,358

There were no material additions, disposals, provision or reversal of impairment where the consolidate company's intangible assets were concerned for the three months ended March 31, 2020 and 2019. Please refer to Note XII for amortization amount of the current period and Note VI(XI) of the financial statements for the year ended December 31, 2019 for other relevant information

(XII) Short-term loans

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Unsecured bank loans	\$ 901,800	924,840	1,145,580
Unused facilities	\$ 600,900	365,140	406,720
Interest rate range	1.07%~ <u>3.17628%</u>	1.1%~ <u>3.56198%</u>	1.1%~ <u>4.714602%</u>

(XIII) Convertible bonds payable

1. The Company issued the first domestic unsecured convertible corporate bonds on March 1, 2017. The issuance period is three years. Relevant information in the financial statements is as follows:

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Total amount of convertible corporate bonds issued	\$ 300,000	300,000	300,000
Less: Unamortized bonds payable discount	-	(5)	(88)
Less: Accumulated converted common stocks	(298,700)	(297,900)	(295,900)
Less: Repayment upon maturity	<u>(1,300)</u>	<u>-</u>	<u>-</u>
Balance of bonds payable at end of period (recognized under long-term liabilities due within one year)	<u>\$ -</u>	<u>2,095</u>	<u>4,012</u>
Embedded derivatives - redemption rights (recognized as financial assets at fair value through profit or loss - current)	<u>\$ -</u>	<u>-</u>	<u>2</u>
		<u>January to March, 2020</u>	<u>January to March, 2019</u>
Embedded derivatives - profit/loss of redemption rights remeasured at fair value (recognized as valuation losses of financial assets)		<u>\$ -</u>	<u>1</u>

**Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its
Subsidiaries (Continued)**

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Interest expense		\$ <u>3</u>	<u>24</u>

The Company's first unsecured convertible corporate bonds matured on March 1, 2020, and the TPEX trading was terminated on the business day following the maturity date. According to Article 6 of the Company's issuance and conversion rules, the Company will make a one-time cash redemption payment based on the remaining face value of the bonds upon maturity.

The conversion prices of the first-time issuance of unsecured convertible corporate bonds were NT\$33.8 and NT\$34.9 on March 31, 2020 (maturity date) and 2019, respectively.

For the three months ended March 31, 2020 (maturity date), a nominal amount of NT\$800 thousand unsecured convertible corporate bonds were applied to be converted to 23 thousand common stocks. Capital surplus increased by NT\$562 thousand due to the conversion.

The Company issued the second domestic unsecured convertible corporate bonds on April 27, 2018. The issuance period is three years. Relevant information in the financial statements is as follows:

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Total amount of convertible corporate bonds issued	\$ 250,000	250,000	250,000
Less: Unamortized bonds payable discount	<u>(5,273)</u>	<u>(6,577)</u>	<u>(10,441)</u>
Bonds payable at end of period	<u>\$ 244,727</u>	<u>243,423</u>	<u>239,559</u>
Embedded derivatives - redemption rights (recognized as financial assets at fair value through profit or loss - current)	<u>\$ -</u>	<u>-</u>	<u>26</u>
		<u>January to March, 2020</u>	<u>January to March, 2019</u>
Embedded derivatives - profit/loss of redemption rights remeasured at fair value (recognized as valuation losses of financial assets)		<u>\$ -</u>	<u>25</u>
Interest expense		<u>\$ 1,304</u>	<u>1,274</u>

The conversion prices were NT\$58.0 and NT\$59.9 on March 31, 2020 and 2019, respectively.

(XIV) Lease liabilities

The carrying amount of the consolidated company's lease liabilities is as follows:

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Current	<u>\$ 9,074</u>	<u>6,113</u>	<u>5,057</u>
Non-current	<u>\$ 24,136</u>	<u>13,739</u>	<u>13,148</u>

**Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its
Subsidiaries (Continued)**

For maturity analysis, please refer to Note VI(XXII) Financial instruments.

The amount recognized in profit or loss is as follows:

	January to March, 2020	January to March, 2019
Interest expense on lease liabilities	<u>\$ 85</u>	<u>55</u>
Expense for leases of low-value assets	<u>\$ 18</u>	<u>19</u>

The amounts recognized in the statements of cash flows are as follows:

	January to March, 2020	January to March, 2019
Total cash outflow for lease	<u>\$ 2,127</u>	<u>1,364</u>

1. Leasing of houses and buildings

The consolidated company leased houses and buildings as office premises and factory buildings as of March 31, 2020 and 2018 with a lease period of 1 to 5 years. Some leases include the option to extend for the same period as the original contracts when the leases expire.

Some of the above-mentioned leases include the option to extend. These leases are managed by each region, so the individual terms and conditions agreed are different within the consolidated company. These options are only enforceable by the consolidated company rather than the lessor. Where it is not possible to reasonably determine that the optional lease extension will be exercised, the payment related to the period covered by the option is not included in the lease liability.

2. Other leases

The lease period for leasing office premises of the consolidated company is two years. These leases are for low-value assets, and the consolidated company chooses to apply the exemption recognition requirement instead of recognizing their right-of-use assets and lease liabilities.

(XV) Employee benefits

For pension expenses for the three months ended March 31, 2020 and 2019, please refer to Note XII for details.

(XVI) Income tax

1. The amount of the consolidated company's income tax expenses was as follows:

	January to March, 2020	January to March, 2019
Current income tax expenses	<u>\$ 6,795</u>	<u>-</u>

2. The amount of income tax expense (benefit) recognized in other comprehensive income was as follows:

	January to March, 2020	January to March, 2019
	<u> </u>	<u> </u>

**Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its
Subsidiaries (Continued)**

Exchange differences on translation of foreign operations \$ (2,038) 6,588

3. The ROC income tax authorities have examined the Company's income tax returns through 2018.

(XVII) Capital and other equity

Except for the following descriptions, there was no material change in the capital and other equity of the consolidated company for the three months ended March 31, 2020 and 2019. Please refer to Note VI(XVIII) of the consolidated financial statements for the year ended December 31, 2019 for details.

1. Share capital

The reconciliation for outstanding shares is as follows (expressed in thousands of shares):

	<u>Common Stocks</u>	
	<u>January to March, 2020</u>	<u>January to March, 2019</u>
Balance as of January 1	84,502	83,514
Buyback of treasury stocks	-	(330)
Conversion of convertible bonds	23	-
Balance as of March 31	<u>84,525</u>	<u>83,184</u>

As of March 31, 2020, 83,000 new shares issued for the conversion of corporate bonds had yet to complete the statutory registration procedures, and were recognized as capital collected in advance of NT\$829 thousand as of March 31, 2020.

**Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its
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2. Capital surplus

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Share premium	\$ 320,766	320,766	320,766
Compensation cost of shares retained for employee subscription at cash capital increase	7,852	7,852	7,852
Subscription right to convertible corporate bonds	11,890	11,935	12,039
Treasury stock trade	3,642	3,642	3,642
Premium from conversion of corporate bonds to common stocks	217,212	216,605	215,112
	<u>\$ 561,362</u>	<u>560,800</u>	<u>559,411</u>

In accordance with the Company Act, realized capital surplus can only be distributed as stocks or cash dividends in accordance with shareholders' original shareholding percentages after offsetting losses. The above-mentioned realized capital surplus includes amount in excess of the face amount during shares issuance and acceptance of bestowal. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total of capital surplus appropriated for capital every year shall not exceed 10% of the paid-in capital.

3. Retained earnings

The appropriation of earnings in the two decent years were approved during the Board of Directors' meeting held on May 6, 2020 and shareholders' meeting held on June 19, 2019, respectively. Information on dividends appropriated to owners is as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Dividends per share</u>	<u>Amount</u>	<u>Dividends per share</u>	<u>Amount</u>
Dividends distributed to owners of common stocks:				
Cash (NT\$)	\$ 1	<u>84,525</u>	0.98510218	<u>83,184</u>

The 2018 appropriation of retained earnings is consistent with the resolutions approved by the Board of Directors. The 2019 appropriation of retained earnings is pending for a resolution at the shareholders' meeting. Information will be available at the Market Observation Post System (MOPS) after the meeting.

**Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its
Subsidiaries (Continued)**

4. Treasury stocks

The Company offers treasury stocks and buys back shares from the Taiwan Stock Exchange. The increase/decrease caused by the buyback are listed as follows:

Unit: 1,000 shares

Reason for Buyback	January to March, 2019				Number of shares - ending
	Number of shares - beginning	Increase	Transfer	Cancelled	
Transfer to employees	928	330	-	-	1,258

In accordance with provisions of the Securities and Exchange Act, the share buyback rate shall not exceed 10% of total number of shares issued by the Company. The total amount of buyback shares shall not exceed the sum of retained earnings, share premium and realized capital surplus. In accordance with provisions of the Securities and Exchange Act, the treasury stocks held by the Company cannot be pledged, and are not entitled to the rights of shareholders before being transferred.

(XVIII) Earnings per Share (EPS)

	January to March, 2020	January to March, 2019
Basic EPS:		
Net income attributable to the parent company	\$ 25,326	1,857
Weighted average number of common stocks outstanding (in thousands of shares)	84,523	83,198
Basic EPS (NT\$)	\$ 0.30	0.02
Diluted EPS:		
Net income attributable to the parent company	\$ 25,326	1,857
Post-tax interest on convertible corporate bonds	1,045	-
Net income attributable to common stocks	\$ 26,371	1,857
Weighted average number of common stocks outstanding (in thousands of shares)	84,523	83,198
Employee compensation to be distributed in stocks	884	555
Convertible corporate bonds	4,311	-
Weighted average number of common stocks outstanding for the calculation of diluted EPS (in thousands of shares)	89,718	83,753
Diluted EPS (NT\$)	\$ 0.29	0.02

The convertible bonds issued by the Company had not been included in the calculation of diluted EPS for the first quarter of 2019 as they had anti-dilution effect.

**Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its
Subsidiaries (Continued)**

(XIX) Revenue of customer contract

	January to March, 2020	January to March, 2019
Main geographical areas		
China	\$ 384,231	352,406
Taiwan	13,610	5,544
Other Countries	673	2,406
	\$ 398,514	360,356
Major products		
Coiled conductive polymer solid capacitors	356,506	321,794
Chip-type conductive polymer solid state appliances	42,008	38,562
	\$ 398,514	360,356

(XX) Employee, Director, and Supervisor compensation

The Company's Articles of Incorporation provide that if there is profit in the year, at least 8 percent of profit shall be allocated for employee compensation, and no more than 3 percent shall be allocated for remunerations of the Directors and Supervisors. However, if the Company has accumulated losses, it shall reserve a portion of the profit in advance. Parties eligible to receive the said compensation in the form of stock or cash shall include employees in affiliated companies who met certain conditions.

The Company accrued NT\$3,015 thousand and NT\$0 thousand as employee compensation and NT\$887 thousand and NT\$0 thousand as remuneration for Directors and Supervisors for the three months ended March 31, 2020 and 2019, respectively. These amounts were calculated using the Company's pre-tax income before deducting for employee compensation and remuneration for Directors and Supervisors multiplied by the percentages which are stated under the Company's Article of Incorporation. The amounts were recognized as operating costs or operating expenses for the periods. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. If employee compensation is resolved to be distributed in stock, the number of shares is determined by dividing the amount of compensation by the closing price of common shares on the day preceding the Board of Directors' meeting.

The amounts appropriated for employee compensation and remunerations to Directors and Supervisors for 2019 were NT\$16,437 thousand and NT\$4,834 thousand, respectively, which bear no difference from the Board resolutions. Relevant information can be found at the MOPS.

**Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its
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(XXI) Non-operating income and expenses

1. Other gains and losses, net

	January to March, 2020	January to March, 2019
Subsidy income	\$ 13,099	27
Loss on disposal of property, plant and equipment	(19)	(1,369)
Valuation loss of financial assets	-	(26)
Others	720	648
Other gains and losses, net	\$ 13,800	(720)

2. Finance costs

	January to March, 2020	January to March, 2019
Interest expenses of corporate bonds	\$ 1,307	1,298
Interest expenses of loans	4,024	7,922
Interest expense on lease liabilities	85	55
	\$ 5,416	9,275

(XXII) Financial instruments

Except for the following descriptions, there has been no significant changes in the fair value of the consolidated company's financial instruments and the exposure to credit risk, liquidity risk and market risk arising from the financial instruments. Please refer to Note VI(XXIII) of the consolidated financial statements for relevant information.

1. Credit risk

(1) Credit risk concentration

The consolidated company's customers are concentrated in industries such as consumer electronics, computer peripherals and wireless communication and so on. To reduce the credit risk of the accounts receivable, the consolidated company continuously assesses the customers' financial position and regularly evaluates the possibility of the collection of accounts receivable, as well as making allowances for loss. As at March 31, 2020, December 31, 2019 and March 31, 2019, 50%, 42% and 38% of the consolidated company's accounts receivables were due from five customers, respectively, resulting in significant credit risk concentration.

(2) Credit risk of accounts receivable and debt securities

Please refer to Note VI(IV) for credit risk exposure of accounts receivable.

Other financial assets at amortized cost included other receivables from related parties and time deposits. No impairment loss was recognized.

The above-mentioned financial assets have low credit risk, so the allowance loss is measured based on twelve-month expected credit loss of the period (please refer to Note IV(VII) for details on how the consolidated company

**Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its
Subsidiaries (Continued)**

determines the level of credit risk).

2. Liquidity risk

The following table shows the contractual maturity analysis of financial liabilities (including the impact of interest payable):

	Carrying Amount	Contract Cash Flow	Less than 6 months	6-12 months-	More than 12 months
March 31, 2020					
Non-derivative Financial Liabilities					
Short-term loans	\$ 901,800	903,303	903,303	-	-
Accounts payable (including related parties)	225,967	225,967	225,967	-	-
Payable on equipment	13,237	13,237	5,594	6,963	680
Lease liabilities (including current and non-current)	33,210	34,003	4,706	4,702	24,595
	\$ 1,174,214	1,176,510	1,139,570	11,665	25,275
December 31, 2019					
Non-derivative Financial Liabilities					
Short-term loans	\$ 924,840	927,628	927,628	-	-
Accounts payable (including related parties)	312,146	312,146	312,146	-	-
Payable on equipment	14,419	14,419	2,770	11,649	-
Lease liabilities (including current and non-current)	19,852	20,274	3,192	3,117	13,965
	\$ 1,271,257	1,274,467	1,245,736	14,766	13,965
March 31, 2019					
Non-derivative Financial Liabilities					
Short-term loans	\$ 1,145,580	1,150,750	1,150,750	-	-
Accounts payable (including related parties)	150,986	150,986	150,986	-	-
Payable on equipment	28,212	28,212	8,882	19,330	-
Lease liabilities (including current and non-current)	18,205	18,631	2,670	2,569	13,392
	\$ 1,342,983	1,348,579	1,313,288	21,899	13,392

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

3. Exchange rate risk

(1) Exchange rate risk exposure

The consolidated company's financial assets and liabilities exposed to material exchange rate risk were as follows:

	2020.3.31			2019.12.31			2019.3.31		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 36,335	30.225	1,098,225	34,796	29.98	1,043,184	25,324	30.82	780,486
RMB	36,742	4.266	156,741	54,101	4.2975	232,499	54,748	4.5771	250,587
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	8,585	30.225	259,482	10,427	29.98	312,601	22,340	30.82	688,519

(2) Sensitivity analysis

The consolidated company's exposure to foreign currency risk mainly arises from exchange gains and losses of cash and cash equivalents, receivables, short-term loans, accounts payable and other payables that are denominated in US dollars and RMB. Changes in net income for the three months ended March 31, 2020 and 2019 due to depreciation or appreciation of NT dollars against US dollars and RMB as of March 31, 2020, December 31, 2019 and March 31, 2019 with all other variables held constant were as follows:

	Fluctuation	January to March, 2020	January to March, 2019
NT dollars	1% depreciation against USD	\$ <u>6,710</u>	<u>736</u>
	1% appreciation against USD	\$ <u>(6,710)</u>	<u>(736)</u>
NT dollars	1% depreciation against RMB	\$ <u>1,254</u>	<u>2,005</u>
	1% appreciation against RMB	\$ <u>(1,254)</u>	<u>(2,005)</u>

(3) Exchange gain/loss of monetary items

Due to the large variety of functional currencies of the consolidated company, the exchange gains and losses of monetary items were disclosed on an aggregated basis. The foreign exchange gains (including realized and unrealized) for the three months ended March 31, 2020 and 2019 were NT\$6,399 thousand and NT\$14,062 thousand, respectively.

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

4. Interest rate analysis

The interest rate risk exposure of financial assets and financial liabilities of the consolidated company is described in the liquidity risk management of the Notes.

The following sensitivity analysis is determined by the interest rate risk exposure of non-derivative instruments on the reporting date. For liabilities with floating interest rates, the analysis is based on the assumption that the outstanding liabilities on the reporting date has been outstanding all year round. Changes in other comprehensive income for the three months ended March 31, 2020 and 2019 due to interest rate changes with all other variables held constant were as follows:

	Fluctuation	January to March, 2020	January to March, 2019
Annual borrowing rate	Increase by 1%	\$ (7,214)	\$ (9,165)
	Decrease by 1%	\$ 7,214	\$ 9,165

5. Other price risk

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

	January to March, 2020		January to March, 2019	
	Other comprehen sive income, net of tax	Net income (loss)	Other comprehen sive income, net of tax	Net income (loss)
Prices of securities at the reporting date				
Increase by 1%	\$ 2,403	-	3,467	-
Decrease by 1%	(2,403)	-	(3,467)	-

6. Fair value and information

(1) Type and fair value of financial instruments

Financial assets at fair value through profit and loss or through other comprehensive income are measured on a recurring basis. The consolidated company's carrying amount and fair value of financial assets and liabilities (including information for fair value hierarchy; however, the fair value of financial instruments not at fair value and whose carrying amounts are reasonable approximations of their fair value and lease liabilities is not required to be disclosed) were as follows:

**Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its
Subsidiaries (Continued)**

	2020.3.31				
	Carrying Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income - current					
Domestic listed stocks	\$ 125,522	125,522	-	-	125,522
Financial assets at fair value through other comprehensive income - non-current					
Domestic unlisted stocks	\$ 114,773	-	-	114,773	114,773
Convertible bonds payable (including bonds due within one year)	\$ 244,727	249,750	-	-	249,750
	2019.12.31				
	Carrying Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income - current					
Domestic listed stocks	\$ 143,891	143,891	-	-	143,891
Financial assets at fair value through other comprehensive income - non-current					
Domestic unlisted stocks	\$ 117,349	-	-	117,349	117,349
Convertible bonds payable (including bonds due within one year)	\$ 245,518	264,571	-	-	264,571
	2019.3.31				
	Carrying Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Right of redemption - Convertible bonds payable-	\$ 28	-	28	-	28
Financial assets at fair value through other comprehensive income - current					
Domestic listed stocks	\$ 225,968	225,968	-	-	225,968
Financial assets at fair value through other comprehensive income - non-current					
Domestic unlisted stocks	\$ 120,767	-	-	120,767	120,767
Convertible bonds payable (including bonds due within one year)	\$ 243,571	253,073	-	-	253,073

**Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its
Subsidiaries (Continued)**

(2) Fair value valuation technique of financial instruments not at fair value

The methods and assumptions adopted by the consolidated company for valuating instruments not at fair value were as follows:

For financial assets at amortized cost, if transaction prices or quotes from market maker are available, the latest transaction price and quotes shall be the basis for fair value measurement. If market values are not available, valuation method would be adopted. Estimations and assumptions adopted in the valuation method are to measure fair value at discounted cash flows.

(3) Fair value valuation technique of financial instruments at fair value

The redemption rights of embedded derivatives are based on an appropriate option pricing model.

(4) Transfers between Level 1 and Level 2 fair value hierarchy: None.

(5) Details of changes in Level 3 fair value hierarchy:

	<u>Financial asset at fair value through other comprehensive income - equity investments without an active market</u>
Balance as of January 1, 2020	\$ 117,349
Total gains and losses	
Recognized in other comprehensive income	<u>(2,576)</u>
Balance as of March 31, 2020	<u>\$ 114,773</u>
Balance as of January 1, 2019	\$ 121,084
Total gains and losses	
Recognized in other comprehensive income	<u>(317)</u>
Balance as of March 31, 2019	<u>\$ 120,767</u>

The aforementioned total gains and losses are recognized under “unrealized valuation gains (losses) from investments in equity instruments at fair value through other comprehensive income”. As of March 31, 2020 and 2019, gains or losses of assets in the book amounted to gain of NT\$5,773 thousand and loss of NT\$3,233 thousand, respectively.

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

(6) Quantitative information for fair value measurement of significant unobservable inputs (level 3)

The consolidated company classified financial assets at fair value through other comprehensive income - non-current as level 3. It had multiple significant unobservable inputs which were independent from each other; therefore, there is no correlation between them. The quantitative information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable input	Relationship between significant unobservable inputs and fair value measurement
Financial asset at fair value through other comprehensive income - non-current (equity investments without an active market)	Net asset value method	· Net asset value · Marketability discount (10% and 20% for March 31, 2020, December 31, 2019 and March 31, 2019)	· N/A · The higher the marketability discount, the lower the fair value.
Financial asset at fair value through other comprehensive income - non-current (equity investments without an active market)	Market approach	· Price-book ratio (3.39 for March 31, 2020 and December 31, 2019; 4.57 and 2.23 for March 31, 2019) · Marketability discount (25% for March 31, 2020 and December 31, 2019; 20% and 25% for March 31, 2019)	· The higher the price-book ratio, the higher the fair value. · The higher the marketability discount, the lower the fair value.

(XXIII) Financial risk management

There were no significant changes in the objectives and policies of the consolidated company's financial risk management comparing to those disclosed in Note VI(XXIV) of the consolidated financial statements for the year ended December 31, 2019.

(XXIV) Capital management

The consolidated company's capital management objectives, policies and procedures were consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2019. In addition, there were no material changes in the aggregate quantitative information of capital management items comparing to the information disclosed in the consolidated financial statements for the year ended December 31, 2019. For relevant information, please refer to Note VI(XXV) of the consolidated financial statements for the year ended December 31, 2019.

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

(XXV) Non-cash financing activities

The consolidated company's non-cash investing and financing activities for the three months ended March 31, 2020 and 2019 were as follows:

1. For non-cash investing and financing activities where convertible corporate bonds were converted into common stocks, please refer to Note VI(XIII) for details.
2. For right-of-use assets obtained via leases, please refer to Note VI(VIII).
3. Reconciliation of liabilities from financing activities was as follows:

	2020.1.1	Cash Flow	Non-cash Changes		2020.3.31
			Change in Exchange Rate	Other Changes	
Short-term loans	\$ 924,840	(25,000)	1,960	-	901,800
First issuance of convertible corporate bonds	2,095	(1,300)	-	(795)	-
Second issuance of convertible corporate bonds	243,423	-	-	1,304	244,727
Lease liabilities	19,852	(2,024)	-	15,382	33,210
	\$ 1,190,210	(28,324)	1,960	15,891	1,179,737

	108.1.1	Cash Flow	Non-cash Changes		108.3.31
			Change in Exchange Rate	Other Changes	
Short-term loans	\$ 1,103,585	40,000	1,995	-	1,145,580
First issuance of convertible corporate bonds	3,988	-	-	24	4,012
Second issuance of convertible corporate bonds	238,285	-	-	1,274	239,559
Lease liabilities	19,495	(1,290)	-	-	18,205
	\$ 1,365,353	38,710	1,995	1,298	1,407,356

VII. Related Party Transactions

(I) Related parties' name and relationships

Name of related party	Relationship with the consolidated company
Shenzhen Gather Electronics Science Co., Ltd.	An associate to the consolidated company

**Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its
Subsidiaries (Continued)**

(II) Significant transactions with related parties

1. Operating revenue

	January to March, 2020	January to March, 2019
Shenzhen Gather Electronics Science Co., Ltd.	\$ 7,532	7,594

The sales price to related parties and non-related parties is determined by the specifications of the products being sold, and some products are given discounts of varying degrees depending on the quantity sold. Therefore, the pricing strategy is not significantly different. The credit terms of related parties are 90 days from end of month. The credit terms of general customers are determined by the individual client's past transaction experience and the results of credit evaluation and they range between 60 to 150 days from end of month.

2. Purchase

	January to March, 2020	January to March, 2019
Shenzhen Gather Electronics Science Co., Ltd.	\$ 1,022	441

The purchase price from related parties is based on the general market price. The payment terms are 30 to 90 days from end of month for general suppliers, and 90 days from end of month for related parties.

3. Receivables from related parties

Financial Statement Account	Category of Related Parties	2020.3.31	2019.12.31	2019.3.31
Accounts receivable	Shenzhen Gather Electronics Science Co., Ltd.	\$ 19,183	22,724	18,926

4. Payables to related parties

Financial Statement Account	Category of Related Parties	2020.3.31	2019.12.31	2019.3.31
Accounts payable	Shenzhen Gather Electronics Science Co., Ltd.	\$ 2,333	4,968	511

**Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its
Subsidiaries (Continued)**

(III) Major managerial personnel transactions

Remuneration of major managerial personnel includes:

	January to March, 2020	January to March, 2019
Short-term employee benefits	\$ 6,688	5,318
Benefits after retirement	104	79
	\$ 6,792	5,397

VIII. Pledged Assets

Details of carrying amount of assets pledged by the consolidated company were as follows:

Pledged Assets	Purpose of Pledge	2020.3.31	2019.12.31	2019.3.31
Other financial assets - non-current	Purchase guarantee, investment guarantee, etc.	\$ 25,852	25,458	26,664

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments: None.

X. Significant Disaster Loss: None.

XI. Significant Subsequent Events: None.

XII. Others

The following is the summary statement of employee benefits and depreciation expenses by function:

Function Type	January to March, 2020			January to March, 2019		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefit expenses						
Salary expense	31,726	31,729	63,455	32,725	23,664	56,389
Labor and health insurance expense	129	1,473	1,602	110	1,396	1,506
Pension expense	110	863	973	117	821	938
Other employee benefits expenses	468	1,526	1,994	537	1,809	2,346
Depreciation	45,890	6,380	52,270	39,720	5,511	45,231
Amortization	18	1,022	1,040	10	1,262	1,272

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

XIII. Supplementary Disclosures

(I) Information on significant transactions

Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, information of significant transactions which shall be disclosed by the consolidated company is as follows:

1. Financing provided to others:

No.	Lending Company	Borrower	Transaction Account	Whether A Related Party	Maximum Balance in Current Period	Ending Balance	Amount Actually Drawn	Interest rate range	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Loss Allowance	Collateral Name	Collateral Value	Limit on Financing to A Single Party	Total Limit on Financing
0	The Company	APAQ Wuxi	Other receivables - related parties	Yes	453,750	453,375	120,900	2.896%	Business transaction	1,406,071		-		-	784,806	784,806

Note 1. For firms or companies having business relationship with the Company, the financing amount to an individual party is limited to the transaction amount between both parties.

Note 2. Total amount of financing to external parties shall be limited to 40% of equity attributable to the owners of the parent company in the balance sheet of the Company's consolidated financial report as audited (reviewed) by CPAs in the most recent period.

2. Endorsement or guarantee provided to others

No.	Name of Endorsement/Guarantee Provider	Subject of Endorsements/Guarantees		Limit on Endorsements/Guarantees Provided for A Single Party	Maximum Balance in Current Period	Endorsement and Guarantee Ending Balance	Amount Actually Drawn	Amount of Endorsement /Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company to A Subsidiary	Guarantee Provided by A Subsidiary to Parent Company	Guarantee Provided to Subsidiaries in Mainland China
		Name	Relation										
0	The Company	APAQ Wuxi	Subsidiary	1,962,016	453,750	453,375	90,675	-	23.11%	1,962,016	Y	N	Y

Note 1. The amount of the endorsements/guarantees to a single enterprise shall be limited to the amount of equity attributable to the owners of the parent company in the balance sheet of the Company's consolidated financial report as audited (reviewed) by CPAs in the most recent period.

Note 2. The total amount of endorsements/guarantees to external parties shall be limited to the amount of equity attributable to the owners of the parent company in the balance sheet of the Company's consolidated financial report as audited (certified) by CPAs in the most recent period.

3. Holding of marketable securities at the end of the period (excluding investments in subsidiaries, associates and joint ventures):

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	End of the Period				Remarks
				Shares	Carrying Amount	%	Fair value	
The Company	CHAINTECH Technology Corporation	None	Financial assets at fair value through other comprehensive income - current-	4,710	125,522	4.64%	125,522	
The Company	Foxfortune Technology Ventures Limited	None	Financial assets at fair value through other comprehensive income - non-current-	1,000	40,288	5.80%	40,288	
The Company	Inpaq Korea	None	Financial assets at fair value through other comprehensive income - non-current-	18	874	10.73%	874	
The Company	Chia Lin Venture Capital Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current-	2,000	19,860	3.64%	19,860	
The Company	Kuan Kun Electronic Enterprise Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current-	3,770	49,247	5.39%	49,247	
The Company	Ching Chiao Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current-	240	4,504	3.20%	4,504	

4. Individual securities acquired or disposed of with accumulated amount of at least

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

NT\$300 million or 20 percent of the paid-in capital: None.

5. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital: None.
6. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital: None.
7. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital:

Company Name	Name of Counterparty	Relation	Transaction Details				Situation and Reason of Why Trading Conditions are Different from General Trading		Notes/Accounts Receivable or Payable		Remarks
			Purchases/Sales	Amount	Ratio to Total Purchases/Sales	Terms	Unit Price	Terms	Balance	Ratio to Total Notes/Accounts Receivable or Payable	
The Company	APAQ Wuxi	Subsidiary	Purchases	142,045	95%	60 days from end of month	-	Note 1	70,326	89.00%	

Note 1. The payment term is 30 to 90 days from end of month for general suppliers and 60 days from end of month for APAQ Wuxi.

Note 2. Relevant transactions and ending balances have been eliminated in the consolidated financial statements.

8. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital:

Company Recognizing Accounts Receivable	Name of Counterparty	Relation	Balance of Receivables from Related Parties	Turnover Rate	Overdue Receivables from Related Parties		Amounts Received in Subsequent Periods (Note 2)	Loss Allowance
					Amount	Action Taken		
The Company	APAQ Wuxi	Subsidiary	143,666 (Note 1)	-	-	-	3,798	-

Note 1. It is other receivables arising from sales of goods, financing, etc.

Note 2. It refers to the recovery status as of May 6, 2020.

Note 3. Relevant transactions and ending balances have been eliminated in the consolidated financial statements.

9. Trading in derivative instruments: Please refer to Notes VI(II).

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

10. Business relation and important transactions between parent company and subsidiaries:

No.	Name of Trader	Name of Counterparty	Relation with the Trader	Conditions of Transactions			
				Account	Amount	Terms of Transaction	Ratio to Consolidated Revenue or Total Assets
0	The Company	APAQ Wuxi	Parent company to a subsidiary	Purchases	142,045	60 days from end of month	36%
0	The Company	APAQ Wuxi	Parent company to a subsidiary	Sales	15,248	60 days from end of month	4%
0	The Company	APAQ Wuxi	Parent company to a subsidiary	Accounts receivable	19,488	-	1%
0	The Company	APAQ Wuxi	Parent company to a subsidiary	Accounts payable	125,637	-	4%
0	The Company	APAQ Wuxi	Parent company to a subsidiary	Other receivables	124,178	-	4%

(II) Information on reinvestment:

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

Name of Investor	Name of Investees	Location	Primary Business	Original Investment Amount		Ending Balance			Net Income (Loss) of the Investee	Share of Profit/Loss	Remarks
				End of the Period	End of Last Year	Shares	%	Carrying Amount			
The Company	APAQ Samoa	Samoa	Holding	1,288,569	1,288,569	41,504	100.00%	1,546,906	(101,684)	(83,006)	Note 1

Note 1. Share of profit/loss include adjustments for upstream transactions between affiliates.

Note 2. Relevant transactions and ending balances have been eliminated in the consolidated financial statements.

(III) Information on investments in Mainland China:

1. Information on reinvestments in Mainland China

Name of investee	Primary Business	Paid-in Capital (Note 6)	Method of investment	Beginning Balance of accumulated Outflow of investment from Taiwan	Remittance or Recovery of Investment the Current Period		Ending Balance of Accumulated Outflow of investment from Taiwan	Net Income (Loss) of the Investee	The Company's percentage of Direct or Indirect ownership	Investment Gains (Losses) recognized in the Current Period	Carrying amount of investment at the End of Period	Ending Balance of accumulated Inward Remittance of Earnings	Remark
					Outward remittance (Note 6)	Recovery							
APAQ Xi	Production sales of electronic components	1,169,708 (US\$38,700 thousand)	Note 1	1,203,723 (US\$38,700 thousand)	-	-	1,203,723 (US\$38,700 thousand)	100,190	100.00%	100,190 Note 3	1,484,085	-	
Shenzhen Her electronics science Co., Ltd.	Production sales of electronic components	42,660 (RMB10,000 thousand)	Note 1	44,898 (RMB10,000 thousand)	-	-	44,898 (RMB9,800 thousand)	803	35.00%	281 Note 4	45,513	-	
APAQ Bei	Production sales of electronic components	30,225 (US\$1,000 thousand)	Note 2	15,590 (US\$1,000 thousand)	15,073 (US\$1,000 thousand)	-	30,663 (US\$1,000,000)	2,222	100.00%	2,222 Note 3	34,712	-	

2. Limits of reinvestments in Mainland China:

Accumulated investment remitted from Taiwan to Mainland China at the end of the period (Note 6)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 6)	Upper limit on investment authorized by Investment Commission, MOEA
1,279,284 (US\$39,700 thousand and RMB9,800 thousand)	1,416,616 (US\$44,700 thousand and RMB9,800 thousand)	(Note 7)

Note 1. Investment in Mainland China indirectly through a third area.

Note 2. Direct investment in Mainland China.

Note 3. It was recognized based on financial statements of the same period reviewed by

Notes to the Consolidated Financial Report of APAQ Technology Co., Ltd. and its Subsidiaries (Continued)

CPAs.

Note 4. It was recognized based on financial statements of the same period not reviewed by CPAs.

Note 5. Relevant transactions and ending balances have been eliminated in the consolidated financial statements.

Note 6. The paid-in capital is converted into NT dollars at the exchange rate on the balance sheet date. The amount of investment remitted in the current period is converted into NT dollars at previous exchange rates. The investment amount approved by Investment Commission, MOEA of US\$44,700 thousand and RMB 9,800 thousand is converted into NT dollars at previous exchange rates. In addition, as of March 31, 2020, there was still an approved investment amount of US\$5,000,000, which had not yet been remitted.

Note 7. The Company has obtained the certificate letter of enterprise headquarters operation scope issued by the Industrial Development Bureau, MOEA. The upper limits for investments in Mainland China set by the Investment Commission, MOEA no longer apply.

3. Significant transactions:

Please refer to the "Information on Significant Transactions" for direct or indirect material transactions between the consolidated company and investees in China (which have been eliminated during the preparation of consolidated financial statements) for the three months ended March 31, 2020.

(IV) Information on major shareholders:

Name of Major Shareholder	Shareholding	No. of Shares Held	Shareholding %
Hua Cheng Venture Capital Co., Ltd.		10,668,012	12.62%
Prosperity Dielectrics Co., Ltd.		4,945,000	5.85%
INPAQ Technology Co., Ltd.		4,776,329	5.65%
Walton Advanced Engineering, Inc.		4,591,000	5.43%

XIV. Segment Information

The consolidated company focuses on producing ultra-small, high temperature-resistant, long life, low impedance electrolytic capacitors and cooperates with customers to develop and manufacture high voltage capacitors, chip capacitors, organic semiconductor solid capacitors and high energy storage capacitors. It is a single operating segment. The information of the operating segment is consistent with the consolidated financial statements. Please refer to the consolidated statements of comprehensive income for revenue (revenue from external customers) and income/loss of the segment and the consolidated balance sheet for segment information.