

(English Translation of Financial Report Originally Issued in Chinese)

YEN SUN TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Financial Statements for the

**Nine Months Ended September 30, 2020 and 2019 and
Independent Auditors' Review Report**

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Independent Auditors' Review Report

The Board of Director's
YEN SUN TECHNOLOGY CORP.

Introduction

We have reviewed the accompanying consolidated balance sheets of Yen Sun Technology Corp. (the Company) and subsidiaries as of September 30, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the three and nine months ended September 30, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed issued into effect and by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(2), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$ 23,829 thousand and \$ 224,648 thousand, constituting 1% and 10% of consolidated total assets as of September 30, 2020 and 2019, respectively, total liabilities amounting to \$ 30,706 thousand and \$ 238,207 thousand, constituting 2% and 17% of consolidated total liabilities as of September 30, 2020 and 2019, respectively, and total comprehensive income amounting to \$4,258 thousand, \$6,660 thousand, \$5,620 thousand and \$13,594 thousand, constituting 9%, 44%, 6% and 32% of consolidated total comprehensive income for the three and nine months ended September 30, 2020 and 2019, respectively.

Qualified Conclusion

Based on our reviews, except for the effects of the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Yen Sun Technology Corp. and subsidiaries as of September 30, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three and nine months ended September 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Po Jen, Yang and Kuo Tsing, Chen.

KPMG

Kaohsiung, Taiwan (Republic of China)

November 10, 2020

Notes to Readers

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

YEN SUN TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2020, December 31, 2019 and September 30, 2019

(Expressed in thousands of New Taiwan Dollar)

(Reviewed, not audited)

		September 30, 2020		December 31, 2019		September 30, 2019				September 30, 2020		December 31, 2019		September 30, 2019	
Assets		Amount	%	Amount	%	Amount	%	Liabilities and equity		Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(1))	\$ 216,836	8	178,432	7	166,496	7	2100	Short-term borrowings (note 6(11) and 8)	\$ 183,460	7	224,574	9	208,624	9
1151	Notes receivables, net (note 6(3) and (19))	29,224	1	20,978	1	30,877	1	2170	Accounts payable	668,137	25	577,675	24	489,602	21
1170	Accounts receivable, net (note 6(3) and (19))	857,567	33	696,195	29	625,482	27	2200	Other payables	157,356	6	144,657	6	163,643	7
130X	Inventories (note 6(5))	625,116	24	662,756	27	616,940	26	2230	Current income tax liabilities	25,344	1	17,034	-	7,287	-
1470	Other current assets (note 6(10))	31,165	1	43,706	2	42,372	2	2280	Lease liabilities, current (note 6(13))	21,339	1	17,977	1	17,934	1
1476	Other current financial assets (note 6(4) and 8)	19,630	1	29,827	1	44,377	2	2320	Long-term borrowings, current portion (note 6(12) and 8)	47,662	2	48,691	2	32,381	1
Total current assets		1,779,538	68	1,631,894	67	1,526,544	65	2399	Other current liabilities (note 6(14) and (19))	24,677	1	30,414	1	25,959	1
Non-Current Assets								Total of current liabilities							
1517	Non-current financial assets at fair value through other comprehensive income (note 6(2))	2,969	-	4,204	-	3,786	-	Non-current liabilities:							
1600	Property, plant and equipment (note 6(6) and 8)	660,685	25	640,924	26	642,111	27	2540	Long-term borrowings (note 6(12) and 8)	328,122	12	300,746	12	325,083	14
1755	Right-of-use assets (note 6(7))	129,133	5	125,550	5	131,877	6	2570	Deferred tax liabilities	127	-	127	-	-	-
1760	Investment property, net (note 6(8))	12,460	-	12,856	1	13,089	1	2580	Lease liabilities, non-current (note 6(13))	112,625	4	110,332	5	115,986	5
1780	Intangible assets (note 6(9))	3,327	-	3,702	-	3,559	-	2600	Other non-current liabilities (note 6(14))	6,033	-	538	-	537	-
1840	Deferred income tax assets	9,170	-	9,170	-	7,868	-	2640	Net defined benefit liability, non-current	24,463	1	27,683	1	23,112	1
1980	Other financial assets, non-current (note 6(4) and 8)	13,521	1	11,635	1	11,669	1	Total non-current liabilities							
1995	Other non-current assets (notes 6(10))	14,645	1	4,642	-	4,770	-	Total liabilities							
Total non-current assets		845,910	32	812,683	33	818,729	35	Equity attributable to owners of parent (note 6(17)):							
								3100	Capital stock	697,869	26	697,869	29	697,869	30
								3200	Capital surplus	119,761	5	119,761	5	119,761	5
								3300	Retained earnings	203,021	8	109,353	4	101,705	4
								3400	Other equity interest	17,225	1	17,146	1	15,790	1
								3500	Treasury stock	(11,773)	-	-	-	-	-
								Total equity							
								Total liabilities and equity							
Total Assets		\$ 2,625,448	100	2,444,577	100	2,345,273	100			\$ 2,625,448	100	2,444,577	100	2,345,273	100

See accompanying notes to consolidated financial statements.

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

YEN SUN TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Three and Nine Months Ended September 30, 2020 and 2019

(Expressed in thousands of New Taiwan Dollar)

(Reviewed, not audited)

		For the three months ended September 30,				For the nine months ended June 30,			
		2020		2019		2020		2019	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Net operating revenue (notes 6(19))	\$ 880,225	100	669,959	100	2,527,935	100	2,231,145	100
5000	Operating costs (notes 6(5)(17))	720,833	82	542,418	81	2,098,498	83	1,837,300	82
5900	Gross profit	159,392	18	127,541	19	429,437	17	393,845	18
6000	Operating expenses (notes 6(7) (20)):								
6100	Selling expenses	41,156	5	44,952	6	132,155	5	168,290	8
6200	General and administrative expenses	32,715	4	19,336	3	78,584	3	73,284	3
6300	Research and development expenses	33,805	4	31,073	5	98,139	4	93,288	4
6450	Expected credit impairment loss(profit)(note6(3)(4))	259	-	2,155	-	(3,688)	-	2,321	-
	Total operating expenses	107,935	13	97,516	14	305,190	12	337,183	15
6900	Net operating income	51,457	5	30,025	5	124,247	5	56,662	3
7000	Non-operating income and expenses (notes 6(13)(21)):								
7100	Interest income	37	-	575	-	795	-	2,396	-
7010	Other income	5,573	-	3,911	1	16,936	1	15,579	1
7020	Other gains and losses	(3,537)	-	(12,655)	(2)	(15,485)	(1)	(8,394)	-
7050	Finance costs	(3,433)	-	(4,063)	(1)	(10,714)	-	(12,329)	(1)
	Total non-operating income and expenses	(1,360)	-	(12,232)	(2)	(8,468)	-	(2,748)	-
7900	Income before income tax	50,097	5	17,793	3	115,779	5	53,914	3
7950	Income tax expenses (note 6(16))	3,989	-	8,116	1	22,111	1	15,732	1
8200	Net income	46,108	5	9,677	2	93,668	4	38,182	2
8300	Other comprehensive income:								
8310	items that will not be reclassified to profit or loss								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (notes 6(17))	182	-	(463)	-	(1,235)	-	(381)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
		182	-	(463)	-	(1,235)	-	(381)	-
8360	Items that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements (notes 6(17))	(1,409)	-	6,036	1	1,314	-	4,058	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
		(1,409)	-	6,036	1	1,314	-	4,058	-
8300	Other comprehensive income	(1,227)	-	5,573	1	79	-	3,677	-
8500	Total comprehensive income	<u>\$ 44,881</u>	<u>5</u>	<u>15,250</u>	<u>3</u>	<u>93,747</u>	<u>4</u>	<u>41,859</u>	<u>2</u>
	Earnings per share (New Taiwan Dollars) (note 6(18))								
9750	Basic earnings per share	<u>\$ 0.67</u>		<u>0.14</u>		<u>1.35</u>		<u>0.55</u>	
9850	Diluted earnings per share	<u>\$ 0.67</u>		<u>0.14</u>		<u>1.35</u>		<u>0.55</u>	

See accompanying notes to consolidated financial statements.

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

YEN SUN TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2020 and 2019

(Expressed in thousands of New Taiwan Dollar)

(Reviewed, not audited)

Equity attributable to owners of parent

	Share capital			Retained earnings					Other equity interest		Treasury stock	Total equity
	Ordinary shares	Entitled Certificate	Total	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains from financial assets measured at fair value through other comprehensive income		
Balance at January 1, 2019	\$ 672,666	5,691	678,357	114,729	43,394	3,798	16,331	63,523	11,177	936	12,113	868,722
Profit	-	-	-	-	-	-	38,182	38,182	-	-	-	38,182
Other comprehensive income	-	-	-	-	-	-	-	-	4,058	(381)	-	3,677
Total comprehensive income	-	-	-	-	-	-	38,182	38,182	4,058	(381)	-	41,859
Conversion of convertible bonds	25,203	(5,691)	19,512	5,032	-	-	-	-	-	-	-	24,544
Balance as of September 30, 2019	\$ 697,869	-	697,869	119,761	43,394	3,798	54,513	101,705	15,235	555	15,790	935,125
Balance at January 1, 2020	\$ 697,869	-	697,869	119,761	43,394	3,798	62,161	109,353	16,173	973	17,146	944,129
Profit	-	-	-	-	-	-	93,668	93,668	-	-	-	93,668
Other comprehensive income	-	-	-	-	-	-	-	-	1,314	(1,235)	79	79
Total comprehensive income	-	-	-	-	-	-	93,668	93,668	1,314	(1,235)	79	93,747
Appropriation and distribution of retained earnings:												
Appropriation for legal reserve	-	-	-	-	5,047	-	(5,047)	-	-	-	-	-
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	(11,773)	(11,773)
Balance as of September 30, 2020	\$ 697,869	-	697,869	119,761	48,441	3,798	150,782	203,021	17,487	(262)	17,225	1,026,103

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the Nine Months Ended September 30, 2020 and 2019

(Expressed in thousands of New Taiwan Dollar)

	For the nine months ended September 30	
	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 115,779	53,914
Adjustments:		
Adjustments to reconcile profit (loss)		
Expected credit impairment loss (reversal gain)	(3,688)	2,321
Depreciation expense	68,899	60,948
Amortization expense	1,083	1,665
Net profit on financial assets or liabilities at fair value through profit or loss	-	(14)
Interest expense	10,714	12,329
Interest income	(795)	(2,396)
Loss on disposal of property, plant and equipment	415	898
Unrealized foreign exchange loss (gain)	6,048	(3,353)
Total adjustments to reconcile profit:	82,676	72,398
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(8,247)	(852)
Accounts receivable	(173,083)	22,787
Inventories	36,446	67,624
Other current assets	12,429	12,632
Other financial assets	10,798	3,705
Total net changes in operating assets:	(121,657)	105,896
Changes in operating liabilities:		
Accounts payable	99,708	55,416
Other payables	18,059	(16,886)
Other current liabilities	(3,000)	(25,339)
Net defined benefit liability	(3,220)	(601)
Other non-current liabilities	(72)	-
Total net changes in operating liabilities	111,475	12,590
Total changes in operating assets and liabilities	(10,182)	118,486
Total adjustments	72,494	190,884
Cash inflow generated from operating	188,273	244,798
Interest received	781	667
Interest paid	(10,698)	(12,375)
Income taxes paid	(13,801)	(28,050)
Net cash flows from operating activities	164,555	205,040
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(73,778)	(87,986)
Proceeds from disposal of property, plant and equipment	-	29
Proceeds from disposal of Mainland China home appliances department	-	31,414
Increase in guarantee deposits paid	(1,095)	(416)
Acquisition of intangible assets	(711)	(1,007)
Increase in prepayments for equipment	(14,645)	(4,770)
(Increase) decrease in restricted deposit	(1,745)	31,161
Net cash flows from (used in) investing activities	(91,974)	(31,575)
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	(40,142)	(130,423)
Proceeds from long-term borrowings	70,000	35,000
Repayment of long-term borrowings	(43,653)	(44,218)
Increase (decrease) in guarantee deposits received	2,965	(1,231)
Payment of lease liabilities	(13,813)	(11,543)
Payments to acquire treasury shares	(11,773)	-
Net cash flows from (used in) financing activities	(36,416)	(152,415)
Effect of exchange rate changes on cash and cash equivalents	2,239	4,866
Net increase (decrease) in cash and cash equivalents	38,404	25,916
Cash and cash equivalents at beginning of period	178,432	140,580
Cash and cash equivalents at end of period	\$ 216,836	166,496

See accompanying notes to consolidated financial statements.

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

YEN SUN TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2020 and 2019

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

(Reviewed, not audited)

1. Company history

Yen Sun Technology Corporation (the “Company”) was incorporated in March 10, 1987 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The consolidated financial statements for the nine months ended September 30, 2020 comprise the Company and its subsidiaries (jointly referred to as the Group). The Group is engaged in the manufacture and sale of home appliances and electronic cooling products such as electric fans, electric cookers, induction cookers, juice machines, bowl dryers, water dispensers, dehumidifiers, electric heaters and other home appliances, cooling fans, heat sink and thermal modules.

2. Financial Statements Authorization Date and Authorization Process

The consolidated financial statements were authorized for issuance by the Board of Directors on November 10, 2020.

3. New standards, amendments and interpretations adopted

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020
Amendments to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of significant changes are as follows :

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

Amendments to IFRS 16 “Covid-19-Related Rent Concessions”

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets certain conditions is a lease modification, rather any changes in lease liability are recognized in profit or loss. The amendments have been endorsed by the FSC in July 2020, earlier application from January 1, 2020 is permitted. Related accounting policy is explained in Note 4(3).

The Group has elected to apply the practical expedient for all rent concessions that meet the criteria beginning January 1, 2020, with early adoption. No adjustment was made upon the initial application of the amendments. The amounts recognized in profit or loss for the three and nine months ended September 30, 2020 were \$0 thousand and \$279 thousand, respectively.

- (2) The impact of new and revised International Financial Reporting Standards and Interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not adopted yet.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2021 :

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	January 1, 2021

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

- (3) Newly released or amended standards and interpretations not yet endorsed by the FSC as of the date, the following new standards and amendments that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022
Amendments to IFRS 3 “References to the Conceptual Framework”	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform — Phase 2”	January 1, 2021

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

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

4. Summary of Significant Accounting Policies

(1) Statement of compliance

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

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

(2) Basis of consolidation

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

Name of investor	Name of subsidiary	Business activity	Percentage ownership			Note
			September 30, 2020	December 31, 2019	September 30, 2019	
The Company	YEN SUN TECHNOLOGY (BVI) CORP.	Investment holding	100% Note1	100%	100%	-
The Company	YEN SUN TECH INTERNATIONAL (SAMOA) CORP.	Investment holding	100%	100%	100%	-
The Company	LUCRATIVE INT'L GROUP INC.	Investment holding	100%	100%	100% Note1	-
The Company	YEN JIU TECHNOLOGY CORP. (“YEN JIU”)	Sales and manufacture of home appliances products	100%	100%	100%	-
YEN SUN TECHNOLOGY (BVI) CORP.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD. (“SHANGHAI YENSUN”)	Sales and manufacture of home appliances products	100% Note1	100%	100%	-
YEN SUN TECH INTERNATIONAL (SAMOA) CORP.	YEN HUNG INTERNATIONAL CORP.	Investment holding	100%	100%	100%	-
YEN SUN TECH INTERNATIONAL (SAMOA) CORP.	YEN TONG TECH INTERNATIONAL (SAMOA) CORP.	Investment holding	100%	100%	100%	Note1
YEN HUNG INTERNATIONAL CORP.	Y.H.TECH INTERNATIONAL CORP.	Investment holding	100%	100%	100%	-

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

Name of investor	Name of subsidiary	Business activity	Percentage ownership			Note
			September 30, 2020	December 31, 2019	September 30, 2019	
Y.H.TECH INTERNATIONAL CORP.	DARSON ELECTRONICS (DONGGUAN) LTD. ("DARSON")	Manufacture of electronic cooling products	100%	100%	100%	-
DARSON ELECTRONICS (DONGGUAN) LTD. and LUCRATIVE INT'L GROUP INC.(Note2)	YEN GIANT METAL (DONGGUAN) CO., LTD. ("YEN GIANT")	Sales and manufacture of heat sink and thermal module, and electronic cooling products	100%	100%	100% Note1	-

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

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

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

(3) Leases

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- A. the rent concessions occurring as a direct consequence of the covid-19 pandemic;
- B. the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- C. any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- D. there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(4) Government grants

The Group recognizes an unconditional government grant related to a biological asset in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

(5) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of IAS 34 “Interim Financial Reporting”.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(6) Employee benefit

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

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

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

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

6. Explanation of significant accounting items

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

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

(1) Cash and cash equivalent

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Cash and petty cash	\$ 2,087	1,152	1,517
Check deposits	384	50	58
Demand deposits	214,065	176,930	164,621
Time deposits	<u>300</u>	<u>300</u>	<u>300</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u><u>\$ 216,836</u></u>	<u><u>178,432</u></u>	<u><u>166,496</u></u>

(2) Financial assets at fair value through other comprehensive income—Non-current

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Equity instruments at fair value through other comprehensive income:			
Foreign un-listed stocks —			
Y.S. Tech U.S.A Inc.	<u><u>\$ 2,969</u></u>	<u><u>4,204</u></u>	<u><u>3,786</u></u>

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

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments both for the three and nine months ended September 30, 2020 and 2019.

For market risk, please refer to Note 6(22)

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

(3) Notes and accounts receivable

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Notes receivable from operating activities	\$ 29,224	20,978	30,877
Accounts receivables—measured as amortized cost	882,168	724,649	652,894
Less: Allowance for impairment	<u>(24,601)</u>	<u>(28,454)</u>	<u>(27,412)</u>
	<u><u>\$ 886,791</u></u>	<u><u>717,173</u></u>	<u><u>656,359</u></u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Book as:			
Notes receivable	\$ 29,224	20,978	30,877
Accounts receivable, net	<u>857,567</u>	<u>696,195</u>	<u>625,482</u>
	<u>\$ 886,791</u>	<u>717,173</u>	<u>656,359</u>

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

	<u>September 30, 2020</u>		
	Carrying amount of Notes and accounts receivable	Weighted- average expected credit loss rate	Loss allowance for lifetime expected credit losses
Not over due	\$ 851,015	0.02%	190
Overdue less than 90 days	35,293	0.56%	197
Overdue 91 to 180 days	1,314	33.97%	446
Overdue 181 to 240 days	10	75.40%	8
Overdue 241 to 365 days	-	100.00%	-
Overdue over 366 days	<u>23,760</u>	<u>100.00%</u>	<u>23,760</u>
	<u>\$ 911,392</u>		<u>24,601</u>
	<u>December 31, 2019</u>		
	Carrying amount of Notes and accounts receivable	Weighted- average expected credit loss rate	Loss allowance for lifetime expected credit losses
Not over due	\$ 683,148	0.01%	79
Overdue less than 90 days	27,041	0.54%	147
Overdue 91 to 180 days	9,856	26.89%	2,650
Overdue 181 to 240 days	19	76.70%	15
Overdue 241 to 365 days	2	100.00%	2
Overdue over 366 days	<u>25,561</u>	<u>100.00%</u>	<u>25,561</u>
	<u>\$ 745,627</u>		<u>28,454</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

	September 30, 2019		
	Carrying amount of Notes and accounts receivable	Weighted- average expected credit loss rate	Loss allowance for lifetime expected credit losses
Not over due	\$ 603,522	0.10%	2
Overdue less than 90 days	48,268	0.31%	148
Overdue 91 to 180 days	6,490	27.29%	1,771
Overdue 181 to 240 days	-	- %	-
Overdue 241 to 365 days	-	- %	-
Overdue over 366 days	25,491	100.00%	25,491
	\$ 683,771		27,412

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

	For the nine months ended September 30	
	2020	2019
Balance at January 1	\$ 28,454	28,545
Impairment losses recognized (reversed)	(3,698)	731
Amounts written off	-	(1,345)
Foreign exchange losses	(155)	(519)
Balance at September 30	\$ 24,601	27,412

The abovementioned financial assets were not pledged as collateral.

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

(4) Other financial assets

	September 30, 2020	December 31, 2019	September 30, 2019
Refundable deposits	\$ 8,521	7,462	7,505
Other receivables-disposal of operation department in Mainland China	23,555	22,833	22,510
Other receivables — Other	11,695	22,801	16,420
Restricted deposits	12,949	11,203	11,201
Less: Loss allowance	(23,569)	(22,837)	(1,590)
	\$ 33,151	41,462	56,046

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Book as:			
Other financial assets — current	\$ 19,630	29,827	44,377
Other financial assets — non-current	<u>13,521</u>	<u>11,635</u>	<u>11,669</u>
	<u>\$ 33,151</u>	<u>41,462</u>	<u>56,046</u>

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

(5) Inventories

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Raw materials and supplies	\$ 226,134	268,830	242,422
Work in progress	199,359	148,692	167,842
Finished goods and Merchandise	<u>199,623</u>	<u>245,234</u>	<u>206,676</u>
inventories	<u>\$ 625,116</u>	<u>662,756</u>	<u>616,940</u>

For the three and nine months ended September 30, 2020 and 2019, recognition of inventory impairment losses due to write-off of inventories to net realizable value was \$16,808 thousand, \$455 thousand, \$54,312 thousand and \$848 thousand, and has been recognize under operating costs.

Abovementioned inventories were not pledged as collaterals.

(6) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Molds</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:							
Balance at January 1, 2020	\$ 267,535	182,286	224,997	402,029	95,114	426	1,172,387
Additions	24,150	2,974	26,624	14,775	4,447	404	73,374
Reclassification	-	-	-	-	422	(422)	-
Disposals	-	-	(2,992)	(226)	(2,172)	-	(5,390)
Effect of movements in exchange rates	-	(116)	(555)	(363)	(107)	(3)	(1,144)
Balance at September 30, 2020	<u>\$ 291,685</u>	<u>185,144</u>	<u>248,074</u>	<u>416,215</u>	<u>97,704</u>	<u>405</u>	<u>1,239,227</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

	Land	Buildings	Machinery and equipment	Molds	Other equipment	Construction in progress	Total
Balance at January 1, 2019	\$ 267,535	23,950	183,868	388,340	84,710	134,065	1,082,468
Additions	-	28,152	42,165	16,344	9,445	171	96,277
Reclassification	-	128,336	-	-	5,073	(133,409)	-
Disposals	-	-	(3,329)	(4,716)	(6,408)	-	(14,453)
Effect of movements in exchange rates	-	(502)	(2,088)	(1,224)	(384)	(27)	(4,225)
Balance at September 30, 2019	<u>\$ 267,535</u>	<u>179,936</u>	<u>220,616</u>	<u>398,744</u>	<u>92,436</u>	<u>800</u>	<u>1,160,067</u>
Accumulated depreciation and Impairment:							
Balance at January 1, 2020	\$ -	25,534	125,818	318,270	61,841	-	531,463
Depreciation for the year	-	10,515	15,314	21,572	5,306	-	52,707
Disposals	-	-	(2,788)	(204)	(1,983)	-	(4,975)
Effect of movements in exchange rates	-	(45)	(288)	(254)	(66)	-	(653)
Balance at September 30, 2020	<u>\$ -</u>	<u>36,004</u>	<u>138,056</u>	<u>339,384</u>	<u>65,098</u>	<u>-</u>	<u>578,542</u>
Balance at January 1, 2019	\$ -	14,070	113,169	297,769	61,713	-	486,721
Depreciation for the year	-	8,302	12,248	21,019	5,484	-	47,053
Disposals	-	-	(2,687)	(4,716)	(6,123)	-	(13,526)
Effect of movements in exchange rates	-	(169)	(980)	(900)	(243)	-	(2,292)
Balance at September 30, 2019	<u>\$ -</u>	<u>22,203</u>	<u>121,750</u>	<u>313,172</u>	<u>60,831</u>	<u>-</u>	<u>517,956</u>
Carrying amounts:							
Balance at January 1, 2020	<u>\$ 267,535</u>	<u>156,752</u>	<u>99,179</u>	<u>83,759</u>	<u>33,273</u>	<u>426</u>	<u>640,924</u>
Balance at September 30, 2020	<u>\$ 291,685</u>	<u>149,140</u>	<u>110,018</u>	<u>76,831</u>	<u>32,606</u>	<u>405</u>	<u>660,685</u>
Balance at January 1, 2019	<u>\$ 267,535</u>	<u>9,880</u>	<u>70,699</u>	<u>90,571</u>	<u>22,997</u>	<u>134,065</u>	<u>595,747</u>
Balance at September 30, 2019	<u>\$ 267,535</u>	<u>157,733</u>	<u>98,866</u>	<u>85,572</u>	<u>31,605</u>	<u>800</u>	<u>642,111</u>

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

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

(7) Right-of-use assets

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

	Buildings	Transportation equipment	Total
Right-of-use assets cost:			
Balance at January 1, 2020	\$ 139,850	3,855	143,705
Additions	1,998	-	1,998
Re-measurement (The changes of contract rent)	18,455	-	18,455
Effect of movements in exchange rates	(1,060)	-	(1,060)

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

	Buildings	Transportation equipment	Total
Balance at September 30, 2020	\$ 159,243	3,855	163,098
Balance at January 1, 2019	\$ 116,788	2,420	119,208
Additions	13,113	1,435	14,548
Re-measurement (The changes of contract rent)	15,318	-	15,318
Effect of movements in exchange rates	(4,044)	-	(4,044)
Balance at September 30, 2019	\$ 141,175	3,855	145,030
Accumulated Depreciation:			
Balance at January 1, 2020	\$ 16,778	1,377	18,155
Depreciation for the period	14,811	1,092	15,903
Effect of movements in exchange rates	(93)	-	(93)
Balance at September 30, 2020	\$ 31,496	2,469	33,965
Balance at January 1, 2019	\$ -	-	-
Depreciation for the period	12,570	1,013	13,583
Effect of movements in exchange rates	(430)	-	(430)
Balance at September 30, 2019	\$ 12,140	1,013	13,153
Carrying amounts:			
Balance at January 1, 2020	\$ 123,072	2,478	125,550
Balance at September 30, 2020	\$ 127,747	1,386	129,133
Balance at January 1, 2019	\$ 116,788	2,420	119,208
Balance at September 30, 2019	\$ 129,035	2,842	131,877

(8) Investment Property

	Owned property Buildings and others	Right-of-use assets Land	Total
Carrying amounts:			
Balance at January 1, 2020	\$ 5,880	6,976	12,856
Balance at September 30, 2020	\$ 5,749	6,711	12,460
Balance at January 1, 2019	\$ 6,228	7,537	13,765
Balance at September 30, 2019	\$ 5,969	7,120	13,089

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

There was no significant increase for acquisition, disposal, reversal or write-down of impairment loss of investment property for the nine months ended September 30, 2020 and 2019. Please refer Note 6(10) for other related information.

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

Investment property were not pledged as collateral.

(9) Intangible assets

	Computer software	Others	Total
Carrying amounts:			
Balance at January 1, 2020	\$ <u>3,037</u>	<u>665</u>	<u>3,702</u>
Balance at September 30, 2020	\$ <u>2,798</u>	<u>529</u>	<u>3,327</u>
Balance at January 1, 2019	\$ <u>3,370</u>	<u>847</u>	<u>4,217</u>
Balance at September 30, 2019	\$ <u>2,848</u>	<u>711</u>	<u>3,559</u>

There was no significant increase for acquisition, disposal, reversal or write-down of impairment loss of intangible assets for the nine months ended September 30, 2020 and 2019. Please refer Note 6(11) for other related information.

Intangible assets were not pledged as collateral.

(10) Other current assets and non-current assets

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

	<u>September 30,2020</u>	<u>December 31, 2019</u>	<u>September 30,2019</u>
Prepayment for purchases	\$ 2,280	8,817	5,030
Prepaid expense	5,733	8,170	9,510
Prepayments for equipment	14,645	4,642	4,770
Income tax refund receivable	19,218	22,301	23,789
Assets for right to recover product to be returned	3,200	3,684	3,308
Other	734	734	735
	<u>\$ 45,810</u>	<u>48,348</u>	<u>47,142</u>
	<u>September 30,2020</u>	<u>December 31, 2019</u>	<u>September 30,2019</u>
Current	\$ 31,165	43,706	42,372
Non-current	14,645	4,642	4,770
	<u>\$ 45,810</u>	<u>48,348</u>	<u>47,142</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

(11) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>September 30,2020</u>	<u>December 31, 2019</u>	<u>September 30,2019</u>
Letters of credit	\$ -	6,586	-
Unsecured bank loans	133,460	137,988	148,624
Secured bank loans	<u>50,000</u>	<u>80,000</u>	<u>60,000</u>
Total	<u>\$ 183,460</u>	<u>224,574</u>	<u>208,624</u>
Unused short-term credit lines	<u>\$ 669,726</u>	<u>615,106</u>	<u>699,807</u>
Range of interest rates	<u>1.00%~1.72%</u>	<u>1.25%~3.48%</u>	<u>1.25%~4.60%</u>

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

(12) Long-term borrowings

The details of long-term borrowings were as follows:

	<u>September 30,2020</u>	<u>December 31, 2019</u>	<u>September 30,2019</u>
Unsecured bank borrowings	\$ 43,534	57,152	62,500
Secured bank loans	<u>332,250</u>	<u>292,285</u>	<u>294,964</u>
	375,784	349,437	357,464
Less: current portion	<u>47,662</u>	<u>48,691</u>	<u>32,381</u>
Total	<u>\$ 328,122</u>	<u>300,746</u>	<u>325,083</u>
Unused long-term credit lines	<u>\$ -</u>	<u>-</u>	<u>-</u>
Range of interest rates	<u>1.35%~1.73%</u>	<u>1.55%~1.88%</u>	<u>1.52%~1.73%</u>

A. The increased amount of long-term borrowing of the Group for the nine months ended September 30, 2020 and 2019, was \$70,000 thousand and \$35,000 thousand respectively, the interest rate ranges were 1.35% to 1.6% and 1.73%.; the repayment amount were \$43,653 thousand and \$44,218 thousand respectively. Please refer to Note 6(21) for interest expenses. For other related information, please refer to Note 6(14) of the consolidated financial report for the year ended December 31, 2019.

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

(13) Lease liabilities

The details of lease liabilities were as follows:

	<u>September</u>	<u>December 31,</u>	<u>September</u>
	<u>30,2020</u>	<u>2019</u>	<u>30,2019</u>
Current	\$ 21,339	17,977	17,934
Non-current	<u>\$ 112,625</u>	<u>110,332</u>	<u>115,986</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

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

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Interest on lease liabilities	<u>\$ 2,832</u>	<u>1,373</u>	<u>5,649</u>	<u>4,243</u>
Expenses relating to short-term leases	<u>\$ 264</u>	<u>214</u>	<u>804</u>	<u>2,069</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 99</u>	<u>171</u>	<u>321</u>	<u>469</u>
Covid-19-related rent concessions (recognized as other income)	<u>\$ -</u>	<u>-</u>	<u>279</u>	<u>-</u>

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

	For the nine months ended September 30,	
	2020	2019
Total cash outflow for leases	<u>\$ 20,308</u>	<u>18,324</u>

A. Lease of land and Buildings

The Group leases buildings for its factory and warehouse. The leases typically run for a period of 3 to 6 years. Some leases include an option to renew the lease after the end of the contract term.

B. Other leases

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

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

(14) Other current and non-current liabilities

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Advance receipts	\$ 3,130	5,294	3,237
Guarantee deposit received	6,033	3,057	3,084
Provision for warranties	1,108	1,243	2,110
Refund liabilities	6,533	9,627	7,136
Others	13,906	11,731	10,929
	<u>\$ 30,710</u>	<u>30,952</u>	<u>26,496</u>
	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Current	\$ 24,677	30,414	25,959
Non-Current	6,033	538	537
	<u>\$ 30,710</u>	<u>30,952</u>	<u>26,496</u>

There were no significant changes of liabilities provision for the nine months ended September 30, 2020 and 2019. Please refer Note 6(17) of the consolidated financial report for the year ended December 31, 2019 for other related information.

(15) Employee benefits

A. Defined benefit plans

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

Cost recognized in expense was as below:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Operating cost	\$ 72	13	217	102
Selling expenses	36	32	108	238
General and administrative expenses	-	9	-	68
Total	<u>\$ 108</u>	<u>54</u>	<u>325</u>	<u>408</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

B. Defined contribution plans

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Operating cost	\$ 1,468	2,714	4,969	8,688
Selling expenses	531	597	1,787	1,926
General and administrative expenses	375	384	991	1,078
Research and development expenses	453	621	1,702	1,769
Total	<u>\$ 2,827</u>	<u>4,316</u>	<u>9,449</u>	<u>13,461</u>

(16) Income tax

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Current income tax expense				
Current period	\$ 3,609	4,180	21,401	11,487
Adjustment for prior period	380	3,936	710	4,245
Income tax expense	<u>\$ 3,989</u>	<u>8,116</u>	<u>22,111</u>	<u>15,732</u>

The Group's income tax returns for all fiscal years up to 2018 have been examined and approved by the tax authority. There were no disputes between the Group and the Tax Authority.

(17) Capital and other equity

The Group had no significant capital and other equity change for the nine months ended September 30, 2020 and 2019 except below statement. Please refer to Note 6(21) of the consolidated financial statements for the year ended December 31, 2019 for detail information.

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

A. Issuance of common stock

For the nine months ended September 30, 2019, the fifth convertible bonds issued by the Company amounting to \$24,000 thousand were converted into 1,951 thousand shares of common stock, resulting in premium on conversion of convertible bonds \$5,032 thousand. For the shares that were converted, the related registration procedures were not completed as of September 30, 2019.

B. Capital surplus

The balances of capital surplus were as follows:

	<u>September 30,2020</u>	<u>December 31, 2019</u>	<u>September 30,2019</u>
Premium on conversion of convertible bonds	\$ 86,977	86,977	86,977
Lapsed option	18,643	18,643	18,643
Treasury share transactions	<u>14,141</u>	<u>14,141</u>	<u>14,141</u>
	<u>\$ 119,761</u>	<u>119,761</u>	<u>119,761</u>

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

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

C. Retained earnings

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

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

- The company is currently in the stage of active market development. In order to support the growth of the company, the company's dividends can continue to operate in the future as the principle, and after comprehensively considering and improving the financial structure, maintaining stable dividends and protecting shareholders' reasonable compensation and other conditions, the board of directors prepare a plan in accordance with the articles of association and deliver it after approval by the shareholders' general meeting and the competent authority.
- Distribution ratio of cash dividends and stock dividends:
The distribution of dividends of the company's shareholders will be based on the stock dividends, cash dividends, or both two ways of issuance. When dividends being distribute, an appropriate ratio of cash and stock dividends shall be set up. Only cash dividends shall be paid at a rate not less than 10% of the current year's distribution.

On June 16, 2020 and June 25, 2019, according to the result of shareholders' general meeting, the Company did not plan to distribute the earnings of 2019 and 2018.

D. Other equity (Net amount after tax)

	Foreign exchange differences arising from foreign operation	Unrealized gains (losses) on financial assets measured at FVOCI	Total
Balance at January 1, 2020	\$ 16,173	973	17,146
Changes of the Group	1,314	(1,235)	79
Balance at September 30, 2020	<u>\$ 17,487</u>	<u>(262)</u>	<u>17,225</u>
Balance at January 1, 2019	\$ 11,177	936	12,113

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

	Foreign exchange differences arising from foreign operation	Unrealized gains (losses) on financial assets measured at FVOCI	Total
Changes of the Group	4,058	(381)	3,677
Balance at September 30, 2019	<u>\$ 15,235</u>	<u>555</u>	<u>15,790</u>

E. Treasury stock

For the nine months ended September 30, 2020, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 766 thousand shares as treasury shares in order to transfer shares to employees, the repurchase cost was \$11,773 thousand. As of September 30, 2020, a total 766 thousand shares were not yet cancelled.

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

(18) Earnings per share

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Basic earnings per share				
Profit attributable to ordinary shareholders of the Company	<u>\$ 46,108</u>	<u>9,677</u>	<u>93,668</u>	<u>38,182</u>
Weighted-average number of common shares (in thousands)	<u>69,021</u>	<u>69,787</u>	<u>69,339</u>	<u>69,430</u>
Earnings per share (in New Taiwan Dollar)	<u>\$ 0.67</u>	<u>0.14</u>	<u>1.35</u>	<u>0.55</u>
Diluted earnings per share				
Profit attributable to ordinary shareholders of the Company	\$ 46,108	9,677	\$ 93,668	38,182
Effect of potentially dilutive common stock- Convertible Bonds	-	-	-	21
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 46,108</u>	<u>9,677</u>	<u>93,668</u>	<u>38,203</u>
Weighted-average number of common shares (in thousands)	69,021	69,787	69,339	69,430

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Effect of convertible bonds (in thousands)	-	-	-	357
Effect of employee share bonus (in thousands)	128	59	169	59
Weighted-average number of common shares (in thousands)	<u>69,149</u>	<u>69,846</u>	<u>69,508</u>	<u>69,846</u>
Diluted earnings per share (in dollars)	<u>\$ 0.67</u>	<u>0.14</u>	<u>1.35</u>	<u>0.55</u>

(19) Revenue from contracts with customers

A. Details of revenue

	For the three months ended September 30, 2020		
	Home appliance Department	Electronic cooling Department	Total
Primary geographical markets:			
Domestic	\$ 124,276	418,043	542,319
Mainland China	-	88,306	88,306
Germany	-	135,842	135,842
America	1,698	47,755	49,453
Japan	1,971	2,703	4,674
South Korea	-	13,985	13,985
Others	178	45,468	45,646
	<u>\$ 128,123</u>	<u>752,102</u>	<u>880,225</u>
Major products services lines:			
Cooling fan	\$ -	589,307	589,307
Product of home appliances–air series	62,037	-	62,037
Product of home appliances–water series	54,516	-	54,516
Heat sink and thermal module	-	155,964	155,964
Others	11,570	6,831	18,401
	<u>\$ 128,123</u>	<u>752,102</u>	<u>880,225</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the three months ended September 30, 2019			
	Home appliance Department	Electronic cooling Department	Total
Primary geographical markets:			
Domestic	\$ 126,248	185,340	311,588
Mainland China	-	30,705	30,705
Germany	-	217,248	217,248
America	5,304	42,668	47,972
Japan	92	3,575	3,667
South Korea	-	25,479	25,479
Others	1,383	31,917	33,300
	\$ 133,027	536,932	669,959
Major products services lines:			
Cooling fan	\$ -	467,110	467,110
Product of home appliances–air series	59,138	-	59,138
Product of home appliances–water series	57,418	-	57,418
Heat sink and thermal module	-	63,912	63,912
Others	16,471	5,910	22,381
	\$ 133,027	536,932	669,959
For the nine months ended September 30, 2020			
	Home appliance Department	Electronic cooling Department	Total
Primary geographical markets:			
Domestic	\$ 542,032	848,752	1,390,784
Mainland China	1,803	228,138	229,941
Germany	-	562,773	562,773
America	7,081	128,947	136,028
Japan	22,153	5,740	27,893
South Korea	-	57,252	57,252
Others	4,908	118,356	123,264
	\$ 577,977	1,949,958	2,527,935

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

Major products services lines:

Cooling fan	\$	-	1,591,508	1,591,508
Product of home appliances–air series		361,895	-	361,895
Product of home appliances–water series		176,355	-	176,355
Heat sink and thermal module		-	336,575	336,575
Others		39,727	21,875	61,602
	\$	577,977	1,949,958	2,527,935

For the nine months ended September 30, 2019

		Home appliance Department	Electronic cooling Department	Total
Primary geographical markets:				
Domestic	\$	529,502	508,213	1,037,715
Mainland China		4,170	133,656	137,826
Germany		-	565,219	565,219
America		19,989	135,424	155,413
Japan		118,363	10,470	128,833
South Korea		-	68,731	68,731
Others		9,258	128,150	137,408
	\$	681,282	1,549,863	2,231,145

Major products services lines:

Cooling fan	\$	-	1,339,746	1,339,746
Product of home appliances–air series		479,759	-	479,759
Product of home appliances–water series		153,815	-	153,815
Heat sink and thermal module		-	194,466	194,466
Others		47,708	15,651	63,359
	\$	681,282	1,549,863	2,231,145

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

B. Contract balance

	<u>September 30,2020</u>	<u>December 31, 2019</u>	<u>September 30,2019</u>
Notes and accounts receivables	\$ 911,392	745,627	683,771
Less: allowance for impairment	(24,601)	(28,454)	(27,412)
Total	<u>\$ 886,791</u>	<u>717,173</u>	<u>656,359</u>
Contract liabilities — unearned revenue	<u>\$ 3,130</u>	<u>5,294</u>	<u>3,237</u>

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

The amount of revenue recognized for the three and nine months ended September 30, 2020 and 2019 that was included in the contract liability balance at the beginning of the period were \$1,000 thousand, \$228 thousand, \$4,914 thousand and \$3,257 thousand, respectively.

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

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

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

For the three and nine months ended at September 30, 2020 and 2019, the Company accrued the compensation of employees amounted to \$1,000 thousand, \$387 thousand, \$2,313 thousand and \$1,109 thousand, respectively and the remuneration of directors' amounted to \$499 thousand, \$193 thousand, \$1,156 thousand and \$554 thousand, respectively. The compensation of employees, remuneration of directors were estimated as the Company's net income before tax, excluding compensation of employees and remuneration of directors, multiplied by the appropriate percentage in compliance with the Company's articles. These expenses recognized under operating costs or operating expenses for the respective period. In case the variances between actual and estimated expenses occur during next year, the variances concerned will be recognized in next year's profit. If the Company's Board of Directors resolve to issue its stocks as the compensation of employees, it will be calculated

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

based on the closing price of its stock on the day before the approval by of Directors.

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

(21) Non-operating income and expenses

A. Interest income

Details of Interest income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Interest income				
Bank deposit	\$ 33	90	779	658
Other interest income	4	485	16	1,738
	<u>\$ 37</u>	<u>575</u>	<u>795</u>	<u>2,396</u>

B. Other income

Details of Other income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Sample income	\$ 955	1,948	3,733	4,463
Others	4,618	1,963	13,203	11,116
	<u>\$ 5,573</u>	<u>3,911</u>	<u>16,936</u>	<u>15,579</u>

C. Other gains and losses

Details of other gains and losses were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Net profit (losses) on foreign exchange gains	\$ (4,330)	(12,503)	(14,449)	(2,611)
Net gain on financial assets at fair value through profit or loss	-	-	-	14
Net loss on disposal of property, plant and equipment	(382)	(4)	(415)	(898)
Others	1,175	(148)	(621)	(4,899)
	<u>\$ (3,537)</u>	<u>(12,655)</u>	<u>(15,485)</u>	<u>(8,394)</u>

D. Finance costs

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

Details of finance costs were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Interest expenses				
Bank loan	\$ (601)	(2,690)	\$ (5,065)	(8,051)
Lease liability	(2,832)	(1,373)	(5,649)	(4,243)
Amortization of discount on bonds payable	-	-	-	(35)
	<u>\$ (3,433)</u>	<u>(4,063)</u>	<u>(10,714)</u>	<u>(12,329)</u>

(22) Financial instruments

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

A. Credit risk

(a) Concentration of credit risk

The Group has no significant concentration of credit risk as of September 30, 2020, December 31, and September 30, 2019.

(b) Credit risk of receivable and debt instrument investment

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

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

	September 30, 2020		
	Financial assets measured at amortized cost		
	12-month ECL	Lifetime ECL-unimpaired	Lifetime ECL-impaired
Refundable deposits	\$ 8,521	-	-
Other receivable	9,317	2,225	23,708
Restricted Deposit	12,949	-	-
Loss allowance	-	-	(23,569)
Amortized cost	<u>\$ 30,787</u>	<u>2,225</u>	<u>139</u>
Carrying amount	<u>\$ 30,787</u>	<u>2,225</u>	<u>139</u>

December 31, 2019

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

	Financial assets measured at amortized cost		
	12-month ECL	Lifetime ECL-unimpaired	Lifetime ECL-impaired
Refundable deposits	\$ 7,462	-	-
Other receivable	21,149	1,534	22,951
Restricted Deposit	11,203	-	-
Loss allowance	-	-	(22,837)
Amortized cost	\$ 39,814	1,534	114
Carrying amount	\$ 39,814	1,534	114
September 30, 2019			
	Financial assets measured at amortized cost		
	12-month ECL	Lifetime ECL-unimpaired	Lifetime ECL-impaired
Refundable deposits	\$ 7,505	-	-
Other receivable-disposal of Mainland China home appliance department	-	-	22,510
Other receivable	13,700	-	2,720
Restricted Deposit	11,201	-	-
Loss allowance	-	-	(1,590)
Amortized cost	\$ 32,406	-	23,640
Carrying amount	\$ 32,406	-	23,640

The movement in the provision for impairment with respect to the financial assets measured at amortized cost as of September 30, 2020 and 2019 were as follows:

	12-month ECL	Lifetime ECL- unimpaired	Lifetime ECL-impaired	Total
Balance at January 1, 2020	\$ -	-	22,837	22,837
Impairment loss recognized	-	-	10	10
Amount of convert to cash	-	-	911	911
Effect of changes in foreign currency exchange rates	-	-	(189)	(189)
Balance at September 30, 2020	\$ -	-	23,569	23,569

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

	12-month ECL	Lifetime ECL- unimpaired	Lifetime ECL-impaired	Total
Balance at January 1, 2019	\$ -	-	-	-
Impairment loss recognized	-	-	1,590	1,590
Balance at September 30, 2019	\$ -	-	1,590	1,590

B. Liquidity risk

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

	Carrying amount	Contract ed cash flow	Within 6 months	6-12 months	1-2 years	2-5 years	over 5 years
<u>September 30, 2020</u>							
Non-derivative financial liabilities							
Long- and Short-term borrowings (floating rate)	\$ 559,244	588,125	208,951	27,984	75,359	120,756	155,075
Accounts payable (non-interest bearing)	668,137	668,137	668,137	-	-	-	-
Other payables (non-interest bearing)	157,356	157,356	157,356	-	-	-	-
Lease liability (fixed interest rate)	133,964	153,943	13,693	13,418	26,109	75,323	25,400
Guarantee deposits (non-interest bearing)	6,033	6,033	-	-	1,764	4,269	-
	\$ 1,524,734	1,573,594	1,048,137	41,402	103,232	200,348	180,475
<u>December 31, 2019</u>							
Non-derivative financial liabilities							
Long- and Short-term borrowings (floating rate)	\$ 574,011	605,648	264,377	15,058	44,447	103,661	178,105
Accounts payable (non-interest bearing)	577,675	577,675	577,675	-	-	-	-
Other payables (non-interest bearing)	82,332	82,332	82,332	-	-	-	-
Lease liability (fixed interest rate)	128,309	149,930	11,745	11,745	23,248	64,122	39,070
Guarantee deposits (non-interest bearing)	3,057	3,057	-	2,592	465	-	-
	\$ 1,365,384	1,418,642	936,129	29,395	68,160	167,783	217,175
<u>September 30, 2019</u>							
Non-derivative financial liabilities							
Long- and Short-term borrowings (floating rate)	\$ 566,088	598,504	227,863	36,173	41,632	106,997	185,839
Accounts payable (non-interest bearing)	489,602	489,602	489,602	-	-	-	-
Other payables (non-interest bearing)	111,817	111,817	111,817	-	-	-	-
Lease liability (fixed interest rate)	133,470	156,803	11,794	11,795	23,428	65,373	44,413
Guarantee deposits (non-interest bearing)	3,084	3,084	-	2,619	465	-	-
	\$ 1,304,061	1,359,810	841,076	50,587	65,525	172,370	230,252

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

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

C. Market Risk

(a) Exchange rate risk

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

Risk as follows:										
	September 30, 2020				December 31, 2019			September 30, 2019		
	Foreign currency	Exchang e rate	TWD amount		Foreign currency	Exchang e rate	TWD amount	Foreign currency	Exchang e rate	TWD amount
Financial assets										
<u>Monetary items</u>										
USD	\$	35,204	29.10	1,024,471	45,363	29.98	1,360,005	43,700	31.040	1,356,456
EUR		806	34.15	27,512	545	33.59	18,297	508	33.95	17,231
CNY		42,386	4.269	180,975	37,114	4.305	159,812	31,884	4.350	138,717
Financial liabilities										
<u>Monetary items</u>										
USD		23,371	29.10	680,176	35,115	29.98	1,052,819	33,979	31.040	1,054,750
EUR		69	34.15	2,360	124	33.59	4,182	214	33.95	7,254
CNY		34,861	4.269	148,822	27,441	4.305	118,133	27,345	4.350	118,951
TWD		58,963	1	58,963	52,756	1	52,756	51,116	1	51,116

The foreign currency risk of Group was mainly incurred from the translation cash and cash equivalents, accounts receivable, other receivables, restricted deposits, loans, accounts payable and other payables. For the nine months end of September 30, 2020 and 2019, the exchange rate of the TWD versus the USD, CNY and EUR increases or decreases by 1%, given no changes in other factors, profit after tax will increase or decrease by \$3,213 thousand and \$2,414 thousand, respectively. The analysis adopt same assumes of variables.

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

	For the nine months ended September 30,			
	2020		2019	
	Profit(loss) of exchange	Average exchange rate	Profit(loss) of exchange	Average exchange rate
TWD	\$ (9,675)	-	6,611	-
CNY	(4,774)	4.2579	(9,222)	4.5183
	<u>\$ (14,449)</u>		<u>(2,611)</u>	

(b) Interest rate analysis

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

Sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. The method of

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

analysis assumes that the amount of liabilities in circulation on the reporting date is in circulation throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

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

	Interest rate increase 0.25%	Interest rate decrease 0.25%
Net profits after tax for the nine months ended September, 2020	Net profit decrease \$839 thousand	Net profit increase \$839 thousand
Net profits after tax, for the nine months ended September, 2019	Net profit decrease \$849 thousand	Net profit increase \$849 thousand

(c) Other price risk

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

	For the nine months ended September 30,			
	2020		2019	
Equity price at reporting date	Other comprehensive income after tax	Net profit (loss)	Other comprehensive income after tax	Net profit (loss)
Increase 3%	<u>\$ 71</u>	<u>-</u>	<u>91</u>	<u>-</u>
Decrease 3%	<u>\$ (71)</u>	<u>-</u>	<u>(91)</u>	<u>-</u>

D. Fair value

(a) Categories and fair values of financial instruments

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

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

September 30, 2020					
	Carrying Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at FVOCI					
Unlisted stock	\$ <u>2,969</u>	-	-	2,969	2,969
Financial assets at amortized cost					
Cash and cash equivalent	\$ 216,836	-	-	-	-
Notes and accounts receivables	886,791	-	-	-	-
Other Financial assets -current	19,630	-	-	-	-
Other Financial assets -non current	13,521	-	-	-	-
Subtotal	\$ <u>1,136,778</u>				
Financial liabilities at amortized cost					
Short-term borrowing	\$ 183,460	-	-	-	-
Account payable	668,137	-	-	-	-
Other payable	157,356	-	-	-	-
Long- term borrowing-current portion	47,662	-	-	-	-
Lease liability — current	21,339	-	-	-	-
Long -term borrowing	328,122	-	-	-	-
Lease liability — non-current	112,625	-	-	-	-
Guarantee deposits received	6,033	-	-	-	-
Subtotal	\$ <u>1,524,734</u>				
December 31, 2019					
	Carrying Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at FVOCI					
Unlisted stock	\$ <u>4,204</u>	-	-	4,204	4,204
Financial assets at amortized cost					
Cash and cash equivalent	\$ 178,432	-	-	-	-
Notes and accounts receivables	717,173	-	-	-	-
Other Financial assets -current	29,827	-	-	-	-
Other Financial assets -non current	11,635	-	-	-	-
Subtotal	\$ <u>937,067</u>				
Financial liabilities at amortized cost					
Short-term borrowing	\$ 224,574	-	-	-	-
Account payable	577,675	-	-	-	-
Other payable	82,332	-	-	-	-
Long- term borrowing-current portion	48,691	-	-	-	-
Lease liability — current	17,977	-	-	-	-
Long -term borrowing	300,746	-	-	-	-
Lease liability — non-current	110,332	-	-	-	-
Guarantee deposits received	3,057	-	-	-	-
Subtotal	\$ <u>1,365,384</u>				

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

	September 30, 2019				
	Carrying Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at FVOCI					
Unlisted stock	\$ <u>3,786</u>	-	-	3,786	3,786
Financial assets at amortized cost					
Cash and cash equivalent	\$ 166,496	-	-	-	-
Notes and accounts receivables	656,359	-	-	-	-
Other Financial assets -current	44,377	-	-	-	-
Other Financial assets -non current	11,669	-	-	-	-
Subtotal	\$ <u>878,901</u>				
Financial liabilities at amortized cost					
Short-term borrowing	\$ 208,624	-	-	-	-
Account payable	489,602	-	-	-	-
Other payable	111,817	-	-	-	-
Long- term borrowing-current portion	32,381	-	-	-	-
Lease liability — current	17,934	-	-	-	-
Long -term borrowing	325,083	-	-	-	-
Lease liability — non-current	115,986	-	-	-	-
Guarantee deposits received	3,084	-	-	-	-
Subtotal	\$ <u>1,304,511</u>				

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

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

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

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

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

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

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

Non-derivative financial instruments:

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

Except for the above-mentioned financial instruments with active markets, the fair value of the remaining financial instruments is obtained through evaluation or reference with counterparty quotations. The fair value can be calculated by reference

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

to the current fair value of other financial instruments with similar replacement conditions and characteristics, discounted cash flow method or other evaluation techniques, including the use of market information available on the balance sheet date. The equity instruments held by the Group without public quotes are based on the comparable company method to estimate fair value. The main assumptions are based on the net equity value of being-investors and the equity multiplier derived from the market quotes of comparable listed (counter) companies. The estimate has adjusted the discount effect of the lack of market liquidity.

(d) Transfers between Level 1 and Level 2

For the nine months ended September 30, 2020 and 2019, there was no transfer in the fair value grade of financial instruments assessed by the Group.

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

		Financial assets measured at fair value through other comprehensive income
		Equity investment without an active market
Balance at January 1, 2020	\$	4,204
Profit or loss		
Recognized in other comprehensive profit or loss		(1,235)
Balance at September 30, 2020	\$	2,969
Balance at January 1, 2019	\$	4,167
Profit or loss		
Recognized in other comprehensive profit or loss		(381)
Balance at September 30, 2019	\$	3,786

The benefits or losses are reported in the unrealized valuation benefits (losses) of financial assets measured at fair value, which is the outcome of assets that still hold by Group as of September 30, 2020 and 2019.

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

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

The Group's fair value have been classified as Level 3 and only contains single significant unobservable inputs. Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between Significant and fair value measurement
Financial assets at fair value through other comprehensive income -equity investments without an active market	Comparable listed company approach	<ul style="list-style-type: none"> • Lack of market liquidity discount (as September 30, 2020, December 31, 2019, September 30, 2019 were 48.83%, 43.58% and 43.29%, respectively) • Valuation multiples (as September 30, 2020, December 31, 2019, September 30, 2019 were 1.06, 1.32 and 1.24, respectively) • Stock price volatility (as September 30, 2020, December 31, 2019, September 30, 2019 were 46.62%, 49.86% and 54.72%, respectively) 	<ul style="list-style-type: none"> • The higher the lack of market liquidity discount is, the lower the fair value will be. • The higher the valuation multiples is, the higher the fair value will be. • The lower the stock price volatility is, the higher the fair value will be.

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

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

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

				Changes in fair value reflected in OCI	
				Favorable	Inputs
	Inputs	Fluctuation in inputs			
Balance at September 30, 2020					
Financial assets at fair value through other comprehensive income					
Investment of equity instruments without an active market	Market liquidity discount rate 48.83%	10%	\$	581	(581)
	Valuation multiples 1.06	5%		157	(151)
	Stock price volatility 46.62%	5%		277	(261)
Balance at December 31, 2019					
Financial assets at fair value through other comprehensive income					
Investment of equity instruments without an active market	Market liquidity discount rate 43.58%	10%	\$	752	(752)
	Valuation multiples 1.32	5%		205	(240)
	Stock price volatility 49.86%	5%		308	(308)
	Inputs	Fluctuation in inputs		Changes in fair value reflected in OCI	
				Favorable	Inputs
Balance at September 30, 2019					
Financial assets at fair value through other comprehensive income					
Investment of equity instruments without an active market	Market liquidity discount rate 49.29%	10%	\$	743	(743)
	Valuation multiples 1.24	5%		213	(177)
	Stock price volatility 54.72%	5%		319	(283)

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

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

(23) Financial risk management

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

(24) Capital management

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

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

The reconciliation of liabilities from financing activities is as follows:

	January 1, 2020	Cash flows	Non-cash changes				Septemb er 30, 2020
			Foreign exchange	Convert to ordinary share	Interest amortize d	Lease liability	
Short-term borrowing	\$ 224,574	(40,142)	(972)	-	-	-	183,460
Long-term borrowing-current portion	349,437	26,347	-	-	-	-	375,784
Lease liability (Current and non-current)	128,309	(13,813)	(985)	-	-	20,453	133,964
Guarantee deposits received	3,057	2,965	11	-	-	-	6,033
Total liabilities from financing activities	<u>\$ 705,377</u>	<u>(24,643)</u>	<u>(1,946)</u>	<u>-</u>	<u>-</u>	<u>20,453</u>	<u>699,241</u>

	January 1, 2019	Cash flows	Non-cash changes				Septemb er 30, 2019
			Foreign exchange	Convert to ordinary share	Interest amortize d	Lease liability	
Short-term borrowing	\$ 338,941	(130,423)	106	-	-	-	208,624
Long-term borrowing-current portion	366,682	(9,218)	-	-	-	-	357,464
Bonds payable	24,586	-	-	(24,621)	35	-	-
Lease liability (Current and non-current)	119,208	(11,543)	(3,611)	-	-	29,866	133,920
Guarantee deposits received	4,210	(1,231)	105	-	-	-	3,084
Total liabilities from financing activities	<u>\$ 853,627</u>	<u>(152,415)</u>	<u>(3,400)</u>	<u>(24,621)</u>	<u>35</u>	<u>29,866</u>	<u>703,092</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

7. Related-party transactions

A. Compensation of major management staff

The information on major management staff compensation was as follows:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Short-term employee benefits	\$ 2,464	1,163	6,331	4,055
Post-employment benefits	-	-	-	-
Termination benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Share-based payments	-	-	-	-
	<u>\$ 2,464</u>	<u>1,163</u>	<u>6,331</u>	<u>4,055</u>

A rental car which cost \$1,551 thousand was provided by Group, for the use of major management, have been recognized as right of use assets of transportation equipment on September 30, 2020, December 31, 2019 and September 30, 2019.

B. Endorsement and guarantee

The Group borrowed from financial institutions on September 30, 2020, December 31, 2019 and September 30, 2019. According to the requirements of some contracts, the major management of the company provided \$130,000 thousand as joint guarantee, respectively.

8. Pledged assets

The carrying values of pledged assets were as follows:

Pledged Assets	Purpose	September 30, 2020	December 31, 2019	September 30, 2019
Deposit account (Reserve account)	Long-term/short-term borrowing, customs taxes, company debt and other repayment accounts	\$ 10,203	10,203	10,200
Time deposit	Guarantee of sales channel and short-term borrowing	2,746	1,000	1,000
Land	Guarantee of long-term/short-term borrowing	267,535	267,535	267,535
Buildings	Guarantee of long-term/short-term borrowing	134,932	141,761	143,007
		<u>\$ 415,416</u>	<u>420,499</u>	<u>421,742</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

9. Significant Commitments and Contingencies

A. Unrecognized contingencies of contracts:

	September 30, 2020	December 31, 2019	September 30, 2019
Acquisition of property, plant and equipment	<u>\$ 12,554</u>	<u>-</u>	<u>1,545</u>

B. Standby letter of credit:

	September 30, 2020	December 31, 2019	September 30, 2019
Purchases of raw materials	<u>\$ 28,528</u>	<u>48,308</u>	<u>30,193</u>

10. Losses due to major disasters: None

11. Subsequent events: None

12. Other

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

By function By item	For the three months ended September 30, 2020			For the three months ended September 30, 2019		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee benefits:						
Salary	61,580	46,887	108,467	56,585	35,875	92,460
Labor and health insurance	3,866	3,321	7,187	3,352	3,241	6,593
Pension expense	1,540	1,395	2,935	2,728	1,642	4,370
Remuneration of directors	-	460	460	-	625	625
Other personnel cost	5,093	1,911	7,004	3,710	1,852	5,562
Depreciation	12,562	11,146	23,708	11,478	10,910	22,388
Amortization	3	334	337	-	438	438

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

By function By item	For the nine months ended September 30, 2020			For the nine months ended September 30, 2019		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee benefits:						
Salary	173,176	126,676	299,852	173,305	113,475	286,780
Labor and health insurance	11,232	10,184	21,416	11,317	10,479	21,796
Pension expense	5,186	4,588	9,774	8,790	5,079	13,869
Remuneration of directors	-	1,972	1,972	-	1,869	1,869
Other personnel cost	13,276	5,341	18,617	10,804	5,439	16,243
Depreciation	36,150	32,749	68,899	28,356	32,592	60,948
Amortization	3	1,080	1,083	-	1,665	1,665

B. Seasonality of operation

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

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

13. Supplementary Disclosures

A. Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the nine months ended September 30, 2020. :

(a) Loans extended to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 3)	Ending balance (Note 3)	Actual usage amount during the period (Note 1,3)	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reason for financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	value		
0	The Company	Yen Sun Technology (BVI) Corp.	Other receivable—related parties	Yes	43,650 (USD 1,500,000)	43,650 (USD 1,500,000)	- (USD 0)	-	Short - term financing	-	Working capital	-	-	-	392,489 (Note 2)	392,489 (Note 2)
1	Yen Sun Technology (BVI) Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	long-term receivables — related parties	Yes	125,332 (USD 4,306,943)	125,332 (USD 4,306,943)	125,191 (USD 4,302,111)	-	Short - term financing	-	Working capital	-	-	-	410,441 (Note 2)	410,441 (Note 2)
1	Yen Sun Technology (BVI) Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	long-term receivables — related parties	Yes	25,614 (RMB 6,000,000)	25,614 (RMB 6,000,000)	25,614 (RMB 6,000,000)	-	Short - term financing	-	Working capital	-	-	-	410,441 (Note 2)	410,441 (Note 2)
2	Y.H. Tech International Corp.	Yen Sun Technology (BVI) Corp.	Other receivable—related parties	Yes	48,935 (USD 1,681,614)	48,935 (USD 1,681,614)	48,935 (USD 1,681,614)	-	Short - term financing	-	Working capital	-	-	-	410,441 (Note 2)	410,441 (Note 2)

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

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

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

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

(b) Guarantees and endorsements for other parties:

No.	Endorser/ guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period (Note 4)	Balance of guarantees and endorsements as of reporting date (Note 4)	Actual usage amount during the period (Note 4)	Property pledged for guarantees and endorsements	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsement (Note 3)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsement to third parties on behalf of companies in Mainland China
		Company name	Relationship with the endorser/ guarantor										
0	The Company	Yen Sun Technology (BVI) Corp.	Subsidiary	307,831 (Note 1)	90,210 (USD 3,100,000)	43,650 (USD 1,500,000)	17,460 (USD 600,000)	14,550	4.25%	513,052 (Note 3)	Y	-	-
0	The Company	YEN JIU TECHNOLOGY CORP.	Subsidiary	205,221 (Note 2)	36,000	36,000	-	-	3.51%	513,052 (Note 3)	Y	-	-

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

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

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

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

(c) Securities owned as of September 30, 2020 (subsidiaries, associates and joint ventures not included):

Name of security holder	Name of security and type	Relationship with company	Account title	Ending balance				Remarks
				Units (shares)	Carrying Value	Percentage of ownership	Fair value	
Yen Tong Tech International (Samoa) Corp.	SHANGHAI CHANSON WATER CO., LTD.	-	Financial assets at FVTPL—non-current	-	- (Note)	17.75%	-	-
The Company	Y.S. Tech U.S.A Inc. stock	-	Financial assets at FVOCI—non-current	114,000	2,969	19.16%	2,969	-

(Note) Impairment has been recognized.

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

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

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

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

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

Purchasing (selling) company	Counterparty	Relationship	Detail of transaction				Circumstances of and reasons for deviation from regular trading conditions		Resulting receivables (payables)		Remarks
			Purchase (sale)	Amount (Note3)	% of net purchase (sales)	Credit line	Unit price	Period for credit	Balance (Note3)	% of notes and accounts receivable (payable)	
The Company	YEN JIU TECHNOLOGY CORP.	Subsidiary	Purchase	489,160	25.64%	(Note 1)	Single supplier	(Note 1)	64,614 (Note2)	98.18% (Note4)	
The Company	Y.H. Tech International Corp.	Subsidiary	Purchase	238,886	12.52%	(Note 1)	Single supplier	(Note 1)	(80,398)	22.01%	
The Company	Yen Sun Technology (BVI) Corp.	Subsidiary	Purchase	328,303	17.21%	(Note 1)	Single supplier	(Note 1)	(20,513)	5.62%	
The Company	Yen Sun Tech International (Samoa) Corp.	Subsidiary	Purchase	322,588	16.91%	(Note 1)	Single supplier	(Note 1)	(43,178)	11.82%	
Yen Sun Technology (BVI) Corp.	DARSON ELECTRONICS (DONGGUAN) LTD.	Subsidiary to Son Company	Purchase	316,988	91.20%	(Note 1)	Single supplier	(Note 1)	(86,063)	100.00%	
Y.H. Tech International Corp.	DARSON ELECTRONICS (DONGGUAN) LTD.	Subsidiary to Son Company	Purchase	246,173	94.25%	(Note 1)	Single supplier	(Note 1)	(37,013)	100.00%	
Yen Sun Tech International (Samoa) Corp.	YEN GIANT METAL (DONGGUAN) CO., LTD.	Subsidiary to Son Company	Purchase	323,103	81.99%	(Note 1)	Single supplier	(Note 1)	(40,851)	35.65%	
YEN JIU TECHNOLOGY CORP.	The Company	Ultimate parent company	Sale	489,160	99.90%	(Note 1)	Single sales object	(Note 1)	(64,614) (Note 2)	100.00% (Note 4)	
Y.H. Tech International Corp.	The Company	Ultimate parent company	Sale	238,886	100.00%	(Note 1)	Single sales object	(Note 1)	80,398	100.00%	
Yen Sun Technology (BVI) Corp.	The Company	Ultimate parent company	Sale	328,303	100.00%	(Note 1)	Single sales object	(Note 1)	20,513	97.29%	
Yen Sun Tech International	The Company	Ultimate parent company	Sale	322,588	96.20%	(Note 1)	Single sales object	(Note 1)	43,178	41.77%	

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

Purchasing (selling) company	Counterparty	Relationship	Detail of transaction				Circumstances of and reasons for deviation from regular trading conditions		Resulting receivables (payables)		Remarks
			Purchase (sale)	Amount (Note3)	% of net purchase (sales)	Credit line	Unit price	Period for credit	Balance (Note3)	% of notes and accounts receivable (payable)	
(Samoa) Corp.											
DARSON ELECTRONICS (DONGGUAN) LTD.	Yen Sun Technology (BVI) Corp.	Subsidiary	Sale	316,988	56.29%	(Note 1)	Single sales object	(Note 1)	86,063	69.64%	
DARSON ELECTRONICS (DONGGUAN) LTD.	Y.H. Tech International Corp.	Subsidiary	Sale	246,173	43.71%	(Note 1)	Single sales object	(Note 1)	37,013	29.95%	
YEN GIANT METAL (DONGGUAN) CO., LTD.	Yen Sun Tech International (Samoa) Corp.	Subsidiary	Sale	323,103	64.65%	(Note 1)	Single sales object	(Note 1)	40,851	27.04%	

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

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

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

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

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

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

Name of company	Counterparty	Relationship	Balance of amount	Turnover ratio	Overdue		Amount collected in the subsequent period	Allowance for doubtful accounts	Remarks
					Amount	Status			
Yen Sun Technology (BVI) Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	Subsidiary to Son Company	164,581 (Note 2)	- (Note 1)	-	-	-	-	

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

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

(i) Trading in derivative instruments: None.

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

(j) Business relationships and significant intercompany transactions:

No.	Name	Counterparty	Relationship (Note)	Details of transaction			
				Account name	Amount	Trading terms	% of total consolidated revenue or total asset
0	The Company	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	1	Other receivables	12,959	Overdue account receivable; No comparable terms	0.49%
0	The Company	Yen Sun Technology (BVI) Corp.	1	Endorsement/Guarantee	43,650	No comparable terms	1.66%
				Purchase material	328,303		12.99%
				Procurement of raw materials	30,486		1.21%
				Accounts payable	20,513		0.78%
0	The Company	Y.H. Tech International Corp.	1	Purchase material	238,886	No comparable terms ;	9.45%
				Procurement of raw materials	16,820		0.64%
				Accounts payable	80,398	The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	3.06%
0	The Company	Yen Sun Tech International (Samoa) Corp.	1	Purchase material	322,588	No comparable terms ;	12.76%
				Sales revenue	12,662		0.50%
				Procurement of raw materials	58,472	The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	2.31%
				Accounts receivable	55,071		2.10%
				Other receivables	21,022		0.80%
				Accounts payable	43,178		1.64%
0	The Company	YEN JIU TECHNOLOGY CORP.	1	Purchase material	489,160	No comparable terms ;	19.35%
				Procurement of raw materials	3,004		0.12%
				Prepayment for purchases	64,614	The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	2.46%
				Rental income	3,780		0.15%
0	The Company	YEN JIU TECHNOLOGY CORP.	1	Endorsement/Guarantee	36,000	No comparable terms	1.37%
1	Yen Sun Technology (BVI) Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	3	Long-term accounts receivable	150,805	Financial intermediation ,	5.74%
				Long-term accounts receivable -Interest	13,204	Interest bearing at 3% before December 31, 2016. No interest-bearing from 2017	0.50%
1	Yen Sun Technology (BVI) Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	3	Accounts receivable	571	The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	0.02%
1	Yen Sun Technology (BVI) Corp.	DARSON ELECTRONIC (DONGGUAN) LTD.	3	Purchase material	316,988	No comparable terms ;	12.54%
				Procurement of raw materials	32,357		1.28%
				Accounts		The payment terms are that the accounts	

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

No.	Name	Counterparty	Relationship (Note)	Details of transaction			
				Account name	Amount	Trading terms	% of total consolidated revenue or total asset
				payable	86,063	payable shall be offset against prepayment for purchases monthly.	3.28%
2	Y.H. Tech International Corp.	Yen Sun Technology (BVI) Corp.	3	Other receivables — Loans extended to other parties	48,935	Financial intermediation. No interest-bearing	1.86%
2	Y.H. Tech International Corp.	DARSON ELECTRONIC (DONGGUAN) LTD.	3	Purchase material Procurement of raw materials Accounts payable	246,173 15,368 37,013	No comparable terms ; The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	9.74% 0.61% 1.41%
2	Y.H. Tech International Corp.	Yen Hung International Corp.	3	Other receivables	497	Entrusted collection No comparable terms	0.02%
3	Yen Sun Tech International (Samoa) Corp.	YEN GIANT METAL (DONGGUAN) CO., LTD.	3	Purchase material Sales revenue Accounts receivable Procurement of raw materials Other receivable Accounts payable	323,103 12,743 60,183 59,617 1,727 40,851	No comparable terms; The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	12.78% 0.50% 2.29% 2.36% 0.07% 1.56%
4	DARSON ELECTRONIC (DONGGUAN) LTD.	YEN GIANT METAL (DONGGUAN) CO., LTD.	3	Purchase material Accounts payable	8,766 4,931	No comparable terms	0.35% 0.19%
4	DARSON ELECTRONIC (DONGGUAN) LTD.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	3	Other payable	3,616	Receipts under custody; No comparable terms	0.14%
4	DARSON ELECTRONIC (DONGGUAN) LTD.	LUCRATIVE INT'L GROUP INC.	3	Cash and cash equivalents Investments accounted for using equity method	6,005 6,005	Equity transaction; No comparable terms	0.23% 0.23%

Note: Relationship notes as follows:

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

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

B. Information on investees:

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

Name of investor	Name of investee	Location	Business Scope	Original cost of investment		Held at the end of term			Net income (loss) of the Investee (Note1)	Investment income (less) recognized (Note1)	Remarks
				September 30,2020	December 31,2019	Shares owned	Percentage owned	Carrying value (Note1)			
The Company	Yen Sun Technology (BVI) Corp.	British Virgin Islands	Investment holding	259,842	259,842	500,000	100%	(137,940)	4,140	4,140	Subsidiary
The Company	LUCRATIVE INT'L GROUP INC.	Samoa	Investment holding	9,008	-	1,000,000	100%	91,798	83,041	83,041	Subsidiary
The Company	Yen Sun Tech International (Samoa) Corp.	Samoa	Investment holding	32,098	32,098	1,000,000	100%	119,158	626	626	Subsidiary
The Company	YEN JIU TECHNOLOGY CORP.	Taiwan	Home Appliance OEM Business	122,686	122,686	11,050,000	100%	53,266	(41,419)	(41,419)	Subsidiary
Yen Sun Tech International (Samoa) Corp.	Yen Hung International Corp.	Samoa	Investment holding	30,179	30,179	1,000,000	100%	118,416	5,440	5,440	Subsidiary of the Company (indirectly hold)
Yen Sun Tech International (Samoa) Corp.	Yen Tong Tech International (Samoa) Corp.	Samoa	Investment holding	1,916	1,916	10,000,000	100%	1	-	-	Subsidiary of the Company (indirectly hold)
Yen Hung International Corp.	Y.H. Tech International Corp.	ST. Kitts and Nevis	Investment holding	30,179	30,179	1,000,000	100%	118,408	5,439	5,439	Subsidiary of the Company (indirectly hold)

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

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

C. Information on investments in Mainland China:

(a) Information of investments in Mainland China

Investee company	Main businesses and products	Received capital	Investment method	Accumulated amount invested in Mainland China as of Jan.1,2019	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of Sep. 30, 2020	Net income of investee (Note 3)	The Company's direct or indirect investment ratio	Investment gain (loss) recognized by the Company (Note 3)	Book value of the investment as of Sep. 30, 2020 (Note 3)	Accumulated investment income repatriated to Taiwan as of Sep. 30,2020
					Remittance	Repatriation						
SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	Manufacturing and sales of Home Appliances, Cooling fan	233,347 (USD 7,800,000)	Invest through Yen Sun Technology (BVI) Corp. then invest in Mainland China	233,347 (USD 7,800,000)	-	-	233,347 (USD 7,800,000)	2,819	100%	2,819 (Note 4)	(171,771) (Note 4)	-
DARSON ELECTRONICS (DONGGUAN) LTD.	Manufacturing of Cooling fan	30,179 (USD 1,000,000)	Invest through Y.H. Tech International Corp. then invest in Mainland China	30,179 (USD 1,000,000)	6,005 (USD 185,000) (Note 5)	-	36,184 (USD 1,185,000)	248	100%	248 (Note 1)	15,512 (Note 1)	-
SHANGHAI CHANSON WATER CO., LTD.	Development and production of water making machine, pure water machine and purification device	20,503 (USD 700 ,000)	Invest through Yen Tong Tech International (Samoa) Corp. then invest in Mainland China	1,916 (USD 60,000)	-	-	1,916 (USD 60,000)	-	17.75%	-	-	-
YEN GIANT METAL (DONGGUAN) CO., LTD.	Manufacturing and sales of heat sink	9,008 (CNY 2,002 ,000)	Invest through LUCRATIVE INT'L GROUP INC. then invest in Mainland China (Note 5)	-	3,003 (USD 100,000)	-	3,003 (USD 100,000)	82,614	100%	82,614 (Note 1)	91,798 (Note 1)	-

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

(b) Limitation of investment amount to Mainland China

Accumulated investment amount remitted from Taiwan to Mainland China as of September 30, 2020	Investment amount approved by the Investment Commission, Ministry of Economic Affairs	Limit on investment in Mainland China set by the investment Commission, Ministry of Economic Affairs
266,120 (Note 2) (USD 9,145,000)	315,590 (Note 2) (USD 10,845,000)	615,662

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

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

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

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

(Note 5) It was originally reinvestment by the subsidiary in Mainland China. In accordance with the adjustment of the organizational structure of the Group, DARSON ELECTRONICS (DONGGUAN) LTD., sold the entire shareholding to \$6,005(USD185,000) of YEN GIANT METAL (DONGGUAN) CO., LTD. to LUCRATIVE INT'L GROUP INC. on January 31, 2020.

(c) Significant transactions:

The significant inter-company transactions (direct or indirect) with the investees in Mainland China for the six months ended September 30, 2020 are disclosed in "Information on significant transactions". (When prepared this consolidated financial report, it was eliminated.)

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

D. Information of major shareholders:

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

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

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

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

14. Segment Information

Reportable segment information is as follows:

For the three months ended September 30, 2020				
	Home Appliances	Electronics Cooling	Adjustments and elimination	Total
Revenue:				
Revenue from external customers	\$ 128,122	752,103	-	880,225
Total revenue	\$ 128,122	752,103	-	880,225
Reportable segment income	\$ (34,598)	79,370	5,325	50,097

For the three months ended September 30, 2019				
	Home Appliances	Electronics Cooling	Adjustments and elimination	Total
Revenue:				
Revenue from external customers	\$ 133,027	536,932	-	669,959
Total revenue	\$ 133,027	536,932	-	669,959
Reportable segment income	\$ (12,485)	38,358	(8,080)	17,793

For the nine months ended September 30, 2020				
	Home Appliances	Electronics Cooling	Adjustments and elimination	Total
Revenue:				
Revenue from external customers	\$ 577,977	1,949,958	-	2,527,935
Total revenue	\$ 577,977	1,949,958	-	2,527,935
Reportable segment income	\$ (71,140)	184,949	1,970	115,779

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the nine months ended September 30, 2019

	Home Appliances	Electronics Cooling	Adjustments and elimination	Total
Revenue:				
Revenue from external customers	\$ 681,282	1,549,863	-	2,231,145
Total revenue	\$ 681,282	1,549,863	-	2,231,145
Reportable segment income	\$ (21,781)	81,947	(6,252)	53,914

	Home Appliances	Electronics Cooling	Adjustments and elimination	Total
Reportable Segment Assets				
September 30, 2020	\$ 848,641	2,332,541	(555,734)	2,625,448
December 31, 2019	\$ 948,935	2,366,309	(870,667)	2,444,577
September 30, 2019	\$ 836,679	2,355,611	(847,017)	2,345,273