

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

Consolidated Financial Statements for the

**Six Months Ended June 30, 2020 and 2019 and
Independent Auditors' Review Report**

**Address : No.329, Feng Ren Rd., Ren Wu Dist., Kaohsiung City 814, Taiwan
(R.O.C.)**

Telephone : 886-7-3713588

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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 June 30, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the three and six months ended June 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 \$ 34,141 thousand and \$ 200,794 thousand, constituting 1% and 8% of consolidated total assets as of June 30, 2020 and 2019, respectively, total liabilities amounting to \$ 16,050 thousand and \$ 221,012 thousand, constituting 1% and 15% of consolidated total liabilities as of June 30, 2020 and 2019, respectively, and total comprehensive income amounting to \$1,668 thousand, \$3,899 thousand, \$(7,882) thousand and \$6,934 thousand, constituting 5%, 26%, (16)% and 26% of consolidated total comprehensive income for the three and six months ended June 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 June 30, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three and six months ended June 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)

August 12, 2020

Notes to Readers

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

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

YEN SUN TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2020, December 31, 2019 and June 30, 2019

(Expressed in thousands of New Taiwan Dollar)

(Reviewed, not audited)

Assets		June 30, 2020		December 31, 2019		June 30, 2019									
		Amount	%	Amount	%	Amount	%			June 30, 2020		December 31, 2019		June 30, 2019	
Current assets:									Liabilities and equity						
1100	Cash and cash equivalents (note 6(1))	\$ 217,965	8	178,432	7	163,577	7	2100	Current liabilities:	\$ 257,778	10	224,574	9	303,636	13
1151	Notes receivables, net (note 6(3) and (19))	28,125	1	20,978	1	37,665	2	2170	Short-term borrowings (note 6(11) and 8)	671,050	26	577,675	24	490,734	20
1170	Accounts receivable, net (note 6(3) and (19))	873,780	34	696,195	29	726,237	30	2200	Accounts payable	135,646	5	144,657	6	172,583	7
130X	Inventories (note 6(5))	618,791	24	662,756	27	597,883	25	2230	Other payables	31,726	1	17,034	-	16,695	1
1470	Other current assets (note 6(10))	29,836	1	43,706	2	36,961	1	2280	Current income tax liabilities	17,926	1	17,977	1	14,611	1
1476	Other financial assets, current (note 6(4) and 8)	27,513	1	29,827	1	53,354	2	2320	Lease liabilities, current (note 6(13))						
Total current assets		1,796,010	69	1,631,894	67	1,615,677	67		Long-term borrowings, current portion (note 6(12) and 8)	36,560	1	48,691	2	30,275	1
Non-Current Assets								2399	Other current liabilities (note 6(14) and (19))	29,469	1	30,414	1	31,111	1
1517	Non-current financial assets at fair value through other comprehensive income (note 6(2))	2,787	-	4,204	-	4,249	-	Total of current liabilities		1,180,155	45	1,061,022	43	1,059,645	44
1600	Property, plant and equipment (note 6(6) and 8)	633,971	25	640,924	26	636,028	26	Non-current liabilities:							
1755	Right-of-use assets (note 6(7))	112,570	5	125,550	5	116,526	5	2540	Long-term borrowings (note 6(12) and 8)	315,787	12	300,746	12	306,929	13
1760	Investment property, net (note 6(8))	12,326	-	12,856	1	13,707	1	2570	Deferred tax liabilities	127	-	127	-	-	-
1780	Intangible assets (note 6(9))	3,572	-	3,702	-	3,627	-	2580	Lease liabilities, non-current (note 6(13))	98,632	4	110,332	5	105,153	4
1840	Deferred income tax assets	9,170	-	9,170	-	7,868	-	2600	Other non-current liabilities (note 6(14))	4,728	-	538	-	537	-
1980	Other financial assets, non-current (note 6(4) and 8)	8,529	-	11,635	1	11,259	1	2640	Net defined benefit liability, non-current	24,465	1	27,683	1	23,174	1
1995	Other non-current assets (notes 6(10))	26,181	1	4,642	-	4,372	-	Total non-current liabilities		443,739	17	439,426	18	433,793	18
Total non-current assets		809,106	31	812,683	33	797,636	33	Total liabilities		1,623,894	62	1,500,448	61	1,493,438	62
								Equity attributable to owners of parent (note 6(17)):							
								3100	Capital stock	697,869	27	697,869	29	697,869	29
								3200	Capital surplus	119,761	5	119,761	5	119,761	5
								3300	Retained earnings	156,913	6	109,353	4	92,028	4
								3400	Other equity interest	18,452	-	17,146	1	10,217	-
								3500	Treasury stock	(11,773)	-	-	-	-	-
Total Assets		\$ 2,605,116	100	2,444,577	100	2,413,313	100	Total equity		981,222	38	944,129	39	919,875	38
								Total liabilities and equity		\$ 2,605,116	100	2,444,577	100	2,413,313	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 Six Months Ended June 30, 2020 and 2019
(Expressed in thousands of New Taiwan Dollar)
(Reviewed, not audited)

	For the three months ended June 30,				For the six months ended June 30,			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
Net operating revenue (notes 6(19))	\$ 948,111	100	854,681	100	1,647,710	100	1,561,186	100
Operating costs (notes 6(5)(17))	790,782	84	709,563	83	1,377,665	84	1,294,882	83
Gross profit	157,329	16	145,118	17	270,045	16	266,304	17
Operating expenses (notes 6(7) (20)):								
Selling	49,012	5	64,940	7	90,999	5	123,338	8
General and administrative	25,192	3	27,636	3	45,869	3	53,948	3
Research and development	32,711	3	31,082	4	64,334	4	62,215	4
Expected credit impairment gain	(230)	-	(171)	-	(3,947)	-	166	-
Total operating expenses	106,685	11	123,487	14	197,255	12	239,667	15
Net operating income	50,644	5	21,631	3	72,790	4	26,637	2
Non-operating income and expenses:								
Interest income (notes 6(21))	721	-	1,431	-	758	-	1,821	-
Other income (notes 6(13))	5,672	-	1,706	-	11,363	1	11,668	1
Other gains and losses	(11,442)	(1)	(3,076)	-	(11,948)	(1)	4,261	-
Finance costs	(3,449)	-	(3,707)	-	(7,281)	-	(8,266)	-
Total non-operating income and expenses	(8,498)	(1)	(3,646)	-	(7,108)	-	9,484	1
Income before income tax	42,146	4	17,985	3	65,682	4	36,121	3
Income tax expenses (note 6(16))	11,758	1	5,134	1	18,122	1	7,616	-
Net income	30,388	3	12,851	2	47,560	3	28,505	3
Other comprehensive income:								
items that will not be reclassified to profit or loss								
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (notes 6(17))	323	-	(108)	-	(1,417)	-	82	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	323	-	(108)	-	(1,417)	-	82	-
Items that will be reclassified to profit or loss								
Exchange differences on translation of foreign financial statements (notes 6(17))	1,257	-	2,071	-	2,723	-	(1,978)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	1,257	-	2,071	-	2,723	-	(1,978)	-
Other comprehensive income	1,580	-	1,963	-	1306	-	(1,896)	-
Total comprehensive income	<u>\$ 31,968</u>	<u>3</u>	<u>14,814</u>	<u>2</u>	<u>48,866</u>	<u>3</u>	<u>26,609</u>	<u>3</u>
Earnings per share (New Taiwan Dollars) (note 6(18))								
Basic earnings per share	<u>\$ 0.44</u>		<u>0.18</u>		<u>0.68</u>		<u>0.41</u>	
Diluted earnings per share	<u>\$ 0.44</u>		<u>0.18</u>		<u>0.68</u>		<u>0.41</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 six months ended June 30, 2020 and 2019

(Expressed in thousands of New Taiwan Dollar)

(Reviewed, not audited)

Equity attributable to owners of parent

	Equity attributable to owners of parent								Other equity interest				
	Share capital			Retained earnings					Exchange differences on translation of foreign financial statements	Unrealized gains from financial assets measured at fair value through other comprehensive income	Treasury stock	Total equity	
	Ordinary shares	Entitled Certificate	Total	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total					
Balance at January 1, 2019	\$ 672,666	5,691	678,357	114,729	43,394	3,798	16,331	63,523	11,177	936	12,113	-	868,722
Profit	-	-	-	-	-	-	28,505	28,505	-	-	-	-	28,505
Other comprehensive income	-	-	-	-	-	-	-	-	(1,978)	82	(1,896)	-	(1,896)
Total comprehensive income	-	-	-	-	-	-	28,505	28,505	(1,978)	82	(1,896)	-	26,609
Conversion of convertible bonds	25,203	(5,691)	19,512	5,032	-	-	-	-	-	-	-	-	24,544
Balance as of June 30, 2019	<u>\$ 697,869</u>	<u>-</u>	<u>697,869</u>	<u>119,761</u>	<u>43,394</u>	<u>3,798</u>	<u>44,836</u>	<u>92,028</u>	<u>9,199</u>	<u>1,018</u>	<u>10,217</u>	<u>-</u>	<u>919,875</u>
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	-	-	-	-	-	-	47,560	47,560	-	-	-	-	47,560
Other comprehensive income	-	-	-	-	-	-	-	-	2,723	(1,417)	1,306	-	1,306
Total comprehensive income	-	-	-	-	-	-	47,560	47,560	2,723	(1,417)	1,306	-	48,866
Appropriation and distribution of retained earnings:													
Appropriation for legal reserve	-	-	-	-	5,047	-	(5,047)	-	-	-	-	-	-
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	(11,733)	(11,733)	(11,733)
Balance as of June 30, 2020	<u>\$ 697,869</u>	<u>-</u>	<u>697,869</u>	<u>119,761</u>	<u>48,441</u>	<u>3,798</u>	<u>104,674</u>	<u>156,913</u>	<u>18,896</u>	<u>(444)</u>	<u>18,452</u>	<u>(11,733)</u>	<u>981,222</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 Cash Flows

For the Six Months Ended June 30, 2020 and 2019

(Expressed in thousands of New Taiwan Dollar)

(Reviewed, not audited)

	For the six months ended June 30	
	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 65,682	36,121
Adjustments:		
Adjustments to reconcile profit (loss)		
Expected credit impairment loss (reversal gain)	(3,947)	166
Depreciation expense	45,191	38,560
Amortization expense	746	1,227
Net profit on financial assets or liabilities at fair value through profit or loss	-	(14)
Interest expense	7,281	8,266
Interest income	(758)	(1,821)
Loss on disposal of property, plant and equipment	33	894
Unrealized foreign exchange loss (gain)	(1,854)	66
Total adjustments to reconcile profit:	46,692	47,344
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(7,148)	(7,578)
Accounts receivable	(178,960)	(77,543)
Inventories	39,796	92,626
Other current assets	13,560	17,938
Other financial assets	2,827	6,783
Total net changes in operating assets:	(129,925)	32,226
Changes in operating liabilities:		
Accounts payable	104,298	46,266
Other payables	(7,551)	(8,332)
Other current liabilities	1,766	(20,668)
Net defined benefit liability	(3,218)	(539)
Total net changes in operating liabilities	95,295	16,727
Total changes in operating assets and liabilities	(34,630)	48,953
Total adjustments	12,062	96,297
Cash inflow generated from operating	77,744	132,418
Interest received	749	583
Interest paid	(7,243)	(8,297)
Income taxes paid	(3,437)	(9,814)
Net cash flows from operating activities	67,813	114,890
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(25,722)	(63,009)
Proceeds from disposal of property, plant and equipment	-	29
Proceeds from disposal of Mainland China home appliances department	-	21,563
Decrease in guarantee deposits paid	828	147
Acquisition of intangible assets	(624)	(637)
(Increase) decrease in restricted deposit	1,223	31,161
Increase in prepayments for equipment	(13,181)	(4,372)
Increase in prepayments for land	(13,000)	-
Net cash flows from (used in) investing activities:	(50,476)	(15,118)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	33,879	(35,416)
Proceeds from long-term borrowings	40,000	-
Repayment of long-term borrowings	(37,090)	(29,477)
Decrease in guarantee deposits received	1,666	(1,128)
Payment of lease liabilities	(8,825)	(7,087)
Payments to acquire treasury shares	(11,773)	-
Net cash flows from (used in) financing activities	17,857	(73,109)
Effect of exchange rate changes on cash and cash equivalents	4,339	(3,666)
Net increase (decrease) in cash and cash equivalents	39,533	22,997
Cash and cash equivalents at beginning of period	178,432	140,580
Cash and cash equivalents at end of period	\$ 217,965	163,577

See accompanying notes to consolidated financial statements.

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

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

YEN SUN TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the six months ended June 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 six months ended June 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 August 12, 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

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

significant changes are as follows :

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 six months ended June 30, 2020 were \$0 thousand and \$279 thousand, respectively.

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

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 17 “Insurance Contracts”	January 1, 2023

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

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

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 of Ownership			Note
			June 30, 2020	December 31, 2019	June 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%	-
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	-

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

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.

(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

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

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.

(1) Cash and cash equivalents

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Cash and petty cash	\$ 2,345	1,152	1,652
Check deposits	50	50	50
Demand deposits	215,270	176,930	152,257
Time deposits	<u>300</u>	<u>300</u>	<u>9,618</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 217,965</u>	<u>178,432</u>	<u>163,577</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Equity instruments at fair value through other comprehensive income:			
Foreign un-listed stocks —			
Y.S. Tech U.S.A Inc.	<u>\$ 2,787</u>	<u>4,204</u>	<u>4,249</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 six months ended June 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>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Notes receivable from operating activities	\$ 28,125	20,978	37,665
Accounts receivables—measured as amortized cost	897,745	724,649	755,097
Less: Allowance for impairment	<u>(23,965)</u>	<u>(28,454)</u>	<u>(28,860)</u>
	<u>\$ 901,905</u>	<u>717,173</u>	<u>763,902</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Book as:			
Notes receivable	\$ 28,125	20,978	37,665
Accounts receivable, net	<u>873,780</u>	<u>696,195</u>	<u>726,237</u>
	<u>\$ 901,905</u>	<u>717,173</u>	<u>763,902</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:

	June 30, 2020		
	Carrying amount of Notes and accounts receivable	Weighted-avera ge expected credit loss rate	Loss allowance for lifetime expected credit losses
Not over due	\$ 859,805	0.02%	133
Overdue less than 90 days	42,330	0.59%	250
Overdue 91 to 180 days	238	35.90%	86
Overdue 181 to 240 days	-	79.51%	-
Overdue 241 to 365 days	23	100.00%	22
Overdue over 366 days	<u>23,474</u>	<u>100.00%</u>	<u>23,474</u>
	<u>\$ 925,870</u>		<u>23,965</u>

	December 31, 2019		
	Carrying amount of Notes and accounts receivable	Weighted-aver age expected credit loss rate	Loss allowance for lifetime expected credit losses
Not over due	\$ 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)

	June 30, 2019		
	Carrying amount of Notes and accounts receivable	Weighted-aver age expected credit loss rate	Loss allowance for lifetime expected credit losses
Not over due	\$ 747,044	0.10%	802
Overdue less than 90 days	16,725	2.54%	214
Overdue 91 to 180 days	1,387	17.18%	238
Overdue 181 to 240 days	-	64.79%	-
Overdue 241 to 365 days	154	100.00%	154
Overdue over 366 days	27,452	100.00%	27,452
	<u>\$ 792,762</u>		<u>28,860</u>

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

	For the six months ended June 30	
	2020	2019
Balance at January 1	\$ 28,454	28,545
Impairment losses recognized (reversed)	(3,998)	107
Foreign exchange losses	(491)	208
Balance at June 30	<u>\$ 23,965</u>	<u>28,860</u>

The abovementioned financial assets were not pledged as collateral.

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

(4) Other financial assets

	June 30, 2020	December 31, 2019	June 30, 2019
Refundable deposits	\$ 6,528	7,462	7,127
Other receivables-disposal of operation department in Mainland China	23,125	22,833	31,735
Other receivables — Other	19,588	22,801	14,610
Restricted deposits	9,981	11,203	11,200
Less: Loss allowance	(23,180)	(22,837)	(59)
	<u>\$ 36,042</u>	<u>41,462</u>	<u>64,613</u>

Book as:

Other financial assets — current	\$ 27,513	29,827	53,354
Other financial assets — non-current	8,529	11,635	11,259
	<u>\$ 36,042</u>	<u>41,462</u>	<u>64,613</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

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

(5) Inventories

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Raw materials and supplies	\$ 276,485	268,830	256,181
Work in progress	157,324	148,692	128,923
Finished goods and Merchandise	<u>184,982</u>	<u>245,234</u>	<u>212,779</u>
inventories			
	<u>\$ 618,791</u>	<u>662,756</u>	<u>597,883</u>

For the three and six months ended June 30, 2020 and 2019, recognition of inventory impairment losses due to write-off of inventories to net realizable value was \$32,016 thousand, \$0 thousand, \$37,504 thousand and \$393 thousand, and has been recognize under operating costs.

Abovementioned inventories were not pledged as collaterals.

(6) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Molds</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:							
Balance at January 1, 2020	\$ 267,535	182,286	224,997	402,029	95,114	426	1,172,387
Additions	-	1,931	14,017	10,552	2,501	630	29,631
Reclassification	-	-	-	-	422	(422)	-
Disposals	-	-	(1,359)	(94)	(153)	-	(1,606)
Effect of movements in exchange rates	<u>-</u>	<u>(388)</u>	<u>(1,962)</u>	<u>(1,227)</u>	<u>(355)</u>	<u>(14)</u>	<u>(3,946)</u>
Balance at June 30, 2020	<u>\$ 267,535</u>	<u>183,829</u>	<u>235,693</u>	<u>411,260</u>	<u>97,529</u>	<u>620</u>	<u>1,196,466</u>
Balance at January 1, 2019	\$ 267,535	23,950	183,868	388,340	84,710	134,065	1,082,468
Additions	-	26,466	23,200	13,204	8,117	-	70,987
Reclassification	-	128,336	-	-	5,073	(133,409)	-
Disposals	-	-	(3,277)	(4,716)	(3,244)	-	(11,237)
Effect of movements in exchange rates	<u>-</u>	<u>(34)</u>	<u>505</u>	<u>431</u>	<u>115</u>	<u>(5)</u>	<u>1,012</u>
Balance at June 30, 2019	<u>\$ 267,535</u>	<u>178,718</u>	<u>204,296</u>	<u>397,259</u>	<u>94,771</u>	<u>651</u>	<u>1,143,230</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Molds</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Accumulated depreciation and Impairment:							
Balance at January 1, 2020	\$ -	25,534	125,818	318,270	61,841	-	531,463
Depreciation for the year	-	6,963	9,887	14,405	3,597	-	34,852
Disposals	-	-	(1,353)	(72)	(148)	-	(1,573)
Effect of movements in exchange rates	-	(191)	(955)	(866)	(235)	-	(2,247)
Balance at June 30, 2020	<u>\$ -</u>	<u>32,306</u>	<u>133,397</u>	<u>331,737</u>	<u>65,055</u>	<u>-</u>	<u>562,495</u>
Balance at January 1, 2019	\$ -	14,070	113,169	297,769	61,713	-	486,721
Depreciation for the year	-	4,934	6,788	14,390	3,902	-	30,014
Disposals	-	-	(2,633)	(4,716)	(2,965)	-	(10,314)
Effect of movements in exchange rates	-	43	368	289	81	-	781
Balance at June 30, 2019	<u>\$ -</u>	<u>19,047</u>	<u>117,692</u>	<u>307,732</u>	<u>62,731</u>	<u>-</u>	<u>507,202</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 June 30, 2020	<u>\$ 267,535</u>	<u>151,523</u>	<u>102,296</u>	<u>79,523</u>	<u>32,474</u>	<u>620</u>	<u>633,971</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 June 30, 2019	<u>\$ 267,535</u>	<u>159,671</u>	<u>86,604</u>	<u>89,527</u>	<u>32,040</u>	<u>651</u>	<u>636,028</u>

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

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

(7) Right-of-use assets

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

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Right-of-use assets cost:			
Balance at January 1, 2020	\$ 139,850	3,855	143,705
Effect of movements in exchange rates	(3,356)	-	(3,356)
Balance at June 30, 2020	<u>\$ 136,494</u>	<u>3,855</u>	<u>140,349</u>
Balance at January 1, 2019	\$ 116,788	2,420	119,208
Additions	3,167	1,435	4,602
Effect of movements in exchange rates	990	-	990
Balance at June 30, 2019	<u>\$ 120,945</u>	<u>3,855</u>	<u>124,800</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Accumulated Depreciation:			
Balance at January 1, 2020	\$ 16,778	1,377	18,155
Depreciation for the period	9,418	728	10,146
Effect of movements in exchange rates	<u>(522)</u>	<u>-</u>	<u>(522)</u>
Balance at June 30, 2020	<u>\$ 25,674</u>	<u>2,105</u>	<u>27,779</u>
	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Balance at January 1, 2019	\$ -	-	-
Depreciation for the period	7,686	649	8,335
Effect of movements in exchange rates	<u>(61)</u>	<u>-</u>	<u>(61)</u>
Balance at June 30, 2019	<u>\$ 7,625</u>	<u>649</u>	<u>8,274</u>
Carrying amounts:			
Balance at June 30, 2020	<u>\$ 110,820</u>	<u>1,750</u>	<u>112,570</u>
Balance at January 1, 2020	<u>\$ 123,072</u>	<u>2,478</u>	<u>125,550</u>
Balance at June 30, 2019	<u>\$ 113,320</u>	<u>3,206</u>	<u>116,526</u>
Balance at January 1, 2019	<u>\$ 116,788</u>	<u>2,420</u>	<u>119,208</u>

(8) Investment Property

	<u>Owned property Buildings and others</u>	<u>Right-of-use assets Land</u>	<u>Total</u>
Carrying amounts:			
Balance at January 1, 2020	<u>\$ 5,880</u>	<u>6,976</u>	<u>12,856</u>
Balance at June 30, 2020	<u>\$ 5,670</u>	<u>6,656</u>	<u>12,326</u>
Balance at January 1, 2019	<u>\$ 6,228</u>	<u>7,537</u>	<u>13,765</u>
Balance at June 30, 2019	<u>\$ 6,234</u>	<u>7,473</u>	<u>13,707</u>

There was no significant increase for acquisition, disposal, reversal or write-down of impairment loss of investment property for the six months ended June, 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.

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

(9) Intangible assets

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

	Computer software	Others	Total
Carrying amounts:			
Balance at January 1, 2020	\$ <u>3,037</u>	<u>665</u>	<u>3,702</u>
Balance at June 30, 2020	\$ <u>2,997</u>	<u>575</u>	<u>3,572</u>
Balance at January 1, 2019	\$ <u>3,370</u>	<u>847</u>	<u>4,217</u>
Balance at June 30, 2019	\$ <u>2,870</u>	<u>757</u>	<u>3,627</u>

There was no significant increase for acquisition, disposal, reversal or write-down of impairment loss of intangible assets for the six months ended June, 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>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Prepayment for purchases	\$ 3,868	8,817	5,472
Prepaid expense	5,635	8,170	6,820
Prepayments for equipment	13,181	4,642	4,372
Prepayments for land	13,000	-	-
Income tax refund receivable	16,107	22,301	20,994
Assets for right to recover product to be returned	3,485	3,684	3,652
Other	741	734	23
	<u>\$ 56,017</u>	<u>48,348</u>	<u>41,333</u>

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Current	\$ 29,836	43,706	36,961
Non-current	26,181	4,642	4,372
	<u>\$ 56,017</u>	<u>48,348</u>	<u>41,333</u>

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Notes to the Consolidated Financial Statements (Continued)

(11) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Letters of credit	\$ -	6,586	-
Unsecured bank loans	197,778	137,988	243,636
Secured bank loans	60,000	80,000	60,000
Total	<u>\$ 257,778</u>	<u>224,574</u>	<u>303,636</u>
Unused short-term credit lines	<u>\$ 572,563</u>	<u>615,106</u>	<u>572,215</u>
Range of interest rates	<u>1.00%~3.48%</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>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Unsecured bank borrowings	\$ 46,419	57,152	39,561
Secured bank loans	305,928	292,285	297,643
	352,347	349,437	337,204
Less: current portion	36,560	48,691	30,275
Total	<u>\$ 315,787</u>	<u>300,746</u>	<u>306,929</u>
Unused long-term credit lines	<u>\$ -</u>	<u>-</u>	<u>35,000</u>
Range of interest rates	<u>1.35%~1.73%</u>	<u>1.55%~1.88%</u>	<u>1.40%~1.70%</u>

A. The increased amount of long-term borrowing of the Group for the six months ended June 30, 2020, was \$40,000 thousand, the interest rate ranges were 1.35% to 1.6%. There were no new long-term borrowings for the six months ended June 30, 2019; the repayment amount were \$37,090 thousand and \$29,478 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>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Current	<u>\$ 17,926</u>	<u>17,977</u>	<u>19,911</u>
Non-current	<u>\$ 98,632</u>	<u>110,332</u>	<u>120,267</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 June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Interest on lease liabilities	<u>\$ 1,370</u>	<u>1,420</u>	<u>2,817</u>	<u>2,870</u>
Expenses relating to short-term leases	<u>\$ 270</u>	<u>855</u>	<u>540</u>	<u>1,855</u>
Expenses relating to leases of low-value assets,excluding short-term leases of low-value assets	<u>\$ 109</u>	<u>169</u>	<u>222</u>	<u>298</u>

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
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 six months ended June 30,	
	2020	2019
Total cash outflow for leases	<u>\$ 12,404</u>	<u>12,110</u>

A. Lease of land and Buildings

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

B. Other leases

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

(14) Other current and non-current liabilities

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

	June 30, 2020	December 31, 2019	June 30, 2019
Advance receipts	\$ 5,831	5,294	5,286
Guarantee deposit received	4,656	3,057	3,187
Provision for warranties	1,022	1,243	2,110
Refund liabilities	7,477	9,627	7,486

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Notes to the Consolidated Financial Statements (Continued)

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Others	<u>15,211</u>	<u>11,731</u>	<u>13,579</u>
	<u>\$ 34,197</u>	<u>30,952</u>	<u>31,648</u>
	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Current	\$ 29,469	30,414	31,111
Non-Current	<u>4,728</u>	<u>538</u>	<u>537</u>
	<u>\$ 34,197</u>	<u>30,952</u>	<u>31,648</u>

There was no significant changes of liabilities provision for the six months ended June, 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</u>		<u>For the six months ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Operating cost	\$ 73	14	145	89
Selling expenses	36	31	72	206
General and administrative expenses	<u>-</u>	<u>9</u>	<u>-</u>	<u>59</u>
Total	<u>\$ 109</u>	<u>54</u>	<u>217</u>	<u>354</u>

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:

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Notes to the Consolidated Financial Statements (Continued)

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Operating cost	\$ 690	3,041	3,501	5,974
Selling expenses	592	614	1,256	1,329
General and administrative expenses	265	353	616	694
Research and development expenses	577	549	1,249	1,148
Total	<u>\$ 2,124</u>	<u>4,557</u>	<u>6,622</u>	<u>9,145</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 June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Current income tax expense				
Current period	\$ 11,428	4,825	17,792	7,307
Adjustment for prior period	330	309	330	309
Income tax expense	<u>\$ 11,758</u>	<u>5,134</u>	<u>18,122</u>	<u>7,616</u>

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

(17) Capital and other equity

The Group had no significant capital and other equity change for the six months ended June 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.

A. Issuance of common stock

For the six months ended June 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 June 30, 2019.

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Notes to the Consolidated Financial Statements (Continued)

B. Capital surplus

The balances of capital surplus were as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 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.

C. Retained earnings

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

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

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

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

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	2,723	(1,417)	1,306
Balance at June 30, 2020	<u><u>\$ 18,896</u></u>	<u><u>(444)</u></u>	<u><u>18,452</u></u>
Balance at January 1, 2019	\$ 11,177	936	12,113
Changes of the Group	(1,978)	82	(1,896)
Balance at June 30, 2019	<u><u>\$ 9,199</u></u>	<u><u>1,018</u></u>	<u><u>10,217</u></u>

E. Treasury stock

For the six months ended June 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 June 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 June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Basic earnings per share				
Profit attributable to ordinary shareholders of the Company	<u><u>\$ 30,388</u></u>	<u><u>12,850</u></u>	<u><u>47,560</u></u>	<u><u>28,505</u></u>
Weighted-average number of common shares (in thousands)	<u><u>69,218</u></u>	<u><u>69,787</u></u>	<u><u>69,500</u></u>	<u><u>69,248</u></u>
Earnings per share(in dollars)	<u><u>\$ 0.44</u></u>	<u><u>0.18</u></u>	<u><u>0.68</u></u>	<u><u>0.41</u></u>
Diluted earnings per share				
Profit attributable to ordinary shareholders of the Company	\$ 30,388	12,850	47,560	28,505
Effect of potentially dilutive common stock-Convertible Bonds	-	-	-	21

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Notes to the Consolidated Financial Statements (Continued)

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>30,388</u>	<u>12,850</u>	<u>47,560</u>	<u>28,526</u>
Weighted-average number of common shares (in thousands)	69,218	69,787	69,500	69,248
Effect of convertible bonds (in thousands)	-	-	-	539
Effect of employee share bonus (in thousands)	<u>77</u>	<u>34</u>	<u>140</u>	<u>34</u>
Weighted-average number of common shares (in thousands)	<u>69,295</u>	<u>69,821</u>	<u>69,640</u>	<u>69,821</u>
Diluted earnings per share (in dollars)	\$ <u>0.44</u>	<u>0.18</u>	<u>0.68</u>	<u>0.41</u>

(19) Revenue from contracts with customers

A. Details of revenue

	For the three months ended June 30, 2020		
	Home appliance Department	Electronic cooling Department	Total
Primary geographical markets:			
Domestic	\$ 222,748	297,926	520,674
Mainland China	-	85,978	85,978
Germany	-	201,857	201,857
America	1,208	53,823	55,031
Japan	17,589	1,331	18,920
South Korea	-	25,867	25,867
Others	41	39,743	39,784
	<u>\$ 241,586</u>	<u>706,525</u>	<u>948,111</u>
Major products services lines:			
Cooling fan	\$ -	570,515	570,515
Product of home appliances—air series	171,701	-	171,701
Product of home appliances—water series	54,681	-	54,681
Heat sink and thermal module	-	125,255	125,255
Others	15,204	10,755	25,959
	<u>\$ 241,586</u>	<u>706,525</u>	<u>948,111</u>

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Notes to the Consolidated Financial Statements (Continued)

For the three months ended June 30, 2019

	Home appliance Department	Electronic cooling Department	Total
Primary geographical markets:			
Domestic	\$ 207,693	169,680	377,373
Mainland China	-	48,235	48,235
Germany	-	187,280	187,280
America	9,655	42,129	51,784
Japan	106,960	3,473	110,433
South Korea	-	24,726	24,726
Others	3,462	51,388	54,850
	\$ 327,770	526,911	854,681
Major products services lines:			
Cooling fan	\$ -	456,010	456,010
Product of home appliances—air series	272,442	-	272,442
Product of home appliances—water series	42,744	-	42,744
Heat sink and thermal module	-	64,694	64,694
Others	12,584	6,207	18,791
	\$ 327,770	526,911	854,681

For the six months ended June 30, 2020

	Home appliance Department	Electronic cooling Department	Total
Primary geographical markets:			
Domestic	\$ 417,756	430,709	848,465
Mainland China	1,804	139,831	141,635
Germany	-	426,931	426,931
America	5,383	81,192	86,575
Japan	20,182	3,037	23,219
South Korea	-	43,267	43,267
Others	4,730	72,888	77,618
	\$ 449,855	1,197,855	1,647,710
Major products services lines:			
Cooling fan	\$ -	1,002,201	1,002,201
Product of home appliances—air series	299,858	-	299,858
Product of home appliances—water series	121,839	-	121,839
Heat sink and thermal module	-	180,611	180,611
Others	28,158	15,043	43,201
	\$ 449,855	1,197,855	1,647,710

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Notes to the Consolidated Financial Statements (Continued)

For the six months ended June 30, 2019

	Home appliance Department	Electronic cooling Department	Total
Primary geographical markets:			
Domestic	\$ 403,254	322,873	726,127
Mainland China	4,170	102,951	107,121
Germany	-	347,971	347,971
America	14,685	92,756	107,441
Japan	118,271	6,895	125,166
South Korea	-	43,252	43,252
Others	7,875	96,233	104,108
	\$ 548,255	1,012,931	1,561,186
Major products services lines:			
Cooling fan	\$ -	872,636	872,636
Product of home appliances—air series	420,621	-	420,621
Product of home appliances—water series	96,397	-	96,397
Heat sink and thermal module	-	130,554	130,554
Others	31,237	9,741	40,978
	\$ 548,255	1,012,931	1,561,186

B. Contract balance

	June 30, 2020	December 31, 2019	June 30, 2019
Notes and accounts receivables	\$ 925,870	745,627	792,762
Less: allowance for impairment	(23,965)	(28,454)	(28,860)
Total	\$ 901,905	717,173	763,902
Contract liabilities — unearned revenue	\$ 5,831	5,294	5,286

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

The amount of revenue recognized for the three and six months ended June 30, 2020 and 2019 that was included in the contract liability balance at the beginning of the period were \$490 thousand,\$0 thousand, \$3,914 thousand and \$3,029 thousand, respectively.

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

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

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

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

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

For the three and six months ended at June 30, 2020 and 2019, the Company accrued the compensation of employees amounted to \$837 thousand, \$359 thousand, \$1,313 thousand and \$722 thousand, respectively and the remuneration of directors' amounted to \$419 thousand, \$179 thousand, \$657 thousand and \$361 thousand, respectively. The compensation of employees, remuneration of directors were estimated as the Company's net income before tax, excluding compensation of employees and remuneration of directors, multiplied by the appropriate percentage in compliance with the Company's articles. These expenses recognized under operating costs or operating expenses for the respective period. In case the variances between actual and estimated expenses occur during next year, the variances concerned will be recognized in next year's profit. If the Company's Board of Directors resolve to issue its stocks as the compensation of employees, it will be calculated based on the closing price of its stock on the day before the approval by of Directors.

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

(21) Non-operating income and expenses

A. Interest income

Details of Interest income were as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Interest income				
Bank deposit	\$ 717	405	746	568
Other interest income	4	1,026	12	1,253
	<u>\$ 721</u>	<u>1,431</u>	<u>758</u>	<u>1,821</u>

B. Other income

Details of Other income were as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Interest income				
Sample income	\$ 1,491	779	2,778	2,515
Others	4,181	927	8,585	9,153
	<u>\$ 5,672</u>	<u>1,706</u>	<u>11,363</u>	<u>11,668</u>

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Notes to the Consolidated Financial Statements (Continued)

C. Other gains and losses

Details of other gains and losses were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Net profit (losses) on foreign exchange gains	\$ (9,717)	401	(10,119)	9,892
Net gain on financial assets at fair value through profit or loss	-	-	-	14
Net loss on disposal of property, plant and equipment	(24)	(6)	(33)	(894)
Others	(1,701)	(3,471)	(1,796)	(4,751)
	<u>\$ (11,442)</u>	<u>(3,076)</u>	<u>(11,948)</u>	<u>4,261</u>

D. Finance costs

Details of finance costs were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Interest expenses				
Bank loan	\$ (2,079)	(2,287)	(4,464)	(5,361)
	<u>For the three months ended June 30,</u>	<u>For the six months ended June 30,</u>	<u>For the three months ended June 30,</u>	<u>For the six months ended June 30,</u>
	2020	2019	2020	2019
Lease liability	(1,370)	(1,420)	(2,817)	(2,870)
Amortization of discount on bonds payable	-	-	-	(35)
	<u>\$ (3,449)</u>	<u>(3,707)</u>	<u>(7,281)</u>	<u>(8,266)</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 June 30, 2020, December 31, and June 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

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Notes to the Consolidated Financial Statements (Continued)

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:

June 30, 2020			
	Financial assets measured at amortized cost		
	12-month ECL	Lifetime ECL-unimpaired	Lifetime ECL-impaired
Refundable deposits	\$ 6,528	-	-
Other receivable	16,401	3,092	23,220
Restricted Deposit	9,981	-	-
Loss allowance	-	-	(23,180)
Amortized cost	\$ 32,910	3,092	40
Carrying amount	\$ 32,910	3,092	40

December 31, 2019			
	Financial assets measured at amortized cost		
	12-month ECL	Lifetime ECL-unimpaired	Lifetime ECL-impaired
Refundable deposits	\$ 7,462	-	-
Other receivable	21,149	1,534	22,951
Restricted Deposit	11,203	-	-
Loss allowance	-	-	(22,837)
Amortized cost	\$ 39,814	1,534	114
Carrying amount	\$ 39,814	1,534	114

June 30, 2019			
	Financial assets measured at amortized cost		
	12-month ECL	Lifetime ECL-unimpaired	Lifetime ECL-impaired
Refundable deposits	\$ 7,127	-	-
Other receivable	10,489	35,797	59
Restricted Deposit	11,200	-	-
Loss allowance	-	-	(59)
Amortized cost	\$ 28,816	35,797	-
Carrying amount	\$ 28,816	35,797	-

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

	<u>12-month ECL</u>	<u>Lifetime ECL-unimpaired</u>	<u>Lifetime ECL-impaired</u>	<u>Total</u>
Balance at January 1, 2020	\$ -	-	22,837	22,837
Impairment loss recognized	-	-	51	51
Amount of convert to cash	-	-	911	911
Effect of changes in foreign currency exchange rates	-	-	(619)	(619)
Balance at June 30, 2020	<u>\$ -</u>	<u>-</u>	<u>23,180</u>	<u>23,180</u>
	<u>12-month ECL</u>	<u>Lifetime ECL-unimpaired</u>	<u>Lifetime ECL-impaired</u>	<u>Total</u>
Balance at January 1, 2019	\$ -	-	-	-
Impairment loss recognized	-	-	59	59
Balance at June 30, 2019	<u>\$ -</u>	<u>-</u>	<u>59</u>	<u>59</u>

B. Liquidity risk

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

	<u>Carrying amount</u>	<u>Contracted cash flow</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>over 5 years</u>
<u>June 30, 2020</u>							
Non-derivative financial liabilities							
Long- and Short-term borrowings (floating rate)	\$ 610,125	639,841	275,750	24,547	68,633	108,188	162,723
Accounts payable (non-interest bearing)	671,050	671,050	671,050	-	-	-	-
Other payables (non-interest bearing)	135,646	135,646	135,646	-	-	-	-
Lease liability (fixed interest rate)	116,558	134,842	11,468	11,468	22,194	61,186	28,526
Guarantee deposits (non-interest bearing)	4,656	4,656	-	-	465	4,191	-
	<u>\$ 1,538,035</u>	<u>1,586,035</u>	<u>1,093,914</u>	<u>36,015</u>	<u>91,292</u>	<u>173,565</u>	<u>191,249</u>
<u>December 31, 2019</u>							
Non-derivative financial liabilities							
Long- and Short-term borrowing (floating rate)	\$ 574,011	605,648	264,377	15,058	44,447	103,661	178,105
Accounts payable (non-interest bearing)	577,675	577,675	577,675	-	-	-	-
Other payables (non-interest bearing)	82,332	82,332	82,332	-	-	-	-
Lease liability (fixed interest rate)	128,309	149,930	11,745	11,745	23,248	64,122	39,070
Guarantee deposits (non-interest bearing)	3,057	3,057	-	2,592	465	-	-
	<u>\$ 1,365,384</u>	<u>1,418,642</u>	<u>936,129</u>	<u>29,395</u>	<u>68,160</u>	<u>167,783</u>	<u>217,175</u>

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Notes to the Consolidated Financial Statements (Continued)

	<u>Carrying amount</u>	<u>Contracted cash flow</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>over 5 years</u>
June 30, 2019							
Non-derivative financial liabilities							
Long- and Short-term borrowing (floating rate)	\$ 640,840	674,305	327,195	32,794	25,358	95,357	193,601
Accounts payable (non-interest bearing)	490,734	490,734	490,734	-	-	-	-
Other payables (non-interest bearing)	121,583	121,583	121,583	-	-	-	-
Lease liability (fixed interest rate)	117,764	140,178	9,955	9,956	19,856	55,272	45,139
Guarantee deposits (non-interest bearing)	3,187	3,187	-	2,722	465	-	-
	<u>\$ 1,374,108</u>	<u>1,429,987</u>	<u>949,467</u>	<u>45,472</u>	<u>45,679</u>	<u>150,629</u>	<u>238,740</u>

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

C. Market Risk

(a) Exchange rate risk

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

	June 30, 2020			December 31, 2019			June 30, 2019		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD amount</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD amount</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD amount</u>
Financial assets									
<u>Monetary items</u>									
USD	\$ 43,901	29.63	1,300,814	45,363	29.98	1,360,005	41,367	31.06	1,284,905
EUR	686	33.27	22,833	545	33.59	18,297	761	35.38	26,939
CNY	38,837	4.191	162,611	37,114	4.305	159,812	30,052	4.521	135,867
Financial liabilities									
<u>Monetary items</u>									
USD	33,778	29.63	1,000,905	35,115	29.98	1,052,819	31,091	31.06	965,726
EUR	46	33.27	1,523	124	33.59	4,182	351	35.38	12,415
CNY	30,200	4.191	126,569	27,441	4.305	118,133	26,710	4.521	120,755
TWD	57,192	1	57,192	52,756	1	52,756	43,750	1	43,750

The foreign currency risk of Group was mainly incurred from the translation cash and cash equivalents, accounts receivable, other receivables, restricted deposits, loans, accounts payable and other payables. For the three months end of June 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 \$2,858 thousand and \$2,790 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:

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For the six months ended June 30,

	2020		2019	
	Profit(loss) of exchange	Average exchange rate	Profit(loss) of exchange	Average exchange rate
TWD	\$ (4,786)	-	9,315	-
CNY	(5,333)	4.2584	577	4.5587
	<u>\$ (10,119)</u>		<u>9,892</u>	

(b) Interest rate analysis

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

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

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

	Interest rate increase 0.25%	Interest rate decrease 0.25%
Net profits after tax for the six months ended June, 2020	Net profit decrease \$610 thousand	Net profit increase \$610 thousand
Net profits after tax, for the six months ended June, 2019	Net profit decrease \$641 thousand	Net profit increase \$641 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 six months ended June 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%	\$ 67	-	102	-
Decrease 3%	\$ (67)	-	(102)	-

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

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

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:

June 30, 2020					
	Carrying Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at FVOCI					
Unlisted stock	<u>\$ 2,787</u>	-	-	2,787	2,787
Financial assets at amortized cost					
Cash and cash equivalent	\$ 217,965	-	-	-	-
Notes and accounts receivables	901,905	-	-	-	-
Other Financial assets -current	27,513	-	-	-	-
Other Financial assets -non current	<u>8,529</u>	-	-	-	-
Subtotal	<u>\$ 1,155,912</u>				
Financial liabilities at amortized cost					
Short-term borrowing	\$ 257,778	-	-	-	-
Account payable	671,050	-	-	-	-
Other payable	135,646	-	-	-	-
Long- term borrowing-current portion	36,560	-	-	-	-
Lease liability— current	17,926	-	-	-	-
Long -term borrowing	315,787	-	-	-	-
Lease liability— non-current	98,632	-	-	-	-
Guarantee deposits received	<u>4,656</u>	-	-	-	-
Subtotal	<u>\$ 1,538,035</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 Account receivables	717,173	-	-	-	-
Other Financial assets -current	29,827	-	-	-	-
Other Financial assets -noncurrent	<u>11,635</u>	-	-	-	-
Subtotal	<u>\$ 937,067</u>				
Financial liabilities at amortized 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	-	-	-	-

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

December 31, 2019

	Carrying	Fair value			
	Amount	Level 1	Level 2	Level 3	Total
Long -term borrowing	300,746	-	-	-	-
Lease liability— non-current	110,332	-	-	-	-
Guarantee deposits received	3,057	-	-	-	-
Subtotal	<u>\$ 1,365,384</u>				

June 30, 2019					
	Carrying	Fair value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI					
Unlisted stock	<u>\$ 4,249</u>	-	-	4,249	4,249
Financial assets at amortized cost					
Cash and cash equivalent	\$ 163,577	-	-	-	-
Notes and Account receivables	763,902	-	-	-	-
Other Financial assets -current	53,354	-	-	-	-
Other Financial assets -noncurrent	11,259	-	-	-	-
Subtotal	<u>\$ 992,092</u>				
Financial liabilities at amortized cost					
Short-term borrowing	\$ 303,636	-	-	-	-
Account payable	490,734	-	-	-	-
Other payable	121,583	-	-	-	-
Long- term borrowing-current portion	30,275	-	-	-	-
Lease liability— current	14,611	-	-	-	-
Long -term borrowing	306,929	-	-	-	-
Lease liability— noncurrent	103,153	-	-	-	-
Guarantee deposits received	3,187	-	-	-	-
Subtotal	<u>\$ 1,374,108</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

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

future payment prices are similar to the carrying amount; therefor, the carrying amount in financial reports is a reasonable approximation of the fair value.

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

Non-derivative financial instruments:

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

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

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

(d) Transfers between Level 1 and Level 2

For the six months ended June 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		(1,417)
Balance at June 30, 2020	\$	2,787
Balance at January 1, 2019	\$	4,167
Profit or loss		
Recognized in other comprehensive profit or loss		82
Balance at June 30, 2019	\$	4,249

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

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 June 30, 2020 and 2019.

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

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

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between Significant and fair value measurement
Financial assets at fair value through other comprehensive income -equity investments without an active market	Comparable listed company approach	<ul style="list-style-type: none"> • Lack of market liquidity discount (as June 30, 2020, December 31, 2019, June 30, 2019 were 51.62%, 43.58% and 43.93%, respectively) • Valuation multiples (as June 30, 2020, December 31, 2019, June 30, 2019 were 1.03, 1.32 and 1.26, respectively) • Stock price volatility (as June 30, 2020, December 31, 2019, June 30, 2019 were 49.45%, 49.86% and 51.10%, 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	Unfavorable
	Inputs	Fluctuation in inputs			
Balance at June 30, 2020					
Financial assets at fair value through other comprehensive income					
Investment of equity instruments without an active market	Market liquidity discount rate 51.62%	10%	\$	574	(574)
	Valuation multiples 1.03	5%		140	(138)
	Stock price volatility 49.45%	5%		268	(249)
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 June 30, 2019					
Financial assets at fair value through other comprehensive income					
Investment of equity instruments without an active market	Market liquidity discount rate 43.93%	10%	\$	744	(744)
	Valuation multiples 1.26	5%		212	(248)
	Stock price volatility 51.10%	5%		269	(319)

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:

			Non-cash changes				
	January 1, 2020	Cash flows	foreign exchange	Convert to ordinary share	Interest amortized	Lease liability	June 30, 2020
Short-term borrowing	\$ 224,574	33,879	(675)	-	-	-	257,778
Long-term borrowing-current portion	349,437	2,910	-	-	-	-	352,347
Lease liability (Current and non-current)	128,309	(8,825)	(2,926)	-	-	-	116,558
Guarantee deposits received	3,057	1,666	(67)	-	-	-	4,656
Total liabilities from financing activities	<u>\$ 705,377</u>	<u>29,630</u>	<u>(3,668)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>731,339</u>

			Non-cash changes				
	January 1, 2019	Cash flows	foreign exchange	Convert to ordinary share	Interest amortized	Other	June 30, 2019
Short-term borrowing	\$ 338,941	(35,416)	111	-	-	-	303,636
Long-term borrowing-current portion	366,682	(29,478)	-	-	-	-	337,204
Bonds payable	24,586	-	-	(24,621)	35	-	-
Lease liability (Current and non-current)	119,208	(7,087)	1,041	-	-	4,602	117,764
Guarantee deposits received	4,210	(1,128)	105	-	-	-	3,187
Total liabilities from financing activities	<u>\$ 853,627</u>	<u>(73,109)</u>	<u>1,257</u>	<u>(24,621)</u>	<u>35</u>	<u>4,602</u>	<u>761,791</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 June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Short-term employee benefits	\$ 1,935	1,219	3,867	2,892
Post-employment benefits	-	-	-	-
Termination benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Share-based payments	-	-	-	-
	<u>\$ 1,935</u>	<u>1,219</u>	<u>3,867</u>	<u>2,892</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 June 30, 2020, December 31, 2019 and June 30, 2019.

B. Endorsement and guarantee

The Group borrowed from financial institutions on December 31, 2019, June 30, 2020 and 2019. According to the requirements of some contracts, the major management of the company should provide a joint guarantee.

8. Pledged assets

The carrying values of pledged assets were as follows:

Pledged Assets	Purpose	June 30, 2020	December 31, 2019	June 30, 2019
Deposit account (Reserve account)	Long-term/short-term borrowing, customs taxes, company debt and other repayment accounts	\$ 7,203	10,203	10,200
Time deposit	Guarantee of sales channel and short-term borrowing	2,778	1,000	1,000
Land	Guarantee of long-term/short-term borrowing	267,535	267,535	267,535
Buildings	Guarantee of long-term/short-term borrowing	<u>137,185</u>	<u>141,761</u>	<u>145,124</u>
		<u>\$ 414,701</u>	<u>420,499</u>	<u>423,859</u>

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

9. Significant Commitments and Contingencies

A. Unrecognized contingencies of contracts:

	June 30, 2020	December 31, 2019	June 30, 2019
Acquisition of property, plant and equipment	<u>\$ 6,632</u>	<u>-</u>	<u>1,723</u>

B. Standby letter of credit:

	June 30, 2020	December 31, 2019	June 30, 2019
Purchases of raw materials	<u>\$ 47,437</u>	<u>48,308</u>	<u>22,785</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 June 30, 2020			For the three months ended June 30, 2019		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee benefits:						
Salary	54,196	43,800	97,996	61,132	39,765	100,897
Labor and health insurance	3,807	3,256	7,063	3,784	3,843	7,627
Pension expense	763	1,470	2,233	3,054	1,557	4,611
Remuneration of directors	-	539	539	-	303	303
Other personnel cost	4,825	1,823	6,648	3,594	1,914	5,508
Depreciation	11,777	10,710	22,487	9,600	10,671	20,271
Amortization	-	370	370	-	419	419

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

By function By item	For the six months ended June 30, 2020			For the six months ended June 30, 2019		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee benefits:						
Salary	111,596	79,789	191,385	116,720	77,600	194,320
Labor and health insurance	7,366	6,863	14,229	7,965	7,238	15,203
Pension expense	3,646	3,193	6,839	6,062	3,437	9,499
Remuneration of directors	-	1,512	1,512	-	1,244	1,244
Other personnel cost	8,183	3,430	11,613	7,094	3,587	10,681
Depreciation	23,588	21,603	45,191	16,878	21,682	38,560
Amortization	-	746	746	-	1,227	1,227

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 six months ended June 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 (Note1,3)	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reason for financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	value		
0	The Company	Yen Sun Technology (BVI) Corp.	Other receivable-related parties	Yes	44,445 (USD 1,500,000)	44,445 (USD 1,500,000)	44,445 (USD 1,500,000)	-	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	127,615 (USD 4,306,943)	127,615 (USD 4,306,943)	127,472 (USD 4,302,111)	-	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	25,146 (RMB 6,000,000)	25,146 (RMB 6,000,000)	25,146 (RMB 6,000,000)	-	Short - term financing	-	Working capital	-	-	-	392,489 (Note 2)	392,489 (Note 2)
2	Y.H. Tech International Corp.	Yen Sun Technology (BVI) Corp.	long-term receivables – related parties	Yes	49,826 (USD 1,681,614)	49,826 (USD 1,681,614)	49,826 (USD 1,681,614)	-	Short - term financing	-	Working capital	-	-	-	392,489 (Note 2)	392,489 (Note 2)

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

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

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

(b) Guarantees and endorsements for other parties:

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

No.	Endorser/ guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period (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	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Company name	Relationship with the endorser/ guarantor										
0	The Company	Yen Sun Technology (BVI) Corp.	Subsidiary	294,367 (Note 1)	91,853 (USD 3,100,000)	91,853 (USD 3,100,000)	17,778 (USD 600,000)	62,223	9.36%	490,611	Y	-	-
0	The Company	YEN JIU TECHNOLOGY CORP.	Subsidiary	196,244 (Note 2)	36,000	36,000	-	-	3.67%	490,611	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 June 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	2,787	19.16%	2,787	-

(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) (Note4)	
The Company	YEN JIU TECHNOLOGY CORP.	Subsidiary	Purchase	374,822	30.55%	6 months	Single supplier	6 month There is no significant difference from the general transaction	19,710 (Note2)	19.29% (Note4)	
The Company	Yen Sun Technology (BVI) Corp.	Subsidiary	Purchase	328,303	26.76%	(Note 1)	Single supplier	(Note 1)	(105,098)	24.45%	
The Company	Yen Sun Tech International (Samoa) Corp.	Subsidiary	Purchase	164,014	13.37%	(Note 1)	Single supplier	(Note 1)	10,270 (Note 2)	10.05% (Note4)	
Yen Sun Technology (BVI) Corp.	DARSON ELECTRONICS (DONGGUAN) LTD.	Subsidiary to Son Company	Purchase	317,026	91.21%	(Note 1)	Single supplier	(Note 1)	(87,629)	41.77%	
Yen Sun Tech International (Samoa) Corp.	YEN GIANT METAL (DONGGUAN) CO., LTD.	Subsidiary to Son Company	Purchase	163,830	80.48%	(Note 1)	Single supplier	(Note 1)	15,984 (Note 2)	100.00% (Note4)	
YEN JIU TECHNOLOGY CORP.	The Company	Ultimate parent company	Sale	374,822	99.92%	6 months	Single sales object	6 month There is no significant difference from the general transaction	(19,710) (Note 2)	100.00% (Note4)	
Yen Sun Technology (BVI) Corp.	The Company	Ultimate parent company	Sale	328,303	91.03%	(Note 1)	Single sales object	(Note 1)	105,098	59.70%	
Yen Sun Tech International	The Company	Ultimate parent company	Sale	164,014	94.66%	(Note 1)	Single sales object	(Note 1)	(10,270) (Note 2)	100.00% (Note4)	

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	317,026	99.97%	(Note 1)	Single sales object	(Note 1)	87,629 (Note 2)	41.71%	
YEN GIANT METAL (DONGGUAN) CO., LTD.	Yen Sun Tech International (Samoa) Corp.	Subsidiary	Sale	163,830	61.23%	(Note 1)	Single sales object	(Note 1)	(15,984) (Note 2)	100.00% (Note4)	

(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	166,644 (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.

(j) Business relationships and significant intercompany transactions:

No.	Name	Counterparty	Relationship (Note)	Details of transaction			
				Account name	Amount	Trading terms	% of total consolidated revenue or total asset
0	The Company	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	1	Other receivables	13,195	Overdue accounts receivable No comparable terms	0.51%
0	The Company	Yen Sun Technology (BVI) Corp.	1	Endorsement/Guarantee	91,853	No comparable terms	3.53%
				Other receivables – Loans extended to other parties	44,445		1.71%
0	The Company	Yen Sun Technology (BVI) Corp.	1	Purchase material	328,303	No comparable terms	19.92%
				Procurement of raw materials	30,486		1.85%
				Accounts payable	105,098		4.03%
0	The Company	Y.H. Tech International Corp.	1	Purchase material	15	No comparable terms ;	-
				Other receivables	2,679	The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	0.10%
				Payments for other	28		-

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

No.	Name	Counterparty	Relationship (Note)	Details of transaction			
				Account name	Amount	Trading terms	% of total consolidated revenue or total asset
0	The Company	Yen Sun Tech International (Samoa) Corp.	1	Purchase material	164,014	No comparable terms ; The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	9.95%
				Sales revenue	9,181		0.56%
				Prepayment for purchases	10,270		0.39%
				Accounts receivable	61,787		2.37%
				Other receivables	2,150		0.08%
				Procurement of raw materials	30,178		1.83%
0	The Company	YEN JIU TECHNOLOGY CORP.	1	Purchase material	374,822	No comparable terms ; The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	22.75%
				Procurement of raw materials	2,836		0.17%
				Prepayment for purchases	19,710		0.76%
				Rental income	2,520		0.15%
0	The Company	YEN JIU TECHNOLOGY CORP.	1	Endorsement/Guarantee	36,000	No comparable terms	1.38%
1	Yen Sun Technology (BVI) Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	3	Long-term accounts receivable	152,618	Financial intermediation. No interest-bearing	5.86%
				Long-term accounts receivable -Interest	13,444		0.52%
1	Yen Sun Technology (BVI) Corp.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	3	Accounts receivable	582	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	317,026	No comparable terms ; The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	19.24%
				Procurement of raw materials	32,357		1.96%
				Accounts payable	87,629		3.36%
2	Y.H. Tech International Corp.	Yen Sun Technology (BVI) Corp.	3	Other receivables – Loans extended to other parties	49,826	Financial intermediation. No interest-bearing	1.91%

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

No.	Name	Counterparty	Relationship (Note)	Details of transaction			
				Account name	Amount	Trading terms	% of total consolidated revenue or total asset
2	Y.H. Tech International Corp.	DARSON ELECTRONIC (DONGGUAN) LTD.	3	Purchase material Accounts receivable	15 2,048	No comparable terms ; The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	- 0.08%
2	Y.H. Tech International Corp.	Yen Hung International Corp.	3	Other receivables	506	Entrusted collection No comparable terms	0.02%
3	Yen Sun Tech International (Samoa) Corp.	YEN GIANT METAL (DONGGUAN) CO., LTD.	3	Purchase material Sales revenue Prepayment for purchases Accounts receivable Procurement of raw materials Other receivables	163,830 9,258 15,984 37,268 28,586 1,603	No comparable terms ; The payment terms are that the accounts payable shall be offset against prepayment for purchases monthly.	9.94% 0.56% 0.61% 1.43% 1.73% 0.06%
4	DARSON ELECTRONIC (DONGGUAN) LTD.	YEN GIANT METAL (DONGGUAN) CO., LTD.	3	Purchase material Accounts payable	4,404 4,146	No comparable terms ;	0.27% 0.16%
4	DARSON ELECTRONIC (DONGGUAN) LTD.	SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	3	Other payables	3,554	Entrusted collection, 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	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
				June 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%	(140,071)	(742)	(742)	Subsidiary
The Company	LUCRATIVE INT'L GROUP INC.	Samoa	Investment holding	9,008	-	1,000,000	100%	48,030	40,283	40,283	Subsidiary
The Company	Yen Sun Tech International (Samoa) Corp.	Samoa	Investment holding	32,098	32,098	1,000,000	100%	119,151	950	950	Subsidiary
The Company	YEN JIU TECHNOLOGY CORP.	Taiwan	Home Appliance OEM Business	122,686	122,686	11,050,000	100%	61,311	(33,375)	(33,375)	Subsidiary
Yen Sun Tech International (Samoa) Corp.	Yen Hung International Corp.	Samoa	Investment holding	30,179	30,179	1,000,000	100%	114,870	2,225	2,225	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%	114,862	2,225	2,225	Subsidiary of the Company (indirectly hold)

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

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

C. Information on investments in Mainland China:

(a) Information of investments in Mainland China

Investee company	Main businesses and products	Received capital	Investment method	Accumulated amount invested in Mainland China as of Jan.1,2019	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of Mar. 31, 2020	Net income of investee (Note 3)	The Company's direct or indirect investment ratio	Investment gain (loss) recognized by the Company (Note 3)	Book value of the investment as of Mar. 31, 2020 (Note 3)	Accumulated investment income repatriated to Taiwan as of Mar. 31,2020
					Remittance	Repatriation						
SHANGHAI YENSUN ELECTRICAL INDUSTRIAL CO., LTD.	Manufacturing and sales of Home Appliances, Cooling fan	233,347 (USD 7,800,000)	Invest through Yen Sun Technology (BVI) Corp. then invest in Mainland China	233,347 (USD 7,800,000)	-	-	233,347 (USD 7,800,000)	(2,285)	100%	(2,285) (Note 4)	(173,656) (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) (Note5)	-	36,184 (USD 1,185,000)	3,301	100%	3,301 (Note 1)	18,233 (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)	39,856	100%	39,856 (Note 1)	48,030 (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 June 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
270,969 (Note 2) (USD 9,145,000)	321,340 (Note 2) (USD 10,845,000)	588,733

(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 June 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 June 30, 2020				
	Home Appliances	Electronics Cooling	Adjustments and elimination	Total
Revenue:				
Revenue from external customers	\$ 241,586	706,525	-	948,111
Total revenue	\$ 241,586	706,525	-	948,111
Reportable segment income	\$ (26,058)	67,989	215	42,146
For the three months ended June 30, 2019				
	Home Appliances	Electronics Cooling	Adjustments and elimination	Total
Revenue:				
Revenue from external customers	\$ 327,770	526,912	-	854,682
Total revenue	\$ 327,770	526,912	-	854,682
Reportable segment income	\$ 3,000	19,408	(4,424)	17,984
For the six months ended June 30, 2020				
	Home Appliances	Electronics Cooling	Adjustments and elimination	Total
Revenue:				
Revenue from external customers	\$ 449,855	1,197,855	-	1,647,710
Total revenue	\$ 449,855	1,197,855	-	1,647,710
Reportable segment income	\$ (36,542)	105,579	(3,355)	65,682

YEN SUN TECHNOLOGY COROPERATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

	For the six months ended June 30, 2019			
	Home Appliances	Electronics Cooling	Adjustments and elimination	Total
Revenue:				
Revenue from external customers	\$ 548,254	1,012,932	-	1,561,186
Total revenue	\$ 548,254	1,012,932	-	1,561,186
Reportable segment income	\$ (9,296)	43,589	1,828	36,121
	Home Appliances	Electronics Cooling	Adjustments and elimination	Total
Reportable Segment Assets				
June 30, 2020	\$ 957,468	2,470,477	(822,829)	2,605,116
December 31, 2019	\$ 948,935	2,366,309	(870,667)	2,444,577
June 30, 2019	\$ 976,749	2,226,737	(790,173)	2,413,313