

Stock code: 6451

**SHUNSIN TECHNOLOGY HOLDINGS LIMITED
AND SUBSIDIARY**

Consolidated Financial Statements

With Independent Auditors' Review Report

For six months ended of 2020 and 2019

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Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 review 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.

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REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors of ShunSin Technology Holdings Limited:

Introduction

We have reviewed the accompanying consolidated balance sheets of SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES Company and its subsidiaries as of June 30, 2020 and 2019, and the related consolidated statements of comprehensive income from April 1 to June 30, 2020 and 2019, and from January 1 to June 30, 2020 and 2019, changes in equity and cash flows for the three months ended June 30, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. The 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 and issued into effect 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

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.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of ABC Company and its subsidiaries as of June 30, 2020 and 2019, and of its consolidated financial performance from April 1 to June 30, 2020 and 2019, and its consolidated cash flows for the 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

KPMG

Reviewed only, not audited in accordance with generally accepted auditing standards
SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Balance Sheets

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

Expressed in Thousands of New Taiwan Dollars

| | | 2020.6.30 | | 2019.12.31 | | 2019.6.30 | | | | 2020.6.30 | | 2019.12.31 | | 2019.6.30 | |
|---------------|--|------------------|-------------------|-------------------|-------------------|------------------|-------------------|------------|---------------------------------|---|-----------|-------------------|------------|-------------------|------------|
| | | Amount | % | Amount | % | Amount | % | | | Amount | % | Amount | % | Amount | % |
| Assets | | | | | | | | | | | | | | | |
| 11xx | Current assets : | | | | | | | 21xx | Liabilities and equities | | | | | | |
| 1100 | Cash and cash equivalents (note 6 (1)) | \$ | 6,763,902 | 61 | 6,386,315 | 56 | 5,294,900 | 49 | 2100 | Current liabilities : | \$ | 2,676,614 | 24 | 3,022,229 | 27 |
| 1110 | Current financial assets at fair value through profit or loss (note 6 (2)) | | - | - | 1,429 | - | - | - | 2120 | Short-term loans (note 6 (9)) | | | | 2,437,418 | 23 |
| | | | | | | | | | | Current financial liabilities at fair value through profit or loss (note 6 (11)) | | 2,250 | - | - | - |
| 1140 | Current contract assets (note 6 (18) and 7) | | 191,441 | 2 | 260,384 | 2 | 401,491 | 4 | 2170 | Accounts payable | | 329,432 | 3 | 363,471 | 3 |
| 1151 | Notes receivable (note 6 (3) and (18)) | | - | - | 710 | - | 357 | - | 2180 | Accounts payable to related parties (note 7) | | 194 | - | 1 | - |
| 1170 | Accounts receivable (note 6 (3) and (18)) | | 453,522 | 4 | 530,614 | 5 | 568,272 | 5 | 2200 | Other payables (note 6 (19)) | | 324,445 | 3 | 341,200 | 3 |
| 1181 | Accounts receivable—related parties (note 6 (3) 、(18) and 7) | | 315,364 | 3 | 571,492 | 5 | 560,089 | 5 | 2216 | Dividends payable, non-cash assets distributions (note 6 (15)) | | 387,641 | 4 | - | - |
| 1206 | Other receivables (note 6 (4) and 7) | | 7,954 | - | 129,224 | 1 | 25,021 | - | 2220 | Other payables to related parties (note 7) | | 20,667 | - | 34,749 | 1 |
| 1310 | Inventories (note 6 (5)) | | 304,152 | 3 | 334,061 | 3 | 383,367 | 3 | 2230 | Current tax liabilities | | 3,177 | - | 16,645 | - |
| 1410 | Prepayments | | 235,451 | 2 | 102,552 | 1 | 191,459 | 2 | 2280 | Current lease liabilities (note 6 (12)) | | 16,070 | - | 20,462 | - |
| 1470 | Other current assets | | 1,057 | - | 6,690 | - | 1,231 | - | 2321 | Bonds payable, current portion (note 6 (11)) | | 1,428,761 | 13 | - | - |
| | | | 8,272,843 | 75 | 8,323,471 | 73 | 7,426,187 | 68 | 2399 | Other current liabilities, others | | 35,029 | - | 20,236 | - |
| 15xx | Non-current assets : | | | | | | | | | | | | | 23,179 | - |
| 1510 | Financial assets measured at fair value through profit or loss—non-current (note 6 (2) and (11)) | | 381,544 | 3 | 478,401 | 4 | 530,575 | 5 | 25xx | Non-current liabilities : | | 5,224,280 | 47 | 3,818,993 | 34 |
| 1600 | Property, plant and equipment (note 6 (6) and 7) | | 2,143,240 | 19 | 2,255,451 | 20 | 2,466,660 | 23 | 2500 | Non-current financial liabilities at fair value through profit or loss (note 6 (11)) | | - | - | - | - |
| 1755 | Right-of-use assets ((note 6 (7) and (12)) | | 75,313 | 1 | 90,329 | 1 | 52,952 | 1 | 2530 | Bonds payable (note 6 (11)) | | - | - | 1,413,728 | 12 |
| 1780 | Intangible assets ((note 6 (8)) | | 1,664 | - | 2,915 | - | 4,301 | - | 2570 | Deferred tax liabilities | | 440,579 | 4 | 421,389 | 4 |
| 1840 | Deferred tax assets | | 222,702 | 2 | 268,126 | 2 | 370,669 | 3 | 2580 | Non-current lease liabilities (note 6 (12)) | | 22,477 | - | 31,413 | - |
| 1915 | Prepayments for business facilities | | 466 | - | 19,335 | - | 13,930 | - | 2630 | Long-term deferred revenue | | 102,670 | 1 | 94,090 | 1 |
| 1920 | Guarantee deposits paid | | 10,689 | - | 10,808 | - | 6,890 | - | 2645 | Guarantee deposits received | | 821 | - | 1,443 | - |
| | | | 2,835,618 | 25 | 3,125,365 | 27 | 3,445,977 | 32 | | | | 566,547 | 5 | 1,962,063 | 17 |
| | | | | | | | | | 2xxx | Total liabilities | | 5,790,827 | 52 | 5,781,056 | 51 |
| | | | | | | | | | 31xx | Total equity attributable to owners of parent (note 6 (11) 、(15) and (16)) : | | | | 5,448,255 | 50 |
| | | | | | | | | | 3110 | Ordinary share | | 1,065,248 | 10 | 1,065,248 | 9 |
| | | | | | | | | | 3200 | Capital surplus | | 2,756,341 | 25 | 2,753,167 | 24 |
| | | | | | | | | | 3300 | Retained earnings : | | | | | |
| | | | | | | | | | 3310 | Legal reserve | | 403,331 | 4 | 339,499 | 3 |
| | | | | | | | | | 3320 | Special reserve | | 345,229 | 3 | - | - |
| | | | | | | | | | 3350 | Unappropriated retained earnings | | 1,385,762 | 12 | 1,985,081 | 17 |
| | | | | | | | | | | | | 2,134,322 | 19 | 2,324,580 | 20 |
| | | | | | | | | | 3400 | Other equity interest : | | | | | |
| | | | | | | | | | 3410 | Exchange differences on translation of foreign financial statements | | (577,018) | (5) | (345,230) | (3) |
| | | | | | | | | | 3500 | Treasury shares | | (74,605) | (1) | (149,649) | (1) |
| | | | | | | | | | | Total equity attributable to owners of parent | | 5,304,288 | 48 | 5,648,116 | 49 |
| | | | | | | | | | 36xx | Non-controlling interests | | 13,346 | - | 19,664 | - |
| | | | | | | | | | 3xxx | Total equity | | 5,317,634 | 48 | 5,667,780 | 49 |
| 1xxx | Total assets | \$ | 11,108,461 | 100 | 11,448,836 | 100 | 10,872,164 | 100 | 2-3xxx | Total liabilities and equity | \$ | 11,108,461 | 100 | 11,448,836 | 100 |

See accompanying notes to consolidated financial statements

Chairman: Hsu, Wen-Yi

Manager: Hsu, Wen-Yi

General Accountant: Wang, Chieh-Min

Reviewed only, not audited in accordance with generally accepted auditing standards
SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statements of Profit or Loss and Other Comprehensive Income

From April 1 to June 30, 2020 and 2019, and from January 1 to June 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Except for Earning Per Share)

| | | From April to June 2020 | | From April to June 2019 | | From January to June 2020 | | From January to June 2019 | |
|------|---|------------------------------------|-------------|------------------------------------|------------|--------------------------------------|-------------|--------------------------------------|------------|
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| 4000 | Operating revenue (note 6 (18) and 7) : | | | | | | | | |
| 4110 | Sales revenue | \$ 1,112,449 | 100 | 1,541,178 | 100 | 2,121,118 | 100 | 2,992,447 | 101 |
| 4190 | Loss : Sales discounts and allowances | 274 | - | 5,328 | - | 3,445 | - | 29,775 | 1 |
| | Operating Revenue | 1,112,175 | 100 | 1,535,850 | 100 | 2,117,673 | 100 | 2,962,672 | 100 |
| 5000 | Operating costs (note 6 (5) 、(6) 、(7) 、(8) 、 (12) 、(13) and 7) | 817,445 | 73 | 1,247,760 | 81 | 1,563,836 | 74 | 2,476,271 | 84 |
| 5900 | Gross profit from operations | 294,730 | 27 | 288,090 | 19 | 553,837 | 26 | 486,401 | 16 |
| 6000 | Operating expenses (note 6 (3) 、(6) 、(7) 、 (8) 、(12) 、(13) 、(16) 、(18) 、(19) and 7) : | | | | | | | | |
| 6100 | Selling expenses | 6,819 | 1 | 9,030 | - | 14,758 | - | 17,825 | 1 |
| 6200 | Administrative expenses | 65,258 | 7 | 103,844 | 7 | 134,622 | 6 | 183,580 | 6 |
| 6300 | Research and development expenses | 55,589 | 5 | 69,780 | 4 | 123,907 | 6 | 129,737 | 4 |
| 6450 | Expected credit loss (gain) | 3,685 | - | (141) | - | 3,685 | - | 1,343 | - |
| | Total operating expenses | 131,351 | 13 | 182,513 | 11 | 276,972 | 12 | 332,485 | 11 |
| 6900 | Net operating profits | 163,379 | 14 | 105,577 | 8 | 276,865 | 14 | 153,916 | 5 |
| 7000 | Non-operating income and expenses (note 6 (2) 、(11) 、(12) and (20)) : | | | | | | | | |
| 7100 | Interest revenue | 38,884 | 4 | 33,436 | 2 | 74,455 | 3 | 58,091 | 2 |
| 7010 | Other income | 25,636 | 2 | (1,870) | - | 39,080 | 2 | 18,715 | 1 |
| 7020 | Other gains and losses | (20,966) | (2) | (23,395) | (2) | (90,387) | (4) | (44,354) | (1) |
| 7050 | Finance costs | (16,346) | (1) | (16,522) | (1) | (33,823) | (2) | (27,739) | (1) |
| | Total non-operating income and expenses | 27,208 | 3 | (8,351) | (1) | (10,675) | (1) | 4,713 | 1 |
| 7900 | Profit from continuing operations before tax | 190,587 | 17 | 97,226 | 7 | 266,190 | 13 | 158,629 | 6 |
| 7950 | Loss: Tax expense (note 6 (14)) | 45,764 | 4 | (21,644) | (1) | 74,723 | 4 | (5,397) | - |
| 8200 | Profit | 144,823 | 13 | 118,870 | 8 | 191,467 | 9 | 164,026 | 6 |
| 8300 | Other comprehensive income : | | | | | | | | |
| 8360 | Components of other comprehensive income that will be reclassified to profit or loss | | | | | | | | |
| 8361 | Exchange differences on translation | (166,611) | (15) | (108,873) | (7) | (232,190) | (11) | 72,150 | 2 |
| 8399 | Loss : Income tax related to components of other comprehensive income that will be reclassified to profit or loss | - | - | - | - | - | - | - | - |
| 8300 | Other comprehensive income, net | (166,611) | (15) | (108,873) | (7) | (232,190) | (11) | 72,150 | 2 |
| 8500 | Total comprehensive income (loss) | \$ (21,788) | (2) | 9,997 | 1 | (40,723) | (2) | 236,176 | 8 |
| | Profit, attributable to : | | | | | | | | |
| 8610 | Owners of parent | \$ 149,332 | 13 | 124,293 | 8 | 197,383 | 9 | 174,333 | 6 |
| 8620 | Non-controlling interests | (4,509) | - | (5,423) | - | (5,916) | - | (10,307) | - |
| | | \$ 144,823 | 13 | 118,870 | 8 | 191,467 | 9 | 164,026 | 6 |
| | Comprehensive income attributable to : | | | | | | | | |
| 8710 | Owners of parent | \$ (17,001) | (2) | 15,702 | 1 | (34,405) | (2) | 246,103 | 8 |
| 8720 | Non-controlling interests | (4,787) | - | (5,705) | - | (6,318) | - | (9,927) | - |
| | | \$ (21,788) | (2) | 9,997 | 1 | (40,723) | (2) | 236,176 | 8 |
| | Basic earnings per share (expressed in New Taiwan Dollars) (note 6 (17)) | | | | | | | | |
| 9750 | Basic earnings per share | \$ 1.42 | | 1.21 | | 1.88 | | 1.69 | |
| 9850 | Diluted earnings per share | \$ 1.30 | | 1.20 | | 1.87 | | 1.58 | |

See accompanying notes to consolidated financial statements

Chairman: Hsu, Wen-Yi

Manager: Hsu, Wen-Yi

General Accountant: Wang, Chieh-Min

Reviewed only, not audited in accordance with generally accepted auditing standards
SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

January 1 to June 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

| Equity attributable to owners of parent | | | | | | | | | | | |
|---|-------------------|-----------------|---------------|-----------------|----------------------------------|-----------|---|-----------------|---|---------------------------|--------------|
| | Retained earnings | | | | | | Exchange differences on translation of foreign financial statements | Treasury shares | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
| | Ordinary share | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total | | | | | |
| Balance as of January 1, 2019 | \$ 1,054,468 | 2,632,394 | 309,674 | - | 1,615,955 | 1,925,629 | 4,093 | - | 5,616,584 | 29,509 | 5,646,093 |
| Appropriation and distribution of retained earnings : | | | | | | | | | | | |
| Legal reserve appropriated | - | - | 29,825 | - | (29,825) | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (239,364) | (239,364) | - | - | (239,364) | - | (239,364) |
| Profit | - | - | - | - | 174,333 | 174,333 | - | - | 174,333 | (10,307) | 164,026 |
| Other comprehensive income (loss) | - | - | - | - | - | - | 71,770 | - | 71,770 | 380 | 72,150 |
| Total comprehensive income (loss) | - | - | - | - | 174,333 | 174,333 | 71,770 | - | 246,103 | (9,927) | 236,176 |
| Purchase of treasury shares | - | - | - | - | - | - | - | (243,432) | (243,432) | - | (243,432) |
| Share-based payment transactions | - | 24,436 | - | - | - | - | - | - | 24,436 | - | 24,436 |
| Balance as of June 30, 2019 | \$ 1,054,468 | 2,656,830 | 339,499 | - | 1,521,099 | 1,860,598 | 75,863 | (243,432) | 5,404,327 | 19,582 | 5,423,909 |
| Balance as of January 1, 2020 | \$ 1,065,248 | 2,753,167 | 339,499 | - | 1,985,081 | 2,324,580 | (345,230) | (149,649) | 5,648,116 | 19,664 | 5,667,780 |
| Appropriation and distribution of retained earnings : | | | | | | | | | | | |
| Legal reserve appropriated | - | - | 63,832 | - | (63,832) | - | - | - | - | - | - |
| Special reserve appropriated | - | - | - | 345,229 | (345,229) | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (387,641) | (387,641) | - | - | (387,641) | - | (387,641) |
| Profit | - | - | - | - | 197,383 | 197,383 | - | - | 197,383 | (5,916) | 191,467 |
| Other comprehensive income (loss) | - | - | - | - | - | - | (231,788) | - | (231,788) | (402) | (232,190) |
| Total comprehensive income (loss) | - | - | - | - | 197,383 | 197,383 | (231,788) | - | (34,405) | (6,318) | (40,723) |
| Disposal of treasury shares | - | - | - | - | - | - | - | 75,044 | 75,044 | - | 75,044 |
| Share-based payment transactions | - | 3,174 | - | - | - | - | - | - | 3,174 | - | 3,174 |
| Balance as of June 31, 2020 | \$ 1,065,248 | 2,756,341 | 403,331 | 345,229 | 1,385,762 | 2,134,322 | (577,018) | (74,605) | 5,304,288 | 13,346 | 5,317,634 |

See accompanying notes to consolidated financial statements.

Chairman: Hsu, Wen-Yi

Manager: Hsu, Wen-Yi

General Accountant: Wang, Chieh-Min

Reviewed only, not audited in accordance with generally accepted auditing standards
SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For Six Months Ended June 30, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

| | From January to June, 2020 | From January to June, 2019 |
|---|---------------------------------------|---------------------------------------|
| Cash flows from operating activities : | | |
| Profit before tax | \$ 266,190 | 158,629 |
| Adjustments : | | |
| Adjustments to reconcile profit (loss) | | |
| Depreciation expense | 239,963 | 311,024 |
| Amortization expense | 1,197 | 2,185 |
| Expected credit loss for bad debt expense | 3,685 | 1,343 |
| Net loss on financial assets and liabilities at fair value through profit or loss | 88,316 | 32,307 |
| Interest expense | 33,823 | 27,739 |
| Interest income | (74,455) | (58,091) |
| Share-based payments | 3,174 | 24,436 |
| Property, plant and equipment transferred to expenses | 246 | - |
| Gain on disposal of property, plant and equipment | (3,002) | (3,210) |
| Rent concessions (recognized as other income) | (1,719) | - |
| Total adjustments to reconcile profit (loss) | 291,228 | 337,733 |
| Changes in operating assets and liabilities : | | |
| Changes in operating assets : | | |
| Contract assets | 65,258 | (51,423) |
| Notes receivable | 710 | 12,747 |
| Accounts receivable | 77,092 | (58,739) |
| Accounts receivables — related parties | 256,128 | 229,608 |
| Other receivables | 116,178 | 100,682 |
| Inventories | 29,909 | 118,173 |
| Prepayments | (132,899) | 50,329 |
| Other current assets | 5,633 | 2,139 |
| Total changes in operating assets | 418,009 | 403,516 |
| Changes in operating liabilities : | | |
| Accounts payable | (34,039) | (36,203) |
| Accounts payable — related parties | 193 | (105) |
| Other payable | (52,228) | (41,745) |
| Other payable — related parties | (13,665) | 14,043 |
| Other current liabilities | 14,793 | 12,864 |
| Long-term deferred income | 8,580 | (5,349) |
| Total changes in operating liabilities | (76,366) | (56,495) |
| Total changes in operating assets and liabilities | 341,643 | 347,021 |
| Total adjustments | 632,871 | 684,754 |
| Cash inflow generated from operations | 899,061 | 843,383 |
| Interest received | 74,336 | 58,639 |
| Interest paid | (19,747) | (11,665) |
| Income tax paid | (12,726) | (9) |
| Net cash flows from (used in) operating activities | 940,924 | 890,348 |
| Cash flows from (used in) investing activities : | | |
| Acquisition of financial assets at fair value through profit or loss | - | (571,513) |
| Acquisition of property, plant and equipment | (117,798) | (938,252) |
| Proceeds from disposal of property, plant and equipment | 3,338 | 20,691 |
| Decrease in guarantee deposits paid | 119 | 3,145 |
| Increase in prepayments for business facilities | (324) | (13,930) |
| Net cash flows from (used in) investing activities | (114,665) | (1,499,859) |
| Cash flows from (used in) financing activities: | | |
| Increase in short-term loans | 3,364,960 | 3,759,244 |
| Decrease in short-term loans | (3,710,575) | (2,956,847) |
| Decrease in guarantee deposits received | (595) | (137) |
| Payments of lease liabilities | (10,240) | (4,263) |
| Payments to acquire treasury shares | - | (243,432) |
| Disposal of treasury shares | 75,044 | - |
| Net cash flows from (used in) financing activities | (281,406) | 554,565 |
| Effect of exchange rate changes on cash and cash equivalents | (167,266) | 56,539 |
| Net increase (decrease) in cash and cash equivalents | 377,587 | 1,593 |
| Cash and cash equivalents at beginning of period | 6,386,315 | 5,293,307 |
| Cash and cash equivalents at end of period | \$ 6,763,902 | 5,294,900 |

See accompanying notes to consolidated financial statements.

Chairman: Hsu, Wen-Yi

Manager: Hsu, Wen-Yi

General Accountant: Wang, Chieh-Min

Reviewed only, not audited in accordance with generally accepted auditing standards
ShunSin Technology Holdings Limited and Its Subsidiaries
Notes to Consolidated Financial Statements

1. History of the Company

ShunSin Technology Holdings Limited (formerly known as Amtec Holdings Limited, hereinafter referred to as “the Company”) was established in the Cayman Islands on January 8, 2008, and set up a branch in Taiwan on July 4, 2013. On August 28, 2013, the Company changed the Chinese name of Amtec Holding Limited to ShunSin Technology Holdings Limited through the Board of Directors resolution. The Company’s stock was listed on the Taiwan Stock Exchange on January 26, 2015. The Company and its subsidiaries (hereinafter referred to as “the Group”) are mainly engaged in the assembly, testing and sales of various integrated circuits related to semiconductors.

2. Approval dates and procedures of consolidated financial statements

The consolidated financial report was issued and authorized by the Board of Directors on August 10, 2020.

3. New standards, amendments and interpretations adopted:

- (1) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

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 |

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

Reviewed only, not audited in accordance with generally accepted auditing standards
ShunSin Technology Holdings Limited and Its Subsidiaries
Notes to Consolidated Financial Statements

(2) The impact of IFRS issued by IASB but not yet endorsed by FSC

The following IFRSs 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 Associate or Joint Venture” | Effective date to be determined by IASB |
| IFRS 17 “Insurance Contract” | 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 |

What may be relevant to the Group are as follows :

| Issue date | New or Amended Standards | Main revision contents |
|-------------------|---|---|
| January 23, 2020 | Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | <p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p> |

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

4. Summary of Major Accounting Policies

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The major accounting policies adopted in this consolidated financial report are the same as those in 2019, except for the following. Please refer to the note 4 in consolidated financial report of 2019 for relative information.

(1) Statement on compliance

This consolidated financial report is prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the “Guidelines” and the International Financial Reporting Standards, International Accounting Standards, Interpretation and Interpretation Bulletin (hereinafter referred to as the “International Financial Reporting Standards Accredited by the Financial Supervisory Commission”).

(2) The basis of consolidation

The principles for preparing consolidated financial report are consistent with those in 2019, please refer to note 4 (3) in consolidated financial report of 2019 for relative information.

Subsidiaries included in consolidated financial reports:

| Investor | Name of subsidiary | Primary Business | Shareholding Ratio | | |
|---------------------|---|---|---------------------|---------------------|-----------|
| | | | 2020.6.30 | 2019.12.31 | 2019.6.30 |
| The Company | ShunSin Technology Holdings Limited (Hong Kong) (hereinafter referred to ShunSin (Hong Kong)) | Holding Company | 90.15% | 90.15% | 90.15% |
| The Company | ShunSin Technology (Samoa) Corporation Limited (hereinafter referred to as ShunSin (Samoa)) | Overseas material and equipment purchasing | 100.00% | 100.00% | 100.00% |
| The Company | ShunSin Technology (Ha Noi, Vietnam) Limited (hereinafter referred to as ShunSin (Ha Noi)) | Optical transceivers manufacturing | 100.00% (Note 1) | 100.00% (Note 1) | - % |
| The Company | ShunSin Technology (Bac Giang, Vietnam) Limited (hereinafter referred to as ShunSin (Bac Giang)) | Optical transceivers manufacturing | 100.00% (Note 2) | - % | - % |
| ShunSin (Samoa) | ShunSin (Hong Kong) | Holding Company | 9.85% | 9.85% | 9.85% |
| ShunSin (Hong Kong) | ShunSin Technology (Zhong Shan) Limited (hereinafter referred to as ShunSin (Zhongshan)) | Assembly, testing and sales of high-speed optical transceiver | 100.00% | 100.00% | 100.00% |

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| | | | | | |
|---------------------|---|--|--------|--------|--------|
| | | module, high-frequency wireless communication module and various integrated circuits | | | |
| ShunSin (Zhongshan) | Talentek Microelectronics (Hefei) Limited (hereinafter referred to as Talentek (Hefei)) | Design, R&D, measurement and sales of electrical equipment, communication equipment and automation equipment | 55.00% | 55.00% | 55.00% |

Note 1: ShunSin (Ha Noi) was registered on December 26, 2019 in Ha Noi, Vietnam. The authorized capital is US\$ 6,000 thousand. The Company invested US\$ 6,000 thousand on January 14, 2020, shareholding ratio is 100%.

Note 2: ShunSin (Bac Giang) was registered on May 8, 2020 in Bac Giang, Vietnam. The authorized capital is US\$ 40,000 thousand. The Company invested US\$ 20,000 thousand as the end of June 30, 2020, shareholding ratio is 100%.

Subsidiaries not included in the consolidated financial report: None.

(3) Government subsidies

When the Group receives government subsidies related to business activities, the unconditional subsidies are recognized as a deduction of expenses. Government subsidies to compensate the expenses or losses incurred by the merged company are recognized in the profit and loss on a systematic basis and related expenses at the same reporting period.

(4) Income tax

The Group measured and disclose midterm income tax expense in accordance with the standards of preparation and section B12 of IAS 34 “Interim Financial Reporting”.

Income tax expense are recognized as current tax expense and defer tax expense under the calculation with the interim reported income before tax times the best estimation of effective tax rate from the management.

Income tax which are recognized in equity or other comprehensive income are measured with applicable tax rate base on the temporary difference between booking amount and taxable basis when expected to be realized or paid off.

5. Major Sources of Uncertainty in Accounting Judgments, Estimates and Assumptions

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While preparing consolidated financial report based on the preparing standards and IAS 34 “Interim Financial Reporting”, the management has to make judgements, estimations, and assumptions, and those would affect reported assets, liabilities, revenues, and expenses under adopted accounting policy. Actual consequence may differ from those estimated.

Major sources of uncertainty in accounting judgments, estimates and assumptions are consistent with note 5 in the consolidated financial report of 2019 while preparing.

6. Description of important accounting items

There is no material difference the description of material accounting subjects in the consolidated financial report with those in the 2019. Please refer to note 6 of the consolidated financial report in 2019 for relative information.

(1) Cash and cash equivalents

| | 2020.6.30 | 2019.12.31 | 2019.6.30 |
|--|----------------------------|-------------------------|-------------------------|
| Current deposit | \$ 4,414,233 | 3,618,592 | 3,752,064 |
| Times deposit | 2,349,669 | 2,767,723 | 1,542,836 |
| Cash and cash equivalents as shown in the consolidated cash flow statement | <u>\$ 6,763,902</u> | <u>6,386,315</u> | <u>5,294,900</u> |

For the disclosure of interest rate risk and sensitivity analysis of the Group’s financial assets, please refer to note 6 (21) for details.

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

A. Current

The Group engages in derivative financial commodity transactions to avoid exchange rate risks exposed by business activities. The details of the Group's derivative instruments reported as financial assets measured at fair value through profit or loss due to the absence of hedge accounting are as follows:

Forward foreign exchange contract:

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| 2019.12.31 | | | | |
|-------------------------------|----------------------------|-----------------|---------------|---|
| | Contract amount | Currency | Period | Fair value asset (Liability) |
| Sell forward foreign exchange | USD | 9,000 | USD to RMB | 2019.11.11~ 2020.2.13 |
| | | | | <u><u>1,429</u></u> |

B. Non-current

| | 2020.6.30 | 2019.12.31 | 2019.6.30 |
|--|---------------------------------|------------------------------|------------------------------|
| Financial assets designated at fair value through profit and loss: | | | |
| Derivative financial assets | | | |
| Right to redeem and sell back bonds | \$ - | 2,250 | - |
| Non-derivative financial assets | | | |
| Stocks of domestic unlisted companies | - | - | 11,708 |
| Private fund | 381,544 | 476,151 | 518,867 |
| | <u><u>\$ 381,544</u></u> | <u><u>478,401</u></u> | <u><u>530,575</u></u> |

ShunSin (Zhongshan), a subsidiary of the Group, invested RMB 125,000 thousand in Jinan Fujie Industrial Investment Fund Partnership (Limited Partnership), in order to integrate resources and develop a strategic cooperation network for the semiconductor industry.

Please refer to note 6 (20) for the amount recognized as profit or loss in the fair value re-measurement.

(3) Notes receivable and accounts receivable:

| | 2020.6.30 | 2019.12.31 | 2019.6.30 |
|-----------------------------------|---------------------------------|--------------------------------|--------------------------------|
| Notes receivable | \$ - | 710 | 357 |
| Accounts receivable | 467,163 | 544,416 | 569,632 |
| Accounts receivable-related party | 315,364 | 571,492 | 560,089 |
| Minus: loss allowance | (13,641) | (13,802) | (1,360) |
| | <u><u>\$ 768,886</u></u> | <u><u>1,102,816</u></u> | <u><u>1,128,718</u></u> |

Notes receivable and accounts receivable of the Group are not discounted or provided as collateral.

The notes receivable and accounts receivable are estimated using the simplified method of estimating the anticipated credit loss for all notes receivable and accounts receivable on behalf

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of the customer according to the contract terms for the Group. For this purpose, the common credit risk characteristics of the ability to pay all amounts due are grouped and included in forward-looking information, including information on the overall economy and related industries.

The anticipated credit loss of notes receivable and accounts receivable of the Group on June 30, 2020, December 31, 2019 and June 30, 2019, are analyzed as follows:

| | 2020.6.30 | | |
|---------------------|---|--|--|
| | Book value of notes receivable and accounts receivable | Weighted average anticipated credit loss rate (%) | Provision against anticipated credit losses during the continuance of existence |
| Not overdue | \$ 727,603 | - | - |
| Past due 1-30 days | 41,150 | - | - |
| Past due 31-60 days | 133 | - | - |
| | <u>\$ 768,886</u> | | <u>-</u> |

The Group has recognized whole amount of \$13,641 thousand toward the accounts receivable with evidence showing that it cannot reasonably be expected to be recovered.

| | 2019.12.31 | | |
|---------------------|---|--|--|
| | Book value of notes receivable and accounts receivable | Weighted average anticipated credit loss rate (%) | Provision against anticipated credit losses during the continuance of existence |
| Not overdue | \$ 1,076,185 | - | - |
| Past due 1-30 days | 26,488 | - | - |
| Past due 31-60 days | 143 | - | - |
| | <u>\$ 1,102,816</u> | | <u>-</u> |

The Group has recognized whole amount of \$13,802 thousand toward the accounts receivable with evidence showing that it cannot reasonably be expected to be recovered.

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| | 2019.6.30 | | |
|---------------------|---|--|--|
| | Book value of notes receivable and accounts receivable | Weighted average anticipated credit loss rate (%) | Provision against anticipated credit losses during the continuance of existence |
| Not overdue | \$ 1,010,106 | - | - |
| Past due 1-30 days | 114,369 | - | - |
| Past due 31-60 days | 3,024 | - | - |
| | <u>\$ 1,127,499</u> | | <u>-</u> |

The Group has recognized credit loss amount of \$1,360 thousand toward the accounts receivable amounting to \$2,579 thousand, with evidence showing that it cannot reasonably be expected to be recovered.

The Group's statement of allowance of uncollectible notes receivable and accounts receivable is as follows:

| | From January to June 2020 | From January to June 2019 |
|---------------------------|--------------------------------------|--------------------------------------|
| Opening balance | \$ 13,802 | - |
| Recognized loss allowance | - | 1,343 |
| Exchange gain (loss) | (161) | 17 |
| Ending balance | <u>\$ 13,641</u> | <u>1,360</u> |

Financial assets aforementioned are not used as guarantees for short-term loans and line of credit.

(4) Other receivables

| | 2020.6.30 | 2019.12.31 | 2019.6.30 |
|-------------------|------------------------|-----------------------|----------------------|
| Other receivables | <u>\$ 7,954</u> | <u>129,224</u> | <u>25,021</u> |

Other receivables of the Group were not overdue on June 30, 2020, December 31, 2019 and June 30, 2019.

(5) Inventories

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| | 2020.6.30 | 2019.12.31 | 2019.6.30 |
|--|--------------------------|-----------------------|-----------------------|
| Raw materials | \$ 268,897 | 290,640 | 350,580 |
| Work-in-process | 16,071 | 22,380 | 16,440 |
| Finished products (including semi-finished products) | 19,184 | 21,041 | 16,347 |
| | <u>\$ 304,152</u> | <u>334,061</u> | <u>383,367</u> |

Operating costs recognized by the Group:

| | From April to June 2020 | From April to June 2019 | From January to June 2020 | From January to June 2019 |
|---|--|--|--|--|
| Cost of selling inventories | \$ 814,052 | 1,241,097 | 1,555,497 | 2,460,622 |
| Loss allowance for inventory valuation losses and slow-moving inventories | 3,819 | 7,356 | 11,079 | 16,342 |
| Revenue from sale of scraps | (426) | (693) | (2,740) | (693) |
| | <u>\$ 817,445</u> | <u>1,247,760</u> | <u>1,563,836</u> | <u>2,476,271</u> |

As of June 30, 2020, December 31, 2019 and June 30, 2019, the inventory of the Group has not been provided as a pledge guarantee.

(6) Property, plant and equipment

The changes in the costs, depreciation and impairment losses of the real estate, plant and equipment of the Group from January 1 to June 30, 2020 and 2019 are as follows:

| | Housing and building | Machiner y and equipment | Office equipment (including computer communic ation equipment) | Inspection equipment | Other equipment | Lease improvm ent | Unfinishe d constructi on and equipment to be inspected | Total |
|-------------------------------|---------------------------------|---|--|---------------------------------|----------------------------|----------------------------------|--|-------------------------|
| Cost: | | | | | | | | |
| Balance as of January 1, 2020 | \$ 482,658 | 2,716,649 | 64,547 | 999,550 | 349,634 | 46,118 | 641,337 | 5,300,493 |
| Acquisition | - | 54,563 | 32 | 15,284 | 1,834 | - | 82,098 | 153,811 |
| Disposal | - | (45,958) | (118) | (10,906) | (5,128) | - | - | (62,110) |
| Re-classification | - | 9,137 | - | 1,269 | 14,319 | - | (5,778) | 18,947 |
| Exchange rate changes | (12,869) | (71,264) | (1,681) | (26,212) | (9,327) | (1,204) | (17,630) | (140,187) |
| Balance as of June 30, 2020 | <u>\$ 469,789</u> | <u>2,663,127</u> | <u>62,780</u> | <u>978,985</u> | <u>351,332</u> | <u>44,914</u> | <u>700,027</u> | <u>5,270,954</u> |
| Balance as of January 1, 2019 | \$ 502,706 | 2,778,440 | 67,299 | 1,036,364 | 315,109 | 48,033 | 420,619 | 5,168,570 |
| Addition | - | 53,941 | 248 | 40,501 | 4,731 | - | 179,842 | 279,263 |
| Disposal | - | (61,526) | (269) | (17,939) | (54) | - | - | (79,788) |

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| | | | | | | | | |
|---|-------------------|------------------|---------------|------------------|----------------|---------------|----------------|------------------|
| Re-classification | - | 29,655 | - | 15,826 | 29,672 | - | (75,153) | - |
| Exchange rate changes | 4,717 | 25,795 | 630 | 9,344 | 2,559 | 451 | 3,017 | 46,513 |
| Balance as of June30, 2019 | \$ 507,423 | 2,826,305 | 67,908 | 1,084,096 | 352,017 | 48,484 | 528,325 | 5,414,558 |
| Accumulated depreciation and impairment losses: | | | | | | | | |
| Balance as of January 1, 2020 | \$ 203,563 | 1,922,956 | 54,049 | 616,868 | 236,874 | 10,732 | - | 3,045,042 |
| Depreciation | 13,132 | 118,014 | 3,826 | 70,843 | 18,808 | 2,447 | - | 227,070 |
| Disposal | - | (45,622) | (118) | (10,906) | (5,128) | - | - | (61,774) |
| Exchange rate changes | (5,563) | (51,574) | (1,479) | (17,239) | (6,442) | (327) | - | (82,624) |
| Balance as of June 30, 2020 | \$ 211,132 | 1,943,774 | 56,278 | 659,566 | 244,112 | 12,852 | - | 3,127,714 |
| Balance as of January 1, 2019 | \$ 184,420 | 1,786,661 | 48,526 | 505,286 | 150,474 | 5,560 | - | 2,680,927 |
| Depreciation | 14,068 | 143,191 | 4,250 | 84,806 | 57,128 | 3,110 | - | 306,553 |
| Disposal | - | (61,526) | (269) | (458) | (54) | - | - | (62,307) |
| Exchange rate changes | 1,592 | 15,951 | 414 | 3,904 | 843 | 21 | - | 22,725 |
| Balance as of June 30, 2019 | \$ 200,080 | 1,884,277 | 52,921 | 593,538 | 208,391 | 8,691 | - | 2,947,898 |
| Carrying amount: : | | | | | | | | |
| Balance as of January 1, 2020 | 279,095 | 793,693 | 10,498 | 382,682 | 112,760 | 35,386 | 641,337 | 2,255,451 |
| Balance as of June 30, 2020 | \$ 258,657 | 719,353 | 6,502 | 319,419 | 107,220 | 32,062 | 700,027 | 2,143,240 |
| Balance as of June 30, 2019 | \$ 307,343 | 942,028 | 14,987 | 490,558 | 143,626 | 39,793 | 528,325 | 2,466,660 |

(7) Right-of-use asset

The cost and depreciation of the Group's leased land, building and transportation equipment, etc., and its changes are as follows:

| | Land | Building | Vehicle | Total |
|---|------------------|-----------------|----------------|---------------|
| Cost: | | | | |
| Balance as of January 1, 2020 | \$ 39,253 | 54,982 | 5,595 | 99,830 |
| Acquisition | - | 690 | - | 690 |
| Exchange rate changes | (1,025) | (2,084) | (146) | (3,255) |
| Balance as of June 30, 2020 | \$ 38,228 | 53,588 | 5,449 | 97,265 |
| Balance as of January 1, 2019 | \$ - | - | - | - |
| Retrospective application of new standard adjustments | 40,884 | 10,133 | 5,828 | 56,845 |
| Balance as of January 1, 2019 after adjustment | 40,884 | 10,133 | 5,828 | 56,845 |
| Exchange rate changes | 384 | 95 | 55 | 534 |
| Balance as of June 30, 2019 | \$ 41,268 | 10,228 | 5,883 | 57,379 |
| Accumulated depreciation of right-of-use assets: | | | | |
| Balance as of January 1, 2020 | \$ 1,372 | 5,405 | 2,724 | 9,501 |
| Depreciation | 681 | 10,860 | 1,352 | 12,893 |
| Exchange rate changes | (49) | (297) | (96) | (442) |
| Balance as of June 30, 2020 | \$ 2,004 | 15,968 | 3,980 | 21,952 |
| Balance as of January 1, 2019 | \$ - | - | - | - |

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| | | | | |
|---|------------------|---------------|--------------|---------------|
| Retrospective application of new standard adjustments | - | - | - | - |
| Balance as of January 1, 2019 after adjustment | - | - | - | - |
| Depreciation | 729 | 2,296 | 1,446 | 4,471 |
| Exchange rate changes | (7) | (23) | (14) | (44) |
| Balance as of June 30, 2019 | <u>\$ 722</u> | <u>2,273</u> | <u>1,432</u> | <u>4,427</u> |
| Carrying amount: | | | | |
| January 1, 2020 | <u>\$ 37,881</u> | <u>49,577</u> | <u>2,871</u> | <u>90,329</u> |
| June 30, 2020 | <u>\$ 36,224</u> | <u>37,620</u> | <u>1,469</u> | <u>75,313</u> |
| June 30, 2019 | <u>\$ 40,546</u> | <u>7,955</u> | <u>4,451</u> | <u>52,952</u> |

(8) Intangible assets

The cost, amortization and impairment losses of the Group' intangible assets from January 1 to June 30, 2020 and 2019 are as follows:

| | Cost of computer software |
|-------------------------------------|--|
| Cost: | |
| Balance as of January 1, 2020 | \$ 20,061 |
| Impact of exchange rate changes | (524) |
| Balance as of June 30, 2020 | <u>\$ 19,537</u> |
| Balance as of January 1, 2019 | \$ 20,229 |
| Impact of exchange rate changes | 190 |
| Balance as of June 30, 2019 | <u>\$ 20,419</u> |
| Amortization and impairment losses: | |
| Balance as of January 1, 2020 | \$ 17,146 |
| Amortization | 1,197 |
| Impact of exchange rate changes | (470) |
| Balance as of June 30, 2020 | <u>\$ 17,873</u> |
| Balance as of January 1, 2019 | \$ 13,825 |
| Amortization | 2,185 |
| Impact of exchange rate changes | 108 |
| Balance as of June 30, 2019 | <u>\$ 16,118</u> |

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Carrying amount:

| | |
|-------------------------------|------------------------|
| Balance as of January 1, 2020 | <u><u>\$ 2,915</u></u> |
| Balance as of June 30, 2020 | <u><u>\$ 1,664</u></u> |
| Balance as of June 30, 2019 | <u><u>\$ 4,301</u></u> |

The amortization expenses of intangible assets are reported under the consolidated income statement as follows:

| | From April to June 2020 | From April to June 2019 | From January to June 2020 | From January to June 2019 |
|--------------------|--|--|--|--|
| Operating costs | \$ 127 | 219 | 268 | 476 |
| Operating expenses | 437 | 845 | 929 | 1,709 |
| | <u><u>\$ 564</u></u> | <u><u>1,064</u></u> | <u><u>1,197</u></u> | <u><u>2,185</u></u> |

(9) Short-term loans

The details of the short-term loans of the Group are as follows:

| | 2020.6.30 | 2019.12.31 | 2019.6.30 |
|-------------------------|----------------------------|-------------------------|-------------------------|
| Unsecured bank loans | <u><u>\$ 2,676,614</u></u> | <u><u>3,022,229</u></u> | <u><u>2,437,418</u></u> |
| Line of credit | <u><u>\$ 3,541,496</u></u> | <u><u>2,879,756</u></u> | <u><u>2,898,222</u></u> |
| Interest rate range (%) | <u><u>0.80~3.8</u></u> | <u><u>0.70~2.43</u></u> | <u><u>0.81~3.23</u></u> |

The Group did not set up assets as collateral for bank loan guarantee.

(10) Long-term loans

As of August 10, 2020, the Group has not used the line of credit. Please refer to note 6 (10) in the consolidated financial report of 2019 for relative information.

The Group does not have assets set up for bank loan guarantees.

(11) Convertible bonds payable

| | 2020.6.30 | 2019.12.31 | 2019.6.30 |
|---|------------------|-------------------|------------------|
| The total amount of convertible bonds issued | \$ 1,500,000 | 1,500,000 | 1,500,000 |
| Less: amount of discount on issuing convertible bonds | 142,650 | 142,650 | 142,650 |
| Underwriting expenses | 7,294 | 7,294 | 7,294 |
| Compound present value of | 1,350,056 | 1,350,056 | 1,350,056 |

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| | | | |
|--|----------------------------|-------------------------|-------------------------|
| bonds converted at issuance | | | |
| Amortization of Company debt payable at discount | 71,205 | 56,172 | 41,297 |
| Cost of convertible bonds issue at premium | 7,500 | 7,500 | 7,500 |
| Ending balance of convertible bonds payable | <u><u>\$ 1,428,761</u></u> | <u><u>1,413,728</u></u> | <u><u>1,398,853</u></u> |

During January 1 to June 30, 2020 and 2019, the Group did not issue, repurchase, or pay of the bonds, please refer to note 6 (11) in the consolidated financial report of 2019 for relative information.

A. Financial assets (liabilities) at fair value through profit or loss-non-current, the details are as follows:

| | 2020.6.30 | 2019.12.31 | 2019.6.30 |
|---|--------------------------|---------------------|------------------------|
| Initial balance of embedded derivative financial commodity (put and call) | \$ 2,250 | (22,800) | (22,800) |
| Valuation gains (losses) in the current period | (4,500) | 25,050 | 11,700 |
| | <u><u>\$ (2,250)</u></u> | <u><u>2,250</u></u> | <u><u>(11,100)</u></u> |

B. Equity composition item under capital surplus-stock option, the details are as follows:

| | From January to June 2020 | From January to June 2019 |
|-----------------------------------|----------------------------------|----------------------------------|
| Closing balance (Initial balance) | <u><u>\$ 129,000</u></u> | <u><u>129,000</u></u> |

Based on conservative principle, the Group reclassified the bonds payable and financial liabilities at fair value through profit or loss to current liabilities as of first quarter of 2020 because the holder of bonds payable may require the Group to buy back the bonds at agreed price after 3 years from the bonds' issue date (February 12, 2021 is the selling base day of bonds holders), nevertheless, the bonds payable are not necessarily required to fully paid off in one years.

(12) Lease Liability

The Group's booking value of lease liabilities are as follows:

| | 2020.6.30 | 2019.12.31 | 2019.6.30 |
|-------------|-------------------------|----------------------|----------------------|
| Current | <u><u>\$ 16,070</u></u> | <u><u>20,462</u></u> | <u><u>10,242</u></u> |
| Non-current | <u><u>\$ 22,477</u></u> | <u><u>31,413</u></u> | <u><u>1,648</u></u> |

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Please refer to note 6 (21) for analysis of expiration.

Amounts recognized in profit or loss are as follows:

| | From April to June 2020 | From April to June 2019 | From January to June 2020 | From January to June 2019 |
|---|--|--|--|--|
| Interest expense from lease liabilities | <u>\$ 266</u> | <u>158</u> | <u>592</u> | <u>354</u> |
| Non-current | <u>\$ 4,224</u> | <u>2,718</u> | <u>11,650</u> | <u>4,708</u> |
| Expense of low-value leasing asset (not include low-value short-term lease) | <u>\$ 9</u> | <u>-</u> | <u>12</u> | <u>-</u> |
| Covid-19-related rent concessions (recognized as other income) | <u>\$ -</u> | <u>-</u> | <u>1,719</u> | <u>-</u> |

Amounts recognized in cash flow statement are as follows:

| | From January to June 2020 | From January to June 2019 |
|---------------------------------------|--------------------------------------|--------------------------------------|
| Total cash used by operating activity | \$ 12,254 | 5,062 |
| Total cash used by financing activity | 10,240 | 4,263 |
| Total cash used by lease | <u>\$ 22,494</u> | <u>9,325</u> |

A. Lease of buildings and constructions

The Group leases buildings and constructions to be factories, the leasing periods are usually 3 years, and some leases include the option to extend the same period as the original contract when the lease period expires.

B. Other leases

The Group leases transportation equipment for a period of three to four years.

Besides, the rental periods of office, parking lot, staff dorm, and machinery are 1 to 3 years, which are short term or low value lease, the Group chose to apply exemption recognition requirements instead of recognizing its relative right-of-use assets and lease liabilities.

(13) Employee benefit

The pension expenses of the Group from January 1 to June 30, 2020 and 2019 have been allocated to the labor insurance bureau and the local competent authority of the consolidated foreign subsidiaries. The details of the expenses reported by the Group are as follows:

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| | From April to June 2020 | From April to June 2019 | From January to June 2020 | From January to June 2019 |
|--------------------|--|--|--|--|
| Operating costs | \$ 4,550 | 8,602 | 10,044 | 16,829 |
| Operating expenses | 2,048 | 4,167 | 4,734 | 8,243 |
| | <u>\$ 6,598</u> | <u>12,769</u> | <u>14,778</u> | <u>25,072</u> |

(14) Income tax

A. The income tax expense (benefit) details of the Group from January 1 to June 30, 2020 and 2019 are as follows:

| | From April to June 2020 | From April to June 2019 | From January to June 2020 | From January to June 2019 |
|--|--|--|--|--|
| Current | | | | |
| Current period | \$ 402 | - | 4,469 | - |
| Deferred income tax expenses | | | | |
| Occurrence and reversal of temporary differences | 45,362 | (21,644) | 70,254 | (5,397) |
| Income tax expense | <u>\$ 45,764</u> | <u>(21,644)</u> | <u>74,723</u> | <u>(5,397)</u> |

B. Examination and approval of income tax

The Company and ShunSin (Samoa) are exempt from income tax and do not need to declare profit-making enterprise income tax according to the law of the country where the Company is established.

In the Group, ShunSin (Zhongshan) and Talentek (He fei)'s profit-making business income tax settlement and declaration have been accepted by the taxation authority on the tax application form till 2019. ShunSin (Hong Kong) is required by local laws and regulations to declare any taxable income (if any). According to this regulation, ShunSin (Hong Kong)'s profit-seeking enterprise annual income tax return has been processed by the taxation authority to the tax application form till 2011. The income tax return of the Company's Taiwan Branch has been approved by the taxation authorities through 2018.

(15) Capital and other equities

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The Group has no significant changes in capital and other equity in the period of January 1 to June 30 for 2020 and 2019, except for the following. Please refer to note 6 (11) in the consolidated financial report of 2019 for relative information.

A. Capital surplus

The capital surplus balance of the Company is as follows:

| | 2020.6.30 | 2019.12.31 | 2019.6.30 |
|---|----------------------------|-------------------------|-------------------------|
| Share premium | \$ 2,581,150 | 2,581,150 | 2,455,727 |
| Employee stock option | 46,191 | 43,017 | 72,103 |
| Issuance of stock option embedded in convertible bonds | 129,000 | 129,000 | 129,000 |
| | <u>\$ 2,756,341</u> | <u>2,753,167</u> | <u>2,656,830</u> |

B. Retained earnings distribution

The Company's earnings distribution for 2019 and 2018 were decided by the shareholders' meeting on March 25, 2020 and June 24, 2019 respectively. The dividend distribution are as follows:

| | 2019 | 2018 |
|----------------|--------------------------|-----------------------|
| Cash dividends | <u>\$ 387,641</u> | <u>239,364</u> |

As of June 30, 2020 and 2019, the cash dividend amounting to \$387,641 thousand and \$239,364 thousand of retained earnings distribution approved by Board of Directors 2020 and 2019 are listed in the account of dividend payable.

Information for retained earnings distribution approved by Board of Directors and shareholders 2020 and 2019, respectively could be inquired on Market Observation Post System.

C. Treasury Stock

The Company was approved by Board of directors to repurchase 2,858 thousand shares as treasury stock in order to transfer them to employee through to decision from Board of directors on January 8, 2019. The executing period is from January 9, 2019 to March 8, 2019, and the repurchasing range is from \$62 to \$118. As of June 30, 2019, 2,858 thousand shares had been repurchased with the average price \$85.18 per share, and total repurchasing amount is \$243,432 thousand. As of June 30, 2020, the transferred shares are 1,982 thousand shares and the amount of repurchased shares is \$74,605 thousand.

(16) Share-based payment

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The share-based payment of the Group from January 1 to June 30, 2020 has no significant changes except for the following mentioned. Please refer to the note 6 (17) in the consolidated financial report of 2019 for relative information.

A. The information about employee stock options is as follows:

Unit: 1,000

| | From January to June 2020 | | From January to June 2019 | |
|--|--|-----------------------------|--|-----------------------------|
| | Weighted average performanc e price | Number of option | Weighted average performan ce price | Number of option |
| Outstanding stock as of January 1 | \$ 95.62 | 1,064 | 97.80 | 2,457 |
| Grant quantity in current period | - | - | - | - |
| Quantity lost in current period | - | (80) | - | (116) |
| Quantity executed in current period | - | - | - | - |
| Overdue expiration of the current period | - | - | - | - |
| Outstanding stock as of June 30 | 95.62 | <u>984</u> | 97.80 | <u>2,341</u> |
| Executable as of June 30 | 95.62 | <u>984</u> | 97.80 | <u>2,341</u> |

As of June 30, 2020, the weighted average expected remaining life of the employee's stock option plan is 0.54years.

B. Relative information of Policy Governing First Share Repurchased and Transferred to Employees are as follows:

The share-based payment of the Group from January 1 to June 30, 2020 has no significant changes except for the following mentioned. Please refer to the note 6 (17) in the consolidated financial report of 2019 for relative information.

The Company transferred treasury stock to employees in accordance with the approval by Board of Directors on March 25, 2020 and May 13, 2019, which is based on the Policy Governing First Share Repurchased and Transferred to Employees. The transferring price is actual average repurchased price, amounting to 85.18 per share. The fair value of the subscription is \$0 and \$10.22 per share while the stock price on March 25, 2020 and May 13, 2019, which are also subscription dates, are \$84.30 and \$95.40 per share. As of June 30, 2020, 1,982 thousand shares were transferred and the Company has collected all the receivables of shares.

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C. Expenses for employees

The expenses incurred by the Group from January 1 to June 30, 2020 due to the share-based payment are as follows:

| | From January to June 2020 | From January to June 2019 |
|------------------------------------|--------------------------------------|--------------------------------------|
| Expense from employee stock option | \$ 3,174 | 13,251 |
| Expense from treasury stock | - | 11,185 |
| Total | \$ 3,174 | 24,436 |

(17) Earnings per share

The Company's basic earnings per share are calculated as follows:

| | Unit: 1,000 shares | | | |
|---|--|--|--|--|
| | From April to June 2020 | From April to June 2019 | From January to June 2020 | From January to June 2019 |
| Basic earnings per share of the Company | | | | |
| Net profit for the current period | \$ 149,332 | 124,293 | 197,383 | 174,333 |
| Weighted average number of outstanding shares | 104,836 | 102,589 | 104,802 | 103,152 |
| Basic earnings per share (NT\$) | \$ 1.42 | 1.21 | 1.88 | 1.69 |
| Diluted earnings per share of the Company | | | | |
| Net profit for the current period | \$ 149,332 | 124,293 | 197,383 | 174,333 |
| The impact of potential common stocks with diluting effect | | | | |
| Fair value assessment of embedded derivatives (such as trading rights) | (8,250) | 1,950 | - | (11,700) |
| Expected reduction in interest expense for convertible bonds conversion | 7,537 | 7,379 | - | 14,718 |
| Net profit for the current period (adjusted) | \$ 148,619 | 133,622 | 197,383 | 177,351 |
| Weighted average number of outstanding shares | 104,836 | 102,589 | 104,802 | 103,152 |
| The impact of potential common stocks with diluting effect | | | | |
| Employees' remuneration | 226 | 209 | 705 | 365 |

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| | | | | |
|---|----------------|----------------|----------------|----------------|
| The impact of employee stock options | 101 | 226 | 199 | 45 |
| The impact of convertible bonds | 8,757 | 8,562 | - | 8,562 |
| Weighted average number of outstanding shares | <u>113,920</u> | <u>111,586</u> | <u>105,706</u> | <u>112,124</u> |
| Diluted earnings per share (NT\$) | <u>\$ 1.30</u> | <u>1.20</u> | <u>1.87</u> | <u>1.58</u> |

The convertible bonds of the Group are potential common stocks from January 1 to June 30, 2020, but due to their anti-dilution effect, they are not included in the calculation of diluted earnings per share from January 1 to June 30, 2020.

(18) Revenues from customers' contract

A. Segmentation of income

| | From April to June 2020 | From April to June 2019 | From January to June 2020 | From January to June 2019 |
|-------------------------|--|--|--|--|
| Major regional markets: | | | | |
| Singapore | \$ 497,484 | 48,729 | 734,316 | 158,406 |
| China | 304,484 | 566,919 | 629,646 | 1,127,973 |
| Taiwan | 180,670 | 322,022 | 404,850 | 563,738 |
| US | 116,350 | 516,328 | 312,496 | 947,594 |
| Malaysia | 11,615 | 81,126 | 33,765 | 163,802 |
| Other countries | 1,572 | 726 | 2,600 | 1,159 |
| | <u>\$ 1,112,175</u> | <u>1,535,850</u> | <u>2,117,673</u> | <u>2,962,672</u> |

B. Balance of the contracts

| | 2020.6.30 | 2019.12.31 | 2019.6.30 |
|--|-------------------|-------------------|------------------|
| Notes receivable | \$ - | 710 | 357 |
| Accounts receivable (including related party) | 782,527 | 1,115,908 | 1,129,721 |
| Less: Loss allowance | (13,641) | (13,802) | (1,360) |
| Total amount | <u>\$ 768,886</u> | <u>1,102,816</u> | <u>1,128,718</u> |
| Contract assets | <u>\$ 191,441</u> | <u>260,384</u> | <u>401,491</u> |

As of June 30, 2020, the Group has recognized whole amount of \$3,685 thousand toward the contract assets evidence showing that it cannot reasonably be expected to be recovered. The Group has assessed that there is no need to recognize loss allowance for contract assets as of December 31 and June 30, 2019.

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(19) Profit sharing bonus of employees and directors

The Company shall allocate profit sharing bonus to the employees with no less than 5% of the current year's profits before the payment of employees' and the directors' profit sharing bonus. The Company may allocate no more than 0.1 percent of the profits of the current year for the profit sharing bonus of directors.

The Company accrued profit sharing bonus to employees from April 1 to June 30, 2020 and 2019, and from January 1 to June 30, 2020 and 2019 are \$0 thousand, \$17,225 thousand, \$25,000 thousand and \$21,563 thousand respectively, and \$181 thousand, \$135 thousand, \$227 thousand and \$178 thousand for the directors. The bonus of employees and directors are calculated based on income before tax times the certain percentage of employees and directors ruled by the memorandum of association, and recognized operating expenses for each period. If there is a difference between the actual allocated amount and the estimated amount in the next year, it will be treated according to the changes in the accounting estimates, and the difference will be classified as the profit and loss of the next year. If Board of Directors decides to pay employee bonus with stocks, the calculating basis of stock is based on the previous day's closing price of Board of Directors meeting.

The Company accrued profit sharing bonus to employees for 2019 and 2018 are \$87,563 thousand and \$40,000 thousand respectively, and \$752 thousand and \$353 thousand for the directors. There is no difference between the estimated amount and the amount of determined by the Board of Directors for the year of 2019 and the year of 2018. Related information is available at the MOPS.

(20) Non-operating gains and losses

A. Interest income

Interest incomes of the Group are as follows:

| | From April to June 2020 | From April to June 2019 | From January to June 2020 | From January to June 2019 |
|-----------------------|--|--|--|--|
| Bank deposit interest | <u>\$ 38,884</u> | <u>33,436</u> | <u>74,455</u> | <u>58,091</u> |

B. Other incomes

Other incomes of the Group are as follows:

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| | From April to June 2020 | From April to June 2019 | From January to June 2020 | From January to June 2019 |
|---|--|--|--|--|
| Incomes from government subsidy | \$ 23,469 | 2,975 | 33,836 | 6,287 |
| Rent concessions (recognized as other income) | - | - | 1,719 | - |
| Other incomes | 2,167 | (4,845) | 3,525 | 12,428 |
| Total amount of other incomes | \$ 25,636 | (1,870) | 39,080 | 18,715 |

C. Other profits and losses

Other profits and losses of Group are as follows:

| | From April to June 2020 | From April to June 2019 | From January to June 2020 | From January to June 2019 |
|--|--|--|--|--|
| Net profits (losses) of foreign currency exchange | \$ 4,099 | 5,015 | (3,542) | (13,858) |
| Profits (losses) from disposal of Property, plant and equipment | 2,813 | 3,210 | 3,002 | 3,210 |
| Profits (losses) from financial assets/liabilities at fair value through profit and loss | (26,461) | (31,520) | (88,316) | (32,307) |
| Other losses | (1,417) | (100) | (1,531) | (1,399) |
| | \$ (20,966) | (23,395) | (90,387) | (44,354) |

D. Financial costs

The financial costs of Group are as follows:

| | From April to June 2020 | From April to June 2019 | From January to June 2020 | From January to June 2019 |
|--|--|--|--|--|
| Interest expenses from bank loans | \$ 8,543 | 8,985 | 18,198 | 12,667 |
| Interest expenses of convertible bonds | 7,537 | 7,379 | 15,033 | 14,718 |
| Interest expenses of lease liabilities | 266 | 158 | 592 | 354 |
| | \$ 16,346 | 16,522 | 33,823 | 27,739 |

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(21) Financial instruments

The fair value of financial instrument and the situation of credit risk and market risk resulted from financial instrument have no significant changes compared with the consolidated financial report of 2019, except for the following mentioned. Please refer to the note 6 (22) in the consolidated financial report of 2019 for relative information.

A. Credit risks

(a) Credit exposure risk

The book value of financial assets represents the maximum amount of credit exposure risk.

(b) Concentration of credit risk

On June 30, 2020, December 31, 2019 and June 30, 2019, 83%, 84% and 82% of the accounts receivable balance of the Group were composed of several customers respectively, which made the Group have a significant concentration of credit risk

(c) Credit risks of receivables

For credit exposure risk information of notes receivable and accounts receivable, please refer to Note 6 (3) for details and Note 6 (4) for details of other receivables. The other receivables listed above are all financial assets with low credit risk. Therefore, the allowance loss during the period is measured by the amount of anticipated credit loss for 12 months.

B. Liquidity risk

The following table shows the contract maturity date of financial liabilities, which includes estimated interest.

| | Book value | Cash flow of the contract | Within 1 year | 1-2 years | 2-5 years | More than 5 years |
|--|---------------------|--------------------------------------|----------------------|------------------|------------------|------------------------------|
| June 30,2020 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Short-term loans | \$ 2,676,614 | 2,676,614 | 2,676,614 | - | - | - |
| Accounts payable (including related parties) | 329,626 | 329,626 | 329,626 | - | - | - |
| Other payables (including related parties) | 345,112 | 345,112 | 345,112 | - | - | - |
| Dividends payable, non-cash assets distributions | 387,641 | 387,641 | 387,641 | - | - | - |
| Convertible bonds payable (including put rights) | 1,431,011 | 1,500,000 | 1,500,000 | - | - | - |
| Lease liabilities | 38,547 | 39,754 | 16,850 | 16,141 | 6,763 | - |
| Guarantee deposits received | 821 | 821 | 277 | - | 418 | 126 |
| | \$ 5,209,372 | 5,279,568 | 5,256,120 | 16,141 | 7,181 | 126 |
| December 31, 2019 | | | | | | |
| Non-derivative financial liabilities | | | | | | |

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| | | | | | | | |
|--|-----------|------------------|------------------|------------------|---------------|------------------|------------|
| Short-term loans | \$ | 3,022,229 | 3,022,229 | 3,022,229 | - | - | - |
| Accounts payable (including related parties) | | 363,472 | 363,472 | 363,472 | - | - | - |
| Other payables (including related parties) | | 183,979 | 183,979 | 183,979 | - | - | - |
| Convertible bonds payable (including put rights) | | 1,411,478 | 1,500,000 | - | - | 1,500,000 | - |
| Lease liabilities | | 51,875 | 52,363 | 21,488 | 16,089 | 14,786 | - |
| Guarantee deposits received | | 1,443 | 1,443 | 542 | - | 342 | 559 |
| | \$ | 5,034,476 | 5,123,486 | 3,591,710 | 16,089 | 1,515,128 | 559 |

June 30, 2019

Non-derivative financial liabilities

| | | | | | | | |
|--|-----------|------------------|------------------|------------------|--------------|------------------|------------|
| Short-term loans | \$ | 2,437,418 | 2,437,418 | 2,437,418 | - | - | - |
| Accounts payable (including related parties) | | 554,400 | 554,400 | 554,400 | - | - | - |
| Other payables (including related parties) | | 173,583 | 173,583 | 173,583 | - | - | - |
| Dividends payable, non-cash assets distributions | | 239,364 | 239,364 | 239,364 | - | - | - |
| Convertible bonds payable (including put rights) | | 1,409,953 | 1,500,000 | - | - | 1,500,000 | - |
| Lease liabilities | | 11,890 | 12,296 | 10,562 | 1,002 | 732 | - |
| Guarantee deposits received | | 946 | 946 | - | 359 | 452 | 135 |
| | \$ | 4,827,554 | 4,918,007 | 3,415,327 | 1,361 | 1,501,184 | 135 |

C. Exchange rate risk

(a) Exchange rate exposure risk

The financial assets and liabilities of the Group exposed to significant foreign currency exchange rate risks are as follows:

| | 2020.6.30 | | | 2019.12.31 | | | 2019.6.30 | | |
|------------------------------|---------------------------------|----------------------|-----------|---------------------------------|----------------------|-----------|---------------------------------|----------------------|-----------|
| | Foreign currency (in thousands) | Exchange rate (NT\$) | NT\$ | Foreign currency (in thousands) | Exchange rate (NT\$) | NT\$ | Foreign currency (in thousands) | Exchange rate (NT\$) | NT\$ |
| <u>Financial assets</u> | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | |
| USD | 43,935 | 29.6301 | 1,301,795 | 49,062 | 29.9810 | 1,470,926 | 58,414 | 31.0613 | 1,814,419 |
| RMB | 440,447 | 4.1867 | 1,844,019 | 535,677 | 4.3051 | 2,306,143 | 343,807 | 4.5223 | 1,554,796 |
| Yen | 277 | 0.2752 | 76 | 1,845,818 | 0.2760 | 509,446 | 1,533 | 0.2885 | 442 |
| <u>Financial liabilities</u> | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | |
| USD | 28,203 | 29.6305 | 835,659 | 43,233 | 29.6870 | 1,283,460 | 47,739 | 31.0603 | 1,482,774 |
| Yen | 13,423 | 0.2751 | 3,693 | 1,861,095 | 0.2755 | 512,782 | 10,461 | 0.2886 | 3,019 |

(b) Sensitivity analysis

The exchange rate risk of the Group mainly comes from the foreign currency-denominated cash and the cash equivalents, accounts receivable and other receivables, accounts payable and other payables, etc., which generate foreign currency exchange gains and losses during the conversion. On June 30, 2020 and June 30, 2019, when the Taiwan dollar depreciates by 0.25% against the US dollar, the Chinese Yuan and the Japanese Yen, while all other factors remain unchanged, the net profit before tax from January 1 to June 30, 2020 and 2019 will increase by approximately \$5,766 thousand and \$4,709 thousand, respectively.

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(c) Exchange gains and losses of monetary items

Due to the variety of functional currencies in the Group, the exchange gains and losses of monetary items are disclosed by the method of exchange consolidation. The exchange gains (losses) of foreign currencies from April 1 to June 30, 2020 and 2019, and from January 1 to June 30, 2020 and 2019 including realized and unrealized ones, are \$4,099 thousand, \$5,015 thousand, \$ (3,542) thousand and \$(13,858) thousand, respectively.

D. Interest rate analysis

The time deposits and short term loans of the Company are fixed interest rates, which have no interest rate fluctuation risk. Therefore, it does not cause significant cash flow risk.

E. Information on types and fair value of financial instruments

(a) Types and fair value of financial instruments

The book amount and fair value (including fair value-grade information, but not a reasonable approximation of fair value to the book value of financial instruments measured by fair value, and investment in equity instruments without quotation and reliable measurement of fair value in the flexible market, there is no need to disclose fair value information according to regulations.) of the financial assets and financial liabilities of the Group are listed as follows:

| | 2020.6.30 | | | | |
|--|---------------------|-------------------|----------------|----------------|---------------------|
| | Book value | Fair value | | | Total amount |
| | | Grade 1 | Grade 2 | Grade 3 | |
| Financial assets at fair value through profit or loss | | | | | |
| Private equity fund | \$ 381,544 | - | - | 381,544 | 381,544 |
| Financial assets measured at amortized costs | | | | | |
| Cash and cash equivalents | 6,763,902 | - | - | - | - |
| Contract assets | 191,441 | - | - | - | - |
| Notes receivable and accounts receivable | 768,886 | - | - | - | - |
| Other receivables | 7,954 | - | - | - | - |
| Guarantee deposits paid | 10,689 | - | - | - | - |
| Subtotal | 7,742,872 | - | - | - | - |
| Total amount | \$ 8,124,416 | - | - | 381,544 | 381,544 |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivative financial liabilities - current | \$ 2,250 | - | 2,250 | - | 2,250 |
| Financial liabilities at amortized costs | | | | | |
| Bank loans | 2,676,614 | - | - | - | - |

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| | | | | | |
|---|---------------------|----------------|----------------|----------------|---------------------|
| Accounts payable | 329,626 | - | - | - | - |
| Other payables | 345,112 | - | - | - | - |
| Dividends payable, non-cash assets distributions | 387,641 | - | - | - | - |
| Convertible bond-liability component | 1,428,761 | - | - | - | - |
| Lease liabilities | 38,547 | - | - | - | - |
| Guarantee deposits received | 821 | - | - | - | - |
| Subtotal | 5,207,122 | - | - | - | - |
| Total amounts | <u>\$ 5,209,372</u> | <u>-</u> | <u>2,250</u> | <u>-</u> | <u>2,250</u> |
| 2019.12.31 | | | | | |
| Fair value | | | | | |
| | Book value | Grade 1 | Grade 2 | Grade 3 | Total amount |
| Financial assets at fair value through profit or loss | | | | | |
| Derivative financial liabilities - current | \$ 1,429 | - | 1,429 | - | 1,429 |
| Derivative financial liabilities - non - current | 2,250 | - | 2,250 | - | 2,250 |
| Private equity fund | 476,151 | - | - | 476,151 | 476,151 |
| Subtotal | 479,830 | - | 3,679 | 476,151 | 479,830 |
| Financial assets measured at amortized costs | | | | | |
| Cash and cash equivalents | 6,386,315 | - | - | - | - |
| Contract assets | 260,384 | - | - | - | - |
| Notes receivable and accounts receivable | 1,102,816 | - | - | - | - |
| Other receivables | 129,224 | - | - | - | - |
| Guarantee deposits paid | 10,808 | - | - | - | - |
| Subtotal | 7,889,547 | - | - | - | - |
| Total amount | <u>\$ 8,369,377</u> | <u>-</u> | <u>3,679</u> | <u>476,151</u> | <u>479,830</u> |
| Financial liabilities at amortized costs | | | | | |
| Bank loans | \$ 3,022,229 | - | - | - | - |
| Accounts payable | 363,472 | - | - | - | - |
| Other payables | 183,979 | - | - | - | - |
| Convertible bond-liability component | 1,413,728 | - | - | - | - |
| Lease liabilities | 51,875 | - | - | - | - |
| Guarantee deposits received | 1,443 | - | - | - | - |
| Total amounts | <u>\$ 5,036,726</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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| | 2019.6.30 | | | | |
|--|---------------------|------------|---------------|----------------|----------------|
| | Book value | Fair value | | | Total amount |
| | | Grade 1 | Grade 2 | Grade 3 | |
| Financial assets at fair value through profit or loss | | | | | |
| Non-listed company shares | \$ 11,708 | - | - | 11,708 | 11,708 |
| Private equity fund | 518,867 | - | - | 518,867 | 518,867 |
| Subtotal | 530,575 | - | - | 530,575 | 530,575 |
| Financial assets measured at amortized costs | | | | | |
| Cash and cash equivalents | \$ 5,294,900 | - | - | - | - |
| Contract assets | 401,491 | - | - | - | - |
| Notes receivable and accounts receivable | 1,128,718 | - | - | - | - |
| Other receivables | 25,021 | - | - | - | - |
| Guarantee deposits paid | 6,890 | - | - | - | - |
| Subtotal | 6,857,020 | - | - | - | - |
| Total amount | <u>\$ 7,387,595</u> | <u>-</u> | <u>-</u> | <u>530,575</u> | <u>530,575</u> |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivative financial liabilities - non - current | \$ 11,100 | - | 11,100 | - | 11,100 |
| Financial liabilities at amortized costs | | | | | |
| Bank loans | 2,437,418 | - | - | - | - |
| Accounts payable | 554,400 | - | - | - | - |
| Other payables | 173,583 | - | - | - | - |
| Dividends payable | 239,364 | - | - | - | - |
| Convertible bonds-liability component | 1,398,853 | - | - | - | - |
| Lease liabilities | 11,890 | - | - | - | - |
| Guarantee deposits received | 946 | - | - | - | - |
| Subtotal | 4,816,454 | - | - | - | - |
| Total amounts | <u>\$ 4,827,554</u> | <u>-</u> | <u>11,100</u> | <u>-</u> | <u>11,100</u> |

(b) Fair value assessment technique for measuring financial instruments at fair value

(I). Non-derivative financial instruments

Where the financial instrument held by the Group is an equity instrument without an active market, that is, without an open offer. The fair value is estimated using the market comparable company method. The main assumptions of the market comparable company method are measured on the basis of the sales or net equity value of the investee and the sales or net equity multiplier derived from the market quotation of comparable listed (OTC) companies. This estimate has adjusted for

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the discounted effect of the lack of marketability of the equity securities.

(II) Derivative financial instruments

The right of conversion, redemption and sale of convertible bonds payable is estimated at fair value according to the appraisal report of external experts. The evaluation model is a binary tree convertible bond evaluation model, which uses market basis including stock price volatility, risk-free interest rate, risk discount rate and liquidity risk to observe the input value to reflect the fair value of options. Forward foreign exchange is usually evaluated based on the bank statement.

(III) Derivative financial instruments

| | From January to June 2020 | From January to June 2019 | |
|--------------------------------|--------------------------------------|--|--------------------------------|
| | Private equity fund | Non-listed company shares | Private equity fund |
| Balance on January 1 | \$ 476,151 | 11,048 | - |
| Add | - | - | 571,513 |
| Gains/ Losses: | | | |
| Recognized in gains/ losses | (83,760) | 536 | (46,343) |
| Change from exchange rate | (10,847) | 124 | (6,303) |
| Balance on June 30 | \$ 381,544 | 11,708 | 518,867 |

The above mentioned profits/ losses are recognized in other profits and losses.

(IV) Quantified information on significant unobservable inputs (Grade 3) used in fair value measurement

Main composition of fair value classified as Grade 3 of the Group is financial assets at fair value through profit or loss.

Investments in equity instruments classified as the Grade 3 non-active market have significant unobservable input values in the plural. The significant unobservable input values of equity instruments investment in non-active markets are independent of each other, so there is no correlation between them.

The quantitative information of significant unobservable input values is listed as follows:

| Items | Evaluation | Significant | The relationship |
|--------------|-------------------|--------------------|-------------------------|
|--------------|-------------------|--------------------|-------------------------|

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| | <u>technologies</u> | <u>unobservable input value</u> | <u>between significant unobservable input values and fair value</u> |
|--|-----------------------------------|--|--|
| Financial assets at fair value through profit or loss — equity vehicle investment without active marke | Refer to Listed (OTC) Company Act | <ul style="list-style-type: none"> • Net value Ratio multiplier of stock price (1.70 on 2019.6.30) • Share price sales ratio multiplier (1.78 on 2019.6.30) • Lack of market liquidity discounts (20% on 2019.6.30) | <ul style="list-style-type: none"> • The higher the multiplier, the higher the fair value • The higher the discount for lack of market liquidity, the lower the fair value |
| Financial assets at fair value through profit or loss- private equity fund | Net asset value method | Net asset value | Not applicable |

(V) A sensitivity analysis of the fair value of the Grade 3 to reasonable alternative assumptions.

The fair value measurement of financial instruments by Group is reasonable, but different evaluation models or parameters may lead to different evaluation results. For financial instruments classified as the Grade 3, if the evaluation parameters change, the impact on current profits and losses is as follows:

| | | Changes in fair value reflecting in current profits and losses | | |
|---|----------------------|--|------------------|--------------------|
| | Input value | Move up or down | Favorable change | Unfavorable change |
| June 30, 2019 | | | | |
| Financial assets measured at fair value through profit and loss | | | | |
| Equity instrument investment in non-active market | Price-book ratio | 5% | 45 | (45) |
| Equity instrument investment in non-active market | Price to sales ratio | 5% | 540 | (540) |

The favorable and unfavorable changes of the Group refer to the fluctuations of the fair value, which is calculated based on the evaluation technology according to the varying degrees of unobservable input parameters. If the fair value of a

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financial instrument is affected by more than one input value, the above table only reflects the impact of changes in a single input value and does not take into account the correlation and variability between input values.

(22) Financial risk management

The target and policy of financial risk management of the Group has no significant changes compared with note 6 (23) in the consolidated financial report of 2019.

(23) Capital management

The target, policy, and procedure of capital management of the Group are consistent with those in the consolidated financial report of 2019, the quantified data summary of capital management has no significant changes compared with the consolidated financial report of 2019. Please refer to the note 6 (24) in the consolidated financial report of 2019 for relative information.

(24) Investment and financing activities in non-cash transactions

The adjustment of liabilities from financing activities of the Group from January 1 to June 30, 2020 and 2019 are shown in the following table:

| | <u>2020.1.1</u> | <u>Cash flow</u> | <u>Non-cash changes</u> | | | | <u>2020.6.30</u> |
|--|---------------------|------------------|----------------------------------|------------------------------|---------------------------|----------------|------------------|
| | | | <u>Discount and amortization</u> | <u>Exchange rate changes</u> | <u>Fair value changes</u> | <u>Acquire</u> | |
| Short-term loans | \$ 3,022,229 | (345,615) | - | - | - | - | 2,676,614 |
| Financial liabilities (assets) through profit or loss-Noncurrent | (2,250) | - | - | - | 4,500 | - | 2,250 |
| Convertible bonds payable | 1,413,728 | - | 15,033 | - | - | - | 1,428,761 |
| Lease liabilities | 51,875 | (10,240) | - | (2,059) | - | 690 | 38,547 |
| Total liabilities from financing activities | <u>\$ 4,485,582</u> | <u>(355,855)</u> | <u>15,033</u> | <u>(2,059)</u> | <u>4,500</u> | <u>690</u> | <u>4,146,172</u> |

| <u>2019.1.1</u> | <u>Cash flow</u> | <u>Non-cash changes</u> | | | <u>2019.6.30</u> |
|-----------------|------------------|-------------------------|----------------------|-------------------|------------------|
| | | <u>Discount and</u> | <u>Exchange rate</u> | <u>Fair value</u> | |

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| | | | amortizat ion | changes | changes | |
|---|----|------------------|------------------|---------------|------------|------------------|
| Short-term loans | \$ | 1,635,021 | 802,397 | - | - | 2,437,418 |
| Financial liabilities (assets) through profit or loss- Noncurrent | | 22,800 | - | - | (11,700) | 11,100 |
| Convertible bonds payable | | 1,384,135 | - | 14,718 | - | 1,398,853 |
| Lease liabilities | | 15,961 | (4,263) | - | 192 | 11,890 |
| Total liabilities from financing activities | \$ | 3,057,917 | 798,134 | 14,718 | 192 | 3,859,261 |

7. Related party transactions

(1) Parent company and ultimate controller

Foxconn (Far East) Limited is the parent company of the Group, holding 60.05%, 60.05% and 60.66% of the outstanding common shares of the Group as of June 30, 2020, December 31, 2019 and June 30, 2019 respectively. Hon Hai Precision Industry Co., Ltd. is the ultimate controller of the Group to which the Group belongs. Hon Hai Precision Industry Co., Ltd. has prepared a consolidated financial report for public use.

(2) Name and relations of related parties

During the period covered by this consolidated financial report, the following persons have business relations with the Group:

| Name of related parties | Relation with Group |
|---|--|
| Hon Hai Precision Industry Co., Ltd. | Ultimate controller |
| Foxconn OE Technologies Singapore Pte. Ltd.(note) | Its ultimate controller is the same as that of Group |
| Foxconn Interconnect Technology Limited | Its ultimate controller is the same as that of Group |
| Hongfujin Precision Industry (ShenZhen) Co., Ltd. | Its ultimate controller is the same as that of Group |
| Foxconn (Nanjing) Software Company | Its ultimate controller is the same as that of Group |
| AnPinDa Precision Industrial (HuiZhou) Co., Ltd. | Its ultimate controller is the same as that of Group |
| Shenzhen Fox-energy Technology Company | Its ultimate controller is the same as that of Group |

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| | |
|---|--|
| Zhengzhou Fulianwang Electronic Technology Co., Ltd. | Its ultimate controller is the same as that of Group |
| Shenzhen Futaihong Precision Industrial Co., Ltd. | Its ultimate controller is the same as that of Group |
| Zhengyi longhua Special Material (ShenZhen) Co., Ltd. | Its ultimate controller is the same as that of Group |
| FuShiRui Precision Industry (JinCheng) Co., Ltd. | Its ultimate controller is the same as that of Group |
| Triple Win Technology (ShenZhen) Co., Ltd. | Its ultimate controller is the same as that of Group |
| Champ Tech Optical (FoShan) Corporation | Its ultimate controller is the same as that of Group |
| Foxcavity Precision Industry (ShenZhen) Co., Ltd. | Its ultimate controller is the same as that of Group |
| ShenZhen Fertile Plan International Logistics Co., Ltd. | Its ultimate controller is the same as that of Group |
| JUSDA INTERNATIONAL LIMITED | Its ultimate controller is the same as that of Group |
| ZEITEC Semiconductor Co., Ltd. | Its ultimate controller is the same as that of Group |
| Shenzhen Fugui Precision Industry Co.,Ltd | Its ultimate controller is the same as that of Group |
| Sharp Corporation | Other related parties |
| Zhen Ding Tech. | Other related parties |

Note : Foxconn Optical Interconnect Technologies Singapore Pte. Ltd. changed the name to Foxconn OE Technologies Singapore Pte. Ltd. on January 2, 2020.

(3) Major transactions with related parties

A. Sales

The significant sales amount of the Group to the related parties is as follows:

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| | From April to June 2020 | From April to June 2019 | From January to June 2020 | From January to June 2019 |
|--|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| Other related parties | | | | |
| Foxconn OE Technologies Singapore Pte. Ltd. | \$ - | 335,983 | 1,015 | 748,000 |
| Foxconn Interconnect Technology Limited | 94,582 | 167,970 | 192,833 | 327,717 |
| Triple Win Technology (ShenZhen) Co., Ltd. | 263,109 | 207,806 | 558,539 | 341,203 |
| Other related parties | 239 | 11 | 483 | 114 |
| | \$ 357,930 | 711,770 | 752,870 | 1,417,034 |

There is no significant difference between the above price terms of sales revenue and that of general customers, The collection conditions are within four months, no significant difference with the general customer.

B. Purchase

The purchase amount of the Group from the related parties is as follows:

| | From April to June 2020 | From April to June 2019 | From January to June 2020 | From January to June 2019 |
|-----------------------|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| Other related parties | \$ 21,625 | 9,778 | 32,843 | 18,910 |

There is no significant difference between the purchase price of the Group and that of the general manufacturer, Payment terms are all within four months, and there is no significant difference with the general manufacturers.

C. Expenses for professional services

The details of management service fees and legal fees paid by the Group to the related parties are as follows:

| | From April to June 2020 | From April to June 2019 | From January to June 2020 | From January to June 2019 |
|---|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| Ultimate controller | \$ 1,632 | 1,861 | 3,441 | 3,493 |
| Triple Win Technology (ShenZhen) Co., Ltd. | - | 14,256 | - | 28,502 |
| | \$ 1,632 | 16,117 | 3,441 | 31,995 |

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D. Accounts receivable from related parties

Details of the receivables of the related parties of the Group are as follows:

| Account items | Related-party categories | 2020.6.30 | 2019.12.31 | 2019.6.30 |
|----------------------|---|-------------------|-------------------|------------------|
| Accounts receivable | Other related parties | | | |
| | Foxconn OE Technologies Singapore Pte. Ltd. | \$ - | - | 145,808 |
| | Foxconn Interconnect Technology Limited | 92,526 | 128,766 | 162,406 |
| | Triple Win Technology (ShenZhen) Co., Ltd. | 222,754 | 442,640 | 251,103 |
| | Others | 84 | 86 | 772 |
| Subtotal | | 315,364 | 571,492 | 560,089 |
| Other receivables | Other related parties | - | - | 727 |
| | | \$ 315,364 | 571,492 | 560,816 |

As of June 30, 2020, December 31, 2019 and June 30, 2019, no allowance for loss is required for the above-mentioned related parties.

E. Contract assets

The details of the contract assets of the Group to related parties are as follows:

| Account items | Types of related parties | 2020.6.30 | 2019.12.31 | 2019.6.30 |
|----------------------|---|------------------|-------------------|------------------|
| Contract assets | Other related parties | | | |
| | Foxconn OE Technologies Singapore Pte. Ltd. | \$ - | - | 224,370 |
| | Triple Win Technology (ShenZhen) Co., Ltd. | 8,658 | 32,763 | - |
| | Others | - | 97 | 12,916 |
| | | \$ 8,658 | 32,860 | 237,286 |

F. Property trading - acquisition of property, plant and equipment

(a) Acquisition of property, plant and equipment

The purchase price of the real estate, plant and equipment acquired by the Group from the related parties is summarized as follows:

| From April to June 2020 | From April to June 2019 | From January to June 2020 | From January to June 2019 |
|--------------------------------|--------------------------------|----------------------------------|----------------------------------|
|--------------------------------|--------------------------------|----------------------------------|----------------------------------|

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| | | | | | |
|---|-----------|----------|-----------|----------|---------------|
| FuShiRui Precision Industry (JinCheng) Co., Ltd. | \$ | - | - | - | 11,183 |
| Others | | - | 52 | - | 4,167 |
| | \$ | - | 52 | - | 15,350 |

(b) Proceeds from disposal of property, plant and equipment

The disposal of the real estate, plant and equipment to the Group of the related parties is summarized as follows:

| Types of related parties | From April to June 2020 | | From April to June 2019 | |
|---------------------------------|--------------------------------|--------------------------|--------------------------------|--------------------------|
| | Disposal price | Disposal profit and loss | Disposal price | Disposal profit and loss |
| Other related parties | \$ - | - | 727 | 187 |

| Types of related parties | From April to June 2020 | | From April to June 2019 | |
|---------------------------------|--------------------------------|--------------------------|--------------------------------|--------------------------|
| | Disposal price | Disposal profit and loss | Disposal price | Disposal profit and loss |
| Other related parties | \$ - | - | 727 | 187 |

As of June 30, 2019, the amount of selling equipment to other related parties of 727,000 yuan has not yet been collected, which is accounted for under other receivables. The aforementioned were received in full on August 27, 2019.

G. Payables to the related parties

The details of the amount payable by the Group to its related parties are as follows:

| Account items | Types of related parties | 2020.6.30 | 2019.12.31 | 2019.6.30 |
|----------------------|--|------------------|-------------------|------------------|
| Accounts payable | Other related parties | \$ 194 | 1 | 261 |
| Other payables | Ultimate controller | 14,805 | 11,742 | 8,679 |
| | Other related parties | | | |
| | Foxcavity Precision Industry (ShenZhen) Co., Ltd. | 1,517 | 1,528 | 18,211 |
| | Others | 4,345 | 21,479 | 33,678 |
| | | 20,667 | 34,749 | 60,568 |
| | | \$ 20,861 | 34,750 | 60,829 |

(4) Remuneration of major management personnel

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| | From April to June 2020 | From April to June 2019 | From January to June 2020 | From January to June 2019 |
|------------------------------|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| Short-term employee benefits | \$ 3,608 | 12,444 | 20,097 | 18,819 |
| Post-retirement benefits | 88 | 84 | 175 | 168 |
| | <u>\$ 3,696</u> | <u>12,528</u> | <u>20,272</u> | <u>18,987</u> |

8. Pledged assets: None.

9. Material contingent liabilities and unrecognized contractual commitments: None.

10. Major disaster losses: None.

11. Major subsequent events: None.

12. Others

- (1) The functions of employee welfare, depreciation, depreciation and amortization are summarized as follows:

| Functions Items | From April to June 2020 | | | From April to June 2019 | | |
|---------------------------------|-------------------------|--------------------|--------------|-------------------------|--------------------|--------------|
| | Operating costs | Operating expenses | Total amount | Operating costs | Operating expenses | Total amount |
| Employee benefit expenses | | | | | | |
| Salary expenses | 121,423 | 54,538 | 175,961 | 118,478 | 90,114 | 208,592 |
| Health insurance expenses | 1,046 | 1,322 | 2,368 | 1,642 | 1,525 | 3,167 |
| Pension expenses | 4,550 | 2,048 | 6,598 | 8,602 | 4,167 | 12,769 |
| Other employee benefit expenses | 22,145 | 7,085 | 29,230 | 11,792 | 3,627 | 15,419 |
| Depreciation expenses | 103,601 | 14,427 | 118,028 | 139,631 | 16,199 | 155,830 |
| Amortization expenses | 127 | 437 | 564 | 219 | 845 | 1,064 |

| Functions Items | From January to June 2020 | | | From January to June 2019 | | |
|---------------------------------|---------------------------|--------------------|--------------|---------------------------|--------------------|--------------|
| | Operating costs | Operating expenses | Total amount | Operating costs | Operating expenses | Total amount |
| Employee benefit expenses | | | | | | |
| Salary expenses | 252,889 | 121,452 | 374,341 | 221,391 | 153,771 | 375,162 |
| Health insurance expenses | 2,084 | 2,744 | 4,828 | 3,364 | 2,927 | 6,291 |
| Pension expenses | 10,044 | 4,734 | 14,778 | 16,829 | 8,243 | 25,072 |
| Other employee benefit expenses | 26,556 | 9,481 | 36,037 | 20,038 | 8,470 | 28,508 |
| Depreciation expenses | 210,903 | 29,060 | 239,963 | 279,333 | 31,691 | 311,024 |

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| | | | | | | |
|-----------------------|-----|-----|-------|-----|-------|-------|
| Amortization expenses | 268 | 929 | 1,197 | 476 | 1,709 | 2,185 |
|-----------------------|-----|-----|-------|-----|-------|-------|

(2) Seasonal characteristic:

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

13. Disclosure of Note

(1) Information on major transactions

From January 1 to June 30, 2020, the Group shall disclose the information on the major transactions subject to Regulations Governing the Preparation of Financial Reports by Securities Issuers:

A. Loan to other parties:

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| NO | Creditor | Borrower | General ledger account | Related party or not | Maximum outstanding balance at March 31, 2020 | Balance at March 31, 2020 | Actual amount drawn down (Note 3) | Interest rate (%) | Nature of loan (Note 1) | Amount of transactions with the borrower | Reason for short-term financing | Allowance for doubtful accounts | Collateral | | Limit on loans granted to a single party | Limit on total loans |
|----|-----------------|-------------|------------------------|----------------------|---|---------------------------|-----------------------------------|-------------------|-------------------------|--|---------------------------------|---------------------------------|------------|-------|--|----------------------|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | ShunSin (Samoa) | TalenteK | Other receivables | Y | 32,694 (RMB7,500) | 31,400 | 31,400 | 3.45 | 2 | - | Business operation | - | - | - | 79,672 (note2) | 318,686 (note2) |
| 2 | ShunSin (Samoa) | The Company | Other receivables | Y | 676,640 (RMB160,000) | 669,872 | 608,589 | - | 2 | - | Business operation | - | - | - | 796,716 (note2) | 796,716 (note2) |

Note1: The method of filling in the nature of capital loan is as follows:

- (1) For business trading, please fill in 1.
- (2) If short-term financing is necessary, please fill in 2.

Note2: The total amount for a short-term financing shall not exceed 40% of ShunSin (Samoa)'s net value. The limited on loans to single party is 10% of ShunSin (Samoa)'s net value which is based on the latest financial statement. ShunSin (Samoa)'s net value is \$796,716 thousands on June 30, 2020.

Note3 : For entities in which the Company, directly or indirectly, owned 100% of their shares, transaction occurs between subsidiaries or to the Company, the amount available for financing shall not exceed 100% of net worth of lender and not limited to the aforementioned note1 & 2, the limit of financing shall not exceed 100% of net worth of single entity.

Note4: The aforementioned transactions between consolidated entities have been offset at the time of preparing consolidated financial statements.

B. Endorsement/Guarantee provided:

| No | Guarantor/Endorser | Party being guaranteed/endorsed | | Limited on guarantees/endorsements provided for a single party (Note2) | Maximum outstanding guarantee/endorsement amount as of June 30, 2020 | Outstanding guarantee/endorsement amount as of June 30, 2020 | Actual amount drawn down | Amount of guarantees/endorsements secured with collateral | Ratio of accumulated guarantee/endorsement amount to net asset value of the guarantor/endorser company (%) | Limit on total amount of guarantees/endorsements period (note2) | Provision of guarantees/endorsements by parent company to subsidiary | Provision of guarantees/endorsements by subsidiary to parent company | Provision of guarantees/endorsements to the party in Mainland China |
|----|---------------------|---------------------------------|--|--|--|--|--------------------------|---|--|---|--|--|---|
| | | Company name | Relationship with the guarantor/endorser (note1) | | | | | | | | | | |
| 1 | ShunSin (Zhongshan) | ShunSin (Zhongshan) | 1 | 4,237,524 | 21,796 (RMB 5,000) | 20,934 (RMB 5,000) | 20,934 (RMB 5,000) | - | 0.39 | 8,475,048 | N | N | Y |

Note 1: Relationship between guarantor and guarantee :

1. Business transaction
2. The Company directly or indirectly holds more than 50% of their voting shares.
3. The party directly or indirectly holds more than 50% of the Company's voting shares.

Note 2: ShunSin (Zhongshan)'s policy for guarantees and endorsements is as follow:

The total guarantees and endorsements of ShunSin (Zhongshan) to others should not be in excess of ShunSin (Zhongshan)'s net value, and for a single party should not be in excess of 50% of ShunSin (Zhongshan)'s net value. °

Note 3: ShunSin (Zhongshan) guarantees itself.

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C. Marketable securities held as of June 30, 2020 (excluding investment in subsidiaries, associates and joint ventures):

| Holding company | Types and names of marketable securities | Relations with securities issuers | Account subjects | Closing period | | | | Remarks |
|---------------------|--|-----------------------------------|--|-----------------|------------|--------------------|------------|---------|
| | | | | Number of share | Book value | Shareholding ratio | Fare value | |
| ShunSin (Samoa) | Stocks: Dyna Image Corp. | — | Financial assets measured at fair value through profit or loss — non-current | 4,500,000 | - | 14.53 % | - | |
| ShunSin (Zhongshan) | Private Fund: Ji Nan Fu Jie industrial investing joint venture | — | Financial assets measured at fair value through profit or loss — non-current | - | 381,544 | 9.09 % | 381,544 | |

D. Accumulative purchase or sale of the same securities amounted to NT\$300 million or more than 20% of the paid-in capital: none.

E. The amount for acquiring real estate is \$300 million or more than 20% of the paid-in capital: none.

F. The amount for disposing of real estate amounted to \$300 million or more than 20% of the paid-in capital: none.

G. The amount of goods purchased and sold reaches \$100 million or more than 20% of the paid-in capital with the related parties:

| Companies purchasing and selling goods | Counter party | relation | Transaction situation | | | | Reason of trading terms differs from normal transaction | | Notes receivable (payable), accounts receivable (payable) | | Note |
|--|--|---------------------|-----------------------|-----------|---------------------------------|---------------|---|---------------|---|--|-------|
| | | | Purchase/ (sale) | Amount | Ratio of total purchase (sales) | Credit period | Unit price | Credit period | Balance | Ratio to total notes receivable, accounts receivable (payable) | |
| ShunSin (Zhongshan) | The Company | Parent company | Sale | (625,269) | (50.36)% | 4 months | - | - | - | - % | Note2 |
| ShunSin (Zhongshan) | Triple Win Technology (ShenZhen) Co., Ltd. | Other related party | Sale | (558,539) | (44.99)% | 4 months | - | - | 222,754 | 97.15% | |
| The Company | Foxconn Interconnect Technology Limited | Other related party | Sale | (192,833) | (12.91)% | 4 months | - | - | 92,526 | 15.38% | |

Note 1: The price is calculated at the agreed price.

Note 2: The above transactions with the consolidated entities have been written off at the time of preparing the consolidated financial statements.

H. Receivables of related parties amounted to \$100 million or more than 20% of the capital receivable:

| Companies that account for receivables | Name of transaction objects | Relation | Related parties of receivables Balance of amounts | Turnover rate % | Overdue receivables of Related parties | | Related parties of receivables Amount recovered after the period(Note 2) | Setting aside for allowance for bad debt |
|--|-----------------------------|---------------|---|-----------------|--|-----------|--|--|
| | | | | | Amount | Treatment | | |
| ShunSin (Zhongshan) | Triple Win | Other related | Accounts receivable: | 3.36 | - | | - | - |

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| | | | | | | | | |
|---------------------|---------------------------------|----------------|---|---|---|--|---------|---|
| | Technology (ShenZhen) Co., Ltd. | party | 222,754 | | | | | |
| ShunSin (Zhongshan) | The Company | Parent company | Accounts receivable (Note 1): 1,180,203 | - | - | | 335,556 | - |
| ShunSin (Zhongshan) | ShunSin (Samoa) | Affiliate | Other receivable (Note 1): 731,366 | - | - | | - | - |
| ShunSin (Samoa) | The Company | Parent company | Other receivable (Note 1): 608,589 | - | - | | - | - |

Note 1: The aforementioned transactions between consolidated entities have been written off in the preparation of consolidated financial statements.

Note 2: As of July 25, 2020 °

I. Engaging in derivatives trading: Please refer to Note 6 (2) and (11) for details.

J. Business relations and important transactions between parent and subsidiary companies:

| No. (Note 1) | Trader's name | Business trading objects | Relation between trader (Note 2) | Transaction situation | | | |
|-----------------|-----------------|--------------------------|----------------------------------|-----------------------|-----------|--|---|
| | | | | Subject | Amount | Transaction conditions | Ratio to consolidated total operating income or total assets (Note 3) |
| 0 | The Company | ShunSin (Zhongshan) | 1 | Purchases | 625,269 | The price is based on the price agreed by both parties | 29.48 |
| 0 | " | " | 1 | Contract liability | 193,285 | Recognition by completion ratio | 1.74 |
| 0 | " | " | 1 | Other payables | 1,180,203 | Pay/receive on behalf, no general customers for comparison | 10.62 |
| 0 | " | ShunSin (Samoa) | 1 | Other payables | 608,589 | Capital Loan | 5.48 |
| 1 | ShunSin (Samoa) | ShunSin (Zhongshan) | 3 | Other payables | 731,366 | Pay/receive on behalf, no general customers for comparison | 6.58 |

Note 1: The information of business transactions between the parent company and the subsidiary company shall be indicated in the No. column respectively. The No. shall be entered as follows:

1. Fill in 0 for parent company.
2. Subsidiaries are numbered in sequence starting with 1.

Note 2: There are three types of relationships with a trader, which can be labeled as follows:

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

Note 3: The calculation of the transaction amount to the consolidated total revenue or the ratio of total assets shall be carried out in the form of the closing balance to the consolidated total assets if it belongs to the subject of assets and liabilities. In the case of subject of profit and loss, the cumulative amount at closing period shall be calculated on the basis of the consolidated total revenue.

Note 4: It is hereby disclosed that the balance sheet accounts for more than 1% of the consolidated total assets and the subject of profit and loss accounts for more than 1% of the total revenue.

Note 5: The aforementioned transactions between consolidated entities have been written off in the preparation of consolidated financial statements. °

(2) Information on re-investment business:

The information of the reinvested business of the Group from January 1 to June 30, 2020, is as follows (excluding the invested company in mainland China):

| Name of investment company | Name of invested company | Location | Main business contents | Original investment amounts (note3) | | Shareholding at the closing period | | | Net income (losses) of investee (Note 1) | Share of profits/losses of investee (Note 1 and 2) | Note |
|----------------------------|--------------------------|----------|------------------------|-------------------------------------|---------------|------------------------------------|-------------------------|-------------------------------|--|--|------|
| | | | | June 30, 2020 | June 30, 2019 | Shares | Percentage of ownership | Carrying value (Note 1 and 2) | | | |

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| | | | | | | | | | | | |
|-----------------|---------------------|----------|---|-----------|-----------|-------------|---------|-----------|----------|----------|------------|
| The Company | ShunSin (Hongkong) | Hongkong | Holding Company | 2,589,284 | 2,589,284 | 678,808,240 | 90.15% | 7,453,238 | 281,467 | 253,742 | subsidiary |
| The Company | ShunSin (Samoa) | Samoa | Overseas material and equipment procurement | 287,928 | 287,928 | 9,510,000 | 100.00% | 796,716 | 31,795 | 31,795 | subsidiary |
| The Company | ShunSin (Ha Noi) | Vietnam | Produce high speed optical transceiver | 180,234 | (note4) | (note4) | 100.00% | 162,457 | (14,862) | (14,862) | subsidiary |
| The Company | ShunSin (Bac Giang) | Vietnam | Produce high speed optical transceiver | 598,020 | (note5) | (note5) | 100.00% | 596,843 | 2,966 | 2,966 | subsidiary |
| ShunSin (Samoa) | ShunSin (Hongkong) | Hongkong | Holding Company | 287,622 | 287,622 | 74,183,976 | 9.85% | 814,358 | 281,467 | 27,725 | affiliate |

Note 1: According to the financial statements checked by CPA of the parent company, the invested company shall be appraised and recognized at equity.

Note 2: Long-term and current investment gains and losses at the closing period have been written off in the preparation of consolidated financial statements.

Note 3: The above original investment amount is calculated at historical exchange rate.

Note 4: ShunSin (Ha Noi) was registered on December 26, 2019 in Ha Noi, Vietnam. The authorized capital is USD 6,000 thousand. The Company invested USD 6,000 thousand on January 14, 2020, shareholding is 100%. ShunSin (Ha Noi) does not issue shares due to it is limited corporation thus it has no shares.

Note 5: ShunSin (Bac Giang) was registered on May 5, 2020 in Bac Giang, Vietnam. The authorized capital is USD 40,000 thousand. The Company invested USD 20,000 thousand on May 13, 2020, shareholding is 100%. ShunSin (Bac Giang) does not issue shares due to it is limited corporation thus it has no shares.

(3) Information on investment in Mainland China:

A. Name of mainland invested company, main business contents and other related information

Unit: NTS 1,000

| Name of investee | Main business and products | Paid-in capital | Method of investment (Note1) | Accumulated outflow of investment from Taiwan as of January 1, 2020 | Investment flows | | Accumulated outflow of investment from Taiwan as of June 30, 2020 | Net income (losses) of investee | Percentage of ownership | Share of profits/ losses of investee (Note 2 and 3) | Carrying value as of June 30, 2020 (Note 2 and 3) | Accumulated inward remittance of earnings as of June 30, 2020 |
|---------------------|--|----------------------------|------------------------------|---|------------------|--------|---|---------------------------------|-------------------------|---|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| ShunSin (Zhongshan) | Assembly, testing and sales of SiP products and other types of integrated circuits | 3,030,692 (RMB 722,637) | (2) | Note 4 | Note 4 | Note 4 | Note 4 | 306,696 (RMB71,893) | 100.00% | 306,696 (RMB71,893) | 8,475,048 (RMB2,024,956) | Note 4 |
| Talentek | Design, R&D, testing and sales of electrical equipment, communication equipment and automation equipment | 90,485 (RMB 20,000) | (3) | Note 4 | Note 4 | Note 4 | Note 4 | (13,148) (RMB3,082) | 55.00% | (7,231) (RMB1,695) | 15,469 (RMB3,696) | Note 4 |

Note 1: The investment modes can be divided into the following three categories, which can be labeled as categories.

- (1). Direct investment in mainland China.
- (2). Invest in ShunSin Hong Kong and then re-invest in companies in mainland China.
- (3). Invest in ShunSin Zhong Shan and then re-invest in companies in mainland China.

Note 2: According to the financial statements checked by CPA of the parent company, the invested company is evaluated and listed at equity.

Note 3: Long-term and current investment gains and losses at closing period have been written off at the time of compiling the consolidated financial statements.

Note 4: The Company is not a company in Taiwan, so there is no such amount.

Note 5: The above paid-in capital is calculated at historical exchange rate, the book value held at the closing period is calculated at the exchange rate of June 30, 2020 (exchange rate at closing period RMB: NTD = 1:4.1853), and the remainder is calculated at the average exchange rate (RMB: NTD = 1:4.2660).

B. Investment limits in mainland China: Not applicable.

C. Major transactions with mainland invested companies:

For the major direct or indirect transactions between the Group and the mainland invested company from January 1 to June 30, 2020 (which were written off at the time of compiling the consolidated financial report), please refer to “Information on Major Transactions”.

(4) Information of major shareholders:

Unit: Share

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| Name of major shareholder | Shares | Number of shares held | Shareholding ratio |
|----------------------------------|---------------|------------------------------|---------------------------|
| Foxconn (Far East) Limited | | 63,964,800 | 60.05% |

- (a) The main shareholder information in this table is calculated by Taiwan Depository and Clearing Company on the last business day at the end of each quarter. The total number of ordinary shares and special shares held by the shareholders who have completed the delivery of the company without physical registration (including treasury shares) is more than 5%.
- (b) The information on the opening of the shareholder's shareholding and delivery of the trust to the trust was disclosed by the individual trustee who opened the trust account. As for shareholders who handle the declaration of insider shareholdings that hold more than 10% of their shares in accordance with the Securities Exchange Act, their shareholdings include their shareholdings plus their delivery to the trust and the use of decision making shares in the trust property, please refer to the Market Observation Post System for information on insider equity declaration.

14. Information on Departments

There is only one reporting department in the Group, so please refer to the consolidated balance sheet and consolidated income statement for the information on operating department.