

**ASSOCIATED INDUSTRIES CHINA, INC.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

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

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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.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	9~10
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	10
(6) Explanation of significant accounts	11~31
(7) Related-party transactions	31
(8) Pledged assets	32
(9) Significant commitments and contingencies	32
(10) Losses Due to Major Disasters	32
(11) Subsequent Events	32
(12) Other	32~33
(13) Other disclosures items	
(a) Information on significant transactions	33~34
(b) Information on investees	34
(c) Information on investment in mainland China	35
(d) Major shareholders	35
(14) Segment information	35~36



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Independent Auditors' Review Report

To the Board of Directors of Associated Industries China, Inc.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Associated Industries China, Inc. and its subsidiaries ("the Group") as of March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed 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

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

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$38,205 thousand and \$37,249 thousand, constituting 5.12% and 4.14% of consolidated total assets; and the total liabilities amounting to \$5,626 thousand and \$9,851 thousand, constituting 1.78% and 2.98% of consolidated total liabilities as of March 31, 2020 and 2019, respectively, and the total comprehensive income (loss) amounting to \$(3,391) thousand and \$(3,543) thousand, constituting 24.34% and 18.14% of the absolute value of consolidated total comprehensive income (loss) for the three months ended March 31, 2020 and 2019, respectively.

Furthermore, as stated in Note 6(f), the other equity accounted investments of the Group in its investee companies of \$26,759 thousand and \$111,433 thousand as of March 31, 2020 and 2019, respectively, and its equity in net earnings on the investee companies amounting to \$(1,743) thousand and \$(3,666) thousand for the three months ended March 31, 2020 and 2019, respectively, were recognized solely on the financial statements prepared by the investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Yiu-Kwan Au and Kuan-Ying Kuo.

KPMG

Taipei, Taiwan (Republic of China)

May 6, 2020

Notes to Readers

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Reviewed only, not audited in accordance with generally accepted auditing standards as of March 31, 2020 and 2019

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

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

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2020		December 31, 2019		March 31, 2019	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
1100 Cash and cash equivalents (note 6(a))	\$ 85,520	12	75,792	10	103,666	12
1110 Current financial assets at fair value through profit or loss (note 6(b))	55	-	-	-	694	-
1170 Notes and accounts receivable, net (note 6(d))	50,722	7	61,636	8	64,786	7
1200 Other receivables	210	-	126	-	244	-
1300 Inventories, net (note 6(e))	239,596	32	265,822	35	278,732	31
1410 Prepayments	21,892	3	17,330	2	14,988	2
1470 Other current assets (note 8)	2,494	-	1,619	-	1,766	-
	<u>400,489</u>	<u>54</u>	<u>422,325</u>	<u>55</u>	<u>464,876</u>	<u>52</u>
Non-current assets:						
1510 Non-current financial assets at fair value through profit or loss (note 6(c))	10,000	1	10,000	1	-	-
1550 Investments accounted for using equity method (note 6(f))	26,759	4	28,502	4	111,433	12
1600 Property, plant and equipment (notes 6(g) and 8)	120,031	16	120,609	16	122,359	14
1755 Right-of-use assets (note 6(h))	22,003	3	23,480	3	30,793	4
1760 Investment property, net (notes 6(i) and 8)	163,354	22	163,650	21	164,537	18
1780 Intangible assets (note 6(j))	2,639	-	3,040	-	3,834	-
1900 Other non-current assets	532	-	879	-	901	-
	<u>345,318</u>	<u>46</u>	<u>350,160</u>	<u>45</u>	<u>433,857</u>	<u>48</u>
Total assets	<u>\$ 745,807</u>	<u>100</u>	<u>772,485</u>	<u>100</u>	<u>898,733</u>	<u>100</u>
Liabilities						
Current liabilities:						
2100 Short-term borrowings (note 6(k))			174,032	23	104,000	12
2130 Current contract liabilities (note 6(t))	65	-	671	-	198	-
2170 Notes and accounts payable	28,779	4	70,241	9	131,295	15
2200 Other payables	52,146	7	52,135	7	58,799	6
2250 Current provisions (note 6(l))	2,762	-	2,600	-	2,121	-
2280 Current lease liabilities (note 6(m))	8,556	1	8,709	1	8,880	1
2300 Other current liabilities	1,391	-	1,741	-	2,793	-
	<u>301,449</u>	<u>40</u>	<u>310,129</u>	<u>40</u>	<u>308,086</u>	<u>34</u>
Non-current liabilities:						
2580 Non-current lease liabilities (note 6(m))	13,881	2	15,144	2	22,002	3
2600 Other non-current liabilities	891	-	891	-	945	-
	<u>14,772</u>	<u>2</u>	<u>16,035</u>	<u>2</u>	<u>22,947</u>	<u>3</u>
Total liabilities	<u>316,221</u>	<u>42</u>	<u>326,164</u>	<u>42</u>	<u>331,033</u>	<u>37</u>
Equity attributable to owners of parent: (notes 6(q) and (r))						
Common stock	538,066	72	543,506	70	543,590	60
Capital surplus	25,983	4	25,330	4	24,744	3
Retained earnings:						
Legal reserve	52,704	7	52,704	7	51,494	6
Special reserve	79,510	11	79,510	10	45,440	5
Unappropriated retained earnings (accumulated deficits)	(124,800)	(17)	(112,809)	(15)	18,684	2
	<u>7,414</u>	<u>1</u>	<u>19,405</u>	<u>2</u>	<u>115,618</u>	<u>13</u>
Other equity interest	(117,046)	(16)	(117,089)	(15)	(116,252)	(13)
Treasury shares	(24,831)	(3)	(24,831)	(3)	-	-
Total equity	429,586	58	446,321	58	567,700	63
Total liabilities and equity	<u>\$ 745,807</u>	<u>100</u>	<u>772,485</u>	<u>100</u>	<u>898,733</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Reviewed only, not audited in accordance with generally accepted auditing standards

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2020 and 2019

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

		<u>For the three months ended March 31</u>			
		<u>2020</u>		<u>2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenues, net (note 6(t)):				
4110	Sales revenue	\$ 122,139	99	140,760	99
4310	Rental income (note 6(n))	<u>1,275</u>	<u>1</u>	<u>1,011</u>	<u>1</u>
		123,414	100	141,771	100
5000	Operating costs (notes 6(e) and 12)	<u>83,131</u>	<u>67</u>	<u>94,746</u>	<u>67</u>
5950	Gross profit from operations	<u>40,283</u>	<u>33</u>	<u>47,025</u>	<u>33</u>
	Operating expenses (notes 6(o) and 12):				
6100	Selling expenses	32,568	26	36,102	25
6200	Administrative expenses	13,629	11	18,213	13
6300	Research and development expenses	<u>3,393</u>	<u>3</u>	<u>3,708</u>	<u>3</u>
		49,590	40	58,023	41
	Net operating loss	<u>(9,307)</u>	<u>(7)</u>	<u>(10,998)</u>	<u>(8)</u>
	Non-operating income and expenses:				
7100	Interest income	10	-	13	-
7190	Other income	53	-	17	-
7230	Foreign exchange gains(losses), net	(195)	-	(658)	(1)
7235	Gains(loss) on financial assets at fair value through profit or loss	500	-	1,141	1
7510	Interest expense	(811)	(1)	(548)	-
7770	Share of loss of associates and joint ventures accounted for using equity method (note 6(f))	<u>(1,743)</u>	<u>(1)</u>	<u>(3,666)</u>	<u>(3)</u>
		(2,186)	(2)	(3,701)	(3)
7900	Loss before tax	(11,493)	(9)	(14,699)	(11)
7950	Less: Income tax expenses (note 6(p))	<u>498</u>	<u>-</u>	<u>1,897</u>	<u>1</u>
	Loss	<u>(11,991)</u>	<u>(9)</u>	<u>(16,596)</u>	<u>(12)</u>
8300	Other comprehensive income (loss):				
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign financial statements	<u>(1,938)</u>	<u>(2)</u>	<u>(2,932)</u>	<u>(2)</u>
8300	Other comprehensive income (loss), net	<u>(1,938)</u>	<u>(2)</u>	<u>(2,932)</u>	<u>(2)</u>
8500	Comprehensive income (loss)	<u>\$ (13,929)</u>	<u>(11)</u>	<u>(19,528)</u>	<u>(14)</u>
	Earnings (loss) per share (note 6(s))				
9750	Basic earnings (loss) per share (NT dollars)	<u>\$ (0.24)</u>		<u>(0.32)</u>	

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Reviewed only, not audited in accordance with generally accepted auditing standards

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings				Other equity interest				Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (Accumulated deficits)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury stock	
Balance at January 1, 2019	\$ 524,790	27,000	51,494	45,440	35,280	(65,016)	(33,710)	(98,740)	585,264
Loss for the three months ended March 31, 2019	-	-	-	-	(16,596)	-	-	-	(16,596)
Other comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	-	(2,932)	-	(2,932)	(2,932)
Total comprehensive income (loss) for the three months ended March 31, 2019	18,800	(2,256)	-	-	(16,596)	(2,932)	-	(2,932)	(19,928)
Share-based payments transactions	-	-	-	-	-	-	-	-	1,964
Balance at March 31, 2019	\$ 543,590	24,744	51,494	45,440	18,684	(67,948)	(33,710)	(14,580)	567,700
Balance at January 1, 2020	\$ 543,506	25,330	52,704	79,510	(112,809)	(74,693)	(33,710)	(8,686)	446,321
Loss for the three months ended March 31, 2020	-	-	-	-	(11,991)	-	-	-	(11,991)
Other comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	(1,938)	-	(1,938)	(1,938)
Total comprehensive income (loss) for the three months ended March 31, 2020	(5,440)	633	-	-	(11,991)	(1,938)	-	(1,938)	(13,929)
Share-based payments transactions	-	-	-	-	-	-	-	1,981	1,981
Balance at March 31, 2020	\$ 538,066	25,963	52,704	79,510	(124,800)	(76,631)	(33,710)	(6,705)	429,586

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Reviewed only, not audited in accordance with generally accepted auditing standards

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31,	
	2020	2019
Cash flows from (used in) operating activities:		
Loss before tax	\$ (11,493)	(14,699)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	3,208	3,422
Amortization expense	401	336
Expected credit loss (gain)	6	28
Interest expense	811	548
Interest income	(10)	(13)
Share-based payments transactions	(2,806)	1,964
Share of loss of associates and joint ventures accounted for using equity method	1,743	3,666
Total adjustments to reconcile profit (loss)	3,353	9,951
Changes in operating assets and liabilities:		
Acquisition of financial assets at fair value through profit or loss	(55)	(694)
Decrease in notes and accounts receivable	10,908	33,746
Decrease (increase) in other receivables	(77)	175
Decrease (increase) in inventories	26,226	(73,650)
Increase in prepayments	(3,871)	(3,286)
Increase in other current assets	(875)	(593)
Decrease in contract liabilities	(606)	(466)
Increase (decrease) in notes and accounts payable	(41,462)	88,443
Increase (decrease) in other payables	2,113	(8,478)
Increase (decrease) in provisions	156	(294)
Increase (decrease) in other current liabilities	(350)	450
Total changes in operating assets and liabilities	(7,893)	35,353
Total adjustments	(4,540)	45,304
Cash inflows (outflows) generated from operations	(16,033)	30,605
Interest received	10	13
Interest paid	(764)	(550)
Income taxes paid	(3,345)	(6,868)
Net cash flows from (used in) operating activities	(20,132)	23,200
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(15)	(170)
Decrease (increase) in refundable deposits	347	(219)
Acquisition of intangible assets	-	(700)
Net cash flows from (used in) investing activities	332	(1,089)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	33,718	(13,448)
Payment of lease liabilities	(2,265)	(2,400)
Net cash flows from (used in) financing activities	31,453	(15,848)
Effect of exchange rate changes on cash and cash equivalents	(1,925)	(2,911)
Net increase in cash and cash equivalents	9,728	3,352
Cash and cash equivalents at beginning of period	75,792	100,314
Cash and cash equivalents at end of period	\$ 85,520	103,666

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Reviewed only, not audited in accordance with generally accepted auditing standards

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Associated Industries China, Inc. (the “Company”) was incorporated in May 18, 1978 as a company limited by shares, and registered under the Ministry of Economic Affairs, in the Republic of China. The Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The major business activities of the Group are the research, development and sale of LCD monitors, and related components, sale of medical equipment, and real estate rental business.

(2) Approval date and procedures of the consolidated financial statements

These consolidated financial statements were authorized for issuance by the board of directors on May 6, 2020.

(3) New standards, amendments and interpretations adopted

- (a) 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.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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

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

- (b) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Those which may be relevant to the Group are set out below:

Issuance / Release	Standards or Interpretation	Content of amendment
Date		
January 23, 2020	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	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. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

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 significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2019. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2019.

(b) Basis of consolidation

List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			March 31, 2020	December 31, 2019	March 31, 2019	
The Company	Global Maritime Finance Co., Ltd (GMF)	Investment	100 %	100 %	100 %	(Note 1)
The Company	AG Neovo Technology. BV. (AG Neovo B.V)	Sale of LCD monitors	100 %	100 %	100 %	
The Company	AG Neovo Investment Co., Ltd (AG Neovo Investment)	Investment	100 %	100 %	100 %	(Note 1)

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			March 31, 2020	December 31, 2019	March 31, 2019	
AG Neovo Investment	AG Neovo Technology (Shanghai) Co., Ltd (AG Neovo Shanghai)	Sale of LCD monitors	100 %	100 %	100 %	"
GMF	AG Neovo International Ltd. (AG Neovo International)	Investment	100 %	100 %	100 %	"
GMF	AG Neovo Technology Corp. (AG Neovo USA)	Sale of LCD monitors and medical equipments	100 %	100 %	100 %	"

Note 1: A non-significant subsidiary, wherein its financial statements have not been reviewed.

(c) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

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

For a change in tax rate that is substantively enacted in an interim period, the effect of the change immediately should be recognized in the interim period in which the change occurs.

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

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In the preparation of the consolidated financial statements, the significant accounting assumptions, judgment and major sources of estimation uncertainty are consistent with Note 5 of the annual consolidated financial statements for the year ended December 31, 2019.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2019. Please refer to Note 6 of the 2019 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Petty cash, checking accounts and demand deposits	\$ 82,620	72,421	100,270
Time deposits	<u>2,900</u>	<u>3,371</u>	<u>3,396</u>
	<u>\$ 85,520</u>	<u>75,792</u>	<u>103,666</u>

Please refer to note 6(v) for the exchange rate risk, the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

(b) Financial assets at fair value through profit or loss-current

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Mandatorily measured at fair value through profit or loss			
Derivative instruments not used for hedging:			
Forward exchange contracts	\$ <u>55</u>	<u>-</u>	<u>694</u>

The Group holds derivative financial instruments to hedge certain foreign exchange risk the Group is exposed to, arising from its operating activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss as follows:

	<u>March 31, 2020</u>		
	<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>
Financial assets:			
Forward exchange sold	EUR <u>468</u>	EUR to USD	2020.05.07~2020.05.15
	<u>March 31, 2019</u>		
	<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>
Financial assets:			
Forward exchange sold	EUR <u>2,168</u>	EUR to USD	2019.04.03~2019.05.24

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (c) Financial assets at fair value through profit or loss-non-current

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Mandatorily designated at fair value through profit or loss			
Convertible bond-tBPC	\$ <u>10,000</u>	<u>10,000</u>	<u>-</u>

The Group acquired 100 units of convertible bonds issued by tBPC in October 2019, at a par value of \$100, amounting to \$10,000 with a duration of one year, and it is expected to be converted into common stock of tBPC. The host contract of the hybrid financial instrument, which must be classified as mandatorily measured at fair value through profit or loss, is a financial asset within the scope of IFRS 9.

As of March 31, 2020 and December 31, 2019, the Group did not provide any of the aforementioned financial assets as collaterals for its loans.

- (d) Notes and accounts receivable

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Notes receivable from operating activities	\$ 635	374	194
Accounts receivable-measured as amortized cost	<u>50,139</u>	<u>61,308</u>	<u>64,647</u>
	50,774	61,682	64,841
Less: Loss allowance	<u>(52)</u>	<u>(46)</u>	<u>(55)</u>
	<u>\$ 50,722</u>	<u>61,636</u>	<u>64,786</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision was determined as follows:

	<u>March 31, 2020</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 41,717	0%	-
1 to 30 days past due	8,417	0.39%	33
31 to 90 days past due	<u>640</u>	2.97%	<u>19</u>
	<u>\$ 50,774</u>		<u>52</u>

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2019		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 51,310	0%	-
1 to 30 days past due	9,965	0.41%	41
31 to 90 days past due	198	2.53%	5
More than 90 days past due	209	0%	-
	<u>\$ 61,682</u>		<u>46</u>
	March 31, 2019		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 50,264	0%	-
1 to 30 days past due	12,608	0.18%	23
31 to 90 days past due	1,967	1.53%	30
More than 90 days past due	2	100%	2
	<u>\$ 64,841</u>		<u>55</u>

The movement in the allowance for notes and accounts receivable was as follows:

	For the three months ended March 31,	
	2020	2019
Balance at January 1	\$ 46	27
Impairment losses recognized	6	28
Balance at March 31	<u>\$ 52</u>	<u>55</u>

As of March 31, 2020, December 31 and March 31, 2019, the Group did not provide any of the aforementioned notes and accounts receivable as collaterals for its loans.

(e) Inventories

	March 31, 2020	December 31, 2019	March 31, 2019
Merchandise inventories	<u>\$ 239,596</u>	<u>265,822</u>	<u>278,732</u>

The details of cost of sales for the three months ended March 31, 2020 and 2019, were as follows:

	For the three months ended March 31,	
	2020	2019
Cost of goods sold and expenses	\$ 80,639	94,054
Inventory valuation loss and obsolescence (reversed)	2,095	294
	<u>\$ 82,734</u>	<u>94,348</u>

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019, the write-down of inventories to net realizable value amounted to \$2,095 and \$294, respectively.

As of March 31, 2020, December 31 and March 31, 2019, the Group did not provide any inventories as collaterals for its loans.

(f) Investments accounted for using equity method

The components of investments accounted for using the equity method at the reporting date were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Associates	<u>\$ 26,759</u>	<u>28,502</u>	<u>111,433</u>

(i) Associate

The details of the material associate is as follows:

<u>Name of Associate</u>	<u>Nature of the relationship with the Group</u>	<u>Main operating location/ Registered Country of the Company</u>	<u>Proportion of shareholding and voting rights</u>		
			<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Taiwan Biophotonic Corporation (tBPC)	Shareholder with significant influence	Taiwan	26.30 %	26.30 %	26.30 %

The following aggregated financial information of the significant affiliates has been adjusted according to individually prepared IFRS financial statement to reflect the fair value adjustments made at the time of acquisition.

1) Summarized financial information of tBPC

	March 31, 2020	December 31, 2019	March 31, 2019
Current assets	\$ 26,767	33,412	33,556
Non-current assets	70,564	72,334	79,565
Current liabilities	(15,168)	(16,573)	(4,272)
Non-current liabilities	(12,234)	(12,234)	(15,829)
Net assets	<u>\$ 69,929</u>	<u>76,939</u>	<u>93,020</u>
Net assets attributable to owners of the associate	<u>\$ 69,929</u>	<u>76,939</u>	<u>93,020</u>

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended March 31,		
	2020	2019	
Operating revenue	\$ 2,524	387	
Loss from continuing operations (equal to comprehensive loss)	\$ (7,009)	(11,461)	
Total comprehensive loss attributable to owners of the associate	\$ (7,009)	(11,461)	
	March 31, 2020	December 31, 2019	March 31, 2019
Share of net assets of the associate to the Group at January 1	\$ 19,888	27,365	27,365
Comprehensive loss attributable to the Group	(1,727)	(7,477)	(2,991)
Share of net assets of the associate to the Group at the period ended	18,161	19,888	24,374
Additional fair value adjustments of patented technology	1,045	1,061	46,319
Additional goodwill	7,553	7,553	40,740
Carrying amounts of the investment	\$ 26,759	28,502	111,433

The Group assessed that there were indications of impairment due to tBPC's continuous loss in operations in recent years. On December 31, 2019, the Group conducted an impairment test, through the assistance of an independent appraisal institute, on the valuation of its value-in-use of net identified assets and its value-in-use of equity in accordance with IAS 36 "Impairment of Asset". Based on the result of assessment, the Group recognized the impairment losses of \$43,235 and \$33,187, in term of the fair value of its patented technology and goodwill, respectively; totaling \$76,422, which was recorded as the carrying amount of investments accounted for using equity method.

(ii) Pledges

As of March 31, 2020, December 31 and March 31, 2019, the Group did not provide any investment accounted for using equity method as collateral for its loans.

(g) Property, plant and equipment

	Land	Buildings and building improvement	Machinery and R&D equipment	Molding equipment and other equipment	Total
Carrying amounts:					
Balance at January 1, 2020	\$ 95,104	23,221	503	1,781	120,609
Balance at March 31, 2020	\$ 95,104	22,967	415	1,545	120,031
Balance at January 1, 2019	\$ 95,104	24,235	921	2,585	122,845
Balance at March 31, 2019	\$ 95,104	23,981	815	2,459	122,359

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the three months ended March 31, 2020 and 2019. Information on depreciation for the periods are disclosed in Note 12(a). Please refer to Note 6(g) of the 2019 annual consolidated financial statements for other related information.

As of March 31, 2020, December 31 and March 31, 2019, the property, plant and equipment has been pledged as collateral for short-term borrowings and credits. Please refer to note 8.

(h) Right-of-use assets

The Group leases many assets including buildings and transportation. Information about leases for which the Group as a lessee is presented below:

	<u>Buildings</u>	<u>Transportation</u>	<u>Total</u>
Cost:			
Balance at January 1, 2020	\$ 22,026	10,783	32,809
Additions	-	1,021	1,021
Effect of change in foreign exchange rates	(107)	(102)	(209)
Balance at March 31, 2020	<u>\$ 21,919</u>	<u>11,702</u>	<u>33,621</u>
Balance at January 1, 2019	\$ 22,927	10,762	33,689
Effect of change in foreign exchange rates	(248)	(180)	(428)
Balance at March 31, 2019	<u>\$ 22,679</u>	<u>10,582</u>	<u>33,261</u>
Depreciation:			
Balance at January 1, 2020	\$ 5,803	3,526	9,329
Depreciation for the period	1,447	882	2,329
Effect of change in foreign exchange rates	(7)	(33)	(40)
Balance at March 31, 2020	<u>\$ 7,243</u>	<u>4,375</u>	<u>11,618</u>
Balance at January 1, 2019	\$ -	-	-
Depreciation for the period	1,543	946	2,489
Effect of change in foreign exchange rates	(10)	(11)	(21)
Balance at March 31, 2020	<u>\$ 1,533</u>	<u>935</u>	<u>2,468</u>
Carrying amounts:			
Balance at January 1, 2020	<u>\$ 16,223</u>	<u>7,257</u>	<u>23,480</u>
Balance at March 31, 2020	<u>\$ 14,676</u>	<u>7,327</u>	<u>22,003</u>
Balance at January 1, 2019	<u>\$ 22,927</u>	<u>10,762</u>	<u>33,689</u>
Balance at March 31, 2019	<u>\$ 21,146</u>	<u>9,647</u>	<u>30,793</u>

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Investments property

Details of the investments property were summarized as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Carrying amounts:			
Balance at January 1, 2020	\$ <u>111,400</u>	<u>52,250</u>	<u>163,650</u>
Balance at March 31, 2020	\$ <u>111,400</u>	<u>51,954</u>	<u>163,354</u>
Balance at January 1, 2019	\$ <u>111,400</u>	<u>53,433</u>	<u>164,833</u>
Balance at March 31, 2019	\$ <u>111,400</u>	<u>53,137</u>	<u>164,537</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the three months ended March 31, 2020 and 2019. Information on depreciation for the periods are disclosed in note 12(a). Please refer to note 6(i) of the 2019 annual consolidated financial statements for other related information.

The fair value of the investment property was not significantly different from those disclosed in note 6(i) of the consolidated financial statements for the year ended December 31, 2019.

As of March 31, 2020, December 31 and March 31, 2019, the investment property has been pledged as collateral for short-term borrowings and credits. Please refer to note 8.

(j) Intangible Assets

	<u>Computer software and others</u>
Carrying amounts:	
Balance at January 1, 2020	\$ <u>3,040</u>
Balance at March 31, 2020	\$ <u>2,639</u>
Balance at January 1, 2019	\$ <u>3,470</u>
Balance at March 31, 2019	\$ <u>3,834</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2020 and 2019. Information on amortization for the periods are disclosed in note 12(a). Please refer to note 6(j) of the 2019 annual consolidated financial statements for other related information.

As of March 31, 2020, December 31 and March 31, 2019, the Group did not provide any intangible assets as collaterals for its loans.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Short-term borrowings

The details of short-term borrowings were as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Unsecured bank loans	\$ 79,750	76,032	20,000
Secured bank loans	<u>128,000</u>	<u>98,000</u>	<u>84,000</u>
	<u>\$ 207,750</u>	<u>174,032</u>	<u>104,000</u>
Unused credit lines for short-term borrowings	<u>\$ 236,178</u>	<u>270,149</u>	<u>336,444</u>
Range of interest rates	<u>1.10%~1.83%</u>	<u>1.10%~3.38%</u>	<u>1.72%~1.78%</u>

Please refer to note 6(v) for the interest risk, foreign currency exchange rate risk, and liquidity risk information of the Group.

The Group provided property, plant and equipment and investments property as collaterals for its bank loans. Please refer to note 8.

(l) Provisions

There were no significant changes in provisions for the three months ended March 31, 2020 and 2019. Please refer to note 6(l) of the consolidated financial statements for the year ended December 31, 2019 for other related information.

Provisions related to sale of products are assessed based on historical information.

(m) Lease liabilities

The details of lease liabilities were as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current	\$ <u>8,556</u>	<u>8,709</u>	<u>8,880</u>
Non-current	\$ <u>13,881</u>	<u>15,144</u>	<u>22,002</u>

For the maturity analysis, please refer to note 6(v).

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	\$ <u>67</u>	<u>93</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>940</u>	<u>694</u>
Expenses relating to short-term leases	\$ <u>318</u>	<u>338</u>

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the three months ended March 31,	
	2020	2019
Total cash outflow for leases	\$ 3,590	2,831

(i) Real estate lease

The Group leases buildings for its office space. The leases of office space typically run for three to seven years.

(ii) Other leases

The Group leases transportation, with lease terms of two to five years.

The Group also leases office equipments with contract terms of less than one year. These leases are short-term leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(n) Operating lease

The Group leases out its investment property and some machinery. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(i) sets out information about the operating leases of investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date was as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Less than one year	\$ 5,090	5,090	4,044
One to two years	3,818	5,090	4,044
Two to three years	-	-	3,859
Total undiscounted lease payments	\$ 8,908	10,180	11,947

(o) Employee benefits

The Company allocates no less than 6% of each employee's monthly wages to the labor pension personal account at Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

Overseas subsidiaries recognized the pension expenses and made the periodical payments under the defined contribution method by local laws.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The expenses recognized in profit or loss for the Group were as follows:

	For the three months ended March 31,	
	2020	2019
Selling expenses	\$ 446	421
Administrative expenses	391	393
Research and development expenses	174	189
	\$ 1,011	1,003

(p) Income taxes

(i) Income tax expenses

The amounts of income tax for the three months ended March 31, 2020 and 2019 were as follows:

	For the three months ended March 31,	
	2020	2019
Current tax expenses	\$ 498	1,897

(ii) The Company's income tax returns for the year through 2018 have been examined by the tax authorities.

(q) Capital and other equities

Except for the following disclosure, there was no significant change for capital and other equity for the periods from January 1 to March 31, 2020 and 2019. For the related information, please refer to note 6(q) of the consolidated financial statements for the year ended December 31, 2019.

(i) Capital surplus

The balances of capital surplus were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Additional paid-in capital	\$ 20,986	20,986	20,986
Restricted employee shares	(1,603)	(2,256)	(2,265)
Employee stock options-expired	5,343	5,343	5,343
Donation from shareholders	1,257	1,257	680
	\$ 25,983	25,330	24,744

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Retained Earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and the others are supposed to be set aside or reversed as the special reserve in accordance with laws and regulations. And then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company adopts the residual dividend policy. In consideration of the expansion of operations and the need of cash flows in the future, when the Company plans to distribute its dividends, the distributable amounts cannot be less than 50% of the cumulative distributable surplus. Moreover, at least 10% of the dividends should be distributed in cash.

Based on the resolutions made during the directors' meeting held on March 18, 2020, and the resolution made during the annual stockholders' meeting held on June 19, 2019, respectively, the loss on the appropriation of dividends in 2019 and 2018 need not to be allocated.

(r) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment during the periods from January 1 to March 31, 2020 and 2019. For the related information, please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2019.

During the stockholders' meeting on June 13, 2018, the Company decided to award 2,000 thousand shares of employee restricted shares to the Company's full-time employees who meet the certain requirements. The restricted shares have been registered with and approved by the Securities and Futures Bureau of the Financial Supervisory Commission. At the directors' meeting held on November 7, 2018, the Board of Directors decided to issue the first restricted shares of 1,880 thousand shares, and the effective date of the share issuance was on January 14, 2019.

1,880 thousand shares of the aforementioned restricted shares were issued without consideration. 20%, 20%, 30%, and 30% of the restricted shares were vested when the employees continue to provide service for at least 1 year, 2 years, 3 years, and 4 years from the registration and the effective date, and at the same time, meet the performance requirement. After the issuance, the restricted shares are kept by a trust, which is appointed by the Company, before they are vested. These restricted shares shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian shall act based on the law and regulations.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

If the shares remain unvested after the vesting period, the Company will purchase all the unvested shares without consideration and cancel the shares thereafter. Restricted shares could be distributed as cash or stock dividends. Employees who are given restricted shares are entitled to partake in the cash injection plan of the Company. The aforementioned new shares are also kept by a trust. If the employees of the Company fail to meet the vesting requirements, the cash or stock dividends will be withdrawn in the form of cash, and a shares cancellation procedure will be performed. However, if employees are able to meet such requirements, the cash or stock dividends will be paid to individual accounts from the trust.

The information of the Company's restricted stock was as follows:

	Unit: in thousand shares	
	For the three months ended March 31,	
	2020	2019
Outstanding units at period beginning	1,880	8
Granted during the period	-	1,880
Forfeited during the period	(544)	-
Outstanding at period ended	<u>1,336</u>	<u>1,888</u>

As of March 31, 2020 and 2019, unearned employee compensation balances were \$6,705 and \$14,594, respectively.

The expense (reversal) incurred by the Company for restricted stocks for employees for the three months ended March 31, 2020 and 2019, respectively, were \$(2,806) and \$1,964.

(s) Earnings (loss) per share

The Company's basic earnings per share were computed as follows:

	For the three months ended March 31,	
	2020	2019
Basic earnings (loss) per share		
Net income (loss)	\$ <u>(11,991)</u>	<u>(16,596)</u>
Weighted-average number of outstanding shares (thousand)	<u>49,711</u>	<u>52,471</u>
Basic earnings per share (dollars)	\$ <u>(0.24)</u>	<u>(0.32)</u>

The employee stock options have an anti-dilutive effect; hence, they were not included in the computation of the weighted-average number of shares (diluted).

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended March 31,	
	2020	2019
Primary geographical markets:		
Netherlands	\$ 17,962	18,913
Germany	36,554	39,942
United States	9,979	9,460
Other	58,919	73,456
	\$ 123,414	141,771
Major products / services lines:		
LED monitors	\$ 119,115	136,675
Medical equipments	795	1,695
Other accessories	2,229	2,390
Rental revenues	1,275	1,011
	\$ 123,414	141,771

(ii) Contract balance

- 1) For details on notes and accounts receivable and allowance for impairment, please refer to note 6(d).
- 2) Contract liability

	March 31, 2020	December 31, 2019	March 31, 2019
Contract liability (Unearned sales revenue)	\$ 65	671	198

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(u) Employees compensation and directors' and supervisors' remuneration

According to the Company's articles of incorporation which, before revised, require that earning shall first be offset against any deficit, then, a minimum of 10% will be distributed as employee remuneration and a maximum of 2% will be allocated as directors' and supervisors' remuneration. Employees who are entitled to receive the above mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirement.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company had loss before income tax for the three months ended March 31, 2020 and 2019. No remuneration to employees, directors and supervisors was recognized.

(v) Financial Instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(v) of the consolidated financial statements for the year ended December 31, 2019.

(i) Credit risk of receivables

For credit risk exposure of note and accounts receivables, please refer to note 6(d).

Other financial assets at amortized cost including cash and cash equivalents, other receivables, and guaranteed deposits, are considered to have low risk, and thus, the impairment provision recognized during the period is limited to 12 months expected losses.

(ii) Liquidity Risk

The following table shows the contractual maturities of financial liabilities, excluding estimated interest payments:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over 1 years</u>
March 31, 2020				
Non-derivative financial liabilities:				
Short-term borrowings	\$ 207,750	(207,750)	(207,750)	-
Notes and accounts payable	28,779	(28,779)	(28,779)	-
Lease liabilities (including current and non-current)	22,437	(23,124)	(8,899)	(14,225)
Other payables	48,452	(48,452)	(48,452)	-
Guarantee deposits	891	(891)	-	(891)
	<u>\$ 308,309</u>	<u>(308,996)</u>	<u>(293,880)</u>	<u>(15,116)</u>
December 31, 2019				
Non-derivative financial liabilities:				
Short-term borrowings	\$ 174,032	(174,032)	(174,032)	-
Notes and accounts payable	70,241	(70,241)	(70,241)	-
Lease liabilities (including current and non-current)	23,853	(24,588)	(9,050)	(15,538)
Other payables	46,858	(46,858)	(46,858)	-
Guarantee deposits	891	(891)	-	(891)
	<u>\$ 315,875</u>	<u>(316,610)</u>	<u>(300,181)</u>	<u>(16,429)</u>

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over 1 years</u>
March 31, 2019				
Non-derivative financial liabilities:				
Short-term borrowings	\$ 104,000	(104,000)	(104,000)	-
Notes and accounts payable	131,295	(131,295)	(131,295)	-
Lease liabilities (including current and non-current)	30,882	(31,992)	(9,340)	(22,652)
Other payables	58,799	(58,799)	(58,799)	-
Guarantee deposits	945	(945)	-	(945)
	<u>\$ 325,921</u>	<u>(327,031)</u>	<u>(303,434)</u>	<u>(23,597)</u>

The Group does not expect the cash flows included in the maturity analysis, to occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Currency risk (expressed in thousands for foreign currencies)

The Group's significant exposure to foreign currency risk was as follows:

	<u>March 31, 2020</u>			<u>December 31, 2019</u>			<u>March 31, 2019</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
Financial assets									
Monetary items									
USD	\$ 231	USD/NTD =30.225	6,968	1,364	USD/NTD =29.98	40,881	504	USD/NTD =30.82	15,522
USD	42	USD/EUR =1.0998	1,266	55	USD/EUR =1.1204	1,662	28	USD/EUR =1.1230	876
Financial liabilities									
Monetary items									
USD	600	USD/NTD =30.225	18,145	1,862	USD/NTD =29.98	55,808	2,295	USD/NTD =30.82	70,724
USD	63	USD/EUR =1.0998	1,908	-	USD/EUR =1.1204	-	366	USD/EUR =1.1230	11,275

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, short-term borrowings, notes and accounts payable, and other payables that are denominated in foreign currency.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

A weakening (strengthening) 5% of each foreign currency against the functional currency on March 31, 2020 and 2019 would have affected the net profit before tax as follows:

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
USD (against NTD)		
Appreciate 5%	\$ (559)	(2,760)
Depreciate 5%	559	2,760
USD (against EUR)		
Appreciate 5%	(32)	(520)
Depreciate 5%	32	520

The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount for disclosure. For the three months ended March 31, 2020 and 2019, the foreign exchange gains (losses), including realized and unrealized ones, amounted to \$(195) and \$(658), respectively.

(iv) Interest rate analysis

Please refer to liquidity risk for the details of financial assets and liabilities exposed to interest rate risk.

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents management of the Group's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25%, the net loss before tax would have increased or decreased by \$101 and \$13 for the three months ended March 31, 2020 and 2019, which would mainly result from the bank savings and short-term borrowings with variable interest rates at the reporting date.

(v) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, and of financial assets at fair value through other comprehensive income are measured on a recurring basis.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for the assets or liability that are not based on observable market data.

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and lease liabilities, disclosure of fair value information is not required :

	March 31, 2020				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Derivative financial assets	\$ 55	-	55	-	55
Mandatorily designated at fair value through profit or loss	<u>10,000</u>	-	-	10,000	10,000
	<u>10,055</u>				
Financial assets measured at amortized cost:					
Cash and cash equivalents	85,520	-	-	-	-
Notes and accounts receivable	50,722	-	-	-	-
Other receivables	210	-	-	-	-
Restricted bank deposits (recognized as other current assets)	<u>326</u>	-	-	-	-
	<u>136,778</u>				
	<u>\$ 146,833</u>				
Financial liabilities measured at amortized cost:					
Short-term borrowings	\$ 207,750	-	-	-	-
Notes and accounts payable	28,779	-	-	-	-
Lease liabilities	22,437				
Other payables	48,452	-	-	-	-
Guaranteed deposits	<u>891</u>				
	<u>\$ 308,309</u>				

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2019				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost:					
Short-term borrowings	\$ 104,000	-	-	-	-
Notes and accounts payable	131,295	-	-	-	-
Lease liabilities	30,882	-	-	-	-
Other payables	58,799	-	-	-	-
Guarantee deposits	<u>945</u>	-	-	-	-
	<u>\$ 325,921</u>				

- 2) Fair value valuation technique for financial instruments not measured at fair value

The book value of financial assets and liabilities at amortized cost in the consolidated report is approximately its fair value.

- 3) Fair value valuation technique for financial instruments measured at fair value

- a) Non-derivative financial instruments

A financial instrument will use the public quoted price of the active market as the fair value if it has the public quoted price of the active market.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by using a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

- b) Derivative financial instruments

Measurement of fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. Fair value of forward currency exchange is usually determined by using the forward currency rate.

- 4) There was no transfer among fair value hierarchies for the three months ended March 31, 2020 and 2019.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Reconciliation of level 3 fair values

	Non derivative financial assets mandatorily measured at fair value through profit or loss
Balance on January 1, March 31, 2020 (Same balance on March 31, 2020)	\$ 10,000

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

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – convertible bonds".

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through profit or loss – convertible bonds	Revenue method (Discounted Cash Flow Method)	Discounted rate in lack of market liquidity as of December 31, 2019 was 35%	The higher the discounted rate is, the lower the fair value will be.

(w) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(w) of the consolidated financial statements for the year ended December 31, 2019.

(x) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2019. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2019. Please refer to Note 6(x) of the consolidated financial statements for the year ended December 31, 2019 for further details.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(i) The Group's investing and financing activities which did not affect the current cash flow in the three months ended March 31, 2020 and 2019 is the acquisition of right-of-use assets by lease, please refer to note 6(h).

(ii) Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flows	Non-cash changes		March 31, 2020
			Additions	Foreign exchange movement	
Short-term borrowings	\$ 174,032	33,718	-	-	207,750
Guarantee deposits	891	-	-	-	891
Lease liabilities	<u>23,853</u>	<u>(2,265)</u>	<u>1,021</u>	<u>(172)</u>	<u>22,437</u>
Total liabilities from financing activities	<u>\$ 198,776</u>	<u>31,453</u>	<u>1,021</u>	<u>(172)</u>	<u>231,078</u>

	January 1, 2019	Cash flows	Non-cash changes		March 31, 2019
			Additions	Foreign exchange movement	
Short-term borrowings	\$ 117,448	(13,448)	-	-	104,000
Lease liabilities	<u>33,689</u>	<u>(2,400)</u>	<u>-</u>	<u>(407)</u>	<u>30,882</u>
Total liabilities from financing activities	<u>\$ 151,137</u>	<u>(15,848)</u>	<u>-</u>	<u>(407)</u>	<u>134,882</u>

(7) Related-party transactions:

Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended March 31,	
	2020	2019
Short-term employee benefits	\$ 4,603	4,495
Post-employment benefits	<u>152</u>	<u>54</u>
	<u>\$ 4,755</u>	<u>4,549</u>

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Land and buildings	Guarantee for short-term loans and the credit line	\$ 118,071	118,325	119,085
Investment property	//	163,354	163,650	164,537
Restricted bank deposits	Warranty guarantee	<u>326</u>	<u>326</u>	<u>129</u>
		<u><u>\$ 281,751</u></u>	<u><u>282,301</u></u>	<u><u>283,751</u></u>

(9) Significant commitments and contingencies:

As of March 31, 2020, December 31 and March 31, 2019, the unused balance of the Group's letters of credit amounted to \$5,072, \$4,818 and \$8,556, respectively.

(10) Losses Due to Major Disasters: None.**(11) Subsequent Events:**

Based on the resolution approved during the Board of Directors' Meeting held on May 6, 2020, the Company decided to issue 1,200 thousand ordinary stocks of employee restricted shares amounting to \$12,000, at a par value of \$10, which will be proposed for discussion at the annual stockholder's meeting to be held in 2020.

(12) Other:

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

By function	For the three months ended March 31,					
	2020			2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
By item						
Employee benefits						
Salary	-	21,663	21,663	-	28,069	28,069
Labor and health insurance	-	3,307	3,307	-	3,776	3,776
Pension	-	1,011	1,011	-	1,003	1,003
Others	-	732	732	-	1,144	1,144
Depreciation	296	2,912	3,208	296	3,126	3,422
Amortization	142	259	401	107	229	336

Note: The depreciation for the three months ended March 31, 2020 and 2019 included the depreciation of investment property both amounted to \$296.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Seasonality of operations

The Group's operations were not affected by seasonality or cyclicity factors.

(13) Other disclosures items:

(a) Information on significant transactions

The followings are the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the three months ended March 31, 2020:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars and foreign currencies)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Amount of property pledged for guarantees and endorsements	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	AG Neovo B.V	100% owned subsidiary	429,586	150,000	150,000	30,373	-	34.92 %	429,586	Yes	No	No
0	"	AG Neovo USA	"	429,586	30,000	30,000	-	-	6.98 %	429,586	Yes	No	No

Note : According to the Company's Procedures for Endorsement and Guarantee, the total amount of endorsements and guarantees, the Company or the Group is permitted to provide, shall not exceed 100% of the Company's net worth.

(iii) Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included):

(In Thousands of New Taiwan Dollars and shares (units))

Company holding securities	Security type and name	Relationship with the Company	Account	March 31, 2020				Remark
				Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	IRONYUN INCORPORATED	-	Financial assets measured at fair value through other comprehensive income	6,025	-	6.79 %	-	Note
"	Convertible bonds (tBPC)	-	Financial assets measured at fair value through profit or loss-non-current	100	10,000	- %	10,154	

Note: Preferred stock and common stock are 5,512 and 513 thousand shares, respectively, at the reporting date.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (vii) Related-party purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (ix) Trading in derivative instruments: Please refer to note 6(b).
- (x) Significant transactions and business relationship between the parent company and its subsidiaries:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Accounts	Amount	Terms	
0	The Company	AG Neovo B.V	1	Operating revenue	67,988	The price is marked up based on the operating cost, and the receivables depend on the funding demand with in the credit period.	55.09 %
0	"	"	1	Unearned sales revenue	137,238	"	18.40 %
0	"	AG Neovo USA	1	Prepayments for purchases	16,180	"	2.17 %

Note 1: The numbers filled in as follows:

- 1.0 represents the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Relationship with the transactions labeled as follows:

- 1 represents the transactions from the parent company to its subsidiaries.
2 represents the transactions between the subsidiaries and the parent company.
3 represents the transactions between subsidiaries.

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars/ foreign currencies and thousand units)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Ending Balance as of March 31, 2020			Net income (loss) of the Investee (Note2)	Investment income (loss) recognized by the Company (Note2)	Remark
				March 31, 2020 (Note 1)	December 31, 2019 (Note 1)	Shares	Percentage of ownership	Carrying value (Note 1)			
The Company	GMF	British Virgin Islands	Investment	313,522	313,522	0.7	100 %	9,867	(2,061)	(2,061)	Note 3
"	AG Neovo B.V	Netherlands	Sales of LCD monitors	187,013	187,013	4.8	100 %	183,672	(2,423)	(2,423)	"
"	AG Neovo Investment	British Virgin Islands	Investment	14,796	14,796	0.5	100 %	7,703	(935)	(935)	"
"	Taiwan Biophotonic Corporation	Taiwan	Manufacturing and sale of medical equipments	81,527	81,527	8,153	26 %	26,759	(7,009)	(1,743)	"
GMF	AG Neovo International	British Virgin Islands	Investment	14,508 (US\$ 480)	14,508 (US\$ 480)	0.01	100 %	7 (US\$ -)	- (US\$ -)	Recognized by shareholding percentage by GMF	Note 3
"	AG Neovo USA	U.S.A.	Sales of LCD monitors and medical equipments	60,450 (US\$ 2,000)	60,450 (US\$ 2,000)	701	100 %	8,311 (US\$ 275)	(2,291) (US\$ (76))	"	"

Note1: The amounts in New Taiwan Dollars were translated at the exchange rates of USD30.225 at reporting date.

Note2: The amounts in New Taiwan Dollars were translated at the exchange rates of USD30.1105 based on the average exchange rate at reporting date.

Note3: The left transactions have been eliminated in the preparation of the consolidated financial statements.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Information on investment in mainland China:

(i) The related information on investees in Mainland China:

(In Thousands of New Taiwan Dollars/foreign currencies and thousand units)

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 2)	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020 (Note 2)	Investment		Accumulated outflow of investment from Taiwan as of March 31, 2020 (Note 2)	Net income (loss) of the investee company (Note 3)	Percentage of ownership	Investment income (loss) recognized (Note 3)	Carrying value as of March 31, 2020	Accumulated remittance of earnings as of March 31, 2020
					Outflow	Inflow						
AG Neovo (Shanghai)	Sales of LCD monitors	15,113 (US\$500)	Note 1	15,113 (US\$500)	-	-	15,113 (US\$500)	(1,124) (US\$(37))	100%	(1,124) (US\$(37))	8,089 (US\$268)	-

(ii) Upper limit on investment in Mainland China:

(In Thousands of New Taiwan Dollars and foreign currencies)

Accumulated Investment in Mainland China as of March 31, 2020 (Notes 2 and 4)	Investment Amounts Authorized by Investment Commission, MOEA (Notes 2 and 4)	Upper Limit on Investment
121,988 (US\$4,036)	121,988 (US\$4,036)	257,752

Note 1: Indirect investment in Mainland China through companies registered in the third region.

Note 2: The amounts in New Taiwan Dollars were translated at the exchange rates of USD30.225 at reporting date.

Note 3: The amounts in New Taiwan Dollars were translated at the exchange rates of USD31.1105 based on the average exchange rate at reporting date.

Note 4: Including the withdrawn amount of investment from the Shanghai CIMC Baowell Industries Co., Ltd.

(iii) Significant transactions: None.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Top Group Holdings, Ltd.		8,213,294	15.11 %
David Pi		3,335,541	6.13 %
Associated industries China, Inc. (Treasury shares, etc.)		3,304,000	6.07 %

(14) Segment information:

The Group's operating segment information and reconciliation are as follows:

	For the three months ended March 31, 2020					Total
	Europe	America	Taiwan	Others	Adjustment & Elimination	
Revenue						
Revenue from external customers	\$ 108,380	8,351	5,864	819	-	123,414
Revenue from segments	<u>2,278</u>	<u>-</u>	<u>66,321</u>	<u>8</u>	<u>(68,607)</u>	<u>-</u>
	<u>\$ 110,658</u>	<u>8,351</u>	<u>72,185</u>	<u>827</u>	<u>(68,607)</u>	<u>123,414</u>
Reportable segment profit (loss)	<u>\$ (1,925)</u>	<u>(2,061)</u>	<u>(11,991)</u>	<u>(935)</u>	<u>5,419</u>	<u>(11,493)</u>

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended March 31, 2019					
	Europe	America	Taiwan	Others	Adjustment & Elimination	Total
Revenue						
Revenue from external customers	\$ 126,026	10,063	4,760	922	-	141,771
Revenue from segments	<u>306</u>	<u>172</u>	<u>91,107</u>	<u>-</u>	<u>(91,585)</u>	<u>-</u>
	<u>\$ 126,332</u>	<u>10,235</u>	<u>95,867</u>	<u>922</u>	<u>(91,585)</u>	<u>141,771</u>
Reportable segment profit (loss)	<u>\$ (2,731)</u>	<u>(2,702)</u>	<u>(16,596)</u>	<u>(997)</u>	<u>8,327</u>	<u>(14,699)</u>