

**ARES INTERNATIONAL CORP. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
MARCH 31, 2020 AND 2019**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Ares International Corp.

Introduction

We have reviewed the accompanying consolidated balance sheets of Ares International Corp. and subsidiaries (the “Group”) as at March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these 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” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit 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

The financial statements of certain non-significant consolidated subsidiaries and investments accounted for using the equity method were not reviewed by independent accountants. Those statements reflect total assets (including investments accounted for using the equity method) amounting to NT\$133,754 thousand and NT\$119,635 thousand, constituting 11.06% and 10.66% of the consolidated total assets, and total liabilities amounting to NT\$10,450 thousand and NT\$15,528 thousand, constituting 2.28% and 4.01% of the consolidated total liabilities as of March 31, 2020 and 2019, respectively, and total comprehensive income (including share of profit of associates and joint ventures accounted for using

the equity method) amounting to NT\$1,655 thousand and NT\$1,412 thousand, constituting 29.73% and 18.54% of consolidated total comprehensive income for the three months then ended, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and investments accounted for using the equity method been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, 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 at March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months then ended, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

CPA Lin, Yi-Fan

CPA Yu, Shu-Fen

For and on behalf of PricewaterhouseCoopers, Taiwan

May 8, 2020

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ARES INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2020, DECEMBER 31, 2019 AND MARCH 31, 2019
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of March 31, 2020 and 2019 are unaudited)

Assets	Notes	March 31, 2020		December 31, 2019		March 31, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 520,178	43	\$ 538,406	44	\$ 432,412	39
1136	Financial assets at amortised cost -	6(2) and 8						
	current		279,998	23	292,757	24	310,276	28
1140	Contract assets - current	6(16)	81,002	7	72,065	6	48,442	4
1150	Notes receivable, net	6(3)	2,574	-	668	-	446	-
1170	Accounts receivable, net	6(3)	98,957	8	102,352	8	90,965	8
1180	Accounts receivable - related	7						
	parties, net		-	-	1,339	-	-	-
1200	Other receivables		2,235	-	2,630	-	4,036	-
1410	Prepayments	6(4) and 7	35,931	3	30,163	2	36,272	3
1470	Other current assets	8	45,876	4	49,773	4	47,741	4
11XX	Total current assets		<u>1,066,751</u>	<u>88</u>	<u>1,090,153</u>	<u>88</u>	<u>970,590</u>	<u>86</u>
Non-current assets								
1517	Financial assets at fair value	6(5)						
	through other comprehensive							
	income - non-current		1,403	-	1,785	-	3,029	-
1550	Investments accounted for using	6(6)						
	the equity method		82,283	7	78,168	6	73,214	6
1600	Property, plant and equipment, net	6(7)	7,008	1	7,017	1	7,472	1
1755	Right-of-use assets	6(8)	13,804	1	18,118	1	30,176	3
1780	Intangible assets		-	-	96	-	959	-
1840	Deferred income tax assets		30,761	2	31,363	3	29,615	3
1900	Other non-current assets	8	7,678	1	7,682	1	7,339	1
15XX	Total non-current assets		<u>142,937</u>	<u>12</u>	<u>144,229</u>	<u>12</u>	<u>151,804</u>	<u>14</u>
1XXX	Total assets		<u>\$ 1,209,688</u>	<u>100</u>	<u>\$ 1,234,382</u>	<u>100</u>	<u>\$ 1,122,394</u>	<u>100</u>

(Continued)

ARES INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2020, DECEMBER 31, 2019 AND MARCH 31, 2019
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of March 31, 2020 and 2019 are unaudited)

Liabilities and Equity	Notes	March 31, 2020		December 31, 2019		March 31, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2130	Contract liabilities - current	6(16)	\$ 167,638	14	\$ 151,481	12	\$ 105,358	9
2150	Notes payable		-	-	-	-	13	-
2170	Accounts payable	6(9)	41,043	3	40,157	3	35,108	3
2180	Accounts payable - related parties	7	1,821	-	3,262	-	934	-
2200	Other payables	6(10)	78,447	7	116,939	10	70,866	6
2230	Current income tax liabilities		14,663	1	14,663	1	5,195	1
2250	Provisions for liabilities - current	6(12)	612	-	1,101	-	2,413	-
2280	Current lease liabilities		14,084	1	16,810	2	17,285	2
2300	Other current liabilities		126	-	-	-	-	-
21XX	Total current liabilities		<u>318,434</u>	<u>26</u>	<u>344,413</u>	<u>28</u>	<u>237,172</u>	<u>21</u>
Non-current liabilities								
2570	Deferred income tax liabilities		-	-	-	-	517	-
2580	Non-current lease liabilities		44	-	1,652	-	13,025	1
2640	Accrued pension liabilities		<u>139,652</u>	<u>12</u>	<u>142,326</u>	<u>12</u>	<u>136,436</u>	<u>12</u>
25XX	Total non-current liabilities		<u>139,696</u>	<u>12</u>	<u>143,978</u>	<u>12</u>	<u>149,978</u>	<u>13</u>
2XXX	Total liabilities		<u>458,130</u>	<u>38</u>	<u>488,391</u>	<u>40</u>	<u>387,150</u>	<u>34</u>
Equity attributable to owners of parent								
Share capital								
3110	Common stock	6(13)	472,539	39	472,539	38	472,539	42
Capital surplus								
3200	Capital surplus	6(14)	142,897	12	142,897	11	146,592	13
Retained earnings								
3310	Legal reserve	6(15)	51,866	4	51,866	4	45,439	4
3320	Special reserve		7,708	1	7,708	1	2,858	-
3350	Unappropriated retained earnings		81,808	7	76,501	6	71,145	6
Other equity interest								
3400	Other equity interest		(8,962)	(1)	(9,243)	-	(6,992)	-
31XX	Equity attributable to owners of the parent		<u>747,856</u>	<u>62</u>	<u>742,268</u>	<u>60</u>	<u>731,581</u>	<u>65</u>
36XX	Non-controlling interest		<u>3,702</u>	<u>-</u>	<u>3,723</u>	<u>-</u>	<u>3,663</u>	<u>1</u>
3XXX	Total equity		<u>751,558</u>	<u>62</u>	<u>745,991</u>	<u>60</u>	<u>735,244</u>	<u>66</u>
Significant contingent liabilities and unrecognised contract commitments								
3X2X	Total liabilities and equity		<u>\$ 1,209,688</u>	<u>100</u>	<u>\$ 1,234,382</u>	<u>100</u>	<u>\$ 1,122,394</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

ARES INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share data)
(UNAUDITED)

Items	Notes	Three months ended March 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(16) and 7	\$ 187,804	100	\$ 161,945	100
5000 Operating costs	6(19)(20) and 7	(129,926)	(69)	(108,760)	(67)
5950 Gross profit		<u>57,878</u>	<u>31</u>	<u>53,185</u>	<u>33</u>
Operating expenses	6(19)(20) and 7				
6100 Selling expenses		(17,397)	(9)	(17,359)	(11)
6200 General and administrative expenses		(13,182)	(7)	(13,251)	(8)
6300 Research and development expenses		(24,286)	(13)	(23,481)	(15)
6450 (Provision for) reversal of expected credit losses	6(19) and 12(2)	(3,542)	(2)	1,502	1
6000 Total operating expenses		<u>(58,407)</u>	<u>(31)</u>	<u>(52,589)</u>	<u>(33)</u>
6900 Operating (loss) profit		<u>(529)</u>	<u>-</u>	<u>596</u>	<u>-</u>
Non-operating income and expenses					
7010 Other income	6(17)	3,220	2	2,338	1
7020 Other gains and losses	6(18)	109	-	3,025	2
7050 Finance costs	6(8)	(111)	-	(249)	-
7060 Share of profit of associates and joint ventures accounted for using the equity method	6(6)	<u>3,139</u>	<u>1</u>	<u>2,442</u>	<u>2</u>
7000 Total non-operating income and expenses		<u>6,357</u>	<u>3</u>	<u>7,556</u>	<u>5</u>
7900 Profit before income tax		<u>5,828</u>	<u>3</u>	<u>8,152</u>	<u>5</u>
7950 Income tax expense	6(21)	(549)	-	(1,297)	(1)
8200 Profit for the period		<u>\$ 5,279</u>	<u>3</u>	<u>\$ 6,855</u>	<u>4</u>

(Continued)

ARES INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share data)
(UNAUDITED)

Items	Notes	Three months ended March 31				
		2020		2019		
		AMOUNT	%	AMOUNT	%	
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8316	Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income	6(5)	(\$ 382)	-	\$ 254	-
8349	Income tax relating to components of other comprehensive income	6(21)	76	-	(51)	-
8310	Other comprehensive (loss) income that will not be reclassified to profit or loss		(306)	-	203	-
Other comprehensive income that will be reclassified to profit or loss						
8361	Financial statements translation differences of foreign operations		740	-	685	1
8399	Income tax relating to components of other comprehensive income	6(21)	(146)	-	(128)	-
8360	Other comprehensive income that will be reclassified to profit or loss		594	-	557	1
8500	Total comprehensive income for the period		\$ 5,567	3	\$ 7,615	5
Profit (loss) attributable to:						
8610	Owners of the parent		\$ 5,307	3	\$ 6,878	4
8620	Non-controlling interest		(28)	-	(23)	-
			\$ 5,279	3	\$ 6,855	4
Total comprehensive income (loss) attributable to:						
8710	Owners of the parent		\$ 5,588	3	\$ 7,594	5
8720	Non-controlling interest		(21)	-	21	-
			\$ 5,567	3	\$ 7,615	5
Earnings per share (in dollars)						
9750	Basic earnings per share	6(22)	\$	0.11	\$	0.15
9850	Diluted earnings per share	6(22)	\$	0.11	\$	0.14

The accompanying notes are an integral part of these consolidated financial statements.

ARES INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Notes	Equity attributable to owners of the parent									
	Retained Earnings					Other Equity Interest				
	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Non-controlling interest	Total equity
<u>Three months ended March 31, 2019</u>										
Balance at January 1, 2019	\$ 472,539	\$ 146,592	\$ 45,439	\$ 2,858	\$ 64,267	(\$ 2,704)	(\$ 5,004)	\$ 723,987	\$ 3,642	\$ 727,629
Profit (loss) for the period	-	-	-	-	6,878	-	-	6,878	(23)	6,855
Other comprehensive income for the period	-	-	-	-	-	513	203	716	44	760
Total comprehensive income	-	-	-	-	6,878	513	203	7,594	21	7,615
Balance at March 31, 2019	\$ 472,539	\$ 146,592	\$ 45,439	\$ 2,858	\$ 71,145	(\$ 2,191)	(\$ 4,801)	\$ 731,581	\$ 3,663	\$ 735,244
<u>Three months ended March 31, 2020</u>										
Balance at January 1, 2020	\$ 472,539	\$ 142,897	\$ 51,866	\$ 7,708	\$ 76,501	(\$ 4,402)	(\$ 4,841)	\$ 742,268	\$ 3,723	\$ 745,991
Profit (loss) for the period	-	-	-	-	5,307	-	-	5,307	(28)	5,279
Other comprehensive income (loss) for the period	-	-	-	-	-	587	(306)	281	7	288
Total comprehensive income	-	-	-	-	5,307	587	(306)	5,588	(21)	5,567
Balance at March 31, 2020	\$ 472,539	\$ 142,897	\$ 51,866	\$ 7,708	\$ 81,808	(\$ 3,815)	(\$ 5,147)	\$ 747,856	\$ 3,702	\$ 751,558

The accompanying notes are an integral part of these consolidated financial statements.

ARES INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Three months ended March 31	
		2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 5,828	\$ 8,152
Adjustments			
Adjustments to reconcile profit (loss)			
Provision for (reversal of) expected credit loss impairment	6(19) and 12(2)	3,542	(1,502)
Depreciation of property, plant and equipment	6(7)(19)	807	729
Depreciation of right-of-use asset	6(8)(19)	4,138	4,197
Interest income	6(17)	(1,981)	(2,100)
Interest expense	6(8)	111	249
Amortization	6(19)	96	288
Share of profit of associates and joint ventures accounted for using the equity method	6(6)	(3,139)	(2,442)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(1,905)	4,425
Accounts receivable		(9,085)	26,152
Accounts receivable - related parties		1,339	1,539
Other receivables		(68)	700
Prepayments		(5,768)	4,675
Other current assets		3,897	7,343
Changes in operating liabilities			
Contract liabilities		16,156	9,133
Notes payable		-	13
Accounts payable		886	(14,145)
Accounts payable - related parties		(1,441)	(2,875)
Other payables		(38,492)	(28,131)
Provisions for liabilities - current		(489)	261
Other current liabilities		126	-
Accrued pension liabilities		(2,675)	490
Cash (outflow) inflow generated from operations		(28,117)	17,151
Interest received		2,376	2,992
Income tax paid		(223)	(287)
Net cash flows (used in) from operating activities		(25,964)	19,856

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ARES INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Three months ended March 31	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial assets at amortised cost-current		(\$ 227,950)	(\$ 238,187)
Decrease in financial assets at amortised cost-current		240,749	157,071
Acquisition of property, plant and equipment	6(7)	(800)	(69)
Decrease in refundable deposits (shown in other non-current assets)		4	311
Net cash flows from (used in) investing activities		12,003	(80,874)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Payment of lease liability	6(23)	(4,267)	(4,313)
Net cash flows used in financing activities		(4,267)	(4,313)
Net decrease in cash and cash equivalents		(18,228)	(65,331)
Cash and cash equivalents at beginning of period		538,406	497,743
Cash and cash equivalents at end of period		\$ 520,178	\$ 432,412

The accompanying notes are an integral part of these consolidated financial statements.

ARES INTERNATIONAL CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

1. HISTORY AND ORGANISATION

Ares International Corp. (hereinafter referred to as ‘the Company’) was established on December 3, 1980. The Company and subsidiaries (hereinafter referred to as ‘the Group’) are engaged in the design, sales, lease, maintenance and technology consultation of computer equipment, internet and related software, and analysis, design, modification, installment and maintenance of application software. The Company’s stock was traded at the Taipei Exchange from March 1999, and was listed at the Taiwan Stock Exchange after the application of listing was approved.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on May 8, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020

The above standards and interpretations have no significant impact on the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

None.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2021
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2022

The above standards and interpretations have no significant impact on the Group’s financial condition and financial performance based on the Group’s assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2019, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standard 34, ‘Interim financial reporting’ as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2019.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets at fair value through other comprehensive income.
 - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements are consistent with those of the year ended December 31, 2019.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
Ares International Corp.	APLUSOFT CO., LTD.	Computer installation and information software service	100%	100%	100%	
Ares International Corp.	ARES GROUP CORP.	Investment business	100%	100%	100%	
APLUSOFT CO., LTD.	WELJOIN TECHNOLOGIES LIMITED (BVI)	Investment business	100%	100%	100%	
ARES GROUP CORP.	SHARP KEEN MANAGEMENT LIMITED	Investment business	100%	100%	100%	
WELJOIN TECHNOLOGIES LIMITED (BVI)	APLUSOFT (SUZHOU) CORPORATION	Research, development and sales in business management software	95.88%	95.88%	95.88%	

The financial statements of the above subsidiaries were not reviewed by independent accountants as the entity did not meet the definition of a significant subsidiary.

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

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Employee benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

(5) Income taxes

If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

There was no significant change during the reporting period. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2019.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Cash on hand and revolving funds	\$ 175	\$ 370	\$ 93
Checking accounts and demand deposits	259,293	259,860	235,403
Time deposits	<u>260,710</u>	<u>278,176</u>	<u>196,916</u>
	<u>\$ 520,178</u>	<u>\$ 538,406</u>	<u>\$ 432,412</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. As of March 31, 2020, December 31, 2019 and March 31, 2019, cash and cash equivalents were restricted to the bid bonds and performance guarantee. Please refer to Note 8.

(2) Financial assets at amortised cost

<u>Items</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current items:			
Time deposits with maturity over three months	\$ 275,423	\$ 288,182	\$ 308,451
Pledged time deposits	<u>4,575</u>	<u>4,575</u>	<u>1,825</u>
	<u>\$ 279,998</u>	<u>\$ 292,757</u>	<u>\$ 310,276</u>
Interest rate range of time deposits	0.49%~2.30%	0.15%~2.65%	0.15%~3.40%

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	<u>Three months ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Interest income	<u>\$ 843</u>	<u>\$ 856</u>

B. As at March 31, 2020, December 31, 2019 and March 31, 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group were \$279,998 , \$292,757 and \$310,276, respectively.

C. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(3) Notes and accounts receivable

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Notes receivable	\$ 2,574	\$ 668	\$ 446
Less: Allowance for uncollectible accounts	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,574</u>	<u>\$ 668</u>	<u>\$ 446</u>
Accounts receivable	\$ 104,748	\$ 104,607	\$ 93,532
Less: Allowance for uncollectible accounts	<u>(5,791)</u>	<u>(2,255)</u>	<u>(2,567)</u>
	<u>\$ 98,957</u>	<u>\$ 102,352</u>	<u>\$ 90,965</u>

A. The ageing analysis of notes and accounts receivable that were past due but not impaired is as follows:

	<u>March 31, 2020</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Up to 90 days	\$ 81,035	\$ 2,574
91 to 180 days	13,360	-
181 to 365 days	3,997	-
Over 365 days	<u>6,356</u>	<u>-</u>
	<u>\$ 104,748</u>	<u>\$ 2,574</u>
	<u>December 31, 2019</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Up to 90 days	\$ 84,478	\$ 668
91 to 180 days	10,784	-
181 to 365 days	7,292	-
Over 365 days	<u>2,053</u>	<u>-</u>
	<u>\$ 104,607</u>	<u>\$ 668</u>
	<u>March 31, 2019</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Up to 90 days	\$ 72,747	\$ 446
91 to 180 days	12,736	-
181 to 365 days	5,846	-
Over 365 days	<u>2,203</u>	<u>-</u>
	<u>\$ 93,532</u>	<u>\$ 446</u>

The above ageing analysis was based on invoice date.

B. As of March 31, 2020, December 31, 2019 and March 31, 2019, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2019, the balance of receivables from contracts with customers amounted to \$113,522.

C. The Group has no notes and accounts receivable pledged to others.

- D. The Group has no discounted notes receivable.
- E. The Group does not hold any collateral as security.
- F. As at March 31, 2020, December 31, 2019 and March 31, 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents notes and accounts receivable held by the Group was \$101,531, \$103,020 and \$91,411, respectively.
- G. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4) Prepayments

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Prepaid project cost	\$ 25,350	\$ 22,483	\$ 28,298
Other prepayments	<u>10,581</u>	<u>7,680</u>	<u>7,974</u>
	<u>\$ 35,931</u>	<u>\$ 30,163</u>	<u>\$ 36,272</u>

(5) Financial assets at fair value through other comprehensive income-non-current

<u>Items</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Non-current items:			
Equity instruments			
Unlisted stocks	\$ 6,444	\$ 6,444	\$ 7,638
Valuation adjustment	<u>(5,041)</u>	<u>(4,659)</u>	<u>(4,609)</u>
	<u>\$ 1,403</u>	<u>\$ 1,785</u>	<u>\$ 3,029</u>

- A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$1,403, \$1,785 and \$3,029 as at March 31, 2020, December 31, 2019 and March 31, 2019, respectively.
- B. For the three months ended March 31, 2020 and 2019, the Group recognised the amount of (\$382) and \$254, respectively, in profit or loss and other comprehensive income.
- C. The Group received proceeds from capital reduction of the equity instruments in the amount of \$1,194 in August 2019.
- D. The Group has no financial assets at fair value through other comprehensive income pledged to others.

(6) Investments accounted for using the equity method

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Associates:			
BLITZ IT CONSULTANTS PTE. LTD.	\$ 16,233	\$ 14,512	\$ 13,768
ARES INTERNATIONAL (THAILAND) CO., LTD.	6,833	7,831	7,226
ARGO INTERNATIONAL CORPORATION	22,268	20,712	19,230
M-Power Information Co., Ltd.	36,949	35,113	32,990
	<u>\$ 82,283</u>	<u>\$ 78,168</u>	<u>\$ 73,214</u>

A. The basic information of the associates of the Group is as follows:

<u>Company name</u>	<u>Principal place of business</u>	<u>Ownership (%)</u>			<u>Nature of relationship</u>	<u>Method of measurement</u>
		<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>		
BLITZ IT CONSULTANTS PTE. LTD.	Singapore	25.00%	25.00%	25.00%	-	Equity method
ARES INTERNATIONAL (THAILAND) CO., LTD.	Thailand	49.00%	49.00%	49.00%	Note 2	Equity method
ARGO INTERNATIONAL CORPORATION	Taiwan	34.83%	34.83%	34.83%	Note 1	Equity method
M-Power Information Co., Ltd.	Taiwan	24.39%	24.39%	24.39%	Note 2	Equity method

Note 1: The Group made purchases from this associate company.

Note 2: The Group had sales to this associate company.

B. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

As of March 31, 2020, December 31, 2019 and March 31, 2019, the carrying amounts of the Group's individually immaterial associates amounted to \$82,283, \$78,168 and \$73,214, respectively.

	<u>Three months ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Profit for the period from continuing operations	\$ 3,139	\$ 2,442
Other comprehensive income, net of tax	-	-
Total comprehensive income	<u>\$ 3,139</u>	<u>\$ 2,442</u>

C. For the three months ended March 31, 2020 and 2019, the Group recognised share of profit of associates in the amounts of \$3,139 and \$2,442, respectively, which were based on the financial statements which were not reviewed by independent accountants of the same period.

(7) Property, plant and equipment

	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Other facilities</u>	<u>Total</u>
<u>At January 1, 2020</u>						
Cost	\$ 9,914	\$ 12,190	\$ 1,681	\$ 5,335	\$ 1,014	\$ 30,134
Accumulated depreciation	(9,150)	(7,348)	(1,355)	(4,981)	(283)	(23,117)
	<u>\$ 764</u>	<u>\$ 4,842</u>	<u>\$ 326</u>	<u>\$ 354</u>	<u>\$ 731</u>	<u>\$ 7,017</u>
<u>2020</u>						
At January 1	\$ 764	\$ 4,842	\$ 326	\$ 354	\$ 731	\$ 7,017
Additions	800	-	-	-	-	800
Depreciation charges	(142)	(514)	(36)	(71)	(44)	(807)
Net exchange differences	(2)	-	-	-	-	(2)
At March 31	<u>\$ 1,420</u>	<u>\$ 4,328</u>	<u>\$ 290</u>	<u>\$ 283</u>	<u>\$ 687</u>	<u>\$ 7,008</u>
<u>At March 31, 2020</u>						
Cost	\$ 10,714	\$ 12,190	\$ 1,681	\$ 5,335	\$ 975	\$ 30,895
Accumulated depreciation	(9,294)	(7,862)	(1,391)	(5,052)	(288)	(23,887)
	<u>\$ 1,420</u>	<u>\$ 4,328</u>	<u>\$ 290</u>	<u>\$ 283</u>	<u>\$ 687</u>	<u>\$ 7,008</u>

	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Other facilities</u>	<u>Total</u>
<u>At January 1, 2019</u>						
Cost	\$ 11,341	\$ 12,058	\$ 1,681	\$ 5,335	\$ 269	\$ 30,684
Accumulated depreciation	(10,143)	(6,307)	(1,205)	(4,699)	(207)	(22,561)
	<u>\$ 1,198</u>	<u>\$ 5,751</u>	<u>\$ 476</u>	<u>\$ 636</u>	<u>\$ 62</u>	<u>\$ 8,123</u>
<u>2019</u>						
At January 1	\$ 1,198	\$ 5,751	\$ 476	\$ 636	\$ 62	\$ 8,123
Additions	69	-	-	-	-	69
Depreciation charges	(145)	(464)	(42)	(71)	(7)	(729)
Net exchange differences	9	-	-	-	-	9
At March 31	<u>\$ 1,131</u>	<u>\$ 5,287</u>	<u>\$ 434</u>	<u>\$ 565</u>	<u>\$ 55</u>	<u>\$ 7,472</u>
<u>At March 31, 2019</u>						
Cost	\$ 11,410	\$ 12,058	\$ 1,681	\$ 5,335	\$ 269	\$ 30,753
Accumulated depreciation	(10,279)	(6,771)	(1,247)	(4,770)	(214)	(23,281)
	<u>\$ 1,131</u>	<u>\$ 5,287</u>	<u>\$ 434</u>	<u>\$ 565</u>	<u>\$ 55</u>	<u>\$ 7,472</u>

A. The Group has no interest capitalization.

B. The Group has no property, plant and equipment pledged to others.

(8) Leasing arrangements – lessee

- A. The Group’s leased assets are buildings. Rental contracts are typically made for periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Right-of-use assets are not recognised for short-term leases with a lease term of 12 months or less for part of leased buildings of the Group.
- C. The carrying amounts of right-of-use assets and the depreciation charge are as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	<u>\$ 13,804</u>	<u>\$ 18,118</u>	<u>\$ 30,176</u>
	<u>Three months ended March 31</u>		
	<u>2020</u>		<u>2019</u>
	<u>Depreciation charge</u>		<u>Depreciation charge</u>
Buildings	<u>\$ 4,138</u>	<u>\$ 4,138</u>	<u>\$ 4,197</u>

- D. For the three months ended March 31, 2020 and 2019, there were no additions to right-of-use assets.
- E. Information on profit or loss not recognised as depreciation charge but in relation to lease contracts is as follows:

	<u>Three months ended March 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 111	\$ 249
Expense on short-term lease contracts	255	241
	<u>\$ 366</u>	<u>\$ 490</u>

- F. For the three months ended March 31, 2020 and 2019, the Group’s total cash outflow for leases were \$4,522 and \$4,554, respectively.

(9) Accounts payable

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts payable	\$ 6,455	\$ 8,030	\$ 7,499
Project costs payable	34,588	32,127	27,609
	<u>\$ 41,043</u>	<u>\$ 40,157</u>	<u>\$ 35,108</u>

(10) Other payables

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Wages and bonus payable	\$ 47,735	\$ 85,522	\$ 43,567
Labor and health insurance fees payable	3,524	3,584	3,500
Employees' compensation and directors' and supervisors' remuneration payable	14,155	13,338	9,172
Other accrued expenses	<u>13,033</u>	<u>14,495</u>	<u>14,627</u>
	<u>\$ 78,447</u>	<u>\$ 116,939</u>	<u>\$ 70,866</u>

(11) Pensions

A. Defined benefit plan

- (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognised pension costs of \$865 and \$938 for the three months ended March 31, 2020 and 2019, respectively.
- (c) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2021 amount to \$1,780.

B. Defined contribution plans:

- (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount no less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Group for the three months ended March 31, 2020 and 2019 were \$3,019

and \$2,919, respectively.

- (b) The Company's mainland China subsidiary, APLUSOFT (SUZHOU) CORPORATION, has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage was 7% for the three months ended March 31, 2020 and 2019. Other than the monthly contributions, the Group has no further obligations. The pension costs under the defined contribution pension plan of APLUSOFT (SUZHOU) CORPORATION for the three months ended March 31, 2020 and 2019 were \$66 and \$56, respectively.

(12) Provisions

	Warranty	
	2020	2019
Balance at January 1	\$ 1,101	\$ 2,152
Additional provisions	196	700
Used during the period	(265)	(268)
Unused amounts reversed	(420)	(171)
Balance at March 31	<u>\$ 612</u>	<u>\$ 2,413</u>

Analysis of total provisions:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current	<u>\$ 612</u>	<u>\$ 1,101</u>	<u>\$ 2,413</u>

The Group provides warranties on project contract. Provision for warranty is estimated based on historical warranty data.

(13) Share capital

As of March 31, 2020, the Company's authorised capital was \$1,156,000 (including 10 million shares reserved for employee stock options and 20 million shares reserved for convertible bonds issued by the Company), and the paid-in capital was \$472,539, consisting of 47,254 thousand shares of ordinary stock, with a par value of \$10 (in dollars) per share.

(14) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

		2020				
		Share premium	Treasury share transactions	Donated assets received	Changes in equity of associates and joint ventures accounted for using equity method	Total
At January 1 and March 31		\$ 92,839	\$ 48,738	\$ 141	\$ 1,179	\$ 142,897

		2019				
		Share premium	Treasury share transactions	Donated assets received	Changes in equity of associates and joint ventures accounted for using equity method	Total
At January 1 and March 31		\$ 96,554	\$ 48,738	\$ 121	\$ 1,179	\$ 146,592

(15) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed in the following methods and order:
- (a) Pay all taxes.
 - (b) Offset prior years' operating losses.
 - (c) 10% of the remaining amount shall be set aside as legal reserve.
 - (d) Set aside or reverse a special reserve in accordance with related laws.

The remaining earnings shall be distributed as dividends to shareholders which shall be proposed by the Board of Directors and resolved by the shareholders. The Board of Directors may decide not to distribute earnings for operation needs.

- B. As the Company is engaged in information technology, which is a rapidly advance and growing market, the dividend policy of the Company is based on the Company's capital expenditure requirements and optimal financial plan for long-term operations. When the Board of Directors propose the distribution of retained earnings after deducting (a)-(d) above, the Board of Directors will propose the distribution of cash dividends and share dividends based on the operating requirements. Cash dividends shall comprise not less than 10% of total dividends distributed. However, the proportion of cash dividends could be adjusted based on the operating situation of current year.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. Distribution of retained earnings:

On March 20, 2020, the Board of Directors proposed and approved the distribution of 2019 retained earnings, and on June 21, 2019, the shareholders during their meeting resolved the distribution of 2018 retained earnings. The distribution of retained earnings is as follows:

	<u>Year ended December 31, 2019</u>		<u>Year ended December 31, 2018</u>	
	<u>Amount</u>	<u>Dividend per share (in dollars)</u>	<u>Amount</u>	<u>Dividend per share (in dollars)</u>
Legal reserve	\$ 7,650		\$ 6,427	
Appropriation for special reserve	1,535		4,850	
Cash dividends	67,316	\$ 1.42	52,990	\$ 1.12

Abovementioned distribution of 2019 retained earnings has not yet been resolved at the stockholders' meeting.

(16) Operating revenue

<u>Revenue from contracts with customers</u>	<u>Three months ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Sales revenue	\$ 26,780	\$ 6,582
Services revenue	161,024	155,363
	<u>\$ 187,804</u>	<u>\$ 161,945</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major geographical regions:

<u>Three months ended March 31, 2020 (Note)</u>	<u>Asia</u>	<u>America</u>	<u>Taiwan</u>	<u>Others</u>	<u>Total</u>
Total segment revenue					
Revenue from external customer contracts	\$ 19,184	\$ 95	\$ 168,486	\$ 39	\$ 187,804
Inter-segment	2,127	-	-	-	2,127
	<u>\$ 21,311</u>	<u>\$ 95</u>	<u>\$ 168,486</u>	<u>\$ 39</u>	<u>\$ 189,931</u>
Timing of revenue recognition					
At a point in time	\$ 1,688	\$ 14	\$ 25,078	\$ -	\$ 26,780
Over time	17,496	81	143,408	39	161,024
	<u>\$ 19,184</u>	<u>\$ 95</u>	<u>\$ 168,486</u>	<u>\$ 39</u>	<u>\$ 187,804</u>

Three months ended March 31, 2019 (Note)	Asia	America	Taiwan	Total
Total segment revenue				
Revenue from external customer contracts	\$ 33,456	\$ 223	\$ 128,266	\$ 161,945
Inter-segment	<u>1,367</u>	<u>-</u>	<u>-</u>	<u>1,367</u>
	<u>\$ 34,823</u>	<u>\$ 223</u>	<u>\$ 128,266</u>	<u>\$ 163,312</u>
Timing of revenue recognition				
At a point in time	\$ 1,044	\$ 183	\$ 5,355	\$ 6,582
Over time	<u>32,412</u>	<u>40</u>	<u>122,911</u>	<u>155,363</u>
	<u>\$ 33,456</u>	<u>\$ 223</u>	<u>\$ 128,266</u>	<u>\$ 161,945</u>

Note: Segmental information is provided in Note 14.

B. Contract assets and liabilities

(a) The Group has recognised the following revenue-related contract assets and liabilities:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>	<u>January 1, 2019</u>
Contract assets- customer contract	<u>\$ 81,002</u>	<u>\$ 72,065</u>	<u>\$ 48,442</u>	<u>\$ 55,406</u>
Contract liabilities -advance receipt from customers	<u>\$ 167,638</u>	<u>\$ 151,481</u>	<u>\$ 105,358</u>	<u>\$ 96,225</u>

(b) Revenue recognised that was included in the contract liability balance at the beginning of the period

	<u>Three months ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Revenue recognised that was included in the contract liabilities balance at the beginning of the period		
Advance receipt	<u>\$ 18,950</u>	<u>\$ 23,601</u>

The Group does not expect to have any contracts wherein the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year or contracts that are billed in accordance with actual service hour. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(17) Other income

	Three months ended March 31	
	2020	2019
Interest income:		
Interest income from bank deposits	\$ 1,138	\$ 1,244
Interest income from financial assets measured at amortised cost	843	856
Total interest income	1,981	2,100
Commission income	131	-
Other income	1,108	238
	<u>\$ 3,220</u>	<u>\$ 2,338</u>

(18) Other gains and losses

	Three months ended March 31	
	2020	2019
Foreign exchange gains	\$ 184	\$ 3,118
Miscellaneous disbursements	(75)	(93)
	<u>\$ 109</u>	<u>\$ 3,025</u>

(19) Expenses by nature

	Three months ended March 31	
	2020	2019
Employee benefit expense	\$ 108,726	\$ 101,874
Depreciation charges on property, plant and equipment	807	729
Depreciation charges on right-of-use assets	4,138	4,197
Amortizations	96	288
Advertising costs	181	181
Operating lease payments	255	241
Traveling expense	855	1,007
Service fees	2,006	2,085
Outsourcing software	44,146	36,976
Provision for (reversal of) expected credit losses	3,542	(1,502)
Other expenses	242	10,263
Cost of sales	23,339	5,010
Operating costs and expenses	<u>\$ 188,333</u>	<u>\$ 161,349</u>

(20) Employee benefit expense

	Three months ended March 31	
	2020	2019
Wages and salaries	\$ 94,687	\$ 88,708
Labor and health insurance fees	7,314	7,063
Pension costs	3,950	3,913
Other personnel expenses	2,775	2,190
	<u>\$ 108,726</u>	<u>\$ 101,874</u>

As of March 31, 2020 and 2019, the Group had 310 and 304 employees, respectively.

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 5% and not higher than 15% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. For the three months ended March 31, 2020 and 2019, employees' compensation was accrued at \$613 and \$440, respectively; while directors' and supervisors' remuneration was accrued at \$204 and \$88, respectively. The aforementioned amounts were recognised in salary expenses.

Employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 9% and 3% of distributable profit of current year.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended March 31	
	2020	2019
Current tax:		
Current tax on profits for the period	\$ 17	\$ 2,475
Deferred tax:		
Origination and reversal of temporary differences	532	(1,178)
Income tax expense	<u>\$ 549</u>	<u>\$ 1,297</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income and loss is as follows:

	Three months ended March 31	
	2020	2019
Changes in fair value of financial assets at fair value through other comprehensive income	\$ 76	(\$ 51)
Currency translation differences	(146)	(128)

B. As of March 31, 2020, the Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

C. ARES GROUP CORP., WELJOIN TECHNOLOGIES LIMITED (BVI) and SHARP KEEN MANAGEMENT LIMITED are companies that were established in Seychelles and British Virgin Islands, respectively. These companies have no income tax.

(22) Earnings per share

	Three months ended March 31, 2020		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 5,307	47,254	\$ 0.11
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	5,307	47,254	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	666	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 5,307	47,920	\$ 0.11

	Three months ended March 31, 2019		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 6,878	47,254	\$ 0.15
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	6,878	47,254	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	471	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 6,878	47,725	\$ 0.14

(23) Changes in liabilities from financing activities

	2020		2019	
	Liabilities from financing		Liabilities from financing	
	<u>Lease liabilities</u>	<u>activities-gross</u>	<u>Lease liabilities</u>	<u>activities-gross</u>
At January 1	\$ 18,462	\$ 18,462	\$ 34,262	\$ 34,262
Changes in cash flow from financing activities	(4,267)	(4,267)	(4,313)	(4,313)
Impact of changes in foreign exchange rate	(178)	(178)	112	112
Changes in other non-cash items	111	111	249	249
At March 31	<u>\$ 14,128</u>	<u>\$ 14,128</u>	<u>\$ 30,310</u>	<u>\$ 30,310</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
ARGO INTERNATIONAL CORPORATION	Associate
M-Power Information Co., Ltd.	Associate
ARES INTERNATIONAL (THAILAND) CO., LTD.	Associate
MiTAC INC.	Key management
SHUTTLE INC.	Other related party

(2) Significant related party transactions

A. Operating revenue

	Three months ended March 31	
	2020	2019
Sales of goods:		
-Associates	\$ -	\$ 47
-Other related parties	67	68
-Key management	45	45
	<u>\$ 112</u>	<u>\$ 160</u>

Most of the transactions in relation to sales, services and maintenance made with related parties are separate cases, thus the transaction prices are determined based on mutual agreement. Except for the payment term of 60 days after monthly billings, other terms are the same with third parties.

B. Purchases

	Three months ended March 31	
	2020	2019
Purchases of goods:		
-Associates	\$ 1,273	\$ 2,457
Purchases of services:		
-Associates	10,689	2,222
	<u>\$ 11,962</u>	<u>\$ 4,679</u>

(a) The Group's purchases are made for each system integration projects and are only purchased from related parties. Therefore, the purchase price is determined based on mutual agreement. Except for the payment term is 60 days after monthly billings, other terms are the same with third parties.

(b) Most of the transactions in relation to services and maintenance made with related parties are separate cases, thus the transaction prices are determined based on mutual agreement. Except for the payment term is 60 days after monthly billings, other terms are the same with third parties.

C. Receivables from related parties

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts receivable			
-ARES			
INTERNATIONAL			
(THAILAND)			
CO., LTD.	<u>\$ -</u>	<u>\$ 1,339</u>	<u>\$ -</u>

D. Payables to related parties

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts payable -ARGO INTERNATIONAL CORPORATION	\$ 1,821	\$ 3,262	\$ 934

E. Prepayments

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Associates	\$ 180	\$ -	\$ 180

F. In 2018, the Group entered into a three-year Argo ERP maintenance contract with an associate in the amount of \$720. The aforementioned amount was recognised in prepayments amounting to \$180 as of March 31, 2020 and 2019, and recognised in operating expenses both amounting to \$60 for the three months then ended.

G. The Group paid the service fee to associate. For the three months ended March 31, 2020 and 2019, operating expense was recognised amounting to \$60 and \$38, respectively.

(3) Key management compensation

	<u>Three months ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other short-term employees' benefits	\$ 18,450	\$ 16,121

8. PLEGDED ASSETS

The Group's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>			<u>Purpose</u>
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>	
Pledged as time deposits (shown as financial assets at amortised cost - current)	\$ 4,575	\$ 4,575	\$ 1,825	Bid bond and performance bond
Guarantee deposits paid (shown as other current assets)	45,876	49,773	47,741	Bid bond and performance bond
Guarantee deposits paid (shown as other non- current assets)	7,678	7,682	7,339	Guarantees provided for leasing
	<u>\$ 58,129</u>	<u>\$ 62,030</u>	<u>\$ 56,905</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

A complainant purchased a software package and hardware from the Company, and commissioned the Company to customise a software. However, there was a disagreement between both parties, and the complainant terminated the agreement, and claimed that the Company did not complete its obligation. The complainant filed a civil lawsuit against the Company claiming for compensation in the amount of \$ 7,483 in October, 2014. The Company has commissioned a lawyer to deal with this lawsuit, and it is still under the court's assessment. The Company has not accrued and recognised any amount for possible loss because the amount cannot be reliably assessed. This case will not impact the Company's operating and financial condition based on the Company's assessment.

(2) Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Software products	\$ <u>5,541</u>	\$ <u>6,334</u>	\$ <u>5,123</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

There was no significant change during the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2019.

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Financial assets</u>			
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	\$ 1,403	\$ 1,785	\$ 3,029
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	520,178	538,406	432,412
Current financial assets at amortised cost	279,998	292,757	310,276
Notes receivable	2,574	668	446
Accounts receivable	98,957	102,352	90,965
Accounts receivable due from related parties	-	1,339	-
Other receivables	2,235	2,630	4,036
Guarantee deposits paid (shown as other current assets)	45,876	49,773	47,741
Guarantee deposits paid (shown as other non-current assets)	7,678	7,682	7,339
	<u>\$ 958,899</u>	<u>\$ 997,392</u>	<u>\$ 896,244</u>
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Notes payable	\$ -	\$ -	\$ 13
Accounts payable	41,043	40,157	35,108
Accounts payable to related parties	1,821	3,262	934
Other payables	78,447	116,939	70,866
Lease liabilities	14,128	18,462	30,310
	<u>\$ 135,439</u>	<u>\$ 178,820</u>	<u>\$ 137,231</u>

B. Financial risk management policies

There was no significant change during the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2019.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.
- iii. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	March 31, 2020		
	Foreign currency amount <u>(in thousands)</u>	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 8,011	30.23	\$ 242,173
HKD:NTD	10,275	3.90	40,073
AUD:NTD	478	18.64	8,910
EUR:NTD	114	33.24	3,789
RMB:NTD	19,778	4.26	84,254
<u>Non-monetary items</u>			
USD:NTD	539	30.23	16,294
THB:NTD	7,371	0.93	6,855

December 31, 2019			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 8,192	29.98	\$ 245,596
HKD:NTD	10,093	3.85	38,858
AUD:NTD	477	21.01	10,022
EUR:NTD	114	33.59	3,829
RMB:NTD	20,083	4.31	86,558
<u>Non-monetary items</u>			
USD:NTD	486	29.98	14,570
THB:NTD	7,755	1.01	7,833
March 31, 2019			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 7,141	30.82	\$ 220,086
HKD:NTD	9,191	3.93	36,121
AUD:NTD	473	21.86	10,340
EUR:NTD	114	34.61	3,946
RMB:NTD	17,674	4.58	80,947
<u>Non-monetary items</u>			
USD:NTD	455	30.82	14,023
THB:NTD	7,419	0.97	7,196
<u>Financial liabilities</u>			
<u>Monetary items</u>			
RMB:NTD	824	4.58	3,774

- iv. Please refer to the following table for the details of unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group.

Three months ended March 31, 2020			
Exchange gain (loss)			
Foreign currency amount	Exchange	Book value	
(In thousands)	rate	(NTD)	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	30.32	\$ 1,969	
HKD:NTD	3.90	496	
AUD:NTD	18.64	(1,132)	
EUR:NTD	33.24	(40)	
RMB:NTD	4.26	(939)	
Three months ended March 31, 2019			
Exchange gain (loss)			
Foreign currency amount	Exchange	Book value	
(In thousands)	rate	(NTD)	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	30.82	\$ 630	
HKD:NTD	3.93	44	
AUD:NTD	21.86	89	
EUR:NTD	34.61	(67)	
RMB:NTD	4.58	1,890	

- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Three months ended March 31, 2020			
Sensitivity analysis			
	Degree of	Effect on	Effect on other
	variation	profit or loss	comprehensive
			income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1.00%	\$ 2,422	\$ -
HKD:NTD	1.00%	401	-
AUD:NTD	1.00%	89	-
EUR:NTD	1.00%	38	-
RMB:NTD	1.00%	843	-
<u>Non-monetary items</u>			
USD:NTD	1.00%	-	163
THB:NTD	1.00%	-	69

Three months ended March 31, 2019			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1.00%	\$ 2,201	\$ -
HKD:NTD	1.00%	361	-
AUD:NTD	1.00%	103	-
EUR:NTD	1.00%	39	-
RMB:NTD	1.00%	809	-
<u>Non-monetary items</u>			
USD:NTD	1.00%	-	140
THB:NTD	1.00%	-	72
<u>Financial liabilities</u>			
<u>Monetary items</u>			
RMB:NTD	1.00%	38	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
 - ii. The Group's investments in equity securities comprise domestic beneficiary certificates and equity instrument issued by foreign listed companies. The prices of equity securities would change due to the variation of the future value of investee companies. If the prices of these equity securities had increased or decreased by 1% with all other variables held constant, post-tax profit for the three months ended March 31, 2020 and 2019 would have increased or decreased by \$14 and \$30, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.
- (b) Credit risk
- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
 - ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the

credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- iii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

- iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- v. The Group classifies customers' accounts receivable and contract assets in accordance with customer types. The Group applies the simplified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable and contract assets. On March 31, 2020, December 31, 2019 and March 31, 2019, the provision matrix and loss rate methodology are as follows:

<u>Group 1</u>	<u>Not past due</u>	<u>Up to 90 days</u>	<u>91-180 days</u>	<u>181-270 days</u>	<u>Over 270 days</u>	<u>Total</u>
<u>March 31, 2020</u>						
Expected loss rate	0%	0.01%~ 0.04%	0.07%~ 0.22%	0.66%~ 16.23%	100%	
Total book value	\$ 54,469	\$ 11,950	\$ 2,713	\$ 1,284	\$ 5,816	\$ 76,232
Loss allowance	\$ 109	\$ 121	\$ 81	\$ 127	\$ 5,353	\$ 5,791

<u>Group 1</u>	<u>Not past due</u>	<u>Up to 90 days</u>	<u>91-180 days</u>	<u>181-270 days</u>	<u>Over 270 days</u>	<u>Total</u>
<u>December 31, 2019</u>						
Expected loss rate	0%	0.05%~ 0.17%	0.25%~ 1.37%	3.3%~ 33.33%	100.00%	
Total book value	\$ 56,912	\$ 10,784	\$ 2,962	\$ 3,790	\$ 2,053	\$ 76,501
Loss allowance	\$ 2	\$ 7	\$ 7	\$ 186	\$ 2,053	\$ 2,255

<u>Group 1</u>	<u>Not past due</u>	<u>Up to 90 days</u>	<u>91-180 days</u>	<u>181-270 days</u>	<u>Over 270 days</u>	<u>Total</u>
<u>March 31, 2019</u>						
Expected loss rate	0%	0.05%~ 0.17%	0.25%~ 1.37%	3.3%~ 33.33%	100.00%	
Total book value	\$ 61,652	\$ 12,736	\$ 2,321	\$ 3,525	\$ 2,203	\$ 82,437
Loss allowance	\$ 2	\$ 8	\$ 5	\$ 349	\$ 2,203	\$ 2,567

	<u>Group 2</u>	<u>Group 3</u>	<u>Total</u>
<u>March 31, 2020</u>			
Expected loss rate	0%	0%	
Total book value	\$ 25,457	\$ 3,059	\$ 28,516
Loss allowance	\$ -	\$ -	\$ -

	<u>Group 2</u>	<u>Group 3</u>	<u>Total</u>
<u>December 31, 2019</u>			
Expected loss rate	0%	0%	
Total book value	\$ 12,703	\$ 15,403	\$ 28,106
Loss allowance	\$ -	\$ -	\$ -

	<u>Group 2</u>	<u>Group 3</u>	<u>Total</u>
<u>March 31, 2019</u>			
Expected loss rate	0%	0%	
Total book value	\$ 4,241	\$ 6,854	\$ 11,095
Loss allowance	\$ -	\$ -	\$ -

Group 1: General business

Group 2: Government-owned corporation

Group 3: Government organisations

As of March 31, 2020, December 31, 2019 and March 31, 2019, contract assets amounted to \$81,002, \$72,065 and \$48,442, respectively, and loss allowance was \$0 if measured at expected credit loss rate of 0%.

ix. Movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable and contract assets are as follows:

	2020			
	Accounts receivable	Contract assets	Notes receivable	Total
At January 1	\$ 2,255	\$ -	\$ -	\$ 2,255
Impairment loss	3,542	-	-	3,542
Effects of foreign exchange	(6)	-	-	(6)
At March 31	<u>\$ 5,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,797</u>
	2019			
	Accounts receivable	Contract assets	Notes receivable	Total
At January 1	\$ 4,069	\$ -	\$ -	\$ 4,069
Reversal of impairment loss	(1,502)	-	-	(1,502)
At March 31	<u>\$ 2,567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,567</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>Non-derivative financial liabilities:</u>	Less than 3 months	Between 3 months and 2 years	Between 2 and 5 years
March 31, 2020			
Accounts payable	\$ 40,095	\$ 948	\$ -
Accounts payable to related parties	1,821	-	-
Other payables	52,360	26,087	-
Lease liabilities	4,438	9,867	-

<u>Non-derivative financial liabilities:</u>	Less than	Between 3	Between 2 and
December 31, 2019	3 months	months and 2 years	5 years
Accounts payable	\$ 38,899	\$ 1,111	\$ 147
Accounts payable to related parties	3,262	-	-
Other payables	71,416	45,523	-
Lease liabilities	4,442	14,321	-
<u>Non-derivative financial liabilities:</u>	Less than	Between 3	Between 2 and
March 31, 2019	3 months	months and 2 years	5 years
Notes payable	\$ 13	\$ -	\$ -
Accounts payable	32,645	2,463	-
Accounts payable to related parties	934	-	-
Other payables	56,967	13,899	-
Lease liabilities	4,314	26,845	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, notes payable, accounts payable and other payables are approximate to their fair values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

March 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income	\$ -	\$ -	\$ 1,403	\$ 1,403

December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 1,785</u>	\$ <u> 1,785</u>
March 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 3,029</u>	\$ <u> 3,029</u>

D. The methods and assumptions the Group used to measure fair value are as follows:

- (a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Closed-end fund</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Closing price	Net asset value

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).
- E. For the three months ended March 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- F. For the three months ended March 31, 2020 and 2019, there was no transfer into or out from Level 3.
- G. Finance segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- H. Valuation techniques of fair value that the Group used in level 3 are net asset value and market comparable companies. The significant unobservable input of market comparable companies is the discount for lack of marketability. If the input and discount for lack of marketability are higher,

the fair value will be lower.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 2.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 3.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 4.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

There is no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information during this period.

(2) Segment information

The Group's segment profit and loss is measured with the operating income and loss, which is used as a basis for the Group in assessing the performance of the operating segments. The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

Three months ended March 31, 2020:

	<u>Commercial segment</u>	<u>Financial business segment</u>	<u>Project segment</u>	<u>Total</u>
Revenue from external customers	\$ 99,565	\$ 56,837	\$ 31,402	\$ 187,804
Inter-segment revenue	<u>2,127</u>	<u>-</u>	<u>-</u>	<u>2,127</u>
Total segment revenue	<u>\$ 101,692</u>	<u>\$ 56,837</u>	<u>\$ 31,402</u>	<u>\$ 189,931</u>
Segment income (loss)	<u>\$ 7,579</u>	<u>(\$ 6,455)</u>	<u>\$ 474</u>	<u>\$ 1,598</u>
Segment income (loss), including:				
Depreciation and amortisation	<u>(\$ 2,018)</u>	<u>(\$ 1,878)</u>	<u>(\$ 1,145)</u>	<u>(\$ 5,041)</u>

Three months ended March 31, 2019:

	<u>Commercial segment</u>	<u>Financial business segment</u>	<u>Project segment</u>	<u>Total</u>
Revenue from external customers	\$ 87,182	\$ 46,174	\$ 28,589	\$ 161,945
Inter-segment revenue	<u>1,367</u>	<u>-</u>	<u>-</u>	<u>1,367</u>
Total segment revenue	<u>\$ 88,549</u>	<u>\$ 46,174</u>	<u>\$ 28,589</u>	<u>\$ 163,312</u>
Segment income (loss)	<u>(\$ 4,869)</u>	<u>\$ 10,758</u>	<u>(\$ 3,926)</u>	<u>\$ 1,963</u>
Segment income (loss), including:				
Depreciation and amortisation	<u>(\$ 1,357)</u>	<u>(\$ 2,046)</u>	<u>(\$ 1,811)</u>	<u>(\$ 5,214)</u>

The Group did not disclose the information in relation to segment assets and segment liabilities as this information is not provided to the Chief Operating Decision-Maker.

(3) Reconciliation for segment income and loss

The segment operating income reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. The Group did not provide the amounts of total assets and total liabilities to the Chief Operating Decision-Maker for making operating decisions. The reconciliation on segment revenue, operating revenue, segment income/loss and income/loss before tax from continuing operations of reportable segment are as follows:

Profit or loss	Three months ended March 31	
	2020	2019
Segment income	\$ 1,598	\$ 1,963
Adjustments and write-offs	(2,127)	(1,367)
Non-operating income and expenses	6,357	7,556
Income before tax from continuing operations	<u>\$ 5,828</u>	<u>\$ 8,152</u>

Ares International Corp.
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Three months ended March 31, 2020

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of March 31, 2020			Fair value	Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)		
Ares International Corp.	Common shares/Technology Partner IV Venture Capital Corp.	-	Financial assets at fair value through other comprehensive income	278,567	\$ 1,403	2.16%	\$ 1,403	-
Ares International Corp.	Common shares/Formosa First Country Club	-	Financial assets at fair value through other comprehensive income	2,025	-	0.01%	-	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities in accordance with IAS 39, 'Financial instruments: recognition and measurement'.

Note 2: Leave the column blank if the issuer of marketable securities is a non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and the amounts pledged as security or pledged for loans and the restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Ares International Corp.
Names, locations, and related information on investees (excluding information on investment in Mainland China)
Three months ended March 31, 2020

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Note 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2020			Net profit (loss) of the investee for the three months ended March 31, 2020 (Note 2(2))	Investment income (loss) recognised by the Company for the three months ended March 31, 2020 (Note 2(3))	Footnote
				Balance	Balance	Number of shares	Ownership (%)	Book value			
				as at March 31, 2020	as at December 31, 2019						
Ares International Corp.	ARGO INTERNATIONAL CORPORATION	Taiwan	Provides professional service of computer application software and sells computer peripheral equipments	\$ 14,014	\$ 14,014	1,567,476	34.83	\$ 22,268	\$ 4,468	\$ 1,556	
Ares International Corp.	M-Power Information Co., Ltd.	Taiwan	Agency and sale of database system and professional service of software	21,493	21,493	2,243,445	24.39	36,949	7,531	1,837	
Ares International Corp.	ARES GROUP CORP.	Seychelles	Investment business	35,029	35,029	1,500,000	100	16,625	83	83	Subsidiary
Ares International Corp.	APLUSOFT CO., LTD.	Taiwan	Installation of computer and consultant of information software	30,889	30,889	1,500,000	100	35,020 (701) (701)	Subsidiary
Ares International Corp.	ARES INTERNATIONAL (THAILAND) CO., LTD.	Thailand	Provides professional service of computer application software and sells computer peripheral equipments	6,865	6,865	1,470,000	49	6,833 (758) (372)	
APLUSOFT CO., LTD.	WELJOIN TECHNOLOGIES LIMITED (BVI)	British Virgin Islands	Investment business	26,177	26,177	50,000	100	34,657 (701)		Note3 Second-tire subsidiary
ARES GROUP CORP.	SHARP KEEN MANAGEMENT LIMITED	British Virgin Islands	Investment business	34,115	34,115	1,120,000	100	16,296	117		Note3 Second-tire subsidiary
SHARP KEEN MANAGEMENT LIMITED	BLITZ IT CONSULTANTS PTE LTD.	Singapore	Agency of computer software and internet	33,256	33,256	484,000	25	16,233	469		Note3

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at March 31, 2020' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee for the three months ended March 31, 2020' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognised by the Company for the three months ended March 31, 2020' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note 3: Investment income (loss) for the period was recognised by subsidiaries of investees.

Ares International Corp.
Information on investments in Mainland China
Three months ended March 31, 2020

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 3)	Investment method	Investment flows			Ending balance of accumulated outflow of investment from Taiwan	Net income of investee for the three months ended March 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three months ended March 31, 2020 (Note 2)	Book value of investments in Mainland China as of March 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2020	Note
				Beginning balance of accumulated outflow of investment from Taiwan	Remitted to Mainland China	Remitted back to Taiwan							
APLUSOFT (SUZHOU) CORPORATION	Research and development of enterprise management software and sale of self-produce product of the	\$ 25,228	Note1	\$ 23,806	-	-	\$ 23,806	(\$ 667)	95.88	(\$ 655)	\$ 30,922	-	

Note 1: Through investing in an existing company in the third area, which then invested in the investee in Mainland China. The investee in the third area is WELJOIN TECHNOLOGIES LIMITED (BVI).

Note 2: The financial statements were not reviewed by independent accountants.

Note 3: The paid-in capital of Aplusoft (Suzhou) Corporation amounted to RMB5,215,000 (USD750,592).

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Ares International Corp.	\$ 49,446	\$ 49,446	\$ 448,714
APLUSOFT CO., LTD.	23,806	23,806	

Ares International Corp.
Major shareholders information
March 31, 2020

Table 4

Name of major shareholders	Shares		Ownership (%)
	Name of shares held	Shares	
YU, HONG-YANG	\$	3,282,449	6.94%

Note1: (1) The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements is different from the actual number of shares issued in dematerialised form because of the difference in the calculation basis.

(2) If the aforementioned data contains shares which were held in trust by the shareholders, the data is disclosed as a separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. For the information on reported share equity of insider, please refer to Market Observation Post System.