

**Promate Electronic Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2020 and 2019 and  
Independent Auditors' Review Report**

## TABLE OF CONTENTS

	<u>ITEMS</u>	<u>PAGE</u>	<u>FINANCIAL REPORT NOTE NO.</u>
I.	Cover	1	-
II.	Table of Contents	2	-
III.	Independent Auditor’s Review Report	3 ~ 4	-
IV.	Consolidated Balance Sheet	5	-
V.	Consolidated Statement of Comprehensive Income	6	-
VI.	Consolidated Statement of Changes in Equity	7	-
VII.	Consolidated Statement of Cash Flow	8 ~ 10	-
VIII.	Notes to Consolidated Financial Statements		
	1. General Information	11	1
	2. Approval of Financial Statements	11	2
	3. Application of New, Amended, and Revised Standards and Interpretation	11 ~ 14	3
	4. Summary of Significant Accounting Policies	14 ~ 16	4
	5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty	16 ~ 17	5
	6. Descriptions of Significant Accounting Items	17 ~ 63	6~34
	7. Transaction with Related Parties	63 ~ 65	35
	8. Assets Pledged as Collateral or for Security	66	36
	9. Significant Contingent Liabilities and Unrecognized Commitments	66 ~ 67	37
	10. Significant Events After the Balance Sheet Date	67	38
	11. Others	67 ~ 69	39
	12. Supplementary Disclosures	70 ~ 71 , 73 ~ 83	40
	1). Information Related to Material Transactions		
	2). Intercompany Relationships and Significant Transactions		
	3). Investments in Mainland China		
	4). Significant Transactions between the Company and Subsidiaries		
	5). Information of Major Shareholders		
	13. Segment Information	71 ~ 72	41

## INDEPENDENT AUDITOR’S REVIEW REPORT

The Board of Directors and Shareholders  
Promate Electronic Co., Ltd.

### Introduction

We have reviewed the accompanying consolidated balance sheets of Promate Electronic Co., Ltd. and its subsidiaries (collectively, the “Group”) as of September 30, 2020 and 2019, the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended, and the related 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 following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity”. 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

As disclosed in Note 13 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of September 30, 2020 and 2019, combined total assets of these non-significant subsidiaries were NT\$434,664 thousand and NT\$383,478 thousand, respectively, representing 3.68% and 3.52%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$218,426 thousand and NT\$225,122 thousand, respectively, representing 2.85% and 3.25%, respectively, of the consolidated total liabilities; for the three-month periods ended September 30, 2020 and 2019, and for the nine-month periods ended September 30, 2020 and 2019, the amounts of combined comprehensive income (loss) of these subsidiaries were NT\$3,085 thousand, NT\$9,176 thousand, NT\$6,876, and NT\$4,573 thousand, respectively, representing 1.9%, 5.82%, 1.03%, and 0.98%, respectively, of the total consolidated comprehensive income.

## **Qualified Conclusion**

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of September 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the three-months and nine-months then September 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Li Huang Lee and Po Jen Weng.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

November 12, 2020

### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors’ report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors’ report and consolidated financial statements shall prevail.*

**PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Notes 4, 6 and 34)	\$ 1,907,908	16	\$ 1,625,366	16	\$ 2,029,677	19
Financial assets at fair value through profit or loss - current (Notes 4, 7, 20, and 34)	13,930	-	4,560	-	4,096	-
Financial assets at amortized cost - current (Notes 4, 9, 10, 34)	264,589	2	2,423	-	33,548	-
Notes receivable (Notes 4, 11 and 34)	88,134	1	70,548	1	82,235	1
Accounts receivable (Notes 4, 10, 11 and 34)	5,938,287	51	4,010,907	40	3,918,998	36
Accounts receivable from related parties (Notes 4, 11, 34 and 35)	2,623	-	666,208	7	797,374	8
Other receivables (Notes 4, 11 and 34)	153,067	1	66,693	1	111,307	1
Current tax assets (Notes 4 and 28)	598	-	31,894	-	241	-
Inventories (Notes 4 and 12)	2,573,745	22	2,721,980	27	3,070,105	28
Other current assets (Notes 18 and 35)	27,914	-	16,070	-	34,120	-
Total current assets	<u>10,970,795</u>	<u>93</u>	<u>9,216,649</u>	<u>92</u>	<u>10,081,701</u>	<u>93</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 8 and 34)	91,742	1	32,450	-	35,542	-
Investments accounted for using the equity method (Notes 4 and 14)	3,850	-	4,693	-	4,931	-
Property, plant and equipment (Notes 4, 15, 27, 32 and 36)	393,944	3	388,807	4	394,765	4
Right-of-use assets (Notes 4 and 16)	114,699	1	136,029	1	140,118	1
Other intangible assets (Notes 4, 17 and 27)	7,577	-	10,579	-	10,493	-
Deferred tax assets (Notes 4 and 28)	97,361	1	74,189	1	68,722	1
Other non-current assets (Notes 11, 18 and 34)	125,433	1	160,141	2	159,447	1
Total non-current assets	<u>834,606</u>	<u>7</u>	<u>806,888</u>	<u>8</u>	<u>814,018</u>	<u>7</u>
TOTAL	<u>\$ 11,805,401</u>	<u>100</u>	<u>\$ 10,023,537</u>	<u>100</u>	<u>\$ 10,895,719</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Notes 19, 31, 34 and 36)	\$ 2,726,504	23	\$ 2,712,284	27	\$ 2,833,453	26
Short-term bills payable (Notes 19, 30 and 34)	220,000	2	210,000	2	100,000	1
Contract liabilities - current (Notes 22 and 26)	125,601	1	104,410	1	143,291	1
Notes payable (Notes 21 and 34)	68	-	30	-	30	-
Accounts payable (Notes 21 and 34)	2,590,408	22	1,925,049	19	2,777,486	26
Accounts payable to related parties (Notes 21, 34 and 35)	23,906	-	24,035	-	12,042	-
Other payables (Notes 22 and 34)	361,995	3	365,797	4	371,330	4
Current tax liabilities (Notes 4 and 28)	36,498	-	28,879	1	107,152	1
Provisions- current (Notes 4 and 23)	3,560	-	11,164	-	12,638	-
Lease liabilities - current (Notes 4, 16, 34 and 35)	34,468	-	33,930	1	32,185	-
Current portion of long-term borrowings (Notes 19, 32, 34 and 36)	6	-	18,828	-	25,000	-
Other current liabilities (Note 22)	296,712	3	223,472	2	143,975	1
Total current liabilities	<u>6,419,726</u>	<u>54</u>	<u>5,657,878</u>	<u>57</u>	<u>6,558,582</u>	<u>60</u>
<b>NON-CURRENT LIABILITIES</b>						
Bonds Payable (Note 4, 20, 34)	966,735	8	-	-	-	-
Long-term borrowings, net of current portion (Notes 19, 32, 34 and 36)	-	-	-	-	44	-
Provisions- noncurrent (Notes 4 and 23)	2,164	-	6,960	-	8,786	-
Deferred tax liabilities (Notes 4 and 28)	137,278	1	110,529	1	77,847	1
Lease liabilities - noncurrent (Notes 4, 16, 34 and 35)	78,944	1	102,364	1	105,804	1
Net defined benefit liabilities - noncurrent (Notes 4 and 24)	46,584	1	47,419	-	45,298	1
Other non-current liabilities (Notes 22 and 34)	149	-	60,046	1	122,703	1
Total non-current liabilities	<u>1,231,854</u>	<u>11</u>	<u>327,318</u>	<u>3</u>	<u>360,482</u>	<u>4</u>
Total liabilities	<u>7,651,580</u>	<u>65</u>	<u>5,985,196</u>	<u>60</u>	<u>6,919,064</u>	<u>64</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 13, 20, 25, 30 and 31)</b>						
Share capital						
Ordinary shares	<u>1,790,452</u>	<u>15</u>	<u>1,790,452</u>	<u>18</u>	<u>1,790,452</u>	<u>16</u>
Capital surplus	<u>711,022</u>	<u>6</u>	<u>657,690</u>	<u>7</u>	<u>657,690</u>	<u>6</u>
Retained earnings						
Legal reserve	818,510	7	771,714	8	771,714	7
Special reserve	15,204	-	4,789	-	4,789	-
Unappropriated earnings	439,771	4	468,168	4	417,317	4
Total retained earnings	<u>1,273,485</u>	<u>11</u>	<u>1,244,671</u>	<u>12</u>	<u>1,193,820</u>	<u>11</u>
Other equity	<u>12,511</u>	<u>-</u>	<u>(15,205)</u>	<u>-</u>	<u>(8,740)</u>	<u>-</u>
Total equity attributable to owners of the Company	<u>3,787,470</u>	<u>32</u>	<u>3,677,608</u>	<u>37</u>	<u>3,633,222</u>	<u>33</u>
NON-CONTROLLING INTERESTS (Notes 24, 29, and 30)	<u>366,351</u>	<u>3</u>	<u>360,733</u>	<u>3</u>	<u>343,433</u>	<u>3</u>
Total equity	<u>4,153,821</u>	<u>35</u>	<u>4,038,341</u>	<u>40</u>	<u>3,976,655</u>	<u>36</u>
TOTAL	<u>\$ 11,805,401</u>	<u>100</u>	<u>\$ 10,023,537</u>	<u>100</u>	<u>\$ 10,895,719</u>	<u>100</u>

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

**PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**  
**(Reviewed, Not Audited)**

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 26 and 34)								
Sales	\$ 7,361,576	100	\$ 6,031,051	100	\$ 19,567,712	100	\$ 16,805,768	100
OPERATING COSTS (Notes 4, 12, 27 and 34)								
Cost of sales	( 6,827,714 )	( 93 )	( 5,546,719 )	( 92 )	( 18,072,356 )	( 92 )	( 15,430,408 )	( 92 )
GROSS PROFIT	533,862	7	484,332	8	1,495,356	8	1,375,360	8
OPERATING EXPENSES (Notes 27 and 34)								
Selling and marketing expenses	( 203,487 )	( 3 )	( 206,233 )	( 3 )	( 571,819 )	( 3 )	( 570,806 )	( 3 )
General and administrative expenses	( 29,884 )	-	( 34,778 )	( 1 )	( 91,758 )	( 1 )	( 101,760 )	( 1 )
Research and development expenses	( 21,823 )	-	( 23,432 )	-	( 66,632 )	-	( 62,968 )	-
Total operating expenses	( 255,194 )	( 3 )	( 264,443 )	( 4 )	( 730,209 )	( 4 )	( 735,534 )	( 4 )
OPERATING PROFIT	278,668	4	219,889	4	765,147	4	639,826	4
NON-OPERATING INCOME AND EXPENSES (Notes 4, 27, 29 and 34)								
Interest income	788	-	1,649	-	4,468	-	6,966	-
Other income- others	3,330	-	2,075	-	3,417	-	2,223	-
Other gains and losses	( 74,681 )	( 1 )	4,507	-	( 109,874 )	( 1 )	25,834	-
Finance costs	( 16,903 )	-	( 32,065 )	( 1 )	( 58,732 )	-	( 87,531 )	-
Share of profit (loss) of associates accounted for using equity method	( 70 )	-	( 73 )	-	( 212 )	-	( 228 )	-
Total non-operating income and expenses	( 87,536 )	( 1 )	( 23,907 )	( 1 )	( 160,933 )	( 1 )	( 52,736 )	-
PROFIT BEFORE INCOME TAX	191,132	3	195,982	3	604,214	3	587,090	4
INCOME TAX EXPENSE (Notes 4 and 28)	( 40,339 )	( 1 )	( 33,319 )	-	( 113,661 )	-	( 118,192 )	( 1 )
NET PROFIT FOR THE PERIOD	150,793	2	162,663	3	490,553	3	468,898	3
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 25 and 28)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	10,160	-	( 3,041 )	-	36,345	-	( 1,805 )	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	( 433 )	-	( 1,308 )	-	( 1,558 )	-	( 1,429 )	-
Unrealized gain on investments in debt instruments at fair value through other comprehensive income	1,850	-	( 828 )	-	3,351	-	( 1,277 )	-
Income tax relating to items that may be reclassified subsequently to profit or loss	87	-	261	-	312	-	286	-
Other comprehensive income (loss) for the period, net of income tax	11,664	-	( 4,916 )	-	38,450	-	( 4,225 )	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 162,457	2	\$ 157,747	3	\$ 529,003	3	\$ 464,673	3
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	\$ 131,628	2	\$ 145,252	3	\$ 434,269	2	\$ 417,012	3
Non-controlling interests	19,165	-	17,411	-	56,284	1	51,886	-
	\$ 150,793	2	\$ 162,663	3	\$ 490,553	3	\$ 468,898	3
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 141,137	2	\$ 140,889	3	\$ 464,753	3	\$ 413,154	3
Non-controlling interests	21,320	-	16,858	-	64,250	-	51,519	-
	\$ 162,457	2	\$ 157,747	3	\$ 529,003	3	\$ 464,673	3
EARNINGS PER SHARE (Note 29)								
Basic	\$ 0.74		\$ 0.81		\$ 2.43		\$ 2.33	
Diluted	\$ 0.64		\$ 0.81		\$ 2.27		\$ 2.31	

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

**PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**(In Thousands of New Taiwan Dollars)**  
**(Reviewed, Not Audited)**

	Equity Attributable to Owners of the Company										
	Issued Capital		Retained Earnings				Other Equity				
	Shares (Thousands)	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operation	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Noncontrolling Interest	Total Equity
BALANCE AT JANUARY 1, 2019	179,045	\$ 1,790,452	\$ 657,809	\$ 719,517	\$ 4,544	\$ 523,543	( \$ 910 )	( \$ 3,879 )	\$ 3,691,076	\$ 350,190	\$ 4,041,266
Appropriation of 2018 earnings											
Legal reserve	-	-	-	52,197	-	( 52,197 )	-	-	-	-	-
Special reserve	-	-	-	-	245	( 245 )	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	( 470,889 )	-	-	( 470,889 )	-	( 470,889 )
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	( 58,169 )	( 58,169 )
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	93	-	( 93 )	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	( 119 )	-	-	-	-	-	( 119 )	( 107 )	( 226 )
Net profit for the six months ended September 30, 2019	-	-	-	-	-	417,012	-	-	417,012	51,886	468,898
Other comprehensive income (loss) for the six months ended September 30, 2019	-	-	-	-	-	-	( 1,164 )	( 2,694 )	( 3,858 )	( 367 )	( 4,225 )
Total comprehensive income (loss) for the six months ended September 30, 2019	-	-	-	-	-	271,760	( 118 )	623	272,265	34,661	306,926
BALANCE AT SEPTEMBER 30, 2019	<u>179,045</u>	<u>\$ 1,790,452</u>	<u>\$ 657,690</u>	<u>\$ 771,714</u>	<u>\$ 4,789</u>	<u>\$ 417,317</u>	<u>( \$ 2,074 )</u>	<u>( \$ 6,666 )</u>	<u>\$ 3,633,222</u>	<u>\$ 343,433</u>	<u>\$ 3,976,655</u>
BALANCE AT JANUARY 1, 2020	179,045	\$ 1,790,452	\$ 657,690	\$ 771,714	\$ 4,789	\$ 468,168	( \$ 4,025 )	( \$ 11,180 )	\$ 3,677,608	\$ 360,733	\$ 4,038,341
Appropriation of 2019 earnings											
Legal reserve	-	-	-	46,796	-	( 46,796 )	-	-	-	-	-
Special reserve	-	-	-	-	10,415	( 10,415 )	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	( 408,223 )	-	-	( 408,223 )	-	( 408,223 )
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	( 64,632 )	( 64,632 )
Convertible bonds issued by the Company recognized as equity	-	-	53,332	-	-	-	-	-	53,332	-	53,332
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	2,768	-	( 2,768 )	-	-	-
Increase in non-controlling interests arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	6,000	6,000
Net profit for the six months ended September 30, 2020	-	-	-	-	-	434,269	-	-	434,269	56,284	490,553
Other comprehensive income (loss) for the six months ended September 30, 2020	-	-	-	-	-	-	( 1,246 )	31,730	30,484	7,966	38,450
Total comprehensive income (loss) for the six months ended September 30, 2020	-	-	-	-	-	434,269	( 1,246 )	31,730	464,753	64,250	529,003
BALANCE AT SEPTEMBER 30, 2020	<u>179,045</u>	<u>\$ 1,790,452</u>	<u>\$ 711,022</u>	<u>\$ 818,510</u>	<u>\$ 15,204</u>	<u>\$ 439,771</u>	<u>( \$ 5,271 )</u>	<u>\$ 17,782</u>	<u>\$ 3,787,470</u>	<u>\$ 366,351</u>	<u>\$ 4,153,821</u>

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

# PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 604,214	\$ 587,090
Adjustments for:		
Expected loss on credit impairment	9,171	19,148
Depreciation expenses	46,419	48,618
Amortization expenses	3,002	3,393
Finance costs	58,732	87,531
Share of profit (loss) of associates accounted for using the equity method	212	228
Interest income	( 4,468 )	( 6,966 )
Dividend income	( 3,205 )	( 1,916 )
Loss (gain) on inventory impairment	( 1,976 )	24,813
Loss (gain) on disposal right-of-use assets	-	8
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	( 3,913 )	998
Net (gain) loss on foreign currency exchange	( 92 )	( 6,610 )
Loss (gain) on scrap of inventories	2,351	411
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	( 5,357 )	( 1,595 )
Decrease (increase) Notes receivable	( 17,586 )	( 28,817 )
Decrease (increase) in accounts receivable	( 1,933,133 )	( 1,887,498 )
Decrease (increase) in accounts receivable due from related parties	663,585	620,767
Decrease (increase) in other receivable	( 86,374 )	( 35,300 )
Decrease (increase) in inventories	147,860	( 231,437 )
Decrease (increase) in other current assets	( 10,282 )	( 13,692 )
Increase (decrease) in contract liabilities	21,191	50,040
Increase (decrease) in Notes payable	38	( 233 )
Increase (decrease) in accounts payable	665,359	954,993
Increase (decrease) in accounts payable to related parties	( 129 )	7,611
Increase (decrease) in other payable	931	42,355
Increase (decrease) in provisions	( 12,400 )	( 5,591 )
Increase (decrease) in net defined benefit liability	( 835 )	( 707 )
Increase (decrease) in provisions	66,146	42,585
Cash generated from (used in) operations	209,461	270,227
Interest paid	( 55,933 )	( 82,438 )
Income tax paid	( 70,857 )	( 150,313 )
Net cash generated from (used in) operating activities	<u>82,671</u>	<u>37,476</u>

(Continued)



**For the Nine Months Ended  
September 30**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(\$ 31,077)	(\$ 36,342)
Acquisition of financial assets at amortized cost	( 1,196,348)	( 832,562)
Proceeds from disposal of financial assets at fair value through other comprehensive income	8,130	1,740
Proceeds from disposal of financial assets at amortized cost	930,711	798,783
Interest received	4,468	6,966
Acquisition of subsidiary company	2,710	-
Proceeds from capital reduction of investments accounted for using equity method	500	1,951
Acquisition of property, plant and equipment	( 3,396)	( 7,613)
Acquisition of intangible assets	-	( 670)
Increase in prepayments for business facilities	( 11,456)	-
Other dividends received	3,205	1,916
Increase in refundable deposits	-	( 117)
Decrease in refundable deposits	<u>33,074</u>	<u>-</u>
Net cash used in investing activities	( <u>259,479</u> )	( <u>65,948</u> )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	16,957	853,843
Increase in short-term notes and bills payable	10,000	30,000
Issuance of corporate bond	1,015,887	-
Repayments of long-term debt	( 18,822)	( 20,523)
Payments of cash dividends	( 408,228)	( 470,893)
Increase in guarantee deposits received	-	110,011
Decrease in guarantee deposits received	( 60,091)	-
Payments of lease liabilities	( 30,943)	( 30,558)
Acquisition of equity of subsidiaries	-	( 226)
Dividends paid to non-controlling interests	( <u>64,632</u> )	( <u>58,169</u> )
Net cash generated from financing activities	<u>460,128</u>	<u>413,485</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	( <u>778</u> )	( <u>1,208</u> )
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	282,542	383,805
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>1,625,366</u>	<u>1,645,872</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 1,907,908</u>	<u>\$ 2,029,677</u>

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

# PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

---

### 1. GENERAL INFORMATION

Promate Electronic Co., Ltd. (the “Company”) is a listed company that was established in May, 1986. The Company are mainly engaged in the distribution and sales of electronic/electrical components, sales of computer software and electrical products, and sales of electronic/electrical components.

The Company conducted an IPO on the Taipei Exchange (TPEX) in September 2002, and its common shares were listed on the Taiwan Stock Exchange (TWSE) since May 2004.

After carefully evaluating the opportunities of the business unit as well as Promate Electronic as a whole, the Board of Directors concluded that creating a separate entity is the next reasonable step for the business. With two separate entities, Promate Electronic and Promate Solutions will have the flexibility and agility needed to pursue growth in a concentrated manner. Most importantly, this will enable each entity to serve customers more effectively and deliver values to shareholders.

As of August 1st, 2013, the Company is pleased to announce that this business unit will form a fully-owned subsidiary under Promate Solutions Corporation.

The functional currency of the Company is the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on November 12, 2020

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by Financial Supervisory Commission (FSC).

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies.

#### Amendments to IAS 1 and IAS 8 “Definition of Material”:

The Group adopted the amendments starting from January 1, 2020. The threshold for materiality influencing users has been changed to “could reasonably be expected to influence” and, therefore, the disclosures in the consolidated financial report have been adjusted and immaterial information that may obscure material information has been deleted.

- b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC:

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
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 IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

- 1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate, i.e., the Group’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business

but retains significant influence over an associate, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate, i.e., the Group's share of the gain or loss is eliminated. °

## 2) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

## 3) Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 "Inventories". Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Group will restate its comparative information when it initially applies the aforementioned amendments.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

### b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 13 and Table 6 for the detailed information of subsidiaries (including the percentage of ownership and main businesses).

e. Other significant accounting policies

In addition to the following, please refer to significant accounting policies to the consolidated financial statements for the years ended December 31, 2019 and 2018.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

3) Convertible Bonds

The compound financial instruments (convertible bonds) issued by the Group are classified as financial liabilities and equity at the time of initial recognition according to the essence of the contractual agreement and the definition of financial liabilities and equity instruments.

At the time of initial recognition, the fair value of the components of liabilities is estimated at the current market interest rate of similar non-convertible instruments and measured at the amortized cost calculated by the effective interest method before the exercise of conversion or maturity date. The liability component embedded in non-equity derivatives is measured at fair value.

The conversion right classified as equity is equal to the residual amount of the overall fair value of the compound instrument minus the fair value of the liability component determined separately, which is recognized as equity after deducting the impact of income tax and will not be remeasured subsequently. When the conversion right is exercised, the amount of the relevant liability components and equity will be transferred to share capital and capital surplus - issuance premium. If the conversion right of convertible bonds is not exercised on the maturity date, the amount recognized in equity will be transferred to capital surplus - issuance premium.

The transaction costs related to the issuance of convertible bonds are the liabilities (included in the carrying amount of liabilities) and equity components (included in equity) allocated to the instrument in proportion to the total proceeds allocated.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the economic implications of the COVID-19 when making its significant accounting estimates. The management will review the estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

There were no significant uncertainties in the accounting policies, estimates and basic assumptions adopted by the Group after being evaluated by the management of the Group.

## 6. CASH AND CASH EQUIVALENTS

	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand	\$ 2,365	\$ 1,547	\$ 2,520
Checking accounts and demand deposits	1,797,711	1,185,868	1,561,659
Cash equivalents (time deposits with original maturities less than three months)			
Cash on hand	<u>107,832</u>	<u>437,951</u>	<u>465,498</u>
	<u>\$ 1,907,908</u>	<u>\$ 1,625,366</u>	<u>\$ 2,029,677</u>

The market rate intervals of cash in bank, at the end of the reporting period were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Demand deposits	0.001% ~ 0.43%	0.001% ~ 0.43%	0.001% ~ 0.43%
Time deposits	0.34% ~ 1.25%	0.59% ~ 2.28%	0.59% ~ 2.24%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial assets at FVTPL - current</u>			
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets			
Foreign Exchange Contract	\$ -	\$ -	\$ 82
Non-derivative financial assets			
Domestic quoted shares	13,830	4,560	4,014
Redemption option on convertible bonds	<u>100</u>	<u>-</u>	<u>-</u>
	<u>\$ 13,930</u>	<u>\$ 4,560</u>	<u>\$ 4,096</u>

At the end of the reporting period, outstanding exchange contracts not under hedge accounting were as follows:

### September 30, 2019

Contract Amount (in thousands)	Maturity Date	Pay Rate	Receive Rate
\$1,000 USD	September 16 2019-October 18 2019	30.925	31.0074

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Non-current</u>			
Investments in equity instruments	<u>\$ 91,742</u>	<u>\$ 32,450</u>	<u>\$ 35,542</u>

Investments in equity instruments at FVTOCI:

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Non-current</u>			
Domestic investments			
Listed shares			
ITE Tech. Inc.	\$ -	\$ 195	\$ 173
HIGGSTEC Inc.	89,344	30,310	33,424
Unlisted shares			
UPI Semiconductor Corp	1,009	1,009	1,009
Medimaging Integrated Solution Inc.	951	936	936
Tricornstech Corp.	438	-	-
	<u>\$ 91,742</u>	<u>\$ 32,450</u>	<u>\$ 35,542</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

**9. FINANCIAL ASSETS AT AMORTIZED COST**

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Current</u>			
Domestic investments			
Time deposits with original maturities of more than 3 months	\$ 2,328	\$ 2,423	\$ 2,508
Less: Allowance for impairment loss	-	-	-
Foreign investments			
Repurchase agreements:			
— Citi Group	-	-	31,040
— Bank of China	58,317	-	-
— Bank of Communications	17,867	-	-
— PERTAMINA	29,100	-	-
— Industrial and Commercial Bank of China (Asia) Limited	11,262	-	-
— HSBC Group	45,483	-	-
— Commonwealth Bank of Australia	12,717	-	-
— CITIC Bank International	29,315	-	-
— British Telecommunications	58,200	-	-
	<u>\$ 264,589</u>	<u>\$ 2,423</u>	<u>\$ 33,548</u>

- 1) As of September 30, 2020 and 2019, the Group purchased repurchase agreements issued by International Bills Finance Corporation, with coupon rates ranging from 0.45%~0.75% and 2.45%, respectively.
- 2) Refer to Note 10 for information related to credit risk management and impairment evaluation of financial assets at amortized cost.



## 10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments are classified as at FVTOCI and as at amortized cost.

September 30, 2020

	<u>At FVTOCI</u>	<u>At Amortized Cost</u>
Gross carrying amount	\$ 346,487	\$ 264,589
Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	346,487	264,589
Fair value adjustment	<u>( 3,481 )</u>	<u>-</u>
	<u>\$ 343,006</u>	<u>\$ 264,589</u>

December 31, 2019

	<u>At FVTOCI</u>	<u>At Amortized Cost</u>
Gross carrying amount	\$ 583,418	\$ 2,423
Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	583,418	2,423
Fair value adjustment	<u>( 6,832 )</u>	<u>-</u>
	<u>\$ 576,586</u>	<u>\$ 2,423</u>

September 30, 2019

	<u>At FVTOCI</u>	<u>At Amortized Cost</u>
Gross carrying amount	\$ 381,393	\$ 33,779
Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	381,393	33,779
Fair value adjustment	<u>( 4,892 )</u>	<u>( 231 )</u>
	<u>\$ 376,501</u>	<u>\$ 33,548</u>

In order to minimize credit risk, the Group has tasked its credit management committee with the development and maintenance of a credit risk grading framework for categorizing exposures according to the degree of the risk of default. The credit rating information may be obtained from independent rating agencies, where available, and if not available, the credit management committee uses other publicly available financial information to rate the debtors. The Group's exposure and the external credit ratings are continuously monitored and assessed for whether there has been a significant increase in credit risk since the last period to the reporting date.

The Group considers the historical default rates of each credit rating supplied by external rating agencies to estimate 12-month or lifetime expected credit losses.

The Group's current credit risk grading framework comprises the following categories:

<u>Category</u>	<u>Description</u>	<u>Basis for Recognizing Expected Credit Losses</u>
Normal	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs

Gross carrying amount and applicable expected credit loss rate of investments in debt instruments are as follows:

September 30, 2020

<u>Category</u>	<u>Expected Loss Rate</u>	<u>Gross Carrying Amount</u>	
		<u>At Amortized Cost</u>	<u>At Amortized Cost</u>
Normal	0.00%~0.01%	<u>\$ 346,487</u>	<u>\$ 264,589</u>

December 31, 2019

<u>Category</u>	<u>Expected Loss Rate</u>	<u>Gross Carrying Amount</u>	
		<u>At Amortized Cost</u>	<u>At Amortized Cost</u>
Normal	0%~0.01%	<u>\$ 583,418</u>	<u>\$ 2,423</u>

September 30, 2019

<u>Category</u>	<u>Expected Loss Rate</u>	<u>Gross Carrying Amount</u>	
		<u>At Amortized Cost</u>	<u>At Amortized Cost</u>
Normal	0.00%~0.01%	<u>\$ 381,393</u>	<u>\$ 33,548</u>

There was no change in the allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost for the nine months ended September 30, 2020 and 2019.

**11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES**

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	\$ 88,134	\$ 70,548	\$ 82,235
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 88,134</u>	<u>\$ 70,548</u>	<u>\$ 82,235</u>
From operation	<u>\$ 88,134</u>	<u>\$ 70,548</u>	<u>\$ 82,235</u>
<u>Accounts receivables</u>			
At amortized cost			
Gross carrying amount	\$ 5,629,911	\$ 3,459,312	\$ 3,586,036
Gross carrying amount- related parties	2,623	666,208	797,374
Less: Allowance for impairment loss	( 34,630)	( 24,991)	( 43,539)
At FVTOCI	<u>343,006</u>	<u>576,586</u>	<u>376,501</u>
	<u>\$ 5,940,910</u>	<u>\$ 4,677,115</u>	<u>\$ 4,716,372</u>
<u>Overdue receivables</u>			
At amortized cost			
Gross carrying amount	\$ 13,972	\$ 13,969	\$ 13,969
Less: Allowance for impairment loss	( 13,972)	( 13,969)	( 13,969)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Other receivables</u>			
Tax refund receivables	\$ 136,245	\$ 59,475	\$ 99,912
Customs duty refund receivables	1,682	1,488	1,984
Others	<u>15,140</u>	<u>5,730</u>	<u>9,411</u>
	<u>\$ 153,067</u>	<u>\$ 66,693</u>	<u>\$ 111,307</u>

**Notes Receivable and Accounts Receivables**

a. At amortized cost

The average credit period of the sales of goods was 90-150 days. No interest was charged on accounts receivables. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual accounts debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts.

The Group measures the loss allowance for all accounts receivables at an amount equal to lifetime ECLs. The expected credit losses on accounts receivables are estimated using an allowance matrix, which takes into consideration the historical credit loss experience with the respective debtor, the current financial position of the debtor, and the current and future economic conditions of the industry as well as the overall economy. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off an accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivables and accounts receivable based on the Group's provision matrix.

September 30, 2020

	<u>Not Past Due</u>	<u>Less than 30 Days</u>	<u>31 to 60 Days</u>	<u>61 to 90 Days</u>	<u>Over 90 Days</u>	<u>Total</u>
Expected credit loss rate	0%-0.31%	0.49%-20.13%	9.14%-30.08%	17.79%-44.17%	2.04%-100%	
Gross carrying amount	\$ 5,279,702	\$ 384,922	\$ 43,430	\$ 2,883	\$ 9,731	\$ 5,720,668
Loss allowance (Lifetime ECL)	( 1,443 )	( 13,653 )	( 9,679 )	( 674 )	( 9,181 )	( 34,630 )
Amortized cost	<u>\$ 5,278,259</u>	<u>\$ 371,269</u>	<u>\$ 33,751</u>	<u>\$ 2,209</u>	<u>\$ 550</u>	<u>\$ 5,686,038</u>

December 31, 2019

	<u>Not Past Due</u>	<u>Less than 30 Days</u>	<u>31 to 60 Days</u>	<u>61 to 90 Days</u>	<u>Over 90 Days</u>	<u>Total</u>
Expected credit loss rate	0.04%-1.23%	0.26%-21.89%	0.38%-61.12%	2.52%-82.19%	2.38%-100%	
Gross carrying amount	\$ 3,791,883	\$ 336,655	\$ 52,983	\$ 4,270	\$ 10,277	\$ 4,196,068
Loss allowance (Lifetime ECL)	( 6,436 )	( 5,280 )	( 3,657 )	( 427 )	( 9,191 )	( 24,991 )
Amortized cost	<u>\$ 3,785,447</u>	<u>\$ 331,375</u>	<u>\$ 49,326</u>	<u>\$ 3,843</u>	<u>\$ 1,086</u>	<u>\$ 4,171,077</u>

September 30, 2019

	<u>Not Past Due</u>	<u>Less than 30 Days</u>	<u>31 to 60 Days</u>	<u>61 to 90 Days</u>	<u>Over 90 Days</u>	<u>Total</u>
Expected credit loss rate	0%-2.97%	0%-2.98%	0%-24.18%	2.97%-50.48%	2.97%-100%	
Gross carrying amount	\$ 3,977,893	\$ 440,622	\$ 20,363	\$ 7,393	\$ 19,374	\$ 4,465,645
Loss allowance (Lifetime ECL)	( 18,557 )	( 8,901 )	( 2,990 )	( 1,771 )	( 11,320 )	( 43,539 )
Amortized cost	<u>\$ 3,959,336</u>	<u>\$ 431,721</u>	<u>\$ 17,373</u>	<u>\$ 5,622</u>	<u>\$ 8,054</u>	<u>\$ 4,422,106</u>

The movements of the loss allowance of accounts receivables and overdue receivables were as follows:

	<b>For the Nine Months Ended September 30</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Trade Receivables</b>	<b>Overdue Receivables</b>	<b>Trade Receivables</b>	<b>Overdue Receivables</b>
Balance on January 1	\$ 24,991	\$ 13,969	\$ 24,466	\$ 13,969
Business combination	469	-	-	-
Add: Amount of expected loss recognized	9,171	-	19,148	-
Classified to overdue receivable	( 3 )	3	-	-
Foreign exchange gains and losses	<u>2</u>	<u>-</u>	<u>( 75 )</u>	<u>-</u>
Balance on September 30	<u>\$ 34,630</u>	<u>\$ 13,972</u>	<u>\$ 43,539</u>	<u>\$ 13,969</u>

Compared with the opening balance on January 1, 2020, the total carrying value of accounts and notes receivable on September, 2020 experienced a net increase of NT\$1,524,600 thousand, Although the carrying value increased, the Group strengthened the risk management and increased credit insurance, resulted in increase in the loss allowance of NT\$9,171 thousand.

Compared with the balance on January 1, 2019, an increase of \$19,148 thousand in loss allowance was resulted from an increase of \$1,180,341 thousand in the carrying amount of notes and accounts receivables on September 30, 2019.

b. At FVTOCI

For accounts receivables with good credit, the Group may decide whether to sell these accounts receivables to banks without recourse based on their level of working capital. These accounts receivables are classified as at FVTOCI because they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The credit risk management practices adopted by the Company for such accounts receivable are the same as the accounts receivable measured by amortized cost.

The following table details the loss allowance of accounts receivables based on the Group's allowance matrix.

September 30, 2020

	<b>Not Past Due</b>	<b>Less than 30</b>			<b>Over 90 Days</b>	<b>Total</b>
		<b>Days</b>	<b>31 to 60 Days</b>	<b>61 to 90 Days</b>		
Expected credit loss rate	0.00%-0.01%	-	-	-	-	
	\$ 343,006	\$ -	\$ -	\$ -	\$ -	\$ 343,006
Gross carrying amount	-	-	-	-	-	-
Loss allowance (Lifetime ECL)	<u>\$ 343,006</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 343,006</u>

December 31, 2019

	<b>Not Past Due</b>	<b>Less than 30</b>			<b>Over 90 Days</b>	<b>Total</b>
		<b>Days</b>	<b>31 to 60 Days</b>	<b>61 to 90 Days</b>		
Expected credit loss rate	0.00%-0.01%	-	-	-	-	
	\$ 576,586	\$ -	\$ -	\$ -	\$ -	\$ 576,586
Gross carrying amount	-	-	-	-	-	-
Loss allowance (Lifetime ECL)	<u>\$ 576,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 576,586</u>

## September 30, 2019

	Not Past Due	Less than 30 Days			Over 90 Days	Total
		31 to 60 Days	61 to 90 Days	Over 90 Days		
Expected credit loss rate	0.00%-0.01%	-	-	-	-	-
	\$ 376,501	\$ -	\$ -	\$ -	\$ -	\$ 376,501
Gross carrying amount	-	-	-	-	-	-
Loss allowance (Lifetime ECL)	\$ 376,501	\$ -	\$ -	\$ -	\$ -	\$ 376,501

## 12. INVENTORIES

	September 30, 2020	December 31, 2019	September 30, 2019
Raw materials and work in process	\$ 179,912	\$ 148,102	\$ 173,511
Merchandise inventories	2,393,833	2,573,878	2,896,594
	<u>\$ 2,573,745</u>	<u>\$ 2,721,980</u>	<u>\$ 3,070,105</u>

Operating cost summarized by nature is listed below.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Cost of Goods Sold	\$ 6,833,933	\$ 5,549,564	\$ 18,071,981	\$ 15,405,184
Impairment ( Price recovery )	( 6,219 )	( 3,000 )	( 1,976 )	24,813
Write-off	-	155	2,351	411
	<u>\$ 6,827,714</u>	<u>\$ 5,546,719</u>	<u>\$ 18,072,356</u>	<u>\$ 15,430,408</u>

## 13. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

The entities included in the consolidated statements are listed below.

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2020	December 31, 2019	September 30, 2019	
Promate Electronic Co., Ltd	Promate Solutions Corporation.	Production and sale of electronic products	66.21%	66.21%	66.21%	(a)
	PROMATE INTERNATIONAL CO., LTD.	Investment	100%	100%	100%	(b)
	HAPPY ON SUPPLY CHAIN MANAGEMENT LTD.	Warehouse and logistic device	100%	100%	100%	(c)
	PROMATE ELECTRONICS COMPANY USA	Sales of electronic/electrical components	100%	100%	100%	(d)
PROMATE INTERNATIONAL CO., LTD.	CT Continental Corporation	International trade	90%	-	-	(e)
	Promate Electronic (Shenzhen) Co., Ltd.	International trade	100%	100%	100%	(f)
	Promate Electronic (Shanghai) Co., Ltd	International trade	100%	100%	100%	(g)
Promate Solutions Corporation	Promate Japan Inc.		100%	100%	100%	(h)

Remarks:

- a) Promate Solutions Corporation. (Promate Solutions) was incorporated in Taiwan on May 29, 2000. The Company holds 66.21% ownership in the subsidiary. Main business of Promate Solutions includes manufacturing and sales of information software and electronic parts, as well as services in the supply of electronic information.

- b) Promate International Co. Ltd (Promate International) was incorporated in Hong Kong on October 4, 2000 by the Company, who holds 100% ownership. Main business includes investment operation.
- c) Happy On Supply Chain Management Ltd. (Happy on) was incorporated in Hong Kong in February 2006 by the Company, who holds 100% ownership. Main business includes logistics operation.
- d) Promate Electronics Company USA (Promate USA) incorporated in California, USA in November 2011 by the Company, who holds 100% ownership. Main business includes sale of electronic components.
- e) CT Continental Corporation (CTC) was incorporated on March 12, 1990. Since September 15, 2020, the Company holds 90% ownership in this subsidiary. Main businesses include manufacturing, distribution, and import and export of computer motherboards and computer peripherals.
- f) Promate Electronic (Shenzhen) Co., Ltd. was incorporated in Shenzhen, China in February 2009 by Promate International, who holds 100% ownership. Main businesses include the import and export of electronic components, economic information consulting, and the development and transfer of electronic products.
- g) Promate Electronic (Shanghai) Co., Ltd. was incorporated in Shanghai, China in November 2009 by Promate International, who holds 100% ownership. Main businesses include the import and export of electronic components and related services.
- h) Promate Japan Inc. was incorporated in Tokyo, Japan in March 2017 by Promate Solutions, who holds 100% ownership. The main business includes the import and export of electronic components and related products.

The financial statements of some non-significant subsidiaries included in the consolidated financial statements for the nine months ended September 30, 2020 and 2019 were not reviewed.

These non-significant subsidiaries were Promate International, Happy on, Promate USA, Promate Electronic (Shenzhen), Promate Electronic (Shanghai), Promate Japan and CTC.

As of September 30, 2020 and 2019, the combined total assets of these non-significant subsidiaries were NT\$434,664 thousand and NT\$383,478 thousand, respectively, representing 3.68% and 3.52%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT\$218,426 thousand and NT\$225,122 thousand, respectively, representing 2.85% and 3.25%, respectively, of the consolidated total liabilities; for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the amounts of combined comprehensive income (loss) of these subsidiaries were NT\$3,085 thousand, NT\$9,176 thousand, NT\$6,876 thousand, and NT\$4,573 thousand, respectively, representing 1.9%, 5.82%, 1.3%, and 0.98%, respectively, of the consolidated total comprehensive income.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
	September 30, 2020	December 31, 2019	September 30, 2019
Promate Solutions and its subsidiaries	33.79%	33.79%	33.79%

See Table 6 for the information on place of incorporation and principal place of business.

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests				Accumulated Non-controlling Interests		
	For the three months ended September 30		For the nine months ended September 30		September 30, 2020	December 31, 2019	September 30, 2019
	2020	2019	2020	2019			
Promate Solutions and its subsidiaries	\$ 19,107	\$ 17,411	\$ 56,220	\$ 51,886	\$ 360,287	\$ 360,733	\$ 343,433

The summarized financial information below represents amounts before intragroup eliminations.

Promate Solutions and its subsidiaries

	September 30, 2020	December 31, 2019	September 30, 2019
Current assets	\$ 1,302,579	\$ 1,419,184	\$ 1,336,029
Non-current assets	191,885	173,042	176,687
Current liabilities	( 367,578 )	( 439,908 )	( 408,375 )
Non-current liabilities	( 60,632 )	( 84,745 )	( 87,967 )
Equity	\$ 1,066,254	\$ 1,067,573	\$ 1,016,374
Equity attributable to:			
The Parent Company	\$ 705,967	\$ 706,840	\$ 672,941
Non-controlling interests of Promate Solutions	360,287	360,733	343,433
	\$ 1,066,254	\$ 1,067,573	\$ 1,016,374

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Revenue	\$ 489,919	\$ 466,142	\$1,370,739	\$1,348,774
Net income for the period	\$ 56,547	\$ 51,524	\$ 166,380	\$ 153,543
Other comprehensive income for the period	6,378	( 1,635 )	23,575	( 1,087 )
Total comprehensive income for the period	\$ 62,925	\$ 49,889	\$ 189,955	\$ 152,456
Net income attributable to:				
The Parent Company	\$ 37,440	\$ 34,113	\$ 110,160	\$ 101,657
Non-controlling interests of Promate Solutions	19,107	17,411	56,220	51,886
	\$ 56,547	\$ 51,524	\$ 166,380	\$ 153,543

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Total comprehensive income (loss) attributable to:				
The Parent Company	\$ 41,663	\$ 33,031	\$ 125,769	\$ 100,937
Non-controlling interests of Promate Solutions	<u>21,262</u>	<u>16,858</u>	<u>64,186</u>	<u>51,519</u>
	<u>\$ 62,925</u>	<u>\$ 49,889</u>	<u>\$ 189,955</u>	<u>\$ 152,456</u>
Net cash flow from:				
Operating activities			\$ 37,928	\$ 406,447
Investing activities			( 341,452 )	( 51,415 )
Financing activities			( 211,853 )	( 192,733 )
Foreign exchange translation			-	76
Net cash inflow (outflow)			<u>( \$ 515,377 )</u>	<u>\$ 162,375</u>
Dividends paid to non-controlling interests Promate Solutions			<u>\$ 64,632</u>	<u>\$ 58,169</u>

#### 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

##### Investments in Associates

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Associates that are not individually material</u>			
Prosperity Venture Capital I, Limited	<u>\$ 3,850</u>	<u>\$ 4,693</u>	<u>\$ 4,931</u>
	<b>Proportion of Ownership and Voting Rights Held by the Group</b>		
Name of Associate	September 30, 2020	December 31, 2019	September 30, 2019
Prosperity Venture Capital I, Limited	21.62%	21.62%	21.62%

Refer to Table 6 “Information on Investees” for the nature of activities, principal place of business and country of incorporation of the associates.

Investments accounted for using the equity method and the share of profit or loss and other comprehensive loss of those investments were calculated based on the financial statements that have not been audited. Management believes that there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of investees that have not been audited

The summarized financial information below represents amounts shown in the associates’ financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purpose.



	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Total assets	<u>\$ 17,644</u>	<u>\$ 21,542</u>	<u>\$ 22,643</u>
Equity	<u>\$ 17,644</u>	<u>\$ 21,542</u>	<u>\$ 22,643</u>
Proportion of the Group's ownership	21.62%	21.62%	21.62%
Equity attributable to the Group	\$ 3,815	\$ 4,658	\$ 4,896
Difference between previous year's investment cost and equity value	<u>35</u>	<u>35</u>	<u>35</u>
Carry amount	<u>\$ 3,850</u>	<u>\$ 4,693</u>	<u>\$ 4,931</u>

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net gain (loss)	(\$ 361)	(\$ 341)	(\$ 983)	(\$ 1,056)
Other comprehensive income for the period	( 360)	( 13)	( 603)	292
Total comprehensive income for the period	<u>(\$ 686)</u>	<u>(\$ 354)</u>	<u>(\$ 1,586)</u>	<u>(\$ 764)</u>
Dividend distribution	<u>\$ 2,312</u>	<u>\$ -</u>	<u>\$ 2,312</u>	<u>\$ 9,022</u>
Revenue	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 1,951</u>

## 15. PROPERTY, PLANT AND EQUIPMENT

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Assets used by the Group	\$ 393,944	\$ 388,807	\$ 394,765
Assets leased under operating leases	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 393,944</u>	<u>\$ 388,807</u>	<u>\$ 394,765</u>

### Assets used by the Group

	<b>Freehold Land</b>	<b>Buildings</b>	<b>Machinery Equipment</b>	<b>Transportatio n Equipment</b>	<b>Office Equipment</b>	<b>Miscellaneous Equipment</b>	<b>Total</b>
<b>Cost</b>							
Balance on January 1, 2020	\$ 205,987	\$ 187,876	\$ 72,318	\$ 18,771	\$ 51,625	\$ 70,886	\$ 607,463
Additions	-	-	-	72	2,851	473	3,396
Disposals	-	-	-	-	( 2,369)	-	( 2,369)
Acquired in business combination	6,236	3,808	-	1,780	82	280	12,186
Reclassifications	-	-	11,180	-	-	2,040	13,220
Effect of foreign currency	-	( 41)	-	( 40)	( 110)	( 14)	( 205)
Balance on September 30, 2020	<u>\$ 212,223</u>	<u>\$ 191,643</u>	<u>\$ 83,498</u>	<u>\$ 20,583</u>	<u>\$ 52,079</u>	<u>\$ 73,665</u>	<u>\$ 633,691</u>
<b>Accumulated depreciation</b>							
Balance at January 1, 2020	\$ -	\$ 64,239	\$ 44,389	\$ 16,361	\$ 41,919	\$ 51,748	\$ 218,656
Disposals	-	-	-	-	( 2,369)	-	( 2,369)
Acquired in business combination	-	2,371	-	630	68	233	3,302
Depreciation expense	-	4,933	5,335	556	2,726	6,931	20,481
Effect of foreign currency	-	( 14)	( 177)	( 18)	( 100)	( 14)	( 323)
Balance on September 30, 2020	<u>\$ -</u>	<u>\$ 71,529</u>	<u>\$ 49,547</u>	<u>\$ 17,529</u>	<u>\$ 42,244</u>	<u>\$ 58,898</u>	<u>\$ 239,747</u>
Carrying amount on September 30, 2020	<u>\$ 212,223</u>	<u>\$ 120,114</u>	<u>\$ 33,951</u>	<u>\$ 3,054</u>	<u>\$ 9,835</u>	<u>\$ 14,767</u>	<u>\$ 393,944</u>
Carrying amount on December 31, 2019 and January 1, 2020	<u>\$ 205,987</u>	<u>\$ 123,637</u>	<u>\$ 27,929</u>	<u>\$ 2,410</u>	<u>\$ 9,706</u>	<u>\$ 19,138</u>	<u>\$ 388,807</u>

	<u>Freehold Land</u>	<u>Buildings</u>	<u>Machinery Equipment</u>	<u>Transportation Equipment</u>	<u>Office Equipment</u>	<u>Miscellaneous Equipment</u>	<u>Total</u>
<b>Cost</b>							
Balance on January 1, 2019	\$ 205,987	\$ 189,231	\$ 71,238	\$ 18,099	\$ 49,113	\$ 66,754	\$ 600,422
Additions	-	-	164	934	2,368	4,147	7,613
Effect of foreign currency	-	( 587)	( 2)	( 95)	21	5	( 658)
Balance on September 30, 2019	<u>\$ 205,987</u>	<u>\$ 188,644</u>	<u>\$ 71,400</u>	<u>\$ 18,938</u>	<u>\$ 51,502</u>	<u>\$ 70,906</u>	<u>\$ 607,377</u>
<b>Accumulated depreciation</b>							
Balance at January 1, 2019	\$ -	\$ 58,232	\$ 36,341	\$ 15,247	\$ 37,336	\$ 42,350	\$ 189,506
Depreciation expense	-	4,959	6,379	1,097	3,630	7,352	23,417
Effect of foreign currency	-	( 258)	( 1)	( 82)	26	4	( 311)
Balance on September 30, 2019	<u>\$ -</u>	<u>\$ 62,933</u>	<u>\$ 42,719</u>	<u>\$ 16,262</u>	<u>\$ 40,992</u>	<u>\$ 49,706</u>	<u>\$ 212,612</u>
Carrying amount on September 30, 2019	<u>\$ 205,987</u>	<u>\$ 125,711</u>	<u>\$ 28,681</u>	<u>\$ 2,676</u>	<u>\$ 10,510</u>	<u>\$ 21,200</u>	<u>\$ 394,765</u>

There was no indication of an impairment loss in the nine months ended September 30, 2020 and 2019; therefore, the Group did not perform impairment assessment.

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings- Office in China	20 years
Buildings- Office in Taiwan	61 years
Buildings- Plant in Taiwan	25-30 years
Machinery Equipment	3-10 years
Transportation Equipment	3-10 years
Office Equipment	3-10 years
Miscellaneous Equipment	3-20 years

Property, plant and equipment pledged as collateral for borrowings are set out in Note 36.

## 16. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>	
Carrying amounts				
Buildings	\$ 112,425	\$ 132,322	\$ 139,084	
Transportation equipment	<u>2,274</u>	<u>3,707</u>	<u>1,034</u>	
	<u>\$ 114,699</u>	<u>\$ 136,029</u>	<u>\$ 140,118</u>	
	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 5,373</u>	<u>\$ 466</u>
Depreciation charge for right-of-use assets				
Buildings	\$ 8,322	\$ 8,155	\$ 24,507	\$ 24,508
Transportation equipment	<u>477</u>	<u>222</u>	<u>1,431</u>	<u>693</u>
	<u>\$ 8,799</u>	<u>\$ 8,377</u>	<u>\$ 25,938</u>	<u>\$ 25,201</u>

b. Lease liabilities

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<u>Carrying amounts</u>			
Current	\$ 34,468	\$ 33,930	\$ 32,185
Non-current	\$ 78,944	\$ 102,364	\$ 105,804

Range of discount rate for lease liabilities was as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Buildings	2.75%~6.40%	2.75%~6.40%	2.75%~6.40%
Transportation equipment	4.75%~5.69%	4.75%~5.69%	4.75%~5.69%

c. Material lease-in activities and terms

The Group leased a number of cars for use by business personnel or warehouse personnel for a period of 3 to 5 years. The lease contracts for these cars do not contain terms for the right of renewal or the right of purchase.

The Group also leased certain buildings for use as plant and office for a period 3 to 5 years. The lease contracts for offices located in Taiwan specify that the lease payments will be adjusted by customer price index each year. The Group does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Expenses relating to low-value asset leases	\$ 663	\$ 1,026	\$ 2,390	\$ 3,357
Total cash outflow for lease			(\$ 33,333)	(\$ 33,915)

The Group had no lease commitments that began after the balance sheet date during the lease periods as of September 30, 2020, December 31, 2019, and September 30, 2019.

## 17. OTHER INTANGIBLE ASSETS

<u>Cost</u>	<u>Computer Software</u>
Balance on January 1, 2019	\$ 27,404
Addition	670
Effect of foreign currency	( 4)
Balance on September 30, 2019	<u>\$ 28,070</u>
<u>Accumulated amortization</u>	
Balance on January 1, 2019	(\$ 14,188)
Amortization expense	( 3,393)
Effect of foreign currency	4
Balance on September 30, 2019	<u>(\$ 17,577)</u>

	<u>Computer Software</u>
Carrying amount on September 30, 2019	\$ <u>10,493</u>
<b><u>Cost</u></b>	
Balance on January 1, 2020	\$ 29,119
Disposal	( <u>6,012</u> )
Balance on September 30, 2020	\$ <u>23,107</u>
<b><u>Accumulated amortization</u></b>	
Balance on January 1, 2020	( \$ 18,540 )
Disposal	6,012
Amortization expense	( <u>3,002</u> )
Balance on September 30, 2020	( <u>\$ 15,530</u> )
Carrying amount on September 30, 2020	\$ <u>7,577</u>

Besides amortization expense, there was no major addition, disposal or impairment to the intangible assets in the nine months ended September 30, 2020 and 2019. Other intangible assets were amortized on a straight-line basis over their estimated useful lives as follows:

Computer Software 3~10 years

Amortization expenses summarized by function are as below.

	<u>For the Three Months Ended</u> <u>September 30</u>		<u>For the Nine Months Ended</u> <u>September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Operating Costs				
Selling and marketing expenses	\$ -	\$ -	\$ -	\$ -
General and administrative expenses	32	32	96	90
Research and development expenses	842	890	2,535	2,876
Operating Costs	<u>86</u>	<u>142</u>	<u>371</u>	<u>427</u>
	<u>\$ 960</u>	<u>\$ 1,064</u>	<u>\$ 3,002</u>	<u>\$ 3,393</u>

## 18. OTHER ASSETS

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>September 30,</u> <u>2019</u>
<b><u>Current</u></b>			
Prepayments	\$ 13,705	\$ 16,025	\$ 31,228
Others	<u>14,209</u>	<u>45</u>	<u>2,892</u>
	<u>\$ 27,914</u>	<u>\$ 16,070</u>	<u>\$ 34,120</u>
<b><u>Non-current</u></b>			
Prepayments for equipment	\$ 2,261	\$ 4,025	\$ -
Refundable deposits	123,172	156,116	159,447
Overdue receivables (Note 11)	13,972	13,969	13,969
Allowance for impairment loss - Overdue receivables (Note 11)	( <u>13,972</u> )	( <u>13,969</u> )	( <u>13,969</u> )
	<u>\$ 125,433</u>	<u>\$ 160,141</u>	<u>\$ 159,447</u>

## Refundable deposits

It is mainly used to pay suppliers as performance bond for a 5-year period, which will be returned to the Group on September 30 each year based on the shipment volume. The maximum return will be US\$1 million a year. If it does not reach US\$1 million, the remaining amount will be refunded on September 30, 2024.

## 19. BORROWINGS

### a. Short-term borrowings

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Secured borrowings (Note 37)			
Bank loans (1)	\$ 2,390,468	\$ 1,805,538	\$ 1,699,606
Bank loans - letters of credit (2)	<u>336,036</u>	<u>906,746</u>	<u>1,133,847</u>
	<u>\$ 2,726,504</u>	<u>\$ 2,712,284</u>	<u>\$ 2,833,453</u>

- 1) The effective weighted average interest rates for bank loans ranged from 0.63%-1.00%, 0.85%-4.79% and 0.85-4.785% per annum as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.
- 2) The effective weighted average interest rate for letters of credit loans was 0.803-1.224%, 1.09%-2.84% and 1.090-2.875% per annum as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

### b. Short-term bills payable

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Commercial paper	\$ 220,000	\$ 210,000	\$ 100,000
Less: Unamortized discount on bills payable	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 220,000</u>	<u>\$ 210,000</u>	<u>\$ 100,000</u>

Outstanding short-term bills payable were as follows:

#### September 30, 2020

<b>Promissory Institutions</b>	<b>Nominal Amount</b>	<b>Discount Amount</b>	<b>Carrying Value</b>
<u>Commercial papers</u>			
China Bills Finance Corporation	\$ 60,000	\$ -	\$ 60,000
Taiwan Finance Corporation	40,000	-	40,000
International Bills Finance Corporation	60,000	-	60,000
Commercial papers	<u>60,000</u>	<u>-</u>	<u>60,000</u>
	<u>\$ 220,000</u>	<u>\$ -</u>	<u>\$ 220,000</u>

#### December 31, 2019

<b>Promissory Institutions</b>	<b>Nominal Amount</b>	<b>Discount Amount</b>	<b>Carrying Value</b>
<u>Commercial papers</u>			
China Bills Finance Corporation	\$ 60,000	\$ -	\$ 60,000
Taiwan Finance Corporation	40,000	-	40,000
International Bills Finance Corporation	60,000	-	60,000
KGI Bank	<u>50,000</u>	<u>-</u>	<u>50,000</u>
	<u>\$ 210,000</u>	<u>\$ -</u>	<u>\$ 210,000</u>

September 30, 2019

<u>Promissory Institutions</u>	<u>Nominal Amount</u>	<u>Discount Amount</u>	<u>Carrying Value</u>
<u>Commercial papers</u>			
China Bills Finance Corporation	\$ 60,000	\$ -	\$ 60,000
Taiwan Finance Corporation	<u>40,000</u>	<u>-</u>	<u>40,000</u>
	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>

The effective weighted average interest rates for commercial papers ranged from 0.938-0.958%, 0.99-1.008% and 1.008% per annum as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

c. Long-term borrowings

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<u>Secured borrowings (Note 36)</u>			
Bank loans	\$ 6	\$ 18,828	\$ 25,044
Less: Current portion	<u>( 6 )</u>	<u>( 18,828 )</u>	<u>( 25,000 )</u>
Long-term borrowing	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44</u>

The weighted average effective interest rate of the bank borrowings secured by the Group's freehold land and buildings (refer to Note 36) were 1.81% per annum as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively, and the principal and interests will be repayable monthly until September 30, 2020.

## 20. Convertible Bond

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Domestic unsecured convertible bonds	\$ 1,000,000	\$ -	\$ -
Less : Discounts on bonds payable	<u>( 33,265 )</u>	<u>-</u>	<u>-</u>
Less : Current portion	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 966,735</u>	<u>\$ -</u>	<u>\$ -</u>

### Unsecured Domestic Convertible Bonds - Third Issue

On September 8, 2017, the Company issued 10 thousand NTD-denominated unsecured convertible bonds in Taiwan, with an aggregate principal amount of \$1,000,000 thousand. In addition, the bond is publicly underwritten by bidding auction, the issue price is \$101, and the actual total issue amount is \$1,020,987 thousand. The annual interest rate of the issuance coupon is 0%, the issuance period is three years, and the maturity date is September 8, 2023.

The major terms are as follows:

- In the period of circulation from three months after the issuance of the convertible corporate bonds to forty business days before the maturity of the bonds, the Company may notify the bondholders under the conversion measures and redeem all bonds in cash at the nominal amount when the agreed conditions are met.
- When this convertible bond expires, it will be repaid in cash based on the denomination of the bond.
- The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The

conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. The conversion price at issuance was NT\$ 34.50.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The effective interest rate of the liability component was 1.28% per annum on initial recognition.

Proceeds from issuance (less transaction costs of \$5,100 thousand)	\$ 1,015,887
Equity component (less transaction costs allocated to the equity component of \$255 thousand)	( 53,332
Redemption right	<u>100</u>
Liability component on the date of issuance (less transaction costs allocated to the liability component of \$4,845 thousand)	962,655
Interest charged at an effective interest rate of 1.28%	<u>4,080</u>
Liability component on September 30, 2020	<u>\$ 966,735</u>

## 21. NOTES AND ACCOUNTS PAYABLE

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<u>Notes payable</u>			
Non-trade	<u>\$ 68</u>	<u>\$ 30</u>	<u>\$ 30</u>
<u>Accounts payable</u>			
Accounts payable	\$ 2,590,408	\$ 1,925,049	\$ 2,777,486
Accounts payable - related parties	<u>23,906</u>	<u>24,035</u>	<u>12,042</u>
	<u>\$ 2,614,314</u>	<u>\$ 1,949,084</u>	<u>\$ 2,789,528</u>

### Accounts Payable

The average credit period for purchases of goods was between 30-120 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 22. OTHER LIABILITIES

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<u>Current</u>			
Other payables			
Accrued commissions	\$ 24,364	\$ 26,470	\$ 25,560
Payables for salaries or bonuses	82,351	103,570	75,898
Payables for annual leave	10,500	17,000	9,500
Payables for compensation of employees and remuneration of directors	50,000	54,900	55,826
Subsidiaries' payables for compensation of employees and remuneration of directors	20,200	25,300	18,800
Accrued freights	45,949	34,787	40,771
Payables for dividends	519	519	519
Others	<u>128,112</u>	<u>103,251</u>	<u>144,456</u>
	<u>\$ 361,995</u>	<u>\$ 365,797</u>	<u>\$ 371,330</u>
Contract liability	<u>\$ 125,601</u>	<u>\$ 104,410</u>	<u>\$ 143,291</u>

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Others			
Refund liability (1)	\$ 278,638	\$ 218,356	\$ 137,229
Others	<u>18,074</u>	<u>5,116</u>	<u>6,746</u>
	<u>\$ 296,712</u>	<u>\$ 223,472</u>	<u>\$ 143,975</u>
 <u>Non-current</u>			
Other liabilities			
Guarantee deposits(2)	<u>\$ 149</u>	<u>\$60,046</u>	<u>\$ 122,703</u>

1) Refund liabilities is based on historical experience, management's judgments and other known reasons for which estimated product returns and rebates may occur in the reporting period. Refund liabilities is recognized as a reduction of operating income in the periods in which the related goods are sold.

2) Guarantee deposits

Guarantee deposits are mainly collected from customers.

## 23. PROVISIONS

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<u>Current</u>			
Warranties	<u>\$ 3,560</u>	<u>\$ 11,164</u>	<u>\$ 12,638</u>
 <u>Non-current</u>			
Warranties	<u>\$ 2,164</u>	<u>\$ 6,960</u>	<u>\$ 8,786</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under sale of goods legislation. The estimate had been made on the basis of historic warranty trends, and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

## 24. RETIREMENT BENEFIT PLANS

For the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, employee benefit expenses in respect of the Group's defined benefit retirement plans were \$125 thousand, \$165 thousand, \$375 thousand, and \$494 thousand, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2018 and 2017.

## 25. Equity

a. Share capital

### Common stock

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Number of shares authorized (in thousands)	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Shares authorized	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>179,045</u>	<u>179,045</u>	<u>179,045</u>
Shares issued	<u>\$ 1,790,452</u>	<u>\$ 1,790,452</u>	<u>\$ 1,790,452</u>



Fully paid ordinary shares, with a par value of NT\$10, each of which carries one vote per share and carry a right to receive dividends

Of the Company's authorized shares, 10,000 thousand shares had been reserved for the issuance of convertible bonds and employee share options.

b. Capital surplus

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Issuance of ordinary shares	\$ 291,960	\$ 291,960	\$ 291,960
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal of acquisition	45,604	45,604	45,604
Conversion of employee stock options	66,208	66,208	66,208
Conversion of bonds	436,444	436,444	436,444
Less: transfer to capital	( 267,199 )	( 267,199 )	( 267,199 )
Less: cash dividends paid	( 73,408 )	( 73,408 )	( 73,408 )
Less: Treasury stock cancellation	( 9,461 )	( 9,461 )	( 9,461 )
	490,148	490,148	490,148
May be used to offset a deficit only			
Changes in percentage of ownership interest in subsidiaries (2)	166,292	166,292	166,292
May not be used for any purpose	-	1,250	1,250
Employee share options	54,582	-	-
	<u>\$ 711,022</u>	<u>\$ 657,690</u>	<u>\$ 657,690</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors after amendment, refer to employees' compensation and remuneration of directors in Note 27, f.

The Company's dividend policy is formulated according to the Company's capital budget, mid- and long-term operational planning and financial status, as well as by reference to the general level of dividends in the industry and capital markets as the basis for dividend policy. Related earnings can be distributed in the form of stock dividends or cash dividends. However, the percentage of cash dividends shall not be less than

20% of the total dividends. The percentage of cash dividends will be increased when future earnings and funds are more abundant.

A legal reserve should be appropriated from earnings until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset any deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2019 and 2018, which have been approved in the shareholders' meetings on September 15, 2020 and September 14, 2019, respectively, were as follows:

	<u>2019</u>	<u>2018</u>
Legal reserve	\$ 46,796	\$ 52,197
Special reserve	\$ 10,415	\$ 245
Cash dividends	\$ 408,223	\$ 470,889
Cash dividends per share (NT\$)	\$ 2.28	\$ 2.63

d. Special reserves

	<b>For the Nine Months Ended September 30</b>	
	<u>2020</u>	<u>2019</u>
Beginning on January 1	\$ 4,789	\$ 4,544
Appropriations of special reserves		
In respect of debits to other equity items	<u>10,415</u>	<u>245</u>
Balance on September 30	<u>\$ 15,204</u>	<u>\$ 4,789</u>

Additional special reserve should be appropriated for the amount equal to the difference between net debit balance of other equity items and the balance of special reserve appropriated on the reporting date. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter, distributed.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	<b>For the Nine Months Ended September</b>	
	<u>2020</u>	<u>2019</u>
Balance on January 1	(\$ 4,025)	(\$ 910)
Recognized for the period		
Exchange differences arising on translating the financial statements of foreign operations	( 1,246)	( 1,164)
Other comprehensive income recognized for the period	( 1,246)	( 1,164)
Balance on September 30	<u>(\$ 5,271)</u>	<u>(\$ 2,074)</u>

2) Unrealized gain or loss on Financial Assets at FVTOCI

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance on January 1	(\$ 11,180)	(\$ 3,879)
Recognized for the period		
Unrealized gain (loss) - equity instruments	28,379	( 1,417)
Net remeasurement of loss allowance	<u>3,351</u>	<u>( 1,277)</u>
Other comprehensive income recognized for the period	<u>31,730</u>	<u>( 2,694)</u>
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	( 2,768)	( 93)
Balance on September 30	<u>\$ 17,782</u>	<u>(\$ 6,666)</u>

f. Non-controlling interests

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance on January 1	\$ 360,733	\$ 350,190
Share of profit (loss) for the period	56,284	51,886
Other comprehensive income during the period		
Exchange differences arising on translating the foreign operations	-	21
Unrealized gain on FVTOCI financial assets	7,966	( 388)
Cash dividends distributed by subsidiaries	( 64,632)	( 58,169)
Increase in non-controlling interests arising from the acquisition of subsidiary. (Note 30)	6,000	-
Non-controlling interests of the acquisition of subsidiary. (Note 31)	-	( 107)
Balance on September 30	<u>\$ 366,351</u>	<u>\$ 343,433</u>

**26. REVENUE**

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Revenue from contracts with customers				
Revenue from sale of goods	\$ 7,343,848	\$ 6,022,433	\$19,523,076	\$16,783,371
Revenue from NRE service	12,056	2,464	31,609	11,943
Revenue from repair	<u>4,194</u>	<u>2,520</u>	<u>8,921</u>	<u>5,369</u>
	<u>7,360,098</u>	<u>6,027,417</u>	<u>19,563,606</u>	<u>16,800,683</u>
Other operating income				
Service revenue	1,478	3,634	4,106	5,085
Commission revenue	-	-	-	-
	<u>1,478</u>	<u>3,634</u>	<u>4,106</u>	<u>5,085</u>
	<u>\$ 7,361,576</u>	<u>\$ 6,031,051</u>	<u>\$19,567,712</u>	<u>\$16,805,768</u>

a. Revenue from contracts with customers

Revenue from the sale of goods

Revenue from the sale of goods mainly comes from the distribution of electronic components and the sale and manufacture of industrial computer monitors and customized products. Goods are categorized

into electronic components (application-specific and LCD display products, linear/distributed components, application-specific and image processing ICs) as well as embedded control systems, medical displays, and application-specific display modules (e.g., medical, factory automation, military, outdoor use, and sports equipment). The Group sells goods at the agreed prices stipulated in contracts, quotations or orders.

### Service revenue

Service revenue mainly comprises revenue from the design of embedded, medical, and application specific display modules during product development; revenue from customers' request for repair when defects occur in products that exceed the warranty period; and revenue recognized at the agreed prices stipulated in contracts.

#### b. Contract balances

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Notes and accounts receivables (Note 11)	\$ <u>6,029,044</u>	\$ <u>4,747,663</u>	\$ <u>4,798,607</u>
Contract liabilities - current (Note 22)			
Sale of goods	\$ <u>125,601</u>	\$ <u>104,410</u>	\$ <u>143,291</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Group's performance and the respective customer's payment.

#### c. Disaggregation of revenue

##### For the three months ended September 30, 2020

	<u>Reportable Segment</u>					<u>Total</u>
	<u>Application-specific and LCD Display Products</u>	<u>Linear/Distributed Components</u>	<u>Image Processing ICs</u>	<u>Application-specific ICs</u>	<u>Others</u>	
<u>Types of goods or services</u>						
Revenue from the sale of goods	\$ 1,332,884	\$ 3,444,174	\$ 1,527,162	\$ 578,848	\$ 460,780	\$ 7,343,848
Service revenue	16,250	-	-	-	1,478	17,728
	<u>\$ 1,349,134</u>	<u>\$ 3,444,174</u>	<u>\$ 1,527,162</u>	<u>\$ 578,848</u>	<u>\$ 462,258</u>	<u>\$ 7,361,576</u>

##### For the three months ended September 30, 2019

	<u>Reportable Segment</u>					<u>Total</u>
	<u>Application-specific and LCD Display Products</u>	<u>Linear/Distributed Components</u>	<u>Image Processing ICs</u>	<u>Application-specific ICs</u>	<u>Others</u>	
<u>Types of goods or services</u>						
Revenue from the sale of goods	\$ 1,428,986	\$ 2,463,976	\$ 1,126,441	\$ 511,791	\$ 491,239	\$ 6,022,433
Service revenue	4,984	-	-	-	3,634	8,618
	<u>\$ 1,433,970</u>	<u>\$ 2,463,976</u>	<u>\$ 1,126,441</u>	<u>\$ 511,791</u>	<u>\$ 494,873</u>	<u>\$ 6,031,051</u>

##### For the nine months ended September 30, 2020

	<u>Reportable Segment</u>					<u>Total</u>
	<u>Application-specific and LCD Display Products</u>	<u>Linear/Distributed Components</u>	<u>Image Processing ICs</u>	<u>Application-specific ICs</u>	<u>Others</u>	
<u>Types of goods or services</u>						
Revenue from the sale of goods	\$ 3,921,847	\$ 8,779,654	\$ 4,221,541	\$ 1,400,959	\$ 1,199,075	\$ 19,523,076
Service revenue	40,530	-	-	-	4,106	44,636
	<u>\$ 3,962,377</u>	<u>\$ 8,779,654</u>	<u>\$ 4,221,541</u>	<u>\$ 1,400,959</u>	<u>\$ 1,203,181</u>	<u>\$ 19,567,712</u>

For the nine months ended September 30, 2019

	Reportable Segment					Total
	Application-specific and LCD Display Products	Linear/Distributed Components	Image Processing ICs	Application-specific ICs	Others	
Types of goods or services						
Revenue from the sale of goods	\$ 4,215,912	\$ 6,944,228	\$ 3,238,371	\$ 1,254,724	\$ 1,130,136	\$ 16,783,371
Service revenue	17,312	-	-	-	5,085	22,397
	<u>\$ 4,233,224</u>	<u>\$ 6,944,228</u>	<u>\$ 3,238,371</u>	<u>\$ 1,254,724</u>	<u>\$ 1,135,221</u>	<u>\$ 16,805,768</u>

**27. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)**

a. Other income

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Rental income				
Other operating lease	\$ 119	\$ 159	\$ 188	\$ 239
Dividend Income	3,205	1,916	3,205	1,916
Other	6	-	24	68
	<u>\$ 3,330</u>	<u>\$ 2,075</u>	<u>\$ 3,417</u>	<u>\$ 2,223</u>

b. Interest income

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Interest Income				
Bank deposits	\$ 319	\$ 1,340	\$ 2,966	\$ 6,043
Financial assets at amortized cost	469	309	1,502	923
	<u>\$ 788</u>	<u>\$ 1,649</u>	<u>\$ 4,468</u>	<u>\$ 6,966</u>

c. Other gains and losses

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Gain (loss) on financial instruments				
Mandatorily measured at FVTPL	\$ 2,247	\$ 482	\$ 3,913	(\$ 998)
Net foreign exchange gains (losses)	( 73,678)	( 8,157)	( 110,136)	15,933
Net loss from disposal of right-of-use assets	-	-	-	( 8)
Bank charge	( 3,931)	( 3,360)	( 9,816)	( 8,470)
Other	681	15,542	6,165	19,377
	<u>(\$ 74,681)</u>	<u>\$ 4,507</u>	<u>(\$ 109,874)</u>	<u>\$ 25,834</u>

d. Finance costs

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Interest on bank loans	\$ 12,765	\$ 29,078	\$ 51,137	\$ 82,438
Interest on convertible corporate bond	3,062	-	4,080	-
Interest on lease liabilities	<u>1,076</u>	<u>2,987</u>	<u>3,515</u>	<u>5,093</u>
	<u>\$ 16,903</u>	<u>\$ 32,065</u>	<u>\$ 58,732</u>	<u>\$ 87,531</u>

There was no interest capitalization in the Group for the three-month period ended September 30, 2020 and 2019, and the nine-month period ended September 30, 2020 and 2019.

e. Depreciation and amortization

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
An analysis of deprecation by function				
Operating costs	\$ 233	\$ 190	\$ 701	\$ 389
Operating expenses	<u>15,543</u>	<u>15,615</u>	<u>45,718</u>	<u>48,229</u>
	<u>\$ 15,776</u>	<u>\$ 15,805</u>	<u>\$ 46,419</u>	<u>\$ 48,618</u>
An analysis of amortization by function				
Operating costs	\$ -	\$ -	\$ -	\$ -
Operating expenses	<u>960</u>	<u>1,064</u>	<u>3,002</u>	<u>3,393</u>
	<u>\$ 960</u>	<u>\$ 1,064</u>	<u>\$ 3,002</u>	<u>\$ 3,393</u>

f. Employee benefits expense

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Short-term benefits	<u>\$128,662</u>	<u>\$135,959</u>	<u>\$397,307</u>	<u>\$392,682</u>
Post-employment benefits				
Defined contribution plans	3,285	3,499	11,223	13,136
Defined benefit plans ( see Note 24 )	<u>125</u>	<u>165</u>	<u>375</u>	<u>494</u>
	<u>3,410</u>	<u>3,664</u>	<u>11,598</u>	<u>13,630</u>
Other employee benefits	<u>10,898</u>	<u>6,787</u>	<u>29,093</u>	<u>20,016</u>
Total employee benefits expense	<u>\$142,970</u>	<u>\$146,410</u>	<u>\$437,998</u>	<u>\$426,328</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 13,494	\$ 13,441	\$ 41,234	\$ 41,030
Operating expenses	<u>129,476</u>	<u>132,969</u>	<u>396,764</u>	<u>385,298</u>
	<u>\$142,970</u>	<u>\$146,410</u>	<u>\$437,998</u>	<u>\$426,328</u>

g. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors at the rates 7.5%-10% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

Employees' compensation and remuneration of directors for the three months and nine months ended September 30, 2020 and 2019 were as follows:

Accrual rate

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Employees' compensation	7.5%	7.5%
Remuneration of directors	1.5%	1.5%

Amount

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Employees' compensation	<u>\$ 13,200</u>	<u>\$ 14,100</u>	<u>\$ 41,900</u>	<u>\$ 41,200</u>
Remuneration of directors	<u>\$ 2,100</u>	<u>\$ 2,800</u>	<u>\$ 8,100</u>	<u>\$ 8,300</u>

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

The compensation to employees and remuneration to the directors of 2019 and 2018 were approved by the Company's board of directors on March 17, 2020 and March 21, 2019, respectively.

	<b>For the Year Ended December 31</b>	
	<b>2019 Cash</b>	<b>2018 Cash</b>
Employees' compensation	\$ 45,700	\$ 54,200
Remuneration of directors	9,900	10,800

The difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018 were adjusted to profit or loss for the years ended December 31, 2020 and 2019.

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Employees' Compensation</b>	<b>Remuneration of Directors</b>	<b>Employees' Compensation</b>	<b>Remuneration of Directors</b>
Amount approved by the Company's board of directors	<u>\$ 45,700</u>	<u>\$ 9,900</u>	<u>\$ 54,200</u>	<u>\$ 10,800</u>
Amount recognized in the annual consolidated financial statements	<u>\$ 45,700</u>	<u>\$ 9,200</u>	<u>\$ 54,200</u>	<u>\$ 10,800</u>

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the

Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Foreign exchange gains	\$267,995	\$105,343	\$716,953	\$223,465
Foreign exchange losses	( 341,673 )	( 113,500 )	( 827,089 )	( 207,532 )
Net foreign exchange gains and losses	( \$ 73,678 )	( \$ 8,157 )	( \$110,136 )	\$ 15,933

**28. INCOME TAXES RELATING TO CONTINUING OPERATION**

a. Income tax recognized in profit or loss

Major components of tax expense (income) recognized in profit or loss are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Current tax				
In respect of the current period	\$ 32,077	\$ 35,129	\$116,037	\$107,822
Adjustment for prior years	712	10	712	10
Current tax	<u>2,477</u>	<u>347</u>	( <u>6,977</u> )	<u>935</u>
	<u>35,266</u>	<u>35,486</u>	<u>109,772</u>	<u>108,767</u>
Deferred tax				
In respect of the current period	<u>5,073</u>	( <u>2,167</u> )	<u>3,889</u>	<u>9,425</u>
Income tax expense recognized in profit or loss	<u>\$ 40,339</u>	<u>\$ 33,319</u>	<u>\$113,661</u>	<u>\$118,192</u>

b. Income tax expense recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
<u>Deferred tax</u>				
In respect of current period				
Translating the financial statements of foreign operations	\$ 87	\$ 261	\$ 312	\$ 286
Income tax recognized in other comprehensive income (loss)	<u>\$ 87</u>	<u>\$ 261</u>	<u>\$ 312</u>	<u>\$ 286</u>



c. Income tax assessments

The tax returns of the Company through 2018, with the exception of 2017, have been assessed by the tax authorities.

The tax returns of Promate Solutions Corporation through 2018 have been assessed and cleared by the tax authorities.

## 29. EARNINGS PER SHARE

	Unit: NT\$ Per Share			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Basic earnings per share				
From continuing operation	\$ 0.74	\$ 0.81	\$ 2.43	\$ 2.33
Basic earnings per share total	<u>\$ 0.74</u>	<u>\$ 0.81</u>	<u>\$ 2.43</u>	<u>\$ 2.33</u>
Diluted earnings per share				
From continuing operation	\$ 0.64	\$ 0.81	\$ 2.27	\$ 2.31
Diluted earnings per share total	<u>\$ 0.64</u>	<u>\$ 0.81</u>	<u>\$ 2.27</u>	<u>\$ 2.31</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

### Net Profit for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
	Income for the period attributable to owners of the Company	<u>\$131,628</u>	<u>\$145,252</u>	<u>\$434,269</u>
Earnings used in the computation of basic earnings per share	\$131,628	\$145,252	\$434,269	\$417,012
Effect of potentially dilutive ordinary shares: The after-tax interest of convertible bonds	<u>2,449</u>	<u>-</u>	<u>3,264</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$134,077</u>	<u>\$145,252</u>	<u>\$437,534</u>	<u>\$417,012</u>

### Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
	Weighted average number of ordinary shares in computation of basic earnings per share	179,045	179,045	179,045
Effect of potentially dilutive				

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
ordinary shares:				
Employees' compensation	1,260	1,212	1,780	1,791
Corporate bond	<u>28,986</u>	<u>-</u>	<u>12,104</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>209,291</u>	<u>180,257</u>	<u>192,929</u>	<u>180,836</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus would be settled in shares, and if the resulting potential shares have a dilutive effect, these shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. The dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

### 30. BUSINESS COMBINATIONS

#### a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
CT Continental Corporation	Agent distribution of computers and peripheral devices	September 15, 2020	50%	<u>\$ 6,000</u>

The Group acquired CT Continental Corporation in order to expand its agent distribution of computers and peripheral devices.

#### b. Consideration transferred

Cash	<u>CT Continental Corporation</u> <u>\$ 6,000</u>
------	--

#### c. Assets acquired and liabilities assumed at the dates of acquisitions

Current assets	<u>CT Continental Corporation</u>
Cash and cash equivalents	\$ 8,710
Accounts receivable and other receivables	69
Prepayments	1,563
Noncurrent assets	
Property, plant, and equipment	8,884
Refundable deposits	130
Current liabilities	
Other payables	( 68)
Others	( 7,094)
Noncurrent liabilities	
Guarantee deposits received	( <u>194</u> )
	<u>\$ 12,000</u>

The original accounting treatment for the acquisition of CT Continental Corp. on the balance sheet date is adopted temporarily. For the purpose of taxation, the taxation basis of CT Continental Corp.'s assets must be re-determined in accordance with the market value of such assets.

The Group's net value of accounts receivable and payable from sales to other customers through CT Continental Corp. as of September 30, 2020 was NT\$1,004,013 thousand.

d. Non-controlling interests

The non-controlling interest (50% in CTC) recognized on the acquisition date was measured with reference to the fair value of the non-controlling interest in the amount of \$12,000 thousand.

e. Net cash inflow on acquisitions of subsidiaries

	<b>CT Continental Corp</b>
	<u>(\$ 6,000)</u>
Consideration paid in cash	8,710
Less: Cash and cash equivalent balances acquired	<u>\$ 2,710</u>

f. Impact of acquisitions on the results of the Group

The results of the acquired since the acquisition dates included in the consolidated statements of comprehensive income were as follows:

	<b>CT Continental Corp</b>
	<u>\$ 10,855</u>
Operating revenue	636
Profit or loss	<u>\$ 636</u>

Had these business acquisitions gone into effect at the beginning of the fiscal year, the Group's revenue from continuing operations would have been \$19,569,602 thousand, and the profit from continuing operations would have been \$491,350 thousand for the nine months ended September 30, 2020. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future results.

When hypothetical operating income and net profit are prepared if the Group acquires CTC from the beginning of the fiscal year to which the acquisition date belongs, the management has taken the following factors into consideration:

- 1) The fair value of the plant and property at the time of original accounting treatment for the merger is adopted as the basis for depreciation calculation, rather than the carrying value recognized in the financial statements before the acquisition;
- 2) The Group's capital status, credit rating, and debt-to-equity ratio after the merger are adopted as the basis for estimation of the borrowing cost.

### 31. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

a. January 1 - September 30, 2019

In January 2019, the Group acquired interest of Promate Solutions Corporation., thereby increasing its interest from 66.20% to 66.21%.

The above transaction was accounted for as an equity transaction since the Group did not cease to have control over the subsidiary.

	<b>Promate Solutions Corporation</b>
	January 1 - September 30, 2019
Cash consideration received (paid)	( \$ 226 )
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	<u>107</u>
Differences recognized to equity transactions	<u>( \$ 119 )</u>

	<b>Promate Solutions Corporation</b>
	January 1 – September 30, 2019
Line items adjusted for equity transactions	
<hr/>	
Capital surplus - difference between consideration received or paid and carrying amount of the subsidiaries' net assets during actual disposal or acquisition	( <u>\$ 119</u> )

b. January 1 – September 30, 2020

In September 2020, the Group subscribed for additional new shares of CT Continental Corp, and increased its shareholding ratio from 50% to 90%.

	<b>CT Continental Corporation</b>
	January 1 – September 30, 2020
Cash consideration received (paid)	( \$ 48,000 )
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	<u>48,000</u>
Differences recognized to equity transactions	<u>\$ -</u>

### 32. CASH FLOW INFORMATION

a. Non-cash transaction

For the nine months ended September 30, 2020 and 2019, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statements of cash flows:

- 1) The Group reclassified prepayments for equipment in the amount of NT\$13,220 thousand to property, plant and equipment for the nine months ended September 30, 2020 and 2019, respectively.
- 2) The Group reclassified long-term borrowings amounting to NT\$6 thousand and NT\$25,000 thousand to the current portion of long-term borrowings for the nine months ended September 30, 2020 and 2019, respectively.

b. Reconciliation of liabilities arising from financing activities

For the nine months ended September 30, 2020

	Balance as of January 1, 2020	Cash Flows	Non-cash Changes		Balance as of September 30, 2020
			Changes in Foreign Currency Exchange Rates	Others	
Short-term borrowings	\$ 2,712,284	\$ 16,957	(\$ 2,737)	\$ -	\$ 2,726,504
Short-term bills payable	210,000	10,000	-	-	220,000
Long-term borrowings	18,828	( 18,822)	-	-	6
Guarantee deposits received	60,046	( 60,091)	-	194	149
Lease liabilities	136,294	( 30,943)	( 827)	8,888	113,412
	<u>\$ 3,137,452</u>	<u>(\$ 82,899)</u>	<u>(\$ 3,564)</u>	<u>\$ 9,082</u>	<u>\$ 3,060,071</u>

For the nine months ended September 30, 2019

	Balance as of January 1, 2019	Cash Flows	Non-cash Changes		Balance as of September 30, 2019
			Changes in Foreign Currency Exchange Rates	Others	
Short-term borrowings	\$ 1,986,452	\$ 853,842	(\$ 6,841)	\$ -	\$ 2,833,453
Short-term bills payable	70,000	30,000	-	-	100,000
Long-term borrowings	45,567	( 20,523)	-	-	25,044
Guarantee deposits received	12,692	110,011	-	-	122,703
Lease liabilities	163,454	( 30,558)	-	5,093	137,989
	<u>\$ 2,278,165</u>	<u>\$ 942,772</u>	<u>(\$ 6,841)</u>	<u>\$ 5,093</u>	<u>\$ 3,219,189</u>

### 33. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

Adopting a prudent risk management strategy and regularly reviewing the strategy, the Group engages in overall planning based on business development strategies and operational needs, in order to determine the appropriate capital structure of the Group.

The Group is not subject to any externally imposed capital requirements.

### 34. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments not measured at fair value

The Group's management consider that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values except for the items listed in the table below.

September 30, 2020

Carrying Amount	Fair Value				Total
	Level 1	Level 2	Level 3		
<u>Financial assets</u>					
Financial assets at amortized cost:					
Foreign repurchase agreements	\$ 262,261	\$ -	\$ 262,261	\$ -	\$ 262,261
<u>Financial Liabilities</u>					
Financial liabilities at amortized cost:					
— Bond payable	966,735	1,050,000	-	-	1,050,000

December 31, 2019

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost:					
Foreign repurchase agreements	\$ 31,040	\$ -	\$ 31,040	\$ -	\$ 31,040

September 30, 2019

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost:					
Foreign repurchase agreements	\$ -	\$ -	\$ -	\$ -	\$ -

The Level 2 and Level 3 fair value measurements above are determined by discounted cash flow analysis based on the income approach. The significant unobservable inputs used in Level 3 fair value measurements reflect the discount rates of counterparty credit risk

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

September 30, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non-Derivative financial instruments				
Domestic listed shares	\$ 13,830	\$ -	\$ -	\$ 13,830
Derivative financial instruments				
Redemption option on convertible bonds	-	100	-	100
	<u>\$ 13,830</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 13,930</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity				
Domestic listed shares	\$ 89,344	\$ -	\$ -	\$ 89,344
Domestic unlisted shares and domestic emerging market shares	-	-	2,398	2,398
Investments in debt				
Factored accounts receivables	-	343,006	-	343,006
Total	<u>\$ 89,344</u>	<u>\$ 343,006</u>	<u>\$ 2,398</u>	<u>\$ 434,748</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non-Derivative financial instruments				
Domestic listed shares	<u>\$ 4,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,560</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity				
Domestic listed shares	\$ 30,505	\$ -	\$ -	\$ 30,505
Domestic unlisted shares and domestic emerging market shares	-	-	1,945	1,945
Investments in debt				
Factored accounts receivables	-	576,586	-	576,586
Total	<u>\$ 30,505</u>	<u>\$ 576,586</u>	<u>\$ 1,945</u>	<u>\$ 609,036</u>

September 30, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Derivative financial instruments				
FX Swap contract	\$ -	\$ 82	\$ -	\$ 82
Non-Derivative financial instruments				
Domestic listed shares	4,014	-	-	4,014
Total	<u>\$ 4,014</u>	<u>\$ 82</u>	<u>\$ -</u>	<u>\$ 4,096</u>

<u>Financial assets at FVTOCI</u>				
Investments in equity				
Domestic listed shares	\$ 33,597	\$ -	\$ -	\$ 33,597
Domestic unlisted shares and domestic emerging market shares	-	-	1,945	1,945
Investments in debt				
Factored accounts receivables	-	376,501	-	376,501
Total	<u>\$ 33,597</u>	<u>\$ 376,501</u>	<u>\$ 1,945</u>	<u>\$ 412,043</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the nine months ended September 30, 2020

	<b>Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments</b>
Balance on January 1, 2020	\$ 1,945
Purchase	453
Provision for impairment loss	-
Balance on September 30	<u>\$ 2,398</u>
Recognized in other gains and losses – unrealized	<u>\$ -</u>

For the nine months ended September 30, 2019

	<b>Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments</b>
Balance on January 1, 2019	\$ 1,945
Provision for impairment loss	-
Balance on September 30, 2019	<u>\$ 1,945</u>
Recognized in other gains and losses – unrealized	<u>\$ -</u>

- 3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement.

<u>Financial Instruments</u>	<u>Valuation Techniques and Input</u>
Factored accounts receivables	Discounted cash flow method: discounted at a discount rate that reflects the current borrowing rate at the end of the period.
Redemption option on convertible bonds	Discounted cash flow method: estimated future cash flow based on stock price volatility and annual bond yield in the most recent year.
Derivative financial instruments- FX Swap contract	Discounted cash flow method: Estimate the future cash flow according to the observable forward exchange rate on the balance sheet date and the exchange rate stipulated in the contract, and discount them respectively at the discount rate that can reflect the credit risk of each counterpart

- 4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The Group measures the fair value of its investments on domestic unlisted shares by using the market approach. The judgment is based on the industry type, the evaluation of the same type of company and the company's operating situation.

c. Categories of financial instruments

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<u>Financial assets</u>			
Financial assets at FVTPL			
Mandatorily classified as at FVTPL	\$ 13,930	\$ 4,560	\$ 4,096
Financial assets at amortized cost (Note 1)	8,134,774	6,021,675	6,756,085
Financial assets at FVTOCI			
Equity instruments	91,742	32,450	35,542
Debt instruments	343,006	576,586	376,501
<u>Financial liabilities</u>			
Measured at amortized cost (Note 2)	6,889,771	5,316,069	6,242,088

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, debt investments, notes and accounts receivables, other receivables and refundable deposits.



Note 2: The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term bills payable, notes and accounts payable, other payables and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments included equity and debt investments, accounts receivables, accounts payables and borrowings. The Group's Corporate Treasury monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk, and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price risk (see (c) below).

a) Foreign currency risk

The Company and its subsidiaries had foreign currency sales and purchases, which exposed the Group to foreign currency risk. The Group manages the risk that fluctuations in foreign currency could have on foreign-currency denominated assets and future cash flow by using forward exchange contracts, which was governed by the Group's policies ,

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 38.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The 1% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusted their translation at the end of the reporting period for a 1% change in foreign currency rates.

A positive number below indicates an increase in pretax profit and other equity associated with the 1% strengthening of the New Taiwan dollar against the relevant currency. For a 1% weakening of New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	<b>U.S. Dollar Impact</b>	
	<b>For the Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2020</b>	<b>2019</b>
Profit or loss	<u>\$ 46,226</u> (i)	<u>\$ 19,166</u> (i)

(i) This was mainly attributable to the exposure outstanding on U.S. dollar-denominated accounts receivables and accounts payables, which were not hedged at the end of the reporting period

The Group's sensitivity to foreign currency increased during the current year mainly due to the increase of accounts receivable balance in the USD.

In management's opinion, the sensitivity analysis did not reflect the inherent exchange rate risk because the exposure at the end of the year did not reflect the exposure during the period.

b) Interest rate risk

The Group evaluates hedging activities regularly to align with interest rate views and defined risk appetite and ensures that the most cost-effective hedging strategies are applied.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Fair value interest rate risk			
Financial assets	\$ 372,422	\$ 440,374	\$ 499,046
Financial liabilities	1,186,735	210,000	237,989
Cash flow interest rate risk			
Financial assets	1,797,710	1,185,868	1,564,179
Financial liabilities	2,726,510	2,731,112	2,858,497

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for nonderivative instruments at the end of the year. For floating-rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the year was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profits for the nine months ended September 30, 2020 and 2019 would decrease/increase by NT\$3,483 thousand and NT\$4,854 thousand, respectively, mainly attributable to the Group's exposure to the floating-interest rates on bank borrowings and bank deposits

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities and beneficiary certificates. The Group manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk and evaluate when it is necessary to increase the risk aversion position.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had fluctuated by 3%, the pre-tax profit for the nine months ended September 30, 2020 and 2019 would have increased/decreased by \$418 thousand and \$120 thousand as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income of or the nine month ended September 30, 2020 and 2019 would have increase/decreased by \$2,752 thousand and \$1,066 thousand as a result of the changes in fair value of financial assets at FVTOCI.

The Group's sensitivity to equity prices increased mainly because of its increase in financial assets investment in 2020.

## 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be mainly from the following:

- a) The carrying amount of the financial assets recognized in the balance sheets; and
- b) The maximum amount payable by the Group due to financial guarantees provided by the Group, regardless of possibility.

Financial assets are potentially affected by the failure of the Group's counterparties to fulfill their contractual obligations. The Group's credit risk is evaluated based on contracts whose fair value at the end of the financial reporting period is positive. The Group's counterparties are financial institutions and companies with sound credit ratings. The Group has a dedicated unit that regularly monitors counterparty credit exposure levels every year, so no significant credit risk is expected.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts.

The maximum credit exposure of the Group is the net carrying amount of financial assets after deducting the amount that can be offset against each other and the impairment loss recognized in accordance with the regulations without considering collateral and other credit enhancement policies.

## 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of September 30, 2020 and 2019 and December 31, 2019, the Group's available unutilized bank loan facilities set out in section (b) below.

- a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on agreed repayment dates.

To the extent that interest flows are floating, the undiscounted amount was derived from the yield curve at the end of the year.

	September 30, 2020			
	Less than 1 year	2-3 years	4-5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$2,750,287	\$ -	\$ -	\$ -
Short-term bills payable	220,000	-	-	-
Notes and accounts payables	2,614,382	-	-	-
Other payables	361,995	-	-	-
Lease liabilities	37,379	82,786	-	-
Refund liability	278,638	-	-	-
Long-term borrowings	6	-	-	-
Bond payable	-	1,000,000	-	-
	<u>\$6,262,687</u>	<u>\$1,082,786</u>	<u>\$ -</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 year	1-5 years	Over 5 years
Lease liabilities	<u>\$ 37,379</u>	<u>\$ 82,786</u>	<u>\$ -</u>

	December 31, 2019			
	Less than 1 year	2-3 years	4-5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$2,752,723	\$ -	\$ -	\$ -
Short-term bills payable	210,000	-	-	-
Notes and accounts payables	1,949,114	-	-	-
Other payables	365,797	-	-	-
Lease liabilities	37,035	106,230	-	-
Refund liability	218,357	-	-	-
Long-term borrowings	19,168	-	-	-
	<u>\$5,552,194</u>	<u>\$ 106,230</u>	<u>\$ -</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 year	1-5 years	Over 5 years
Lease liabilities	<u>\$ 37,035</u>	<u>\$ 106,230</u>	<u>\$ -</u>

	September 30, 2019			
	Less than 1 year	2-3 years	4-5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$2,865,485	\$ -	\$ -	\$ -
Short-term bills payable	100,000	-	-	-
Notes and accounts payables	2,789,558	-	-	-
Other payables	371,330	-	-	-
Lease liabilities	36,820	120,592	-	-
Refund liability	137,229	-	-	-
Long-term borrowings	25,453	46	-	-
	<u>\$6,325,875</u>	<u>\$ 120,638</u>	<u>\$ -</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Lease liabilities	<u>\$ 36,820</u>	<u>\$ 120,592</u>	<u>\$ -</u>

b) Financing facilities

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Unsecured bank overdraft facilities			
Amount used	\$ 3,640,302	\$ 3,703,970	\$ 2,833,453
Amount unused	<u>4,460,831</u>	<u>4,207,643</u>	<u>4,018,237</u>
	<u>\$ 8,091,133</u>	<u>\$ 7,911,613</u>	<u>\$ 6,851,690</u>
Secured bank borrowings facility			
Amount unused	<u>\$ 71,004</u>	<u>\$ 18,828</u>	<u>\$ 25,044</u>

e. Transfers of financial assets

Factored accounts receivables were as follows:

September 30, 2020

<u>Counter-parties</u>	<u>Balance at January 1</u>	<u>Receivables Factoring Proceeds</u>	<u>Cash Received</u>	<u>Advances Received - Used</u>	<u>Balance at September 30</u>	<u>Credit Lines</u>
Bank SinoPac	\$ 227,376	\$ 2,596,239	(\$ 239,333)	(\$ 2,417,470)	\$ 166,814	<u>USD 54,000</u>
	USD 7,672	USD 87,045	(USD 8,027)	(USD80,958)	USD 5,792	
Taishin International Bank	160,591	1,750,775	( 150,891)	( 1,654,072)	106,403	<u>\$ 1,283,000</u>
	USD 5,433	USD 58,570	(USD 5,065)	(USD55,240)	USD 3,698	
Chang Hwa Bank	13,100	307,428	( 31,494)	( 279,510)	9,524	<u>USD 3,300</u>
	USD 441	USD 10,262	(USD 1,058)	(USD 9,315)	USD 330	
E.Sun Bank	71,980	1,005,980	( 113,558)	( 933,044)	31,358	<u>USD 16,500</u>
	USD 2,427	USD 33,647	(USD 3,823)	(USD31,164)	USD 1,087	
HSBC Bank	103,539	755,052	( 137,836)	( 691,846)	28,909	<u>USD 8,000</u>
	<u>USD 3,487</u>	<u>USD 25,231</u>	<u>(USD 4,660)</u>	<u>(USD23,057)</u>	<u>USD 999</u>	
	<u>\$ 576,586</u>	<u>\$ 6,415,474</u>	<u>( \$ 673,113)</u>	<u>( \$ 5,975,942)</u>	<u>\$ 343,006</u>	
	<u>USD19,460</u>	<u>USD214,755</u>	<u>(USD22,633)</u>	<u>(USD199,676)</u>	<u>USD 11,906</u>	

December 31, 2019

<u>Counter-parties</u>	<u>Balance at January 1</u>	<u>Receivables Factoring Proceeds</u>	<u>Cash Received</u>	<u>Advances Received - Used</u>	<u>Balance at September 30</u>	<u>Credit Lines</u>
Bank SinoPac	\$ 90,717	\$ 2,415,900	(\$ 233,598)	(\$ 2,045,643)	\$ 227,376	<u>\$ 910,000</u>
	USD 2,954	USD78,079	(USD 7,558)	(USD65,803)	USD 7,672	
Taishin International Bank	92,461	2,299,881	( 225,095)	( 2,006,656)	160,591	<u>\$ 1,283,000</u>
	USD 3,010	USD74,342	(USD 7,301)	(USD64,618)	USD 5,433	(USD 3,300)
Chang Hwa Bank	8,068	262,114	( 26,267)	( 230,815)	13,100	<u>\$ 98,934</u>
	USD 263	USD 8,467	(USD 851)	(USD 7,438)	USD 441	(USD 3,300)
E.Sun Bank	13,164	1,189,107	( 108,005)	( 1,022,286)	71,980	<u>\$ 494,670</u>
	USD 429	USD38,493	(USD 3,500)	(USD32,995)	USD 2,427	<u>USD16,500</u>
HSBC Bank	61,776	1,125,658	( 64,436)	( 1,019,459)	103,539	<u>\$ 449,700</u>
	<u>USD 2,011</u>	<u>USD36,367</u>	<u>(USD 2,088)</u>	<u>(USD32,803)</u>	<u>USD 3,487</u>	(USD15,000)
	<u>\$ 266,186</u>	<u>\$ 7,292,660</u>	<u>( \$ 657,401)</u>	<u>( \$ 6,324,859)</u>	<u>\$ 576,586</u>	
	<u>USD 8,667</u>	<u>USD235,748</u>	<u>(USD21,298)</u>	<u>(USD203,657)</u>	<u>USD19,460</u>	

September 30, 2019

<u>Counter-parties</u>	<u>Balance at January 1</u>	<u>Receivables Factoring Proceeds</u>	<u>Cash Received</u>	<u>Advances Received - Used</u>	<u>Balance at September 30</u>	<u>Credit Lines</u>
Bank SinoPac	\$ 90,717 USD 2,954	\$ 1,627,361 USD 52,401	(\$ 167,318) (USD 5,394)	(\$ 1,444,230) (USD46,486)	\$ 106,530 USD 3,475	<u>\$ 910,000</u>
Taishin International Bank	92,461 USD 3,010	1,778,488 USD 57,293	( 158,011) (USD 5,095)	( 1,602,179) (USD51,583)	110,759 USD 3,625	<u>\$ 1,213,000</u>
Chang Hwa Bank	8,068 USD 263	170,720 USD 5,488	( 18,343) (USD 591)	( 151,244) (USD 4,861)	9,201 USD 299	<u>\$ 102,432</u> (USD 3,300)
E.Sun Bank	13,164 USD 429	873,616 USD 28,164	( 67,785) (USD 2,181)	( 713,745) (USD22,982)	105,250 USD 3,430	<u>\$ 356,960</u> (USD 11,500)
HSBC Bank	61,776 USD 2,011	847,643 USD 27,278	( 45,430) (USD 1,462)	( 819,228) (USD26,368)	44,761 USD 1,459	<u>\$ 419,040</u> (USD 13,500)
	<u>\$ 266,186</u> <u>USD 8,667</u>	<u>\$ 5,297,828</u> <u>USD170,624</u>	<u>(\$ 456,887)</u> <u>(USD14,723)</u>	<u>(\$ 4,730,626)</u> <u>(USD152,280)</u>	<u>\$ 376,501</u> <u>USD 12,288</u>	

The above credit lines may be used on a revolving basis.

The effective weighted average interest rates for factoring ranged from 0.77%~2.8541%for the nine months ended September 30, 2020, 2.33%~3.875%for the year ended December 31, 2019, and 2.33%~3.4677%for the nine months ended September 30, 2019.

Pursuant to the factoring agreements, losses from commercial disputes (such as sales returns and discounts) are borne by the Company, while losses from credit risk are borne by banks. Refer to Note 36 for information on the use of promissory notes provided by the Group as collateral for the sale of accounts receivable.

### 35. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are the related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The details of transactions between the Group and other related parties are disclosed below.

a. Names and categories of related parties

<u>Name</u>	<u>Related Party Categories</u>
Weikeng Industrial Co., Ltd.	Substantive related party
Weikeng International Co. Ltd.	Substantive related party
Prosperity Venture Capital I, Limited	Substantive related party
CT Continental Corp.	Substantive related party (became subsidiary since September 15, 2020)

b. Sales of goods

<u>Related Party Categories/Name</u>	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Substantive related party	<u>\$ 3,312</u>	<u>\$ 2,189</u>	<u>\$10,192</u>	<u>\$ 5,072</u>

c. Purchases of goods

Related Party Categories/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Substantive related party	<u>\$ 22,351</u>	<u>\$ 11,067</u>	<u>\$ 59,537</u>	<u>\$ 35,272</u>

The related-party transactions were conducted under normal terms.

d. Receivables from related parties (excluding loans to related parties)

Related Party Categories/Name	September 30, 2020	December 31, 2019	September 30, 2019
Substantive related party- others	\$ 2,623	\$ 1,718	\$ 2,182
Substantive related party- CT Continental Corp.	<u>-</u>	<u>664,490</u>	<u>795,192</u>
	<u>\$ 2,623</u>	<u>\$666,208</u>	<u>\$797,374</u>

The revenue from sales to other customers through CT Continental Corp. for the three months ended September 30, 2020 and 2019, and for the nine months ended September 30, 2020 and 2019 were NT\$475,102 thousand, NT\$381,020 thousand, NT\$1,406,487 thousand, and NT\$1,113,911 respectively. Its accounts receivable as of September 30, 2020 was NT\$1,004,013 thousand. The Company acquired CT Continental Corporation as a subsidiary on September 15, 2020. All inter-company transactions have been eliminated from consolidation, please see Table 5 in Note 40.

e. Payables to related parties (excluding loans from related parties)

Related Party Categories/Name	September 30, 2020	December 31, 2019	September 30, 2019
Substantive related party	<u>\$ 23,906</u>	<u>\$ 24,035</u>	<u>\$ 12,042</u>

The outstanding accounts payables to related parties are unsecured.

f. Lease arrangements - the Group is lessee

Acquisition of right-of-use assets

Related Party Categories/Name	For the Nine Months Ended September 30	
	2020	2019
Acquisition of right-of-use assets		
Substantive related party	<u>\$ 10,857</u>	<u>\$ 14,197</u>

Lessor	Location	Lease term and Payment Method
Weikeng Industrial Co., Ltd.	Office building on Huanshan Road, Neihu District	The lease term begins on January 1, 2016 and ends on December 31, 2020. Rent is paid every six months, where the monthly rent is NT\$65,000.

  

Line Items	September 30, 2020	December 31, 2019	September 30, 2019
Lease liabilities - current	\$ 3,318	\$ 3,392	\$ 3,292
Lease liabilities - non-current	<u>6,877</u>	<u>10,166</u>	<u>10,166</u>
	<u>\$ 10,195</u>	<u>\$ 13,558</u>	<u>\$ 13,458</u>

**For the Three Months Ended**

**For the Nine Months Ended**

<b>Related Party Categories/Name</b>	<b>September 30</b>		<b>September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<u>Interest expense</u>				
Substantive related party	\$ <u>28</u>	\$ <u>100</u>	\$ <u>205</u>	\$ <u>324</u>
<u>Lease expense</u>				

<b>Lessor</b>	<b>Location</b>	<b>Lease Term and Payment Method</b>
CT Continental Corp	Office building on Huanshan Road, Neihu District	The lease term begins on March 1, 2017 and ends on February 28, 2019.

g. Lease arrangements - the Group is lessor

Operating leases

<b>Lessor</b>	<b>Location</b>	<b>Lease Term and Payment Method</b>	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
			<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Prosperity Venture Capital I, Limited	Office building on Huanshan Road, Neihu District	The lease term begins on January 1, 2016 and ends on February 28, 2019, and then begins on March 1, 2019 and ends on February 28, 2021. Rent is paid every six months.	\$ <u>9</u>	\$ <u>12</u>	\$ <u>21</u>	\$ <u>24</u>

h. Other transactions with related parties

<b>Line Items</b>	<b>Related Party Categories/Name</b>	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
		<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Research and development fee	Substantive related party	\$ <u>18</u>	\$ <u>80</u>	\$ <u>420</u>	\$ <u>332</u>
Other Operating Expenses	Substantive related party	\$ <u>1,541</u>	\$ <u>680</u>	\$ <u>2,315</u>	\$ <u>1,370</u>

i. Other transactions with related parties

Due to business needs, the company purchased 600,000 shares of CT Continental Corp. from the chairman at NT\$10 per share and total price is NT\$ 6 million, The proposition was presented on the third board of directors' meetings in 2020, and the chairman left due to avoidance of interests. The case was passed unanimously by other directors.



j. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 32,210	\$ 35,780	\$ 56,675	\$ 61,385
Other long-term employee benefits	<u>205</u>	<u>205</u>	<u>615</u>	<u>612</u>
	<u>\$ 32,415</u>	<u>\$ 35,985</u>	<u>\$ 57,290</u>	<u>\$ 61,997</u>

The remuneration of directors and key executives is determined by the remuneration committee based on the performance of individuals and market trends.

### 36. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	September 30, 2020	December 31, 2019	September 30, 2019
Land	\$ 192,283	\$ 186,047	\$ 186,047
Buildings	96,624	98,838	117,070
Financial assets at amortized cost	<u>2,328</u>	<u>2,423</u>	<u>2,508</u>
	<u>\$ 291,235</u>	<u>\$ 287,308</u>	<u>\$ 305,625</u>

The land and buildings above have been pledged as collateral for bank loans. The Group may not use the pledged assets as collateral for other loans or sell them to other companies.

### 37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group were as follows:

a. Significant commitments

- 1) As of September 30, 2020, December 31, 2019, and September 30, 2019, unused letters of credit for purchases of inventories were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
USD	\$ 998	\$ 1,222	\$ 3,012
NTD	150,000	300,000	150,000

- 2) As of September 30, 2020, December 31, 2019, and September 30, 2019, the Group had issued promissory notes for the facilities of bank loans, the facilities of accounts receivables factoring and for purchase of inventories amounted to \$916,000 thousand, \$753,000 thousand and \$1,153,000 thousand, respectively.
- 3) As of September 30, 2020, December 31, 2019, and September 30, 2019, the Group has issued letters of guarantee for purchase of inventories amounted to \$259,532, \$219,015 thousand and \$241,800 thousand, respectively.
- 4) As of September 30, 2020, December 31, 2019, and September 30, 2019, the Group has all issued letters of guarantee for tariff guarantee amounted to \$22,000 thousand.
- 5) As of September 30, 2020, December 31, 2019, and September 30, 2019, commitment for

acquisition of property, plant and equipment were as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Contract amount	\$ 3,230	\$ 12,897	\$ -
Paid amount	( 2,261 )	( 4,025 )	-
Unpaid amount	<u>\$ 969</u>	<u>\$ 8,872</u>	<u>\$ -</u>

b. Contingent liabilities: None

### 38. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE: NONE

### 39. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

#### September 30, 2020

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 285,377	29.1 (USD : NTD)	\$ 8,304,471
CNY	1,534	4.269 (CNY : NTD)	6,547
CNY	36	1.13735 (CNY : HKD)	154
CNY	1,752	0.1467 (CNY : USD)	7,481
HKD	1,773	3.754 (HKD : NTD)	6,656
HKD	29	7.7812 (HKD : USD)	107
EUR	159	34.15 (EUR : NTD)	5,441
JPY	707	0.2756 (JPY : NTD)	195
			<u>\$ 8,331,052</u>
Nonmonetary items			
Investments accounted for using the equity			
USD	131	29.1 (USD : NTD)	<u>\$ 3,815</u>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 126,525	29.1 (USD : NTD)	\$ 3,681,877
USD	5,144	6.7825 (USD : CNY)	149,705
CNY	198	4.269 (CNY : NTD)	846
CNY	242	1.13735 (CNY : HKD)	1,035
HKD	1,268	3.754 (HKD : NTD)	4,761
EUR	40	34.15 (EUR : NTD)	1,358
			<u>\$ 3,839,582</u>

#### December 31, 2019

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 203,262	29.98 (USD : NTD)	\$ 6,093,806
CNY	1,428	4.305 (CNY : NTD)	6,146
CNY	1,727	0.144 (CNY : USD)	7,433
CNY	155	1.0989 (CNY : HKD)	667

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
HKD	904	3.899 (HKD : NTD)	3,479
EUR	119	33.59 (EUR : NTD)	3,998
GBP	86	39.36 (GBP : NTD)	<u>3,392</u>
			<u>\$ 6,118,921</u>
<u>Nonmonetary items</u>			
Investments accounted for using the equity			
USD	155	29.98 (USD : NTD)	<u>\$ 4,693</u>
<u>Financial liabilities</u>			
Monetary items			
USD	116,482	29.98 (USD : NTD)	\$ 3,492,139
USD	3,722	6.964 (USD : CNY)	111,574
CNY	219	4.305 (CNY : NTD)	941
CNY	250	1.118 (CNY : HKD)	1,077
HKD	1,209	3.849 (HKD : NTD)	<u>4,652</u>
			<u>\$ 3,610,383</u>

September 30, 2019

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 192,462	31.04 (USD : NTD)	\$ 5,974,024
USD	150	7.136 (USD : CNY)	4,656
CNY	1,339	4.35 (CNY : NTD)	5,825
CNY	1,716	0.1401 (CNY : USD)	7,463
HKD	638	3.958 (HKD : NTD)	2,525
EUR	95	33.95 (EUR : NTD)	3,221
GBP	42	38.2 (GBP : NTD)	<u>1,618</u>
			<u>\$ 5,999,332</u>
<u>Nonmonetary items</u>			
Investments accounted for using the equity			
USD	155	31.04 (USD : NTD)	<u>\$ 4,931</u>
<u>Financial liabilities</u>			
Monetary items			
USD	128,158	31.04 (USD : NTD)	\$ 3,978,032
USD	2,707	7.136 (USD : CNY)	84,011
CNY	275	4.35 (CNY : NTD)	1,197
EUR	32	38.2 (EUR : NTD)	<u>1,091</u>
			<u>\$ 4,064,331</u>

The Group is mainly exposed to the USD and CNY. The following information was aggregated by the functional currencies of the entities of the Group, and the exchange rates between respective functional currencies and the presentation currency were disclosed.

The significant realized and unrealized foreign exchange gains (losses) were as follows:

For the Three Months Ended September 30				
2020			2019	
Foreign Currencies	Exchange Rate	Net Foreign Exchange (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD : NTD)	(\$ 74,179)	1 (NTD : NTD)	(\$ 1,318)
CNY	4.269 (CNY : NTD)	779	4.35 (CNY : NTD)	( 6,860)
HKD	3.754 (HKD : NTD)	( 278)	3.958 (HKD : NTD)	21
		( \$ 73,678)		( \$ 8,157)

  

For the Nine Months Ended September 30				
2020			2019	
Foreign Currencies	Exchange Rate	Net Foreign Exchange (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD : NTD)	(\$ 110,743)	1 (NTD : NTD)	\$ 22,874
CNY	4.269 (CNY : NTD)	829	4.35 (CNY : NTD)	( 7,289)
HKD	3.754 (HKD : NTD)	( 222)	3.958 (HKD : NTD)	348
		( \$ 110,136)		\$ 15,933

#### 40. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. information on investees:

- 1) Financing provided to others. (None)
- 2) Endorsement/guarantee provided. (Table 1)
- 3) Marketable securities held. (Table 2)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 9) Trading in derivative instruments: Note 7
- 10) Significant transactions between the Company and subsidiaries. (Table 5)

b. Information of investees. (Table 6)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business

activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (Table 8)
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - c) The amount of property transactions and the amount of the resultant gains or losses.
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
  - e) The highest balance, the end balance, the interest rate range, and total current period interest with respect to financing of funds.
  - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

d. Information of major shareholders (Table 9)

#### **41. SEGMENT INFORMATION**

Information reported to the chief operating decision maker (“CODM”) for the purpose of resource allocation and assessment of segment performance focuses on the area of operations. The Group’s segment information which is disclosed is as follows:

##### China region:

Manufacturing and distribution agents established in Mainland China and Hong Kong, including Happy On Supply Chain Management Limited, Promate Electronic (Shenzhen) Co., Ltd., and Promate Electronic (Shanghai) Company Limited.

##### Non-China region:

Manufacturing and distribution agents established outside Mainland China and Hong Kong, including the Company, Promate Solutions Corporation, CT Continental Corporation, Promate Japan Inc., and Promate Electronics Company USA.

The CODM considers manufacturing and distribution agent as a separate operating segment. But for financial statements presentation purposes, these individual operating segments have been aggregated into a single operating segment, taking into account the following factors:

- a. These operating segments have customers with similar risks;
- b. These operating segments have the same method of product delivery to customers.

## Segment Revenues and Operating Results

Analysis by reportable segment of revenues and operating results of continuing operations was as follows:

	<b>For the Nine Months Ended September 30, 2020</b>		
	<b>China Region</b>	<b>Non-China Region</b>	<b>Total</b>
Segment revenue	<u>\$ 5,844,615</u>	<u>\$ 13,723,097</u>	<u>\$ 19,567,712</u>
Segment income	<u>\$ 173,469</u>	<u>\$ 591,678</u>	\$ 765,147
Interest income			4,468
interest expenses			( 58,732 )
Share of loss of associates			( 212 )
Net foreign exchange gains (losses)			( 110,136 )
Other gains and losses			<u>3,679</u>
Profit before income tax			<u>\$ 604,214</u>

	<b>For the Nine Months Ended September 30, 2019</b>		
	<b>China Region</b>	<b>Non-China Region</b>	<b>Total</b>
Segment revenue	<u>\$ 5,003,600</u>	<u>\$ 11,802,168</u>	<u>\$ 16,805,768</u>
Segment income	<u>\$ 165,112</u>	<u>\$ 474,714</u>	\$ 639,826
Interest income			6,966
interest expenses			( 87,531 )
Share of loss of associates			( 228 )
Net foreign exchange gains (losses)			15,933
Other gains and losses			<u>12,124</u>
Profit before income tax			<u>\$ 587,090</u>

The above revenues were generated through transactions with external customers and among segments. The inter-segment revenues for the nine months ended September 30, 2020 and 2019 had been adjusted and eliminated from the consolidated financial statements.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' and supervisors' salaries, share of profits of associates, gain recognized on the disposal of interest in former associates, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gains or losses on disposal of financial instruments, exchange gains or losses, valuation gains or losses on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED

FOR THE NINE MONTHS ENDED SEPTEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/Guaranteed During the Period	Outstanding Endorsement/Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/Guaranteed by Collaterals	Ratio of Accumulated Endorsement/Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/Guarantee Amounts Allowable (Note 2)	Endorsement/Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 1)										
0	Promate Electronic Co., Ltd. and subsidiaries	Promate Electronic (Shanghai) Co., Ltd	(1)	\$1,325,615	\$ 26,370	\$ 25,614	\$ -	\$ -	0.70%	\$1,893,735	Y	N	Y
		Promate Electronic (Shenzhen) Co., Ltd.	(1)	1,325,615	95,555	93,918	-	-	2.48%	1,893,735	Y	N	Y
1	Promate Electronic (Shanghai) Co., Ltd	Promate Electronic (Shenzhen) Co., Ltd.	(2)	1,325,615	27,618	25,614	-	25,614	0.70%	1,893,735	N	N	Y

Note 1 : The 2 types of relationship between a guarantor and a guarantee are set out as follows:

- (1) Companies in which the Company directly and indirectly holds more than 50 percent of the voting shares.
- (2) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares

Note 2 : The endorsement/guarantee limit is determined by the Company in accordance with Articles 36 and 38 of the Securities and Exchange Act and Operational Procedures for

Endorsements/Guarantees resolved by the shareholders' meeting: the total amount of endorsement/guarantee provided by the Company shall not exceed 50% of the net worth of the current period. The endorsement/guarantee provided to a single entity shall not exceed 35% of the net worth of the current period.

- (1) According to the above regulations, aggregate Endorsement/Guarantee Limit: shall not exceed forty percent (50%) of net worth NT\$3,787,470 (in thousands)  $\times$  50% = \$1,893,735 (in thousands).
- (2) According to the above regulations, limits on Endorsement/Guarantee Given on Behalf of Each Party: Shall not exceed thirty percent (35%) of net worth NT\$3,787,470 (in thousands)  $\times$  35% = \$1,325,615 (in thousands).

## PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

AS OF SEPTEMBER 30, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Issuer of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2020				Note	
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value		
Promate Electronic Co., Ltd. and subsidiaries	Ordinary shares								
	Higgstec Inc.	None	Financial assets at fair value through profit or loss - noncurrent	789,000	\$ 35,071	-	\$ 35,071	Publicly traded stocks	
	Jam Technologies, Inc.	"	"	77,821	-	Preferred	-	Non-publicly traded equity investments	
	Always Positive Solar Silicon, Inc.	"	"	525,000	-	Preferred	-	"	
	MiTAC Inc. (Claridy Solutions, Inc.)	"	"	18,140	-	0.01	-	"	
	Easycard Corporation	"	"	8,889	-	12.70	-	"	
	uPI Semiconductor Corp.	"	"	56,080	1,009	-	1,009	"	
	Medimaging Integrated Solution Inc.	"	"	52,819	951	-	951	"	
Promate Solutions Corporation	TricornTech Taiwan Corporation	"	"	48,645	438	-	438	"	
	Higgstec Inc.	"	"	1,221,000	54,273	-	54,273	Publicly traded stocks	
					\$ 91,742				
Promate Electronic Co., Ltd. and subsidiaries	Ordinary shares								
	Mosel Vitelic Inc.	None	Financial assets at fair value through profit or loss - current	62,000	\$ 1,727	-	1,727	Publicly traded stocks	
	WIN Semiconductors Corp.	"	"	9,000	2,578	-	2,578	"	
	Episil Holding Inc.	"	"	28,000	780	-	780	"	
	Zhong Yang Technology Co., Ltd	"	"	30,000	1,524	-	1,524	"	
	Promate Solutions Corporation	Mosel Vitelic Inc.	"	"	30,000	836	-	836	"
		WIN Semiconductors Corp.	"	"	9,000	2,578	-	2,578	"
		Episil Holding Inc.	"	"	50,000	1,392	-	1,392	"
		Zhong Yang Technology Co., Ltd	"	"	30,000	1,524	-	1,524	"
		Userjoy Technology Co., Ltd.	"	"	3,297	232	-	232	"
Pacific Hospital Supply Co. Ltd.	"	"	6,598	464	-	464	"		
Power Wind Health Industry, Inc.	"	"	1,256	195	-	195	"		
					\$ 13,830				
Promate Electronic Co., Ltd. and subsidiaries	Time deposit with an original maturity of more than three months	None	Financial assets at amortized cost - current	USD 80	\$ 2,328	-	\$ 2,328		
Promate Solutions Corporation	Foreign debt instruments:								
	Repurchase Agreement								
	— Bank of China	"	"	USD 2,004	58,317	-	58,317		
	— Bank Of Communications	"	"	USD 614	17,867	-	17,867		
	— PERTAMINA	"	"	USD 1,000	29,100	-	29,100		
— Industrial and Commercial Bank of China (Asia) Limited	"	"	USD 387	11,262	-	11,262			



Holding Company Name	Type and Issuer of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2020				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
	– HSBC Group	"	"	USD 1,563	45,483	-	45,483	
	– Commonwealth Bank of Australia	"	"	USD 437	12,717	-	12,717	
	– CITIC Bank International	"	"	USD 1,007	29,315	-	29,315	
	– British Telecommunications	"	"	USD 2,000	58,200	-	58,200	
					<u>\$ 264,589</u>			

Note: Refer to Tables 6 and 7 for information on interests in subsidiaries, associates, and joint ventures.

**PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Promate Electronic Co., Ltd	Promate Solutions Corporation.	Subsidiary	Sale	\$207,045	1.06%	Transaction terms are not significantly different from those for third parties	\$ -	—	Accounts receivable \$ 35,986	0.59%	
	Promate Electronic (Shenzhen) Co., Ltd.	Subsidiary	"	288,987	1.48%	"	-	—	Accounts receivable 102,472	1.69%	
	Promate Electronic (Shanghai) Co., Ltd	Subsidiary	"	171,736	0.88%	"	-	—	Accounts receivable 49,898	0.82%	

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Promate Electronic Co., Ltd	CT Continental Corporation	Subsidiary	Accounts receivable \$1,004,013	2.25	\$ -	—	\$ 203,613	\$ -
	Promate Electronic (Shenzhen) Co., Ltd.	Subsidiary	Accounts receivable \$102,472	2.33	-	—	28,956	

Note: All intercompany transactions have been eliminated from consolidation.

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Investee Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 4)	Payment Terms	% to Total Sales or Assets (Note 3)
0	Promate Electronic Co., Ltd	Promate Solutions Corporation.	1	Sale	\$ 207,045	Transaction terms are not significantly different from those for third parties	1.06%
	"	"	1	Purchase	12,296	"	0.06%
	"	"	1	Accounts receivable	35,986	"	0.30%
	"	CT Continental Corporation	1	Accounts receivable	1,004,013	Sales to other customers through CTC; transaction terms vary depending on each customer.	8.50%
	"	Happy On Supply Chain Management Ltd.	1	Freight expenses	39,951	"	0.20%
	"	Promate Electronic (Shenzhen) Co., Ltd	1	Sale	288,987	"	1.48%
	"	"	1	Accounts receivable	102,472	"	0.87%
	"	"	1	Service expenses	47,998	"	0.25%
	"	Promate Electronic (Shanghai) Co., Ltd	1	Sale	171,736	"	0.88%
	"	"	1	Accounts receivable	49,898	"	0.42%
	"	"	1	Service expenses	19,208	"	0.10%
1	Promate Solutions Corporation	Promate Electronics Company USA	1	Service expenses	7,106	"	0.04%

Note 1: The parent company and its subsidiaries are numbered as follows:

- a. "0" for the parent company.
- b. Subsidiaries are numbered from "1".

Note 2: The flow of related-party transactions is as follows:

- a. From the parent company to its subsidiary.
- b. From the subsidiary to its parent company.
- c. Between subsidiaries.

Note 3: For assets and liabilities, amounts are shown as a percentage to consolidated total assets as of September 30, 2020, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the nine months ended September 30, 2020.

Note 4: All intercompany transactions have been eliminated from consolidation.

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars/Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2020			Net Income (Loss) of the Investee)	Investment Gain (Loss) (Note)	Note
				September 30, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value			
Promate Electronic Co., Ltd	<u>With control ability</u> Promate Solutions Corporation.	Taipei, Taiwan	Production and trade of electronic components	\$297,527	\$297,527	25,328	66.21	\$705,995	\$166,380	\$110,401	Subsidiary
	Promate International Co., Ltd.	Hong Kong	General investment	52,101	52,101	12,360	100.00	39,841	641	641	Subsidiary
	Happy On Supply Chain Management Ltd.	Hong Kong	Warehousing and logistics services	12,124	12,124	3,000	100.00	32,708	2,657	2,657	Subsidiary
	Promate Electronics Company USA	USA	General trade of electronic components	606	606	20	100.00	9,206	( 226)	( 226)	Subsidiary
	CT Continental Corporation	Taipei, Taiwan	General trade of electronic components	54,000	-	5,400	90.00	54,572	1,370	572	Subsidiary
Promate Electronic Co., Ltd	<u>Having significant influence</u> Prosperity Venture Capital I, Limited	Taipei, Taiwan	General investment	17,215	17,215	11	21.62	3,850	( 983)	( 212)	Equity method investee
Promate Solutions Corporation	<u>With control ability</u> Promate Japan, Inc.	Japan	General trade of electronic components	2,791	2,791	10	100.00	1,955	( 622)	( 622)	Subsidiary

Note: All intercompany transactions have been eliminated from consolidation.

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. For investments in China, disclose the name of the investee, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, gain or loss for the period, carrying amount of the investment, repatriated investment gains:

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Investee Company	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2020	Net Income (Losses) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2020	Accumulated Repatriation of Investment Income as of September 30, 2020
					Outward	Inward						
Promate Electronic (Shenzhen) Co., Ltd.	International trade, entrepot trade, trade with companies and trading agents in free trade zones	\$ 6,782 (USD200)	100% Indirectly invested through Promate International Co, Ltd. (Note 1)	\$ 6,782 USD200	\$ -	\$ -	\$ 6,782 USD200	\$ 2,107 (Note 2)	100	\$ 2,107 (Note 2)	\$ 7,516	\$ -
Promate Electronic (Shanghai) Co., Ltd	"	32,500 (USD1,000)	Same as above	32,500 USD1,000	-	-	32,500 USD1,000	( 1,561) (Note 2)	100	( 1,561) (Note 2)	23,853	-

2. Limit on the amount of investment in China

Accumulated Investment in Mainland China as of September 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 39,282 USD 1,200	\$ 39,282 USD 1,200	\$ 2,492,293

Note 1: Indirect investment in mainland China through holding companies - Promate International co., Ltd.

Note 2: The amount was recognized based on the audited financial statements of the investee company.

**PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Relationship Between the Company and Related Party	Purchase/Sale		Unit Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized Gains or Losses
		Amount	Percentage		Payment Terms	Compared to General Transactions	Ending Balance	% of Total	
Promate Electronic (Shenzhen) Co., Ltd.	Sub-subsidiary indirectly wholly owned by the Company	\$288,987	1.48%	No significant difference	No significant difference	No significant difference	Accounts receivable \$102,472	1.69%	\$ 307
Promate Electronic (Shanghai) Co., Ltd	Sub-subsidiary indirectly wholly owned by the Company	171,736	0.88%	"	"	"	Accounts receivable \$49,898	0.82%	83

1. Endorsements, guarantees or collateral directly and indirectly provided by investee companies in mainland China through businesses in a third area: Table 1.
2. Financial intermediation directly and indirectly provided by investee companies in mainland China through a third area: None.
3. Other transactions that have a material impact on current profit or loss or financial status: None.

**PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****AS OF SEPTEMBER 30, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

<b>Name of Major Shareholder</b>	<b>Shares</b>	
	<b>Number of Shares</b>	<b>Percentage of Ownership (%)</b>
None	-	-

Note: The percentage of ownership of major shareholders included in the table should be more than 5%, which was calculated based on the total number of ordinary shares, preference shares and treasury shares owned in the last trading day of the quarter that were traded in and registered electronically and was prepared by the Taiwan Depository & Clearing Corporation. In addition, the share capital and the actual number of traded shares with the completion of electronic registration stated in the consolidated financial statements might vary due to different calculation basis.