

Promate Electronic Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2021 and 2020 and
Independent Auditors' Review Report**

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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, 2021 and 2020, the related consolidated statements of comprehensive income for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the nine 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, 2021 and 2020, combined total assets of these non-significant subsidiaries were NT\$476,070 thousand and NT\$434,664 thousand, respectively, representing 3.34% and 3.68%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$150,128 thousand and NT\$218,426 thousand, respectively, representing 1.58% and 2.85%, respectively, of the consolidated total liabilities; for the three-month periods ended September 30, 2021 and 2020, and for the nine-month periods ended September 30, 2021 and 2020, the amounts of combined comprehensive income (loss) of these subsidiaries were NT\$(14,582) thousand, NT\$3,085 thousand, NT\$3,928, and NT\$6,876 thousand, respectively, representing (5.57%), 1.9%, 0.56%, and 1.3%, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the three-months and nine-months then ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Po Jen Weng and Hui-Min.Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 10, 2021

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, 2021 (Reviewed)		December 31, 2020 (Audited)		September 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6 and 34)	\$ 2,094,647	15	\$ 2,178,947	18	\$ 1,995,423	17
Financial assets at fair value through profit or loss - current (Notes 4, 7, 20, and 34)	22,505	-	19,375	-	13,930	-
Financial assets at amortized cost - current (Notes 4, 9, 10, 34)	35,698	-	88,075	1	177,074	2
Notes receivable (Notes 4, 11 and 34)	87,043	1	68,817	1	88,134	1
Accounts receivable (Notes 4, 11 and 34)	6,698,296	47	5,513,335	46	5,595,281	47
Accounts receivable from related parties (Notes 4, 11, 34 and 35)	1,206	-	2,194	-	2,623	-
Other receivables (Notes 4, 11 and 34)	789,203	5	714,080	6	496,073	4
Current tax assets (Notes 4 and 28)	1,807	-	447	-	598	-
Inventories (Notes 4 and 12)	2,806,958	20	2,340,329	19	2,573,745	22
Other current assets (Notes 18)	19,784	-	9,271	-	27,914	-
Total current assets	<u>12,557,147</u>	<u>88</u>	<u>10,934,870</u>	<u>91</u>	<u>10,970,795</u>	<u>93</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 8 and 34)	79,268	-	78,433	1	91,742	1
Investments accounted for using the equity method (Notes 4 and 14)	-	-	645	-	3,850	-
Property, plant and equipment (Notes 4, 15, 27, 32 and 36)	383,976	3	391,976	3	393,944	3
Right-of-use assets (Notes 4, 16 and 35)	98,229	1	105,340	1	114,699	1
Other intangible assets (Notes 4, 17 and 27)	9,891	-	6,704	-	7,577	-
Deferred tax assets (Notes 4 and 28)	148,378	1	117,562	1	97,361	1
Prepayments for business facilities (Notes 18)	5,859	-	3,888	-	2,261	-
Refundable Deposits (Notes 18 and 34)	954,176	7	404,982	3	123,172	1
Total non-current assets	<u>1,679,777</u>	<u>12</u>	<u>1,109,530</u>	<u>9</u>	<u>834,606</u>	<u>7</u>
TOTAL	<u>\$ 14,236,924</u>	<u>100</u>	<u>\$ 12,044,400</u>	<u>100</u>	<u>\$ 11,805,401</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 4, 19, 32, 34 and 36)	\$ 2,963,482	21	\$ 2,405,108	20	\$ 2,726,504	23
Short-term bills payable (Notes 4, 19, 32 and 34)	30,000	-	190,000	2	220,000	2
Contract liabilities - current (Notes 22 and 26)	129,553	1	77,704	1	125,601	1
Notes payable (Notes 21 and 34)	2,490	-	24	-	68	-
Accounts payable (Notes 21 and 34)	3,621,500	26	2,739,476	23	2,586,699	22
Accounts payable to related parties (Notes 21, 34 and 35)	30,737	-	19,899	-	27,615	-
Other payables (Notes 22 and 34)	471,107	3	405,209	3	361,995	3
Current tax liabilities (Notes 4 and 28)	114,235	1	75,105	1	36,498	-
Provisions- current (Notes 4 and 23)	3,216	-	3,285	-	3,560	-
Lease liabilities - current (Notes 4, 16, 34 and 35)	36,843	-	34,528	-	34,468	-
Current portion of long-term borrowings (Notes 4, 19, 32, 34 and 36)	-	-	-	-	6	-
Other current liabilities (Note 22)	422,796	3	309,606	2	296,712	3
Total current liabilities	<u>7,825,959</u>	<u>55</u>	<u>6,259,944</u>	<u>52</u>	<u>6,419,726</u>	<u>54</u>
NON-CURRENT LIABILITIES						
Bonds Payable (Note 4, 20, 34)	631,505	5	967,284	8	966,735	8
Provisions- noncurrent (Notes 4 and 23)	1,408	-	2,239	-	2,164	-
Deferred tax liabilities (Notes 4 and 28)	114,810	1	146,866	1	137,278	1
Lease liabilities - noncurrent (Notes 4, 16, 34 and 35)	59,911	-	71,908	1	78,944	1
Net defined benefit liabilities - noncurrent (Notes 4 and 24)	46,665	-	47,559	1	46,584	1
Guarantee Deposits (Notes 22 and 34)	807,714	6	284,864	2	149	-
Total non-current liabilities	<u>1,662,013</u>	<u>12</u>	<u>1,520,720</u>	<u>13</u>	<u>1,231,854</u>	<u>11</u>
Total liabilities	<u>9,487,972</u>	<u>67</u>	<u>7,780,664</u>	<u>65</u>	<u>7,651,580</u>	<u>65</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 25, 30 and 31)						
Share capital						
Ordinary shares	1,902,377	13	1,791,260	15	1,790,452	15
Capital surplus	945,824	7	712,730	6	711,022	6
Retained earnings						
Legal reserve	872,428	6	818,510	7	818,510	7
Special reserve	-	-	15,204	-	15,204	-
Unappropriated earnings	671,173	5	541,910	4	439,771	4
Total retained earnings	1,543,601	11	1,375,624	11	1,273,485	11
Other equity	6,048	-	6,778	-	12,511	-
Total equity attributable to owners of the Company	4,397,850	31	3,886,392	32	3,787,470	32
NON-CONTROLLING INTERESTS (Notes 25, 30 and 31)						
	351,102	2	377,344	3	366,351	3
Total equity	<u>4,748,952</u>	<u>33</u>	<u>4,263,736</u>	<u>35</u>	<u>4,153,821</u>	<u>35</u>
TOTAL	<u>\$ 14,236,924</u>	<u>100</u>	<u>\$ 12,044,400</u>	<u>100</u>	<u>\$ 11,805,401</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			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 26 and 35)								
Sales	\$ 8,418,718	100	\$ 7,361,576	100	\$ 24,261,233	100	\$ 19,567,712	100
OPERATING COSTS (Notes 4, 12, 27 and 35)								
Cost of sales	(7,800,732)	(93)	(6,827,714)	(93)	(22,442,258)	(93)	(18,072,356)	(92)
GROSS PROFIT	<u>617,986</u>	<u>7</u>	<u>533,862</u>	<u>7</u>	<u>1,818,975</u>	<u>7</u>	<u>1,495,356</u>	<u>8</u>
OPERATING EXPENSES (Notes 27 and 35)								
Selling and marketing expenses	(218,037)	(3)	(219,493)	(3)	(651,143)	(3)	(562,648)	(3)
General and administrative expenses	(32,290)	-	(29,884)	-	(93,582)	-	(91,758)	(1)
Research and development expenses	(21,192)	-	(21,823)	-	(63,976)	-	(66,632)	-
Expected credit loss	(8,101)	-	16,006	-	(3,709)	-	(9,171)	-
Total operating expenses	(279,620)	(3)	(255,194)	(3)	(812,410)	(3)	(730,209)	(4)
OPERATING PROFIT	<u>338,366</u>	<u>4</u>	<u>278,668</u>	<u>4</u>	<u>1,006,565</u>	<u>4</u>	<u>765,147</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 27, 29 and 35)								
Interest income	544	-	788	-	1,812	-	4,468	-
Other income- others	3,187	-	3,330	-	4,362	-	3,417	-
Other gains and losses	(8,118)	-	(74,681)	(1)	(114,760)	-	(109,874)	(1)
Finance costs	(13,671)	-	(16,903)	-	(41,986)	-	(58,732)	-
Share of profit (loss) of associates accounted for using equity method	<u>2</u>	<u>-</u>	(<u>70</u>)	<u>-</u>	(<u>607</u>)	<u>-</u>	(<u>212</u>)	<u>-</u>
Total non-operating income and expenses	(18,056)	-	(87,536)	(1)	(151,179)	-	(160,933)	(1)
PROFIT BEFORE INCOME TAX	320,310	4	191,132	3	855,386	4	604,214	3
INCOME TAX EXPENSE (Notes 4 and 28)	(63,216)	(1)	(40,339)	(1)	(170,825)	(1)	(113,661)	-
NET PROFIT FOR THE PERIOD	<u>257,094</u>	<u>3</u>	<u>150,793</u>	<u>2</u>	<u>684,561</u>	<u>3</u>	<u>490,553</u>	<u>3</u>
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	4,849	-	10,160	-	21,895	-	36,345	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	(83)	-	(433)	-	(2,563)	-	(1,558)	-
Unrealized gain on investments in debt instruments at fair value through other comprehensive income	-	-	1,850	-	2,788	-	3,351	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>13</u>	<u>-</u>	<u>87</u>	<u>-</u>	<u>509</u>	<u>-</u>	<u>312</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>4,779</u>	<u>-</u>	<u>11,664</u>	<u>-</u>	<u>22,629</u>	<u>-</u>	<u>38,450</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 261,873</u>	<u>3</u>	<u>\$ 162,457</u>	<u>2</u>	<u>\$ 707,190</u>	<u>3</u>	<u>\$ 529,003</u>	<u>3</u>
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	\$ 242,330	3	\$ 131,628	2	\$ 645,120	3	\$ 434,269	2
Non-controlling interests	<u>14,764</u>	<u>-</u>	<u>19,165</u>	<u>-</u>	<u>39,441</u>	<u>-</u>	<u>56,284</u>	<u>1</u>
	<u>\$ 257,094</u>	<u>3</u>	<u>\$ 150,793</u>	<u>2</u>	<u>\$ 684,561</u>	<u>3</u>	<u>\$ 490,553</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 248,072	3	\$ 141,137	2	\$ 668,800	3	\$ 464,753	3
Non-controlling interests	<u>13,801</u>	<u>-</u>	<u>21,320</u>	<u>-</u>	<u>38,390</u>	<u>-</u>	<u>64,250</u>	<u>-</u>
	<u>\$ 261,873</u>	<u>3</u>	<u>\$ 162,457</u>	<u>2</u>	<u>\$ 707,190</u>	<u>3</u>	<u>\$ 529,003</u>	<u>3</u>
EARNINGS PER SHARE (Note 29)								
Basic	<u>\$ 1.29</u>		<u>\$ 0.74</u>		<u>\$ 3.53</u>		<u>\$ 2.43</u>	
Diluted	<u>\$ 1.14</u>		<u>\$ 0.64</u>		<u>\$ 3.04</u>		<u>\$ 2.27</u>	

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, 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)
Recognition of equity components due to the issuance of convertible corporate bonds-occurred by subscription right	-	-	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 nine months ended September 30, 2020	-	-	-	-	-	434,269	-	-	434,269	56,284	490,553
Other comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	-	(1,246)	31,730	30,484	7,966	38,450
Total comprehensive income (loss) for the nine 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>
BALANCE AT JANUARY 1, 2021	179,126	\$ 1,791,260	\$ 712,730	\$ 818,510	\$ 15,204	\$ 541,910	(\$ 5,218)	\$ 11,996	\$ 3,886,392	\$ 377,344	\$ 4,263,736
Appropriation of 2020 earnings											
Legal reserve	-	-	-	53,918	-	(53,918)	-	-	-	-	-
Special reserve	-	-	-	-	(15,204)	15,204	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(501,553)	-	-	(501,553)	-	(501,553)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(64,632)	(64,632)
Conversion of convertible bonds to common stock	11,112	111,117	233,094	-	-	-	-	-	344,211	-	344,211
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	24,410	-	(24,410)	-	-	-
Net profit for the nine months ended September 30, 2021	-	-	-	-	-	645,120	-	-	645,120	39,441	684,561
Other comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	-	(1,969)	25,649	23,680	(1,051)	22,629
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	645,120	(1,969)	25,649	668,800	38,390	707,190
BALANCE AT SEPTEMBER 30, 2021	<u>190,238</u>	<u>\$ 1,902,377</u>	<u>\$ 945,824</u>	<u>\$ 872,428</u>	<u>\$ -</u>	<u>\$ 671,173</u>	<u>(\$ 7,187)</u>	<u>\$ 13,235</u>	<u>\$ 4,397,850</u>	<u>\$ 351,102</u>	<u>\$ 4,748,952</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	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 855,386	\$ 604,214
Adjustments for:		
Expected loss on credit impairment	3,709	9,171
Depreciation expenses	46,769	46,419
Amortization expenses	2,063	3,002
Finance costs	41,986	58,732
Share of loss(profit) of associates accounted for using the equity method	607	212
Interest income	(1,812)	(4,468)
Dividend income	(1,217)	(3,205)
Loss (gain) on inventory impairment	76,207	(1,976)
Loss (gain) on Lease Modification	(555)	-
Loss (gain) on disposal of investments	13	-
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(1,097)	(3,913)
Net loss (gain) on foreign currency exchange	(2,471)	(1,156)
Loss (gain) on scrap of inventories	185	2,351
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(2,035)	(5,357)
Decrease (increase) notes receivable	(18,226)	(17,586)
Decrease (increase) in accounts receivable	(1,188,659)	(2,170,064)
Decrease (increase) in accounts receivable due from related parties	988	663,585
Decrease (increase) in other receivable	(72,335)	150,557
Decrease (increase) in inventories	(543,016)	147,860
Decrease (increase) in other current assets	(10,513)	(10,281)
Increase (decrease) in contract liabilities	51,849	21,191
Increase (decrease) in notes payable	2,466	38
Increase (decrease) in accounts payable	882,024	663,921
Increase (decrease) in accounts payable to related parties	10,838	1,309
Increase (decrease) in other payable	65,814	931
Increase (decrease) in provisions	(900)	(12,400)
Increase (decrease) in net defined benefit liability	(894)	(835)
Increase (decrease) in other current liabilities	113,190	66,146
Cash generated from (used in) operations	310,364	208,398
Interest paid	(30,681)	(55,933)
Income tax paid	(195,418)	(70,857)
Net cash generated from (used in) operating activities	<u>84,265</u>	<u>81,608</u>

**For the Nine Months Ended
September 30**

2021 **2020**

(Continued)

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of financial assets at fair value through other comprehensive income	(\$ 15,821)	(\$ 31,077)
Acquisition of financial assets at amortized cost	(41,347)	(1,107,770)
Proceeds from disposal of financial assets at fair value through other comprehensive income	36,881	8,130
Proceeds from disposal of financial assets at amortized cost	94,873	930,711
Interest received	1,812	4,468
Acquisition of subsidiary company	-	2,710
Proceeds from capital reduction of investments accounted for using equity method	-	500
Acquisition of property, plant and equipment	(6,069)	(3,396)
Acquisition of intangible assets	(5,250)	-
Increase in prepayments for business facilities	(8,534)	(11,456)
Other dividends received	1,217	3,205
Increase in refundable deposits	(549,194)	-
Decrease in refundable deposits	<u>-</u>	<u>33,074</u>
Net cash used in investing activities	<u>(491,432)</u>	<u>(170,901)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in short-term loans	559,696	16,957
Increase in short-term notes and bills payable	-	10,000
Decrease in short-term notes and bills payable	(160,000)	-
Issuance of corporate bond	-	1,015,887
Repayments of long-term debt	-	(18,822)
Payments of cash dividends	(501,553)	(408,228)
Increase in guarantee deposits received	522,850	-
Decrease in guarantee deposits received	-	(60,091)
Payments of lease liabilities	(31,181)	(30,943)
Dividends paid to non-controlling interests	<u>(64,632)</u>	<u>(64,632)</u>
Net cash generated from financing activities	<u>325,180</u>	<u>460,128</u>

**EFFECTS OF EXCHANGE RATE CHANGES ON THE
BALANCE OF CASH HELD IN FOREIGN CURRENCIES**

	<u>(2,313)</u>	<u>(778)</u>
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**NET INCREASE (DECREASE) IN CASH AND CASH
EQUIVALENTS**

	(84,300)	370,057
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**CASH AND CASH EQUIVALENTS AT THE BEGINNING
OF THE PERIOD**

	<u>2,178,947</u>	<u>1,625,366</u>
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**CASH AND CASH EQUIVALENTS AT THE END OF THE
PERIOD**

	<u>\$ 2,094,647</u>	<u>\$ 1,995,423</u>
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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 NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020 (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 10, 2021

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.

- b. The IFRSs endorsed by FSC for application starting from 2022:

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note1: The amendments to IFRS 9 will be 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” will be 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” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022..

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: 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 on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

1) Annual Improvements to IFRSs Standards 2018-2020

Several standards, including IFRS 9 “Financial Instruments”, were amended in the annual improvements. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

2) Amendments to IFRS 3 “Reference to the Conceptual Framework

The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 “Levies” to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.

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.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
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	January 1, 2023

New IFRSs	Effective Date Announced by IASB (Note 1)
Non-current”	
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after 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 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if

it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
 - b) The Group chose the accounting policy from options permitted by the standards;
 - c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
 - d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
 - e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.
- 4) Amendments to IAS 8 “Definition of Accounting Estimates

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors

- 5) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022, and recognize the cumulative effect of initial application in retained earnings at that date. The Group will apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022.)

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 consolidated 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; and
- 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. 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).

d. Other significant accounting policies

Except for the following, refer to significant accounting policies to the consolidated financial statements for the years ended December 31, 2020 and 2019.

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.

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 critical accounting estimates. The estimates and underlying assumptions are reviewed 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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Cash on hand	\$ 1,654	\$ 2,129	\$ 2,365
Checking accounts and demand deposits	1,791,781	1,880,482	1,797,711
Cash equivalents (time deposits with original maturities less than three months)			
Time deposits	217,625	267,819	107,832
Bonds with repurchase agreements	<u>83,587</u>	<u>28,517</u>	<u>87,515</u>
	<u>\$ 2,094,647</u>	<u>\$ 2,178,947</u>	<u>\$ 1,995,423</u>

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Demand deposits	0.001%~0.48%	0.001%~0.50%	0.001%~0.43%
Time deposits	0.35%~2%	0.17%~0.35%	0.34%~1.25%
Short-term bills	0.35%	0.45%	0.45%~0.60%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Financial assets at FVTPL - current</u>			
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets			
Non-derivative financial assets			
Domestic quoted shares	\$ 12,073	\$ 19,275	\$ 13,830
Foreign non-guaranteed investments	10,332	-	-
Redemption option on convertible bonds	<u>100</u>	<u>100</u>	<u>100</u>
	<u>\$ 22,505</u>	<u>\$ 19,375</u>	<u>\$ 13,930</u>

The group has signed a structurally fixed deposit contract, which includes an embedded derivative that is not strongly correlated to the main contract: The contract includes an asset that is classified as a financial

instrument under IFRS 9, which would classify the contract's evaluation under financial asset at fair value through profit and loss.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Non-current</u>			
Investments in equity instruments	\$ 79,268	\$ 78,433	\$ 91,742
<u>Investments in equity instruments at FVTOCI:</u>			
	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Non-current</u>			
Domestic investments			
Listed shares			
HIGGSTEC Inc.	\$ 70,893	\$ 76,035	\$ 89,344
Medimaging Integrated Solution Inc.	3,615	-	-
Unlisted shares			
UPI Semiconductor Corp.	-	1,009	1,009
Medimaging Integrated Solution Inc.	-	951	951
Tricorntech Corp.	438	438	438
Foreign investments			
Private Funds			
Esquarre IoT Landing Fund,L.P.	4,322	-	-
	<u>\$ 79,268</u>	<u>\$ 78,433</u>	<u>\$ 91,742</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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Current</u>			
Domestic investments			
Time deposits with original maturities of more than 3 months	\$ 2,250	\$ 2,278	\$ 2,328
Less: Allowance for impairment loss	-	-	-
Foreign investments			
Repurchase agreements:			
— Bank of China	-	28,515	29,217
— Bank of Communications.	-	-	17,867
— British Telecommunications	-	-	58,200
— CITIC Securities Finance MTN Co Ltd.	2,446	-	-
— CITIC Group Corporation Ltd.	-	28,567	-
— Formosa Group (Cayman) Ltd.	19,356	-	-
— PERTAMINA	-	28,715	29,100
— Industrial and Commercial Bank of China (Asia) Limited	-	-	11,262
— HSBC Group	-	-	29,100

	September 30, 2021	December 31, 2020	September 30, 2020
— Macquarie Bank Limited	\$ 5,575	\$ -	\$ -
— Sumitomo Mitsui Financial Group, Inc.	<u>6,071</u>	<u>-</u>	<u>-</u>
	<u>\$ 35,698</u>	<u>\$ 88,075</u>	<u>\$ 177,074</u>

- a. The Group purchased repurchase agreements issued by China Bills Finance Corporation and International Bills Finance Corporation, with coupon rates ranging from 0.35% to 0.40%, 0.50% and 0.50% to 0.75%, as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.
- b. Refer to Note 10 for information related to credit risk management and impairment evaluation of financial assets at amortized cost.
- c. Financial assets at amortized cost as collateral for borrowings are set out in Note 36.

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, 2021	December 31, 2020	September 30, 2020
Gross carrying amount	\$ 35,698	\$ 88,075	\$ 177,074
Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	35,698	88,075	177,074
Fair value adjustment	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 35,698</u>	<u>\$ 88,075</u>	<u>\$ 177,074</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:

Category	Description	Basis for Recognizing Expected Credit Losses
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:

At Amortized Cost

Category	Expected Loss Rate	Gross Carrying Amount		
		September 30, 2021	December 31, 2020	September 30, 2020
Normal	0%-0.01%	<u>\$ 35,698</u>	<u>\$ 88,075</u>	<u>\$ 177,074</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, 2021 and 2020.

11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	\$ 87,043	\$ 68,817	\$ 88,134
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 87,043</u>	<u>\$ 68,817</u>	<u>\$ 88,134</u>
From operation	<u>\$ 87,043</u>	<u>\$ 68,817</u>	<u>\$ 88,134</u>
<u>Accounts receivables</u>			
At amortized cost			
Gross carrying amount	\$ 6,731,456	\$ 5,542,797	\$ 5,629,911
Gross carrying amount- related parties	1,206	2,194	2,623
Less: Allowance for impairment loss	<u>(33,160)</u>	<u>(29,462)</u>	<u>(34,630)</u>
	<u>\$ 6,699,502</u>	<u>\$ 5,515,529</u>	<u>\$ 5,597,904</u>
Overdue receivables			
At amortized cost			
Gross carrying amount	\$ 13,972	\$ 13,972	\$ 13,972
Less: Allowance for impairment loss	<u>(13,972)</u>	<u>(13,972)</u>	<u>(13,972)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other receivables			
Accounts receivables at FVTOCI	\$ 638,208	\$ 623,283	\$ 343,006
Tax refund receivables	130,325	78,196	136,245
Customs duty refund receivables	2,165	1,923	1,682
Receivables for disposal of financial assets	10,760	-	9,665
Others	<u>7,745</u>	<u>10,678</u>	<u>5,475</u>
	<u>\$ 789,203</u>	<u>\$ 714,080</u>	<u>\$ 496,073</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, 2021

	<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%-0.04%	0.17%-12.51%	2.97%-21.46%	18.75%-31.64%	22.22%-100%	
Gross carrying amount	\$ 6,047,566	\$ 631,416	\$ 119,074	\$ 5,916	\$ 15,733	\$ 6,819,705
Loss allowance (Lifetime ECL)	(1,377)	(7,895)	(12,601)	(1,129)	(10,158)	(33,160)
Amortized cost	<u>\$ 6,046,189</u>	<u>\$ 623,521</u>	<u>\$ 106,473</u>	<u>\$ 4,787</u>	<u>\$ 5,575</u>	<u>\$ 6,786,545</u>

December 31, 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	0.00%-0.08%	0.27%-8.34%	3.94%-30.21%	18.75%-56.20%	22.22%-100.00%	
Gross carrying amount	\$ 4,900,719	\$ 615,172	\$ 79,122	\$ 7,373	\$ 11,422	\$ 5,613,808
Loss allowance (Lifetime ECL)	(1,093)	(10,943)	(6,095)	(2,294)	(9,037)	(29,462)
Amortized cost	<u>\$ 4,899,626</u>	<u>\$ 604,229</u>	<u>\$ 73,027</u>	<u>\$ 5,079</u>	<u>\$ 2,385</u>	<u>\$ 5,584,346</u>

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>

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

	For the Nine Months Ended September 30			
	2021		2020	
	Trade Receivables	Overdue Receivables	Trade Receivables	Overdue Receivables
Balance on January 1	\$ 29,462	\$ 13,972	\$ 24,991	\$ 13,969
Business combination	-	-	469	-
Add: Amount of expected loss recognized	3,709	-	9,171	-
Classified to overdue receivable	-	-	(3)	3
Foreign exchange gains and losses	(11)	-	2	-
Balance on September 30	<u>\$ 33,160</u>	<u>\$ 13,972</u>	<u>\$ 34,630</u>	<u>\$ 13,972</u>

12. INVENTORIES

	September 30, 2021	December 31, 2020	September 30, 2020
Raw materials and work in process	\$ 254,899	\$ 111,978	\$ 179,912
Merchandise inventories	<u>2,552,059</u>	<u>2,228,351</u>	<u>2,393,833</u>
	<u>\$ 2,806,958</u>	<u>\$ 2,340,329</u>	<u>\$ 2,573,745</u>

Operating cost summarized by nature is listed below.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Cost of Goods Sold	\$ 7,728,635	\$ 6,833,933	\$ 22,365,866	\$ 18,071,981
Impairment (Price recovery)	72,097	(6,219)	76,207	(1,976)
Write-off	-	-	185	2,351
	<u>\$ 7,800,732</u>	<u>\$ 6,827,714</u>	<u>\$ 22,442,258</u>	<u>\$ 18,072,356</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, 2021	December 31, 2020	September 30, 2020	
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
	CT Continental Corporation	International trade	90%	90%	90%	e
PROMATE INTERNATIONA L CO., LTD.	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.	International trade	100%	100%	100%	h

Remarks:

- 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.
- 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 is investment operation.
- 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.
- 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.
- 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, 2021 and 2020 were not reviewed.

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

As of September 30, 2021 and 2020, the combined total assets of these non-significant subsidiaries were NT\$476,070 thousand and NT\$434,664 thousand, respectively, representing 3.34% and 3.68%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT\$150,128 thousand and NT\$218,426 thousand, respectively, representing 1.58% and 2.85%, respectively, of the consolidated total liabilities; for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, the amounts of combined comprehensive income (loss) of these subsidiaries were (NT\$14,582) thousand, NT\$3,085 thousand, NT\$3,928 thousand, and NT\$6,876 thousand, respectively, representing (5.57%), 1.9%, 0.56%, and 1.3%, 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, 2021	December 31, 2020	September 30, 2020
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, 2021	December 31, 2020	September 30, 2020
	2021	2020	2021	2020			
Promate Solutions and its subsidiaries	\$ 14,737	\$ 19,107	\$ 39,335	\$ 56,220	\$344,956	\$371,303	\$360,287

The summarized financial information below represents amounts before intragroup eliminations.

Promate Solutions and its subsidiaries

	September 30, 2021	December 31, 2020	September 30, 2020
Current assets	\$ 1,336,453	\$ 1,320,594	\$ 1,302,579
Non-current assets	157,040	180,117	191,885
Current liabilities	(433,215)	(341,446)	(367,578)
Non-current liabilities	(39,397)	(60,410)	(60,632)
Equity	\$ 1,020,881	\$ 1,098,855	\$ 1,066,254

Equity attributable to:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>	
The Parent Company	\$ 675,925	\$ 727,552	\$ 705,967	
Non-controlling interests of Promate Solutions	<u>344,956</u>	<u>371,303</u>	<u>360,287</u>	
	<u>\$ 1,020,881</u>	<u>\$ 1,098,855</u>	<u>\$ 1,066,254</u>	
	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenue	\$ <u>474,451</u>	\$ <u>489,919</u>	\$ <u>1,114,336</u>	\$ <u>1,370,739</u>
Net income for the period	\$ 43,613	\$ 56,547	\$ 116,409	\$ 166,380
Other comprehensive income for the period	(2,847)	<u>6,378</u>	(3,109)	<u>23,575</u>
Total comprehensive income for the period	<u>\$ 40,766</u>	<u>\$ 62,925</u>	<u>\$ 113,300</u>	<u>\$ 189,955</u>
Net income attributable to:				
The Parent Company	\$ 28,877	\$ 37,440	\$ 77,074	\$ 110,160
Non-controlling interests of Promate Solutions	<u>14,737</u>	<u>19,107</u>	<u>39,335</u>	<u>56,220</u>
	<u>\$ 43,614</u>	<u>\$ 56,547</u>	<u>\$ 116,409</u>	<u>\$ 166,380</u>
Total comprehensive income (loss) attributable to:				
The Parent Company	\$ 26,991	\$ 41,663	\$ 75,016	\$ 125,769
Non-controlling interests of Promate Solutions	<u>13,775</u>	<u>21,262</u>	<u>38,284</u>	<u>64,186</u>
	<u>\$ 40,766</u>	<u>\$ 62,925</u>	<u>\$ 113,300</u>	<u>\$ 189,955</u>
Net cash flow from:				
Operating activities			\$ 186,239	\$ 37,928
Investing activities			(8,357)	(341,452)
Financing activities			(211,622)	(211,853)
Foreign exchange translation			(311)	<u>-</u>
Net cash inflow (outflow)			<u>(\$ 34,051)</u>	<u>(\$ 515,377)</u>
Dividends paid to non-controlling interests Promate Solutions			<u>\$ 64,632</u>	<u>\$ 64,632</u>

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Associates that are not individually material</u>			
Prosperity Venture Capital I, Limited	<u>\$ -</u>	<u>\$ 645</u>	<u>\$ 3,850</u>

Proportion of Ownership and Voting Rights Held by

Name of Associate	the Group		
	September 30, 2021	December 31, 2020	September 30, 2020
Prosperity Venture Capital I, Limited	-	21.62%	21.62%

(Note) Prosperity Venture Capital I, Limited has discontinued operations. Therefore, the Company recognized loss on disposal of associate of NT\$13 thousand and listed in other gains and losses.

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.

	September 30, 2021	December 31, 2020	September 30, 2020
Total assets	\$ -	\$ 2,848	\$ 17,644
Liability	\$ -	(\$ 25)	\$ -
Equity	\$ -	\$ 2,823	\$ 17,644
Proportion of the Group's ownership	-	21.62%	21.62%
Equity attributable to the Group	\$ -	\$ 610	\$ 3,815
Difference between previous year's investment cost and equity value	-	35	35
Carry amount	\$ -	\$ 645	\$ 3,850

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Revenue	\$ -	\$ -	\$ -	\$ -
Net gain (loss)	\$ 10	(\$ 326)	(\$ 2,806)	(\$ 983)
Other comprehensive income for the period	(10)	(360)	(41)	(603)
Total comprehensive income for the period	\$ -	(\$ 686)	(\$ 2,847)	(\$ 1,586)
Dividend distribution	\$ -	\$ 2,312	\$ -	\$ 2,312
Dividend received	\$ -	\$ 500	\$ -	\$ 500

15. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2021	December 31, 2020	September 30, 2020
Assets used by the Group	\$ 383,976	\$ 391,976	\$ 393,944
Assets leased under operating leases	-	-	-
	\$ 383,976	\$ 391,976	\$ 393,944

Assets used by the Group

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Total
Cost							
Balance on January 1, 2021	\$212,223	\$192,373	\$ 83,678	\$ 20,681	\$ 52,979	\$ 76,970	\$638,904
Additions	-	-	-	-	710	5,359	6,069
Disposals	-	-	-	-	(1,708)	(2,210)	(3,918)
Reclassifications	-	-	700	-	-	5,863	6,563
Effect of foreign currency	-	(487)	(2)	(106)	(127)	(14)	(736)
Balance on September 30, 2021	<u>\$212,223</u>	<u>\$191,886</u>	<u>\$ 84,376</u>	<u>\$ 20,575</u>	<u>\$ 51,854</u>	<u>\$ 85,968</u>	<u>\$646,882</u>
Accumulated depreciation							
Balance at January 1, 2021	\$ -	\$ 73,544	\$ 51,660	\$ 17,834	\$ 42,973	\$ 60,917	\$246,928
Disposals	-	-	-	-	(1,708)	(2,210)	(3,918)
Depreciation expense	-	4,992	5,247	577	2,850	6,691	20,357
Effect of foreign currency	-	(243)	(3)	(87)	(115)	(13)	(461)
Balance on September 30, 2021	<u>\$ -</u>	<u>\$ 78,293</u>	<u>\$ 56,904</u>	<u>\$ 18,324</u>	<u>\$ 44,000</u>	<u>\$ 65,385</u>	<u>\$262,906</u>
Carrying amount on September 30, 2021	<u>\$212,223</u>	<u>\$113,593</u>	<u>\$ 27,472</u>	<u>\$ 2,251</u>	<u>\$ 7,854</u>	<u>\$ 20,583</u>	<u>\$383,976</u>
Carrying amount on December 31, 2020 and January 1, 2021	<u>\$212,223</u>	<u>\$118,829</u>	<u>\$ 32,018</u>	<u>\$ 2,847</u>	<u>\$ 10,006</u>	<u>\$ 16,053</u>	<u>\$391,976</u>
Cost							
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>
Accumulated depreciation							
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>

There was no indication of an impairment loss in the nine months ended September 30, 2021 and 2020; 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, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Carrying amounts			
Buildings	\$ 91,465	\$ 102,075	\$ 112,425
Transportation equipment	<u>6,764</u>	<u>3,265</u>	<u>2,274</u>
	<u>\$ 98,229</u>	<u>\$ 105,340</u>	<u>\$ 114,699</u>
	For the Three Months Ended September 30	For the Nine Months Ended September 30	
	<u>2021</u>	<u>2020</u>	<u>2021</u>
			<u>2020</u>
Additions to right-of-use assets		<u>\$ 47,271</u>	<u>\$ 8,103</u>
Depreciation charge for right-of-use assets			
Buildings	\$ 8,343	\$ 8,322	\$ 24,867
Transportation equipment	<u>796</u>	<u>477</u>	<u>1,545</u>
	<u>\$ 9,139</u>	<u>\$ 8,799</u>	<u>\$ 26,412</u>
		<u>\$ 26,412</u>	<u>\$ 25,938</u>

Due to the early termination of the lease contract during current period, the Group's right-of-use assets and lease liabilities were reduced by NT\$27,039 thousand and NT\$27,594 thousand respectively. Thus, it resulted in a lease modification benefit of NT\$555 thousand.

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the nine months ended September 30, 2021 and 2020.

b. Lease liabilities

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Carrying amounts</u>			
Current	<u>\$ 36,843</u>	<u>\$ 34,528</u>	<u>\$ 34,468</u>
Non-current	<u>\$ 59,911</u>	<u>\$ 71,908</u>	<u>\$ 78,944</u>

Range of discount rate for lease liabilities was as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Buildings	2.75%~6.40%	2.75%~6.40%	2.75%~6.40%
Transportation equipment	5.69%	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 3 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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Expenses relating to low-value asset leases	\$ 582	\$ 663	\$ 2,054	\$ 2,390
Total cash outflow for lease			(\$ 33,235)	(\$ 33,333)

The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

17. OTHER INTANGIBLE ASSETS

	<u>Computer Software</u>
<u>Cost</u>	
Balance on January 1, 2021	\$ 23,112
Addition	5,250
Disposal	(6,262)
Effect of foreign currency	(5)
Balance on September 30, 2021	<u>\$ 22,095</u>
<u>Accumulated amortization</u>	
Balance on January 1, 2021	(\$ 16,408)
Amortization expense	(2,063)
Disposal	6,262
Effect of foreign currency	5
Balance on September 30, 2021	<u>(\$ 12,204)</u>
Carrying amounts at December 31, 2020 and January 1, 2021	<u>\$ 6,704</u>
Carrying amount on September 30, 2021	<u>\$ 9,891</u>
<u>Cost</u>	
Balance on January 1, 2020	\$ 29,119
Disposal	(6,012)
Balance on September 30, 2020	<u>\$ 23,107</u>
<u>Accumulated amortization</u>	
Balance on January 1, 2020	(\$ 18,540)
Disposal	6,012
Amortization expense	(3,002)
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, 2021 and 2020. Other intangible assets were amortized on a straight-line basis over their estimated useful lives as follows:

Computer Software	3~10 years
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Amortization expenses summarized by function are as below.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Selling and marketing expenses	\$ 32	\$ 32	\$ 96	\$ 96
General and administrative expenses	501	842	1,688	2,535
Research and development expenses	279	86	279	371
	<u>\$ 812</u>	<u>\$ 960</u>	<u>\$ 2,063</u>	<u>\$ 3,002</u>

18. OTHER ASSETS

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Current</u>			
Prepayments	\$ 18,946	\$ 9,250	\$ 13,705
Others	838	21	14,209
	<u>\$ 19,784</u>	<u>\$ 9,271</u>	<u>\$ 27,914</u>
<u>Non-current</u>			
Prepayments for business facilities	\$ 5,859	\$ 3,888	\$ 2,261
Refundable deposits	954,176	404,982	123,172
Overdue receivables (Note 11)	13,972	13,972	13,972
Allowance for impairment loss - Overdue receivables (Note 11)	(13,972)	(13,972)	(13,972)
	<u>\$ 960,035</u>	<u>\$ 408,870</u>	<u>\$ 125,433</u>

Refundable deposits

Refundable deposits are mainly paid to suppliers as performance bond.

19. BORROWINGS

a. Short-term borrowings

	September 30, 2021	December 31, 2020	September 30, 2020
Secured borrowings (Note 36)			
Bank loans (1)	\$ 1,932,915	\$ 2,060,000	\$ 2,390,468
Bank loans - letters of credit (2)	1,030,567	345,108	336,036
	<u>\$ 2,963,482</u>	<u>\$ 2,405,108</u>	<u>\$ 2,726,504</u>

1) The effective weighted average interest rates for bank loans ranged from 0.577%~4.39%, 0.6305%~0.9371%% and 0.63%~1% per annum as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

2) The effective weighted average interest rate for letters of credit loans was 0.52~0.70%,0.50%~0.8682% and 0.803%~1.224% per annum as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

b. Short-term bills payable

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Commercial paper	\$ 30,000	\$ 190,000	\$ 220,000
Less: Unamortized discount on bills payable	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 30,000</u>	<u>\$ 190,000</u>	<u>\$ 220,000</u>

The effective weighted average interest rates for commercial papers ranged from 0.82%, 0.908%~0.958% and 0.803%~1.224% per annum as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

c. Long-term borrowings

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Secured borrowings (Note 36)</u>			
Bank loans	\$ -	\$ -	\$ 6
Less: Current portion	<u>-</u>	<u>-</u>	<u>(6)</u>
Long-term borrowing	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, and the principal and interests will be repayable monthly until September 30, 2020.

20. Convertible Bond

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Domestic unsecured convertible bonds	\$ 645,000	\$ 997,400	\$ 1,000,000
Less : Discounts on bonds payable	(13,495)	(30,116)	(33,265)
Less: Current portion	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 631,505</u>	<u>\$ 967,284</u>	<u>\$ 966,735</u>

Unsecured Domestic Convertible Bonds - Third Issue

On June 8, 2020, 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 June 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 conversion price after the issuance of convertible corporate bonds will be adjusted according to the anti-dilution clause of the third Unsecured Convertible Bonds Issuance and Conversion Rules of the Company. The conversion price was adjusted from NT\$32.16 per share to NT\$30.16 per share since

August 6, 2021, i.e. the ex-dividend date.

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	966,735
Conversion of corporate bond payable into common shares	(2,516)
Interest charged at an effective interest rate of 1.28%	<u>3,065</u>
Liability component on December 31, 2020	967,284
Conversion of corporate bond payable into common shares	(344,211)
Interest charged at an effective interest rate of 1.28%	<u>8,432</u>
Liability component on September 30, 2021	<u>\$ 631,505</u>

21. NOTES AND ACCOUNTS PAYABLE

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Notes payable</u>			
Non-trade	\$ <u>2,490</u>	\$ <u>24</u>	\$ <u>68</u>
<u>Accounts payable</u>			
Accounts payable	\$ <u>3,621,500</u>	\$ <u>2,739,476</u>	\$ <u>2,586,699</u>
Accounts payable - related parties	\$ <u>30,737</u>	\$ <u>19,899</u>	\$ <u>27,615</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, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Current</u>			
Other payables			
Accrued commissions	\$ 25,710	\$ 16,505	\$ 24,364
Payables for salaries or bonuses	102,626	111,170	82,351
Payables for annual leave	18,750	17,850	10,500
Payables for compensation of employees and remuneration of directors	78,000	62,000	50,000
Subsidiaries' payables for compensation of employees and remuneration of directors	13,700	24,700	20,200
Accrued freights	53,143	46,662	45,949
Payables for dividends	519	519	519
Accrued Interests	3,087	3,003	3,454
Others	<u>175,572</u>	<u>122,800</u>	<u>124,658</u>
	<u>\$ 471,107</u>	<u>\$ 405,209</u>	<u>\$ 361,995</u>

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Contract liability	\$ 129,553	\$ 77,704	\$ 125,601
Others			
Refund liability (1)	\$ 411,424	\$ 291,379	\$ 278,638
Others	<u>11,372</u>	<u>18,227</u>	<u>18,074</u>
	<u>\$ 422,796</u>	<u>\$ 309,606</u>	<u>\$ 296,712</u>
<u>Non-current</u>			
Other liabilities			
Guarantee deposits(2)	<u>\$ 807,714</u>	<u>\$ 284,864</u>	<u>\$ 149</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 are mainly collected from customers.

23. PROVISIONS

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Current</u>			
Warranties	<u>\$ 3,216</u>	<u>\$ 3,285</u>	<u>\$ 3,560</u>
<u>Non-current</u>			
Warranties	<u>\$ 1,408</u>	<u>\$ 2,239</u>	<u>\$ 2,164</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, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, employee benefit expenses in respect of the Group's defined benefit retirement plans were \$97 thousand, \$125 thousand, \$290 thousand, and \$375 thousand, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2020 and 2019.

25. Equity

a. Share capital

Common stock

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</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>190,238</u>	<u>179,126</u>	<u>179,045</u>
Shares issued	<u>\$ 1,902,377</u>	<u>\$ 1,791,260</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.

As of September 30, 2021, 7,294 thousand of common shares issued from convertible bonds has yet to complete the registration process.

b. Capital surplus

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</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	671,246	438,152	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)
	<u>724,950</u>	<u>491,856</u>	<u>490,148</u>
<u>May be used to offset a deficit only</u>			
Changes in percentage of ownership interest in subsidiaries (2)	166,292	166,292	166,292
<u>May not be used for any purpose</u>			
Employee share options	1,250	1,250	1,250
Share options on Convertible Bond	<u>53,332</u>	<u>53,332</u>	<u>53,332</u>
	<u>54,582</u>	<u>54,582</u>	<u>54,582</u>
	<u>\$ 945,824</u>	<u>\$ 712,730</u>	<u>\$ 711,022</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, g.

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 2020 and 2019, which have been approved in the shareholders' meetings on July 26, 2021 and June 15, 2020, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2020	2019
Legal reserve	\$ 53,918	\$ 46,796
Special reserve (Reversal)	(\$ 15,204)	\$ 10,415
Cash dividends	\$ 501,553	\$ 408,223
Cash dividends per share (NT\$)	\$ 2.80	\$ 2.28

d. Special reserves

	For the Nine Months	
	Ended September 30	
	2021	2020
Beginning on January 1	\$ 15,204	\$ 4,789
Appropriations (reversal) of special reserves		
In respect of debits to other equity items	(\$ 15,204)	10,415
Balance on September 30	\$ -	\$ 15,204

e. Other equity items

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

	For the Nine Months	
	Ended September 30	
	2021	2020
Balance on January 1	(\$ 5,218)	(\$ 4,025)
Recognized for the period		
Exchange differences arising on translating the financial statements of foreign operations	(\$ 1,969)	(\$ 1,246)
Other comprehensive income recognized for the period	(\$ 1,969)	(\$ 1,246)
Balance on September 30	(\$ 7,187)	(\$ 5,271)

2) Unrealized gain or loss on Financial Assets at FVTOCI

	For the Nine Months Ended September 30	
	2021	2020
Balance on January 1	\$ 11,996	(\$ 11,180)
Recognized for the period		
Unrealized gain (loss) - equity instruments	22,861	28,379
Net remeasurement of loss allowance	<u>2,788</u>	<u>3,351</u>
Other comprehensive income recognized for the period	<u>25,649</u>	<u>31,730</u>
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	(<u>24,410</u>)	(<u>2,768</u>)
Balance on September 30	<u>\$ 13,235</u>	<u>\$ 17,782</u>

f. Non-controlling interests

	For the Nine Months Ended September 30	
	2021	2020
Balance on January 1	\$ 377,344	\$ 360,733
Share of profit (loss) for the period	39,441	56,284
Other comprehensive income during the period		
Exchange differences arising on translating the foreign operations	(85)	-
Unrealized gain on FVTOCI financial assets	(966)	7,966
Cash dividends distributed by subsidiaries	(64,632)	(64,632)
Increase in non-controlling interests arising from the acquisition of subsidiary. (Note 30)	<u>-</u>	<u>6,000</u>
Balance on September 30	<u>\$ 351,102</u>	<u>\$ 366,351</u>

26. REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Revenue from contracts with customers				
Revenue from sale of goods	\$ 8,410,388	\$ 7,343,848	\$24,208,602	\$19,523,076
Revenue from NRE service	2,749	12,056	36,397	31,609
Revenue from repair	<u>2,854</u>	<u>4,194</u>	<u>10,527</u>	<u>8,921</u>
	<u>8,415,991</u>	<u>7,360,098</u>	<u>24,255,526</u>	<u>19,563,606</u>
Other operating income				
Service revenue	<u>2,727</u>	<u>1,478</u>	<u>5,707</u>	<u>4,106</u>
	<u>\$ 8,418,718</u>	<u>\$ 7,361,576</u>	<u>\$24,261,233</u>	<u>\$19,567,712</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

	September 30, 2021	December 31, 2020	September 30, 2020	January 1, 2020
Notes receivables (Note 11)	\$ 87,043	\$ 68,817	\$ 88,134	\$ 70,548
Accounts receivables (Note 11)	\$ 6,699,502	\$ 5,515,529	\$ 5,597,904	\$ 4,100,529
Contract liabilities - current (Note 22)				
Sale of goods	\$ 129,553	\$ 77,704	\$ 125,601	\$ 104,410

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, 2021

	Reportable Segment					Total
	Application-specific and LCD Display Products	Linear/Distributed Components	Image Processing ICs	Application-specific ICs	Others	
<u>Types of goods or services</u>						
Revenue from the sale of goods	\$ 1,586,291	\$ 3,639,367	\$ 1,752,263	\$ 763,121	\$ 669,346	\$ 8,410,388
Service revenue	5,603	-	-	-	2,727	8,330
	<u>\$ 1,591,894</u>	<u>\$ 3,639,367</u>	<u>\$ 1,752,263</u>	<u>\$ 763,121</u>	<u>\$ 672,073</u>	<u>\$ 8,418,718</u>

For the three months ended September 30, 2020

	Reportable Segment					Total
	Application-specific and LCD Display Products	Linear/Distributed Components	Image Processing ICs	Application-specific ICs	Others	
<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 nine months ended September 30, 2021

	Reportable Segment					Total
	Application-specific and LCD Display Products	Linear/Distributed Components	Image Processing ICs	Application-specific ICs	Others	
<u>Types of goods or services</u>						
Revenue from the sale of goods	\$ 4,606,088	\$10,754,193	\$ 5,196,020	\$ 1,995,786	\$ 1,656,515	\$24,208,602
Service revenue	46,924	-	-	-	5,707	52,631
	<u>\$ 4,653,012</u>	<u>\$10,754,193</u>	<u>\$ 5,196,020</u>	<u>\$ 1,995,786</u>	<u>\$ 1,662,222</u>	<u>\$24,261,233</u>

For the nine months ended September 30, 2020

	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	\$ 3,921,847	\$ 8,779,654	\$ 4,221,541	\$ 1,400,959	\$ 1,199,075	\$19,523,076
Service revenue	<u>40,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,106</u>	<u>44,636</u>
	<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>

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

a. Interest income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Interest Income				
Bank deposits	\$ 441	\$ 319	\$ 1,373	\$ 2,966
Financial assets at amortized cost	<u>103</u>	<u>469</u>	<u>439</u>	<u>1,502</u>
	<u>\$ 544</u>	<u>\$ 788</u>	<u>\$ 1,812</u>	<u>\$ 4,468</u>

b. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Rental income				
Other operating lease	\$ 364	\$ 119	\$ 846	\$ 188
Dividend Income	1,176	3,205	1,217	3,205
Other	<u>1,647</u>	<u>6</u>	<u>2,299</u>	<u>24</u>
	<u>\$ 3,187</u>	<u>\$ 3,330</u>	<u>\$ 4,362</u>	<u>\$ 3,417</u>

c. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Gain (loss) on financial instruments				
Mandatorily measured at FVTPL	(\$ 4,313)	\$ 2,247	\$ 1,097	\$ 3,913
Net foreign exchange gains (losses)	1,122	(73,678)	(103,023)	(110,136)
Gain on Lease Modification	16	-	555	-
Bank charge	(4,931)	(3,931)	(13,375)	(9,816)
Other	<u>(12)</u>	<u>681</u>	<u>(14)</u>	<u>6,165</u>
	<u>(\$ 8,118)</u>	<u>(\$ 74,681)</u>	<u>(\$ 114,760)</u>	<u>(\$ 109,874)</u>

d. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Interest on bank loans	\$ 10,462	\$ 12,765	\$ 30,765	\$ 51,137
Interest on convertible corporate bond	2,290	3,062	8,432	4,080
Interest on lease liabilities	919	1,076	2,789	3,515
	<u>\$ 13,671</u>	<u>\$ 16,903</u>	<u>\$ 41,986</u>	<u>\$ 58,732</u>

There was no interest capitalization in the Group for the three-month period ended September 30, 2021 and 2020, and the nine-month period ended September 30, 2021 and 2020.

e. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
An analysis of deprecation by function				
Operating costs	\$ 222	\$ 233	\$ 688	\$ 701
Operating expenses	15,549	15,543	46,081	45,718
	<u>\$ 15,771</u>	<u>\$ 15,776</u>	<u>\$ 46,769</u>	<u>\$ 46,419</u>
An analysis of amortization by function				
Operating costs	\$ -	\$ -	\$ -	\$ -
Operating expenses	812	960	2,063	3,002
	<u>\$ 812</u>	<u>\$ 960</u>	<u>\$ 2,063</u>	<u>\$ 3,002</u>

f. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Short-term benefits	\$ 159,170	\$ 128,662	\$ 477,002	\$ 397,307
Post-employment benefits				
Defined contribution plans	6,133	3,285	18,100	11,223
Defined benefit plans (see Note 24)	97	125	290	375
	<u>6,230</u>	<u>3,410</u>	<u>18,390</u>	<u>11,598</u>
Other employee benefits	10,322	10,898	30,071	29,093
Total employee benefits expense	<u>\$ 175,722</u>	<u>\$ 142,970</u>	<u>\$ 525,463</u>	<u>\$ 437,998</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 12,962	\$ 13,494	\$ 39,095	\$ 41,234
Operating expenses	162,760	129,476	486,368	396,764
	<u>\$ 175,722</u>	<u>\$ 142,970</u>	<u>\$ 525,463</u>	<u>\$ 437,998</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, 2021 and 2020 were as follows:

Accrual rate

	For the Nine Months Ended September 30	
	2021	2020
Employees' compensation	7.5%	7.5%
Remuneration of directors	1.5%	1.5%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Employees' compensation	\$ 24,500	\$ 13,200	\$ 65,500	\$ 41,900
Remuneration of directors	\$ 4,500	\$ 2,100	\$ 12,500	\$ 8,100

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 2020 and 2019 were approved by the Company's board of directors on March 24, 2021 and March 17, 2020, respectively.

	For the Year Ended December 31	
	2020	2019
	Cash	Cash
Employees' compensation	\$ 52,000	\$ 45,700
Remuneration of directors	10,500	9,900

There was no difference between the actual amounts of the compensation of employees and the remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019.

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, 2020 was adjusted to profit or loss for the years ended December 31, 2021.

	For the Year Ended December 31			
	2020		2019	
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amount approved by the Company's board of directors	\$ 52,000	\$ 10,500	\$ 45,700	\$ 9,900
Amount recognized in the annual consolidated financial statements	\$ 52,000	\$ 10,500	\$ 45,700	\$ 9,200

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 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	
	2021	2020	2021	2020
Foreign exchange gains	\$ 39,600	\$267,995	\$546,766	\$716,953
Foreign exchange losses	(38,478)	(341,673)	(649,789)	(827,089)
Net foreign exchange gains and losses	\$ 1,122	(\$ 73,678)	(\$103,023)	(\$110,136)

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	
	2021	2020	2021	2020
Current tax				
In respect of the current period	\$ 93,479	\$ 32,077	\$232,322	\$116,037
Income tax on unappropriated earnings	-	712	-	712
Adjustment for prior years	-	2,477	861	(6,977)
	<u>93,479</u>	<u>35,266</u>	<u>233,183</u>	<u>109,772</u>
Deferred tax				
In respect of the current period	(30,263)	5,073	(62,358)	3,889
	<u>(30,263)</u>	<u>5,073</u>	<u>(62,358)</u>	<u>3,889</u>
Income tax expense recognized in profit or loss	\$ 63,216	\$ 40,339	\$170,825	\$113,661

b. Income tax expense recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
<u>Deferred tax</u>				
In respect of current period				
Translating the financial statements of foreign operations	\$ 13	\$ 87	\$ 509	\$ 312
Income tax recognized in other comprehensive income (loss)	\$ 13	\$ 87	\$ 509	\$ 312

c. Income tax assessments

The tax returns of the Company and Promate Solutions Corporation through 2019 have been assessed

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	
	2021	2020	2021	2020
Basic earnings per share				
From continuing operation	\$ 1.29	\$ 0.74	\$ 3.53	\$ 2.43
Basic earnings per share total	<u>\$ 1.29</u>	<u>\$ 0.74</u>	<u>\$ 3.53</u>	<u>\$ 2.43</u>
Diluted earnings per share				
From continuing operation	\$ 1.14	\$ 0.64	\$ 3.04	\$ 2.27
Diluted earnings per share total	<u>\$ 1.14</u>	<u>\$ 0.64</u>	<u>\$ 3.04</u>	<u>\$ 2.27</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	
	2021	2020	2021	2020
Income for the period attributable to owners of the Company	<u>\$242,330</u>	<u>\$131,628</u>	<u>\$645,120</u>	<u>\$434,269</u>
Earnings used in the computation of basic earnings per share	\$242,330	\$131,628	\$645,120	\$434,269
Effect of potentially dilutive ordinary shares:				
The after-tax interest of convertible bonds	<u>1,832</u>	<u>2,449</u>	<u>6,746</u>	<u>3,264</u>
Earnings used in the computation of diluted earnings per share	<u>\$244,162</u>	<u>\$134,077</u>	<u>\$651,866</u>	<u>\$437,533</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	
	2021	2020	2021	2020
Weighted average number of ordinary shares in computation of basic earnings per share	188,540	179,045	182,513	179,045
Effect of potentially dilutive ordinary shares:				
Employees' compensation	631	1,260	2,136	1,780
Corporate bond	<u>24,425</u>	<u>28,986</u>	<u>29,762</u>	<u>12,104</u>
Weighted average number of ordinary shares used in the computation of diluted	<u>213,596</u>	<u>209,291</u>	<u>214,411</u>	<u>192,929</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
earnings per share				

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	June 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>
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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	(194)
	<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, 2021 was NT\$1,453,920 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

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

31. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

For the year ended December, 2020

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

	CT Continental Corporation
	For the Year Ended December 31, 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	48,000
Differences recognized to equity transactions	<u>\$ -</u>

32. CASH FLOW INFORMATION

a. Non-cash transaction

For the nine months ended September 30, 2021 and 2020, 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 amounting to NT\$6,563 thousand and NT\$13,220 thousand to property, plant and equipment for the nine months ended September 30, 2021 and 2020, respectively.
- 2) The Group reclassified long-term borrowings amounting to NT\$6 thousand to the current portion of long-term borrowings for the nine months ended September 30, 2020.

b. Reconciliation of liabilities arising from financing activities

For the nine months ended September 30, 2021

	Balance as of January 1, 2021	Cash Flows	Non-cash Changes				Balance as of September 30, 2021
			New Lease	Lease Modified	Interest Amortized	Foreign Currency Exchange Rates	
Short-term borrowings	\$ 2,405,108	\$ 559,696	\$ -	\$ -	\$ -	(\$ 1,322)	\$ 2,963,482
Short-term bills payable	190,000	(160,000)	-	-	-	-	30,000
Guarantee deposits received	284,864	522,850)	-	-	-	-	807,714
Lease liabilities	106,436	(31,181)	47,271	(27,594)	2,789	(967)	96,754
	<u>\$ 2,986,408</u>	<u>\$ 891,365</u>	<u>\$ 47,271</u>	<u>(\$ 27,594)</u>	<u>\$ 2,789</u>	<u>(\$ 2,289)</u>	<u>\$ 3,897,950</u>

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
			New Lease	Lease Modified	Interest Amortized	Foreign Currency Exchange Rates	
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	<u>136,294</u>	<u>(30,943)</u>	<u>8,103</u>	<u>(2,730)</u>	<u>3,515</u>	<u>(827)</u>	<u>113,412</u>
	<u>\$ 3,137,452</u>	<u>(\$ 82,899)</u>	<u>\$ 8,103</u>	<u>(\$ 2,730)</u>	<u>\$ 3,515</u>	<u>(\$ 3,370)</u>	<u>\$ 3,060,071</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, 2021

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost:					
Foreign repurchase agreements	\$ 33,448	\$ -	\$ 33,448	\$ -	\$ 33,448
<u>Financial Liabilities</u>					
Financial liabilities at amortized cost:					
— Bond payable	631,505	645,000	-	-	645,000

December 31, 2020

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost:					
Foreign repurchase agreements	\$ 85,797	\$ -	\$ 85,797	\$ -	\$ 85,797
<u>Financial Liabilities</u>					
Financial liabilities at amortized cost:					
— Bond payable	967,284	997,400	-	-	997,400

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	\$ 174,746	\$ -	\$ 174,746	\$ -	\$ 174,746
<u>Financial Liabilities</u>					
Financial liabilities at amortized cost:					
— Bond payable	966,735	1,000,000	-	-	1,000,000

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, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non-Derivative financial instruments				
Domestic listed shares	\$ 12,073	\$ -	\$ -	\$ 12,073
Derivative financial instruments				
Foreign non-guaranteed investments	10,332	-	-	10,332
Redemption option on convertible bonds	-	100	-	100
	<u>\$ 22,405</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 22,505</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity				
Domestic listed shares	\$ 74,508	\$ -	\$ -	\$ 74,508
Domestic unlisted shares and domestic emerging market shares	-	-	438	438
Foreign Private Funds	-	-	4,322	4,322
	<u>\$ 74,508</u>	<u>\$ -</u>	<u>\$ 4,760</u>	<u>\$ 79,268</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non-Derivative financial instruments				
Domestic listed shares	\$ 19,275	\$ -	\$ -	\$ 19,275
Derivative financial instruments				
Redemption option on convertible bonds	-	100	-	100
	<u>\$ 19,275</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 19,375</u>

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity				
Domestic listed shares	\$ 76,035	\$ -	\$ -	\$ 76,035
Domestic unlisted shares and domestic emerging market shares	-	-	2,398	2,398
	<u>\$ 76,035</u>	<u>\$ -</u>	<u>\$ 2,398</u>	<u>\$ 78,433</u>

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
	<u>\$ 89,344</u>	<u>\$ -</u>	<u>\$ 2,398</u>	<u>\$ 91,742</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

Financial Assets at Fair Value Through Other Comprehensive Income	For the nine months ended September 30	
	2021	2020
Equity Instrument		
Balance at January 1	\$ 2,398	\$ 1,945
Purchase	4,322	453
Transfer out from Level 3	(1,960)	-
Provision for impairment loss	-	-
Balance at September 30	<u>\$ 4,760</u>	<u>\$ 2,398</u>

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

Financial Instruments	Valuation Techniques and Input
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, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Financial assets</u>			
Financial assets at FVTPL			
Mandatorily classified as at FVTPL	\$ 22,505	\$ 19,375	\$ 13,930
Financial assets at amortized cost (Note 1)	10,660,269	8,970,430	8,477,780
Financial assets at FVTOCI			
Equity instruments	79,268	78,433	91,742
<u>Financial liabilities</u>			
Measured at amortized cost (Note 2)	8,558,535	7,011,864	6,889,771

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, convertible bonds payable 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, borrowings and lease liabilities. 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 39.

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.

	U.S. Dollar Impact	
	For the Nine Months Ended	
	September 30	
	2021	2020
Profit or loss	<u>\$ 39,864</u> (i)	<u>\$ 46,226</u> (i)

(i) This was mainly attributable to the exposure outstanding on U.S. dollar-denominated accounts receivables, accounts payables and loans, 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:

	September 30, 2021	December 31, 2020	September 30, 2020
Fair value interest rate risk			
Financial assets	\$ 336,910	\$ 384,411	\$ 372,421
Financial liabilities	661,505	1,157,284	1,186,735
Cash flow interest rate risk			
Financial assets	1,791,781	1,880,482	1,797,711
Financial liabilities	2,963,482	2,405,108	2,726,510

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, 2021 and 2020 would decrease/increase by NT\$4,394 thousand and NT\$3,483 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, 2021 and 2020 would have increased/decreased by \$675 thousand and \$418 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, 2021 and 2020 would have increase/decreased by \$2,378 thousand and \$2,752 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 2021.

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, 2021, December 31, 2020, and September 30, 2020, 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, 2021			
	Less than 1 year	2-3 years	4-5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 2,985,458	\$ -	\$ -	\$ -
Short-term bills payable	30,000	-	-	-
Notes payables	2,490	-	-	-
Accounts payables	3,621,500	-	-	-
Accounts payables to related parties	30,737	-	-	-
Other payables	471,107	-	-	-
Lease liabilities	38,357	55,728	8,203	\$ -
Refund liability	411,424	-	-	-
Bond payable	-	645,000	-	-
	<u>\$ 7,591,073</u>	<u>\$ 700,728</u>	<u>\$ 8,203</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>\$ 38,357</u>	<u>\$ 63,931</u>	<u>\$ -</u>

	December 31, 2020			
	Less than 1 year	2-3 years	4-5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 2,425,156	\$ -	\$ -	\$ -
Short-term bills payable	190,000	-	-	-
Notes payables	24	-	-	-
Accounts payables	2,739,476	-	-	-
Accounts payables to related parties	19,899	-	-	-
Other payables	405,209	-	-	-
Lease liabilities	37,197	72,012	7,101	-
Refund liability	291,379	-	-	-
Bond payable	-	997,400	-	-
	<u>\$ 6,108,340</u>	<u>\$ 1,069,412</u>	<u>\$ 7,101</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>\$ 37,197</u>	<u>\$ 79,113</u>	<u>\$ -</u>

	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 payables	68	-	-	-
Accounts payables	2,586,699	-	-	-
Accounts payables to related parties	27,615	-	-	-
Other payables	361,995	-	-	-
Lease liabilities	37,379	82,786	-	-
Refund liability	278,638	-	-	-
Long-term borrowings	6	-	-	-
Bond payable	-	<u>1,000,000</u>	-	-
	<u>\$ 6,262,687</u>	<u>\$ 1,082,786</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>\$ 37,379</u>	<u>\$ 82,786</u>	<u>\$ -</u>

b) Financing facilities

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Unsecured bank overdraft facilities</u>			
Amount used	\$ 4,250,920	\$ 3,187,442	\$ 3,630,302
Amount unused	<u>3,998,432</u>	<u>4,875,502</u>	<u>4,460,831</u>
	<u>\$ 8,249,352</u>	<u>\$ 8,062,944</u>	<u>\$ 8,091,133</u>
<u>Secured bank borrowings facility</u>			
Amount unused	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,004</u>

e. Transfers of financial assets

Factored accounts receivables were as follows:

September 30, 2021

<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	\$ 252,365	\$ 3,032,694	(\$ 330,799)	(\$ 2,816,940)	\$ 137,320	<u>USD 54,000</u>
	USD 8,902	USD107,829	(USD 10,949)	(USD100,851)	USD 4,931	<u>USD 50,000</u>
Taishin International Bank	116,069	2,472,310	(337,498)	(1,980,066)	270,815	<u>USD 9,724</u>
	USD 4,095	USD 87,823	(USD 11,254)	(USD 70,940)	USD 9,724	<u>USD 6,000</u>
Chang Hwa Bank	16,537	446,787	(49,538)	(398,643)	15,143	<u>USD 544</u>
	USD 582	USD 15,854	(USD 1,626)	(USD 14,266)	USD 544	<u>USD 24,800</u>
E.Sun Bank	80,672	1,465,010	(241,355)	(1,245,196)	59,131	<u>USD 2,123</u>
	USD 2,846	USD 51,974	(USD 8,190)	(USD 44,507)	USD 2,123	<u>USD 20,000</u>
HSBC Bank	157,640	1,487,713	(229,576)	(1,259,978)	155,799	<u>USD 5,594</u>
	<u>USD 5,557</u>	<u>USD 52,799</u>	<u>(USD 7,817)</u>	<u>(USD 44,945)</u>	<u>USD 5,594</u>	<u>USD 638,208</u>
	<u>\$ 623,283</u>	<u>\$ 8,904,514</u>	<u>(\$ 1,188,766)</u>	<u>(\$ 7,700,823)</u>	<u>\$ 638,208</u>	<u>USD 22,916</u>
	<u>USD 21,982</u>	<u>USD316,279</u>	<u>(USD 39,836)</u>	<u>(USD 275,509)</u>	<u>USD 22,916</u>	

December 31, 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	\$ 3,725,646	(\$ 371,908)	(\$ 3,328,749)	\$ 252,365	<u>USD 54,000</u>
	USD 7,672	USD 126,082	(USD 12,641)	(USD 112,211)	USD 8,902	
Taishin International Bank	160,591	2,483,350	(213,557)	(2,314,315)	116,069	<u>\$ 1,283,000</u>
	USD 5,433	USD 83,824	(USD 7,241)	(USD 77,921)	USD 4,095	
Chang Hwa Bank	13,100	540,523	(216,592)	(320,494)	16,537	<u>USD 6,000</u>
	USD 441	USD 18,263	(USD 7,559)	(USD 10,563)	USD 582	
E.Sun Bank	71,980	1,366,675	(172,498)	(1,185,485)	80,672	<u>USD 21,000</u>
	USD 2,427	USD 46,021	(USD 5,872)	(USD 39,730)	USD 2,846	
HSBC Bank	103,539	1,196,122	(288,122)	(853,899)	157,640	<u>USD 12,000</u>
	USD 3,487	USD 40,333	(USD 9,908)	(USD 28,355)	USD 5,557	
	<u>\$ 576,586</u>	<u>\$ 9,312,316</u>	<u>(\$ 1,262,677)</u>	<u>(\$ 8,002,942)</u>	<u>\$ 623,283</u>	
	<u>USD 19,460</u>	<u>USD 314,523</u>	<u>(USD 43,221)</u>	<u>(USD 268,780)</u>	<u>USD 21,982</u>	

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)	\$ 166,812	<u>USD 54,000</u>
	USD 7,672	USD 87,045	(USD 8,027)	(USD 80,898)	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)	(USD 55,240)	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)	(USD 31,164)	USD 1,087	
HSBC Bank	103,539	755,052	(137,836)	(691,846)	28,909	<u>USD 8,000</u>
	USD 3,487	USD 25,231	(USD 4,660)	(USD 23,059)	USD 999	
	<u>\$ 576,586</u>	<u>\$ 6,415,474</u>	<u>(\$ 673,112)</u>	<u>(\$ 5,975,942)</u>	<u>\$ 343,006</u>	
	<u>USD 19,460</u>	<u>USD 214,755</u>	<u>(USD 22,633)</u>	<u>(USD 199,676)</u>	<u>USD 11,906</u>	

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

The effective weighted average interest rates for factoring ranged from 0.66%~1.0936% for the nine months ended September 30, 2021, 0.77%~2.8541% for the year ended December 31, 2020, and 0.77%~2.8541% for the nine months ended September 30, 2020.

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 37 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

Name	Related Party Categories
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 June 15, 2020)
HIGGSTEC Inc.	The management – The company is a corporate director of the entity.

b. Sales of goods

Related Party Categories/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Substantive related party	\$ 1,328	\$ 3,312	\$ 4,175	\$ 10,192
The management	36	221	323	514
	<u>\$ 1,364</u>	<u>\$ 3,533</u>	<u>\$ 4,498</u>	<u>\$ 10,706</u>

c. Purchases of goods

Related Party Categories/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Substantive related party	\$ 24,035	\$ 22,351	\$ 44,759	\$ 59,537
The management	5,483	4,523	9,451	10,670
	<u>\$ 29,518</u>	<u>\$ 26,874</u>	<u>\$ 54,210</u>	<u>\$ 70,207</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, 2021	December 31, 2020	September 30, 2020
Substantive related party	\$ 1,206	\$ 2,180	\$ 2,623
The management	-	14	-
	<u>\$ 1,206</u>	<u>\$ 2,194</u>	<u>\$ 2,623</u>

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

Related Party Categories/Name	September 30, 2021	December 31, 2020	September 30, 2020
Substantive related party	\$ 25,469	\$ 17,985	\$ 23,906
The management	5,268	1,914	3,709
	<u>\$ 30,737</u>	<u>\$ 19,899</u>	<u>\$ 27,615</u>

The outstanding accounts payables to related parties are unsecured.

f. Lease arrangements - the Group is lessee

Related Party Categories/Name	For the Nine Months Ended September 30	
	2021	2020
Acquisition of right-of-use assets		
Substantive related party	\$ 14,523	\$ -

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, 2021 and ends on December 31, 2025. Rent is paid every six months, where the monthly rent is NT\$334,500.

Line Items	September 30, 2021	December 31, 2020	September 30, 2020
Lease liabilities - current	\$ 3,604	\$ 3,441	\$ 3,318
Lease liabilities - non-current	7,367	6,877	6,877
	<u>\$ 10,971</u>	<u>\$ 10,318</u>	<u>\$ 10,195</u>

Related Party Categories/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
<u>Interest expense</u>				
Substantive related party	\$ 82	\$ 28	\$ 271	\$ 205

Related Party Categories/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
<u>Gain on Lease Modification</u>				
Substantive related party	\$ -	\$ -	\$ 297	\$ -

g. Lease arrangements - the Group is lessor

Operating leases

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

h. Other transactions with related parties

Line Items	Related Party Categories/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2021	2020	2021	2020
Research and development fee	Substantive related party	\$ 200	\$ 18	\$ 579	\$ 420
	The management	\$ 665	\$ 602	\$ 892	\$ 935
Other Operating Expenses	Substantive related party	\$ -	\$ 1,541	\$ -	\$ 2,315

i. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 35,108	\$ 32,210	\$ 67,606	\$ 56,675
Other long-term employee benefits	171	205	521	615
	<u>\$ 35,279</u>	<u>\$ 32,415</u>	<u>\$ 68,127</u>	<u>\$ 57,290</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, 2021	December 31, 2020	September 30, 2020
Land	\$ 192,283	\$ 202,723	\$ 192,283
Buildings	108,991	118,794	96,624
Financial assets at amortized cost	2,250	2,278	2,328
	<u>\$ 303,524</u>	<u>\$ 323,795</u>	<u>\$ 291,235</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

- As of September 30, 2021, December 31, 2020, and September 30, 2020, unused letters of credit for purchases of inventories were as follows:.

	September 30, 2021	December 31, 2020	September 30, 2020
USD	\$ 8,612	\$ 598	\$ 998
NTD	333,716	150,000	150,000

- As of September 30, 2021, December 31, 2020, and September 30, 2020, 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 \$953,000 thousand, \$903,000 thousand and \$916,000 thousand, respectively.

- 3) As of September 30, 2021, December 31, 2020, and September 30, 2020, the Group has issued letters of guarantee for purchase of inventories amounted to \$217,490, \$218,786 thousand and \$259,532 thousand, respectively.
- 4) As of September 30, 2021, December 31, 2020, and September 30, 2020, the Group has all issued letters of guarantee for tariff guarantee amounted to \$22,000 thousand.
- 5) As of September 30, 2021, December 31, 2020, and September 30, 2020, commitment for acquisition of property, plant and equipment were as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Contract amount	\$ 13,794	\$ 11,380	\$ 3,230
Paid amount	(5,859)	(3,888)	(2,261)
Unpaid amount	<u>\$ 7,935</u>	<u>\$ 7,492</u>	<u>\$ 969</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, 2021

	<u>Foreign Currencies</u>		<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 360,455	27.85	USD:NTD	\$ 10,038,663
CNY	766	4.305	CNY:NTD	3,297
CNY	36	1.2042	CNY:HKD	155
CNY	1,783	0.1542	CNY:USD	7,674
HKD	7,243	3.576	HKD:NTD	25,901
HKD	35	0.12841	HKD:USD	127
EUR	358	32.32	EUR:NTD	11,573
GBP	45	37.46	GBP:NTD	1,685
USD	196	111.92	USD:JPY	5,457
JPY	5,981	0.249	JPY:NTD	1,489
				<u>\$ 10,096,021</u>
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	217,317	27.85	USD:NTD	\$ 6,052,282
USD	7,203	6.4862	USD:CNY	200,615
CNY	5,417	4.305	CNY:NTD	23,319
CNY	195	1.2042	CNY:HKD	841
HKD	2,426	0.12841	HKD:USD	8,677
EUR	16	32.32	EUR:NTD	511
USD	160	111.92	USD:JPY	4,463
JPY	1,570	0.249	JPY:NTD	391
				<u>\$ 6,291,099</u>

December 31, 2020

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>		<u>Carrying Amount</u>
<u>Financial assets</u>				
Monetary items				
USD	\$ 284,263	28.48	USD:NTD	\$ 8,095,815
CNY	2,659	4.377	CNY:NTD	11,637
CNY	76	1.19215	CNY:HKD	333
CNY	1,758	0.15369	CNY:USD	7,696
HKD	2,415	3.673	HKD:NTD	8,869
HKD	27	0.12897	HKD:USD	101
EUR	168	35.02	EUR:NTD	5,869
JPY	585	0.2763	JPY:NTD	162
				<u>\$ 8,130,482</u>
Nonmonetary items				
Investments accounted for using the equity				
USD	21	28.48	USD:NTD	<u>\$ 645</u>
<u>Financial liabilities</u>				
Monetary items				
USD	136,304	28.48	USD:NTD	\$ 3,881,930
USD	6,424	6.5067	USD:CNY	182,943
CNY	86	4.377	CNY:NTD	375
CNY	187	1.19215	CNY:HKD	819
HKD	1,264	3.673	HKD:NTD	4,643
EUR	10	35.02	EUR:NTD	340
				<u>\$ 4,071,050</u>

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	0.12851	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>\$ 3,850</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

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
HKD	1,268	3.754 HKD:NTD	4,761
EUR	40	34.15 EUR:NTD	1,358
			<u>\$ 3,839,582</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				
		<u>2021</u>	<u>2020</u>	
Foreign Currencies	Exchange Rate	Net Foreign Exchange (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD : NTD)	\$ 1,578	1 (NTD : NTD)	(\$ 74,179)
CNY	4.305 (CNY : NTD)	(459)	4.269 (CNY : NTD)	779
HKD	3.576 (HKD : NTD)	6	3.754 (HKD : NTD)	(278)
JPY	0.249 (JPY : NTD)	(3)	0.2756 (JPY : NTD)	-
		<u>\$ 1,122</u>		<u>(\$ 73,678)</u>

For the Nine Months Ended September 30				
		<u>2021</u>	<u>2020</u>	
Foreign Currencies	Exchange Rate	Net Foreign Exchange (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD : NTD)	(\$ 108,010)	1 (NTD : NTD)	(\$ 110,743)
CNY	4.305 (CNY : NTD)	4,738	4.269 (CNY : NTD)	829
HKD	3.576 (HKD : NTD)	242	3.754 (HKD : NTD)	(222)
JPY	0.249 (JPY : NTD)	7	0.2756 (JPY : NTD)	-
		<u>(\$ 103,023)</u>		<u>(\$ 110,136)</u>

40. OTHER ITEMS

On April 29, 2021, the Company's board of directors resolved to subscribe Esquarre IoT Landing Fund, L.P. in US\$5 million. The investments in private funds accounted for 2.93% of the company's total equity of the current period. As of September 30, 2021, the Company has invested US\$77,000 and measured at fair value through other comprehensive income. Please refer to Note 8 disclosure.

41. 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 3)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
 - 9) Trading in derivative instruments. (None)
 - 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)

42. 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:

	For the Nine Months Ended September 30, 2021		
	China Region	Non-China Region	Total
Segment revenue	\$ 7,742,285	\$ 16,518,948	\$ 24,261,233
Segment income	\$ 347,950	\$ 658,615	\$ 1,006,565
Interest income			1,812
interest expenses			(41,986)
Share of loss of associates			(607)
Net foreign exchange gains (losses)			(103,023)
Other gains and losses			(7,375)
Profit before income tax			\$ 855,386

	For the Nine Months Ended September 30, 2020		
	China Region	Non-China Region	Total
Segment revenue	\$ 5,844,615	\$ 13,723,097	\$ 19,567,712
Segment income	\$ 173,469	\$ 591,678	\$ 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			3,679
Profit before income tax			\$ 604,214

The above revenues were generated through transactions with external customers and among segments. The inter-segment revenues for the nine months ended September 30, 2021 and 2020 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 30, 2021

(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)	\$1,559,248	\$ 26,304	\$ 25,830	\$ 6,458	\$ -	0.59%	\$2,198,925	Y	N	Y
		Promate Electronic (Shenzhen) Co., Ltd.	(1)	1,559,248	52,608	51,660	6,458	-	1.17%	2,198,925	Y	N	Y
1	Promate Electronic (Shanghai) Co., Ltd	Promate Electronic (Shenzhen) Co., Ltd.	(2)	1,559,248	26,304	25,830	-	25,830	0.59%	2,198,925	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\$4,397,850 (in thousands) × 50% = \$2,198,925 (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\$4,397,850 (in thousands) × 35% = \$1,539,248 (in thousands).

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

AS OF SEPTEMBER 30, 2021

(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, 2021				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Promate Electronic Co., Ltd. and subsidiaries	Ordinary shares							
	Higgstec Inc.	The management	Financial assets at fair value through profit or loss - noncurrent	789,000	\$ 30,219	-	\$ 30,219	Publicly traded stocks
	Medimaging Integrated Solution Inc.	None	"	66,551	3,615	-	3,615	"
	TricornTech Taiwan Corporation	"	"	48,645	438	-	438	Non-publicly traded equity investments
	Esquarre IoT Landing Fund	"	"		2,158	-	2,158	Private funds
Promate Solutions Corporation	Higgstec Inc.	The management	"	1,062,000	40,674	-	40,674	Publicly traded stocks
	Esquarre IoT Landing Fund	"	"		2,164	-	2,164	Private funds
					<u>\$ 79,268</u>			
Promate Electronic Co., Ltd. and subsidiaries	Ordinary shares							
	KO JA (CAYMAN) CO., LTD.	None	Financial assets at fair value through profit or loss - current	9,696	\$ 707	-	\$ 707	Publicly traded stocks
	Sports Gear Co., Ltd.	"	"	30,000	2,100	-	2,100	"
Promate Solutions Corporation	KO JA (CAYMAN) CO., LTD.	"	"	40,000	2,916	-	2,916	"
	Sports Gear Co., Ltd.	"	"	40,000	2,800	-	2,800	"
	AUDIX CORPORATION.	"	"	8,000	431	-	431	"
	Asia Vital Components Co., Ltd.	"	"	10,000	792	-	792	"
	INTERNATIONAL GAMES SYSTEM CO.,LTD.	"	"	2,000	1,310	-	1,310	"
	eGalax_eMPIA Technology Inc.	"	"	4,120	321	-	321	"
	NAN YA PRINTED CIRCUIT BOARD CORPORATION	"	"	1,600	696	-	696	"
Promate Electronic (Shenzhen) Co., Ltd	Foreign non-guaranteed investments	"	"	RMB 2,400	<u>10,332</u>	-	10,332	"
					<u>\$ 22,405</u>			
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 81	\$ 2,250	-	\$ 2,250	
	Foreign debt instruments:							
	Repurchase Agreement							
Promate Electronic Co., Ltd. and subsidiaries	— Macquarie Bank Limited	"	"	USD 200	5,575	-	5,575	
Promate Solutions Corporation	— CITIC Securities Finance MTN Co Ltd	"	"	USD 88	2,446	-	2,446	
	— Formosa Group [Cayman] Ltd.	"	"	USD 695	19,356	-	19,356	
	— Sumitomo Mitsui Financial Group, Inc	"	"	USD 218	6,071	-	6,071	
					<u>\$ 35,698</u>			

Note 1 : Refer to Tables 6 and 7 for information on interests in subsidiaries, associates, and joint ventures.

Note 2 : Jam Technologies, Always Positive Solar Silicon, Inc. and Youyouyun Co., Ltd have been settled and liquidated; MiTAC Inc. (Claridy Co. Ltd) has suffered from losses for consecutive years. The company has assessed that these companies have no profitability in the foreseeable future, and has recognized the remaining balances as losses

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, 2021
(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	\$224,735	0.93%	Transaction terms are not significantly different from those for third parties	\$ -	—	Accounts receivable \$ 89,174	1.31%	
	Promate Electronic (Shenzhen) Co., Ltd.	Subsidiary	"	402,722	1.66%	"	-	—	Accounts receivable 115,806	1.70%	
	Promate Electronic (Shanghai) Co., Ltd	Subsidiary	"	246,997	1.02%	"	-	—	Accounts receivable 91,865	1.35%	

Note: All intercompany transactions have been eliminated from consolidation.

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

AS OF SEPTEMBER 30, 2021

(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 \$1,453,920	2.20	\$ -	—	\$ 129,790	\$ -
	Promate Electronic (Shenzhen) Co., Ltd.	Subsidiary	Accounts receivable \$115,806	4.43	-	—	42,857	

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, 2021
(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	\$ 224,735	Transaction terms are not significantly different from those for third parties	0.93%
	"	"	1	Accounts receivable	89,174	"	0.63%
	"	CT Continental Corporation	1	Accounts receivable	1,453,920	Sales to other customers through CTC; transaction terms vary depending on each customer.	10.21%
	"	Happy On Supply Chain Management Ltd.	1	Freight expenses	37,260	Transaction terms are not significantly different from those for third parties	0.15%
	"	Promate Electronic (Shenzhen) Co., Ltd	1	Sale	402,722	"	1.66%
	"	"	1	Accounts receivable	115,806	"	0.81%
	"	"	1	Other accrued expenses	16,144	"	0.17%
	"	"	1	Service expenses	16,406	"	0.07%
	"	Promate Electronic (Shanghai) Co., Ltd	1	Sale	246,997	"	1.02%
	"	"	1	Accounts receivable	91,865	"	0.64%

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, 2021, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the nine months ended September 30, 2021.

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, 2021
(In Thousands of New Taiwan Dollars/Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2021			Net Income (Loss) of the Investee)	Investment Gain (Loss) (Note)	Note
				September 30, 2021	December 31, 2020	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	\$ 675,999	\$ 116,410	\$ 77,067	Subsidiary
	Promate International Co., Ltd. Happy On Supply Chain Management Ltd.	Hong Kong	General investment	52,101	52,101	12,360	100.00	60,564	2,302	2,302	Subsidiary
		Hong Kong	Warehousing and logistics services	12,124	12,124	3,000	100.00	15,001	171	171	Subsidiary
	Promate Electronics Company USA	USA	General trade of electronic components	606	606	20	100.00	8,465	(4)	(4)	Subsidiary
	CT Continental Corporation	Taipei, Taiwan	General trade of electronic components	54,000	54,000	5,400	90.00	55,323	1,057	952	Subsidiary
Promate Electronic Co., Ltd	<u>Having significant influence</u> Prosperity Venture Capital I, Limited	Taipei, Taiwan	General investment	-	17,215	-	-	-	(2,806)	(607)	Equity method investee
Promate Solutions Corporation	<u>With control ability</u> Promate Japan, Inc.	Japan	General trade of electronic components	2,791	2,791	100	100.00	3,094	403	403	Subsidiary

Note: All intercompany transactions have been eliminated from consolidation.

TABLE 7

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

**INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(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, 2021	Net Income (Losses) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2021	Accumulated Repatriation of Investment Income as of September 30, 2021
					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	\$2,001 (Note 2)	100	\$ 2,001 (Note 2)	\$ 21,225	\$ -
Promate Electronic (Shanghai) Co., Ltd	"	32,500 (USD1,000)	Same as above	32,500 USD1,000	-	-	32,500 USD1,000	281 (Note 2)	100	281 (Note 2)	30,926	-

2. Limit on the amount of investment in China

Accumulated Investment in Mainland China as of September 30, 2021	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	\$ 2,849,371

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, 2021

(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	\$ 402,722	1.66%	No significant difference	No significant difference	No significant difference	Accounts receivable \$115,806	1.70%	\$ 11
Promate Electronic (Shanghai) Co., Ltd	Sub-subsidiary indirectly wholly owned by the Company	246,997	1.02%	"	"	"	Accounts receivable \$ 91,865	1.35%	101

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, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
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.