

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries
Consolidated Financial Statements and Report of Independent
Accountants
2020 and the Third Quarter of 2019
(Stock Code: 3357)

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Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries

Consolidated Financial Statements and Report of Independent Accountants for 2020 and the Third Quarter of

2019

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Report of Independent Accountants

(2020) Cai-Shen-Bao-Zi No. 20001575

To: Tai-Tech Advanced Electronics Co., Ltd.

Introduction

We have audited the consolidated balance sheets for 2020 and September 30, 2020; the consolidated balance sheet for 2020 and from July 1, 2019 to September 30, 2019 as well as consolidated statement of comprehensive income for 2020 and from January 1, 2019 to September 30, 2019; and the consolidated statement of changes in equity, the consolidated statement of cash flow, and the notes to consolidated financial statements (including a summary of major accounting policies) for 2020 and from January 1, 2019 to September 30, 2019 for Tai-Tech Advanced Electronics and its subsidiaries (hereafter “the Group”). 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.” Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 “Review of Financial Information Performance 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.

Conclusion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group for 2020 and as of September 30, 2019; their consolidated financial performances for 2020 and from July 1, 2019 to September 30, 2019 as well as for 2020 and from January 1, 2019 to September 30, 2019; and the consolidated cash flows for 2020 and from January 1, 2019 to September 30, 2019, according the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” approved by FSC.

PricewaterhouseCoopers Taiwan

Yen-Na Li

Certified Public Accountant (CPA)

Wei-Hao Wu

Former Financial Supervisory Commission and Securities and Futures
Bureau of the Executive Yuan

Official Approval Letter No.: Jin-Guan-Zheng-Liu-Zi No. 0950122728

Financial Supervisory Commission

Official Approval Letter No.: Jin-Guan-Zheng-Shen-Zi No.
1080323093

November 9, 2020

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

September 30, 2020 and December 31, 2019, September 30, 2019

(The consolidated balance sheet for 2020 and September 30, 2019 is reviewed, but not audited according to the Generally Accepted Auditing Standards)

Unit: NT\$ thousand

	Assets	Note	September 30, 2020		December 31, 2019		September 30, 2019	
			Amount	%	Amount	%	Amount	%
Current assets								
1100	Cash and cash equivalents	6 (1)	\$ 449,972	8	\$ 582,212	11	\$ 635,992	12
1136	Financial assets measured at amortized cost	6 (1)						
	– current		85,461	1	-	-	-	-
1150	Notes receivable, net	6 (2)	50,002	1	53,226	1	52,637	1
1170	Accounts receivable, net	6 (2)	1,625,391	28	1,261,562	24	1,190,415	23
1180	Accounts receivable from related parties, net	6 (2) and 7	146,118	3	94,619	2	104,292	2
1200	Other receivables	7	19,194	-	11,292	-	14,491	-
130X	Inventory	6 (3)	606,353	11	509,749	10	538,991	10
1410	Pre-payments		25,670	-	37,796	1	40,545	1
1470	Other current assets		6	-	6	-	951	-
11XX	Total current assets		<u>3,008,167</u>	<u>52</u>	<u>2,550,462</u>	<u>49</u>	<u>2,578,314</u>	<u>49</u>
Non-current assets								
1517	Financial assets at fair value through other comprehensive income - non-current	6 (4)	169,313	3	151,611	3	149,282	3
1600	Property, plant and equipment	6 (5) and 8	2,486,819	44	2,444,207	46	2,475,531	47
1755	Right-of-use assets	6 (6), 7, and 8	35,977	1	38,686	1	36,487	1
1780	Intangible assets		17,406	-	13,304	-	13,056	-
1840	Deferred income tax assets	6 (22)	5,595	-	41,707	1	17,240	-
1900	Other non-current assets	6 (7)	12,981	-	4,758	-	26,197	-
15XX	Total non-current assets		<u>2,728,091</u>	<u>48</u>	<u>2,694,273</u>	<u>51</u>	<u>2,717,793</u>	<u>51</u>
1XXX	Total assets		<u>\$ 5,736,258</u>	<u>100</u>	<u>\$ 5,244,735</u>	<u>100</u>	<u>\$ 5,296,107</u>	<u>100</u>

(Continued)

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

September 30, 2020 and December 31, 2019, September 30, 2019

(The consolidated balance sheet for 2020 and September 30, 2019 is reviewed, but not audited according to the Generally Accepted Auditing Standards)

Unit: NT\$ thousand

Liabilities and equity	Note	September 30, 2020		December 31, 2019		September 30, 2019		
		Amount	%	Amount	%	Amount	%	
Current liabilities								
2100	Short-term borrowings	6 (8)	\$ 511,255	9	\$ 646,270	12	\$ 778,273	15
2110	Short-term notes and bills payable	6 (9)	110,000	2	120,000	2	110,000	2
2150	Notes payable		60,284	1	93,363	2	26,534	-
2160	Notes payable - related party	7	-	-	-	-	122	-
2170	Accounts payable		560,292	10	435,465	8	427,768	8
2180	Accounts payable - related parties	7	26,974	-	19,698	1	27,850	1
2200	Other payables	6 (10) and 7	572,337	10	413,310	8	520,676	10
2230	Current income tax liabilities	6 (22)	62,010	1	31,420	1	64,899	1
2280	Lease liabilities - current	7	3,133	-	3,422	-	2,379	-
2300	Other current liabilities	6 (11)	46,500	1	48,964	1	23,964	-
21XX	Total current liabilities		<u>1,952,785</u>	<u>34</u>	<u>1,811,912</u>	<u>35</u>	<u>1,982,465</u>	<u>37</u>
Non-current liabilities								
2540	Long-term borrowings	6 (11)	323,000	6	276,322	5	288,250	6
2570	Deferred income tax liabilities	6 (22)	108,561	2	118,023	2	95,427	2
2580	Lease liabilities - non-current	7	4,539	-	6,283	-	4,338	-
2640	Net defined benefit liabilities – non-current	6 (12)	8,139	-	8,002	-	11,264	-
2670	Other non-current liabilities - others		14,959	-	16,601	1	17,483	-
25XX	Total non-current liabilities		<u>459,198</u>	<u>8</u>	<u>425,231</u>	<u>8</u>	<u>416,762</u>	<u>8</u>
2XXX	Total liabilities		<u>2,411,983</u>	<u>42</u>	<u>2,237,143</u>	<u>43</u>	<u>2,399,227</u>	<u>45</u>
Equity attributable to shareholders of the parent								
Share capital								
3110	Common shares	6 (13)	910,000	16	910,000	17	910,000	17
Capital surplus								
3200	Capital surplus	6 (14)	123,523	2	214,523	4	214,523	4
Retained earnings								
3310	Legal reserve	6 (15)	360,404	6	316,130	6	316,130	6
3320	Special reserve		89,991	2	76,642	2	76,642	2
3350	Unappropriated earnings		1,928,048	34	1,580,288	30	1,421,000	27
Other equity								
3400	Other equity	6 (16)	(87,691)	(2)	(89,991)	(2)	(41,415)	(1)
3XXX	Total equity		<u>3,324,275</u>	<u>58</u>	<u>3,007,592</u>	<u>57</u>	<u>2,896,880</u>	<u>55</u>
Significant Commitments or Contingencies								
3X2X	Total liabilities and equity	9	<u>\$ 5,736,258</u>	<u>100</u>	<u>\$ 5,244,735</u>	<u>100</u>	<u>\$ 5,296,107</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements; please refer to them altogether.

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries
Consolidated Statement of Comprehensive Income
2020 and January 1, 2019 to September 30, 2019

(The consolidated statement of comprehensive income is reviewed, but not audited according to the Generally Accepted Auditing Standards)

Unit: NT\$ thousand
(Except Earnings Per Share in New Taiwan Dollars)

Item	Note	July 1 to September 30, 2020		July 1 to September 30, 2019		January 1 to September 30, 2020		January 1 to September 30, 2019		
		Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue	6 (17) and 7	\$ 1,230,919	100	\$ 894,655	100	\$ 3,269,866	100	\$ 2,390,225	100
5000	Operating costs	6(3) (20)								
		(21) and 7	(823,385)	(67)	(617,972)	(69)	(2,180,012)	(67)	(1,705,707)	(72)
5900	Gross profit		407,534	33	276,683	31	1,089,854	33	684,518	28
	Operating expenses	6 (20)								
		(21) and 7								
6100	Selling and marketing expenses		(74,608)	(6)	(62,720)	(7)	(217,683)	(7)	(177,450)	(7)
6200	General and administrative expenses		(48,480)	(4)	(42,983)	(5)	(136,192)	(4)	(123,685)	(5)
6300	Research and development expenses		(33,985)	(3)	(23,850)	(2)	(87,281)	(3)	(68,483)	(3)
6450	Expected credit impairment benefit (loss)	12 (2)	781	-	(6,278)	(1)	15,020	1	6,741	-
6000	Total operating expenses		(156,292)	(13)	(135,831)	(15)	(426,136)	(13)	(362,877)	(15)
6900	Operating gains		251,242	20	140,852	16	663,718	20	321,641	13
	Non-operating income and expenses									
7100	Interest income		700	-	1,021	-	2,524	-	2,627	-
7010	Other income	6 (18) and 7	3,185	-	12,730	1	37,518	1	40,018	2
7020	Other gains and losses	6 (19)	(30,545)	(2)	5,152	1	(30,517)	(1)	13,722	1
7050	Financial costs	6 (8) (9)								
		(11)	(2,298)	-	(4,474)	(1)	(8,318)	-	(13,404)	(1)
7000	Total non-operating incomes and expenses		(28,958)	(2)	14,429	1	1,207	-	42,963	2
7900	Income before income tax		222,284	18	155,281	17	664,925	20	364,604	15
7950	Income tax expenses	6 (22)	(35,431)	(3)	(28,576)	(3)	(104,842)	(3)	(81,146)	(3)
8200	Net profit (loss) for current period		\$ 186,853	15	\$ 126,705	14	\$ 560,083	17	\$ 283,458	12
	Other comprehensive income (loss), net of income tax									
	Components of other comprehensive income that will not be reclassified to profit or loss	6 (4)(16)								
8316	Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		(\$ 12,090)	(1)	\$ 15,022	2	\$ 18,660	1	\$ 24,034	1
8310	Total components of other comprehensive income that will not be reclassified to profit or loss		(12,090)	(1)	15,022	2	18,660	1	24,034	1
	Items that may be reclassified subsequently to profit or loss	6 (16)								
8361	Exchange differences on translating the financial statements of foreign operations		46,740	4	(62,760)	(7)	(16,360)	(1)	(43,414)	(2)
8360	Total of items that may be reclassified subsequently to profit or loss		46,740	4	(62,760)	(7)	(16,360)	(1)	(43,414)	(2)
8300	Other comprehensive income (loss), net of income tax		\$ 34,650	3	(\$ 47,738)	(5)	\$ 2,300	-	(\$ 19,380)	(1)
8500	Total comprehensive income (loss) for the current period		\$ 221,503	18	\$ 78,967	9	\$ 562,383	17	\$ 264,078	11
	Net income attributable to:									
8610	shareholders of the parent		\$ 186,853	15	\$ 126,705	14	\$ 560,083	17	\$ 283,458	12
	Total comprehensive income (loss) attributable to:									
8710	shareholders of the parent		\$ 221,503	18	\$ 78,967	9	\$ 562,383	17	\$ 264,078	11
	Earnings per share (EPS)	6 (23)								

The accompanying notes are an integral part of the consolidated financial statements; please refer to them altogether.

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries
Consolidated Statement of Comprehensive Income
2020 and January 1, 2019 to September 30, 2019

(The consolidated statement of comprehensive income is reviewed, but not audited according to the Generally Accepted Auditing Standards)

Unit: NT\$ thousand

(Except Earnings Per Share in New Taiwan Dollars)

9750	Basic earnings per share attributable to shareholders of the parent	<u>\$</u> 2.05	<u>\$</u> 1.39	<u>\$</u> 6.15	<u>\$</u> 3.11
9850	Diluted earnings per share attributable to shareholders of the parent	<u>\$</u> 2.05	<u>\$</u> 1.39	<u>\$</u> 6.10	<u>\$</u> 3.08

The accompanying notes are an integral part of the consolidated financial statements; please refer to them altogether.

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries
Consolidated Statement of Changes in Equity
2020 and January 1, 2019 to September 30, 2019

(The consolidated statement of comprehensive income is reviewed, but not audited according to the Generally Accepted Auditing Standards)

Unit: NT\$ thousand

	Equity attributable to shareholders of the parent									Total equity	
	Capital surplus				Retained earnings			Other equity			
	Note	Common shares	additional paid-in capital	Recognized change in ownership interests in subsidiaries	net assets from merger	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translating the financial statements of foreign operations		Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
<u>January 1 to September 30, 2020</u>											
January 1, 2019		\$ 910,000	\$ 354,824	\$ 12,353	\$ 2,046	\$ 266,103	\$ 76,642	\$ 1,324,069	(\$ 119,260)	\$ 97,225	\$ 2,924,002
Net income for January 1, 2019 to September 30, 2019		-	-	-	-	-	-	283,458	-	-	283,458
Other comprehensive income for January 1, 2019 to September 30, 2019	6 (16)	-	-	-	-	-	-	-	(43,414)	24,034	(19,380)
Total comprehensive income for January 1, 2019 to September 30, 2019		-	-	-	-	-	-	283,458	(43,414)	24,034	264,078
Appropriation and distribution of earnings:	6 (15)										
Legal reserve		-	-	-	-	50,027	-	(50,027)	-	-	-
Cash dividends		-	-	-	-	-	-	(136,500)	-	-	(136,500)
Capital surplus distributed in cash		-	(154,700)	-	-	-	-	-	-	-	(154,700)
Balance as of September 30, 2019		<u>\$ 910,000</u>	<u>\$ 200,124</u>	<u>\$ 12,353</u>	<u>\$ 2,046</u>	<u>\$ 316,130</u>	<u>\$ 76,642</u>	<u>\$ 1,421,000</u>	<u>(\$ 162,674)</u>	<u>\$ 121,259</u>	<u>\$ 2,896,880</u>
<u>January 1 to September 30, 2020</u>											
Balance at January 1, 2020		<u>\$ 910,000</u>	<u>\$ 200,124</u>	<u>\$ 12,353</u>	<u>\$ 2,046</u>	<u>\$ 316,130</u>	<u>\$ 76,642</u>	<u>\$ 1,580,288</u>	<u>(\$ 214,279)</u>	<u>\$ 124,288</u>	<u>\$ 3,007,592</u>
Net income from January 1, 2020 to September 30, 2020		-	-	-	-	-	-	560,083	-	-	560,083
Other comprehensive income from January 1, 2020 to September 30, 2020	6 (16)	-	-	-	-	-	-	-	(16,360)	18,660	2,300
Total comprehensive income from January 1, 2020 to September 30, 2020		-	-	-	-	-	-	560,083	(16,360)	18,660	562,383
Appropriation and distribution of earnings:	6 (15)										
Legal reserve		-	-	-	-	44,274	-	(44,274)	-	-	-
Special reserve		-	-	-	-	-	13,349	(13,349)	-	-	-
Cash dividends		-	-	-	-	-	-	(154,700)	-	-	(154,700)
Capital surplus distributed in cash		-	(91,000)	-	-	-	-	-	-	-	(91,000)
Balance at September 30, 2020		<u>\$ 910,000</u>	<u>\$ 109,124</u>	<u>\$ 12,353</u>	<u>\$ 2,046</u>	<u>\$ 360,404</u>	<u>\$ 89,991</u>	<u>\$ 1,928,048</u>	<u>(\$ 230,639)</u>	<u>\$ 142,948</u>	<u>\$ 3,324,275</u>

The accompanying notes are an integral part of the consolidated financial statements; please refer to them altogether.

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries

Consolidated Statement of Cash Flow

2020 and January 1, 2019 to September 30, 2019

(The consolidated statement of comprehensive income is reviewed, but not audited according to the Generally Accepted Auditing Standards)

Unit: NT\$ thousand

	Note	January 1 to September 30, 2020	January 1 to September 30, 2019
<u>Cash Flow from Operating Activities</u>			
Income before income tax		\$ 664,925	\$ 364,604
Adjustments			
Adjustments for income and expenses			
Expected credit impairment reversal gain	12 (2)	(15,020)	(6,741)
Depreciation expenses (including right-of-use assets)	6 (20)	224,666	204,892
Amortization	6 (20)	1,231	953
Loss (gain) on disposal of property, plant and equipment	6 (19)	(870)	1,213
Impairment loss recognized on property, plant, and equipment	6 (19)	2,021	-
Interest income		(2,524)	(2,627)
Dividends income	6 (18)	(12,960)	(11,649)
Interest expenses		8,318	13,404
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		3,224	(17,031)
Accounts Receivable		(349,300)	36,003
Accounts receivable due from related parties		(50,291)	4,025
Other receivables		(7,902)	(3,515)
Inventory		(96,604)	(14,768)
Pre-payments		12,126	11,575
Other current assets		-	(831)
Changes in operating liabilities, net			
Notes payable		(81,979)	(101,325)
Notes payable - related party		-	(1,094)
Accounts payable		124,827	65,678
Accounts payables to related parties		7,276	(3,986)
Other payables		120,682	(69,100)
Net defined benefit liabilities		137	205
Other non-current liabilities		(1,642)	(1,966)
Cash generated from operating activities		550,341	467,919
Interest paid		(8,318)	(13,404)
Income taxes paid		(47,284)	(56,759)
Net cash inflow from operating activities		494,739	397,756

(Continued)

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries

Consolidated Statement of Cash Flow

2020 and January 1, 2019 to September 30, 2019

(The consolidated statement of comprehensive income is reviewed, but not audited according to the Generally Accepted Auditing Standards)

Unit: NT\$ thousand

	Note	January 1 to September 30, 2020	January 1 to September 30, 2019
<u>Cash Flow from Investment Activities</u>			
Interests received		\$ 2,524	\$ 2,627
Dividends received		12,960	11,649
(Increase) decrease in financial assets measured at amortized cost		(85,461)	15,664
Acquisition of property, plant and equipment	6 (24)	(190,035)	(213,818)
Proceeds from disposal of property, plant and equipment		1,546	4,821
Acquisition of intangible assets		(3,488)	(262)
(Increase) decrease of other current assets		(8,223)	12,075
Net cash flows used in investing activities		(270,177)	(167,244)
<u>Cash Flow from Financing Activities</u>			
Increase in short-term borrowings		1,961,070	2,813,918
Repayments for short-term borrowings		(2,092,316)	(2,789,150)
Decrease in short-term notes and bills payable		(10,000)	(40,000)
Repayment of the principal portion of lease liabilities		(2,597)	(2,781)
Increase in long-term borrowings		120,000	180,000
Repayment for long-term borrowings		(75,786)	(17,452)
Cash dividends appropriated	6 (15)	(154,700)	(136,500)
Capital surplus distributed in cash	6 (15)	(91,000)	(154,700)
Net cash used in financing activities		(345,329)	(146,665)
Exchange rate adjustments		(11,473)	(12,928)
Increase (decrease) in cash and cash equivalents for the period		(132,240)	70,919
Cash and cash equivalents - beginning balance		582,212	565,073
Cash and cash equivalents - ending balance		\$ 449,972	\$ 635,992

The accompanying notes are an integral part of the consolidated financial statements; please refer to them altogether.

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
2020 and the Third Quarter of 2019

(The consolidated statement of comprehensive income is reviewed, but not audited according to the Generally Accepted Auditing Standards)

Unit: NT\$ thousand
(unless otherwise specified)

I. Company History and Business Scope

Tai-Tech Advanced Electronics (hereinafter referred to as the "Company") was incorporated on November 2, 1992. The Company and its subsidiaries (hereinafter collectively referred to as the "Group") mainly engages in manufacturing and processing of electronic parts, magnet cores, multilayer wire-wound and other wire-wound products and acts as an agent for domestic and foreign companies in terms of quotation, bidding, distribution and import and export of the said products.

II. Approval Date and Procedure of the Financial Statements

The Consolidated Financial Report has passed the board of directors resolution and were published on November 9, 2020.

III. Application of New Standards, Amendments and Interpretations

- (1) Effect of adoption of the newly issued or amended International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of SIC (SIC) (hereinafter collectively referred to as the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The following table sets forth the standards and interpretations for the new issues, amendments, and revisions of International Financial Reporting Standards (IFRS) recognized by the FSC for application in 2020:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date announced by IASB</u>
Amendment to IAS 1 and IAS 8: "Disclosure Initiative - Definition of Materiality"	January 1, 2020
Amendment to IFRS 3: "Definition of Business"	January 1, 2020
Amendments to the IFRS 9, IAS 39, and IFRS 7 "Changes in Interest Rate Indicators"	January 1, 2020
Amendment to IFRS 16 "COVID-19-Related Rent Concessions"	June 1, 2020 (Note)

Note: FSC has authorized early application from January 1, 2020 onward.

The Group has assessed the aforementioned standards and interpretations and concluded that they do not have significant effects on the Group's financial position and financial performance.

- (2) Effects of Not Adopting the Newly Issued or Amended IFRSs Endorsed by the FSC

New standards, interpretations, and amendments endorsed by FSC effective from 2021 are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date announced by IASB</u>
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	January 1, 2021

The Group has assessed the aforementioned standards and interpretations and concluded that they do not have significant effects on the Group's financial position and financial performance.

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

New standards and interpretations of and amendments to the IFRSs issued by IASB but not yet endorsed by the FSC are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date announced by IASB</u>
Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022
Amendments to IFRS 10 and IAS 28 - “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Yet to be determined by IASB
IFRS 17 - Insurance Contracts	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Classification of liabilities as current or non-current”	January 1, 2023
Amendments to IAS 16 “Property, plant and equipment: Proceeds before intended use”	January 1, 2022
Amendments to IAS 37 “Onerous contract - costs incurred in fulfilling contracts”	January 1, 2022
Annual Improvements to IFRS Standards 2018 - 2020 Cycle	January 1, 2022
Interest Rate Benchmark Reform—Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	January 1, 2021

The Group has assessed the aforementioned standards and interpretations and concluded that they do not have significant effects on the Group’s financial position and financial performance.

IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

(1) Statement of Compliance

These 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.

(2) Basis of Preparation

1. Except for the following significant accounts, the consolidated financial statements have been prepared under the historical cost convention:

- (1) Financial assets at fair value through other comprehensive income.
- (2) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

2. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred to hereinafter as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of Consolidation

1. Principles for preparing the consolidated financial statements

- (1) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities

(including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries in the financial statements begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

- (2) Inter-company transactions, balances, and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

2. Subsidiaries included in the consolidated financial statements:

Investor name	Subsidiary name	Business nature	Shareholding percentage			Remarks
			2020 September 30	2019 December 31	2019 September 30	
The Company	North Star International Limited	Buying and selling of electronic components	100%	100%	100%	
The Company	Best Bliss Investments Limited	Invested business	100%	100%	100%	
Best Bliss Investments Limited	TAI-TECH Advanced Electronics (Kunshan) Limited	Production, processing and sale of electronic components	100%	100%	100%	
Best Bliss Investments Limited	Fixed Rock Holding Ltd.	Investment in related businesses and purchase and sale of electronic parts	100%	100%	100%	
Best Bliss Investments Limited	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Production, processing and sale of electronic components	7.71%	7.71%	7.71%	Note 1
Fixed Rock Holding Ltd.	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Production, processing and sale of electronic components	92.29%	92.29%	92.29%	Note 2

Note 1: Best Bliss Investments Limited increased investment in TAIPAQ Electronics (Si-Hong) Co., Ltd. for a total of USD2,556 thousand in June 2019.

Note 2: Fixed Rock Holding Ltd. increased investment in TAIPAQ Electronic Components (Si-Hong) Co., Ltd. for a total of USD4,000 thousand in July 2019

3. Subsidiaries not included in the consolidated financial statements

None.

4. Adjustments for subsidiaries with different accounting periods

None.

5. Major restrictions

The Group's cash and short-term deposits in the amount of RMB 59,610 thousand were deposited in China and subject to local foreign exchange control. Such foreign exchange control restricts fund from remitting out

from China (except for regular dividends).

6. Subsidiaries with significant non-controlling interest for the Group

None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (hereinafter referred to as the "functional currency"). The consolidated financial statements are presented in "New Taiwan Dollars," which is the Group's functional currency.

1. Foreign currency transactions and balance

- (1) Foreign currency derived from transactions was translated into the functional currency using the spot exchange rate prevailing on the measurement date or the trade date, with the resulting exchange difference recognized as gain or loss.
- (2) The balance of monetary assets or liabilities denominated in foreign currency is adjusted by the exchange rate prevailing at the balance sheet date, with the resulting differences recognized as gain or loss.
- (3) Non-monetary assets or liabilities denominated in foreign currency are adjusted by the spot exchange rate on the balance sheet date, with the resulting difference recognized in profit or loss if they are measured at fair value through profit or loss, or in other comprehensive income if they are measured at fair value through other comprehensive income. If they are not measured at fair value, they are measured by applying the historical exchange rate on the transaction date.

2. Translation of foreign operations financial statements

The results and financial position of entities within the Group whose functional currency is not the presentation currency are translated into the presentation currency using the following procedures:

- (1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (2) Income and expenses for each statement of comprehensive income (including comparatives) are translated at the average exchange rates for the period; and
- (3) All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of Current and Non-current Assets and Liabilities

1. Assets that meet one of the following criteria are classified as current assets:

- (1) Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (2) They are held primarily for trading.
- (3) Assets that are expected to be realized within 12 months after the balance sheet date.
- (4) Cash and cash equivalents, excluding those that are restricted, or to be exchanged or used to settle liabilities at least twelve months after the balance sheet date.

Assets that do not meet the above criteria are classified as non-current assets by the Group.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

- (1) Liabilities that are expected to be settled within the normal operating cycle.
- (2) They are held primarily for trading.
- (3) Liabilities that are expected to be settled within 12 months after the balance sheet date.
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its transactions by the issue of equity instruments do not affect its classification.

Liabilities that do not meet the above criteria are classified as non-current liabilities by the Group.

(6) Cash equivalents

Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that fit the said definition and are intended to

meet short-term operating cash commitments are classified as cash equivalents.

(7) Financial assets at fair value through other comprehensive income

1. It means the Group made an irrevocable election upon initial recognition to recognize the fair value changes in equity instruments not held for trading at other comprehensive income.
2. The Group's financial assets measured at fair value through other comprehensive income according to the trading conventions are accounted for on the trade date.
3. They are measured initially at the fair value plus transaction costs and subsequently at fair value. If they are equity instruments, their fair value changes are recognized in other comprehensive income; upon derecognition, the accumulated gains or losses in other comprehensive income are not transferred to profit or loss, but to retained earnings. The Group recognizes dividend income in profit or loss when (a) the Group's right to the dividends is established; (b) the economic benefits associated with dividends are probable to flow to the Group; and (c) such dividends can be reliably measured.

(8) Financial assets at amortized cost

1. Financial assets that simultaneously satisfy the following criteria are classified in this category:
 - (1) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
 - (2) The contractual terms of the financial assets give rise on specified date to cash flow that are solely payments of principal and interest on the principal amount outstanding.
2. The Group recognizes its time deposits not qualified as cash equivalents at the investment amount because they are held for a short period of time and so have insignificant discount effect.

(9) Accounts Receivables and Notes Receivables

1. Accounts receivable and notes receivable denote that the Group has unconditional right to the consideration, in the form of receivables or notes, for the goods and services transferred.
2. The Group measures short-term accounts receivable and notes receivables that do not bear an interest at the invoice value because they have insignificant discount effect.

(10) Impairment of Financial Assets

At the end of each reporting period, the Group considers financial assets at amortized cost, investments in debt instruments that are measured at fair value through other comprehensive income, and receivables (including significant financial components) and takes into consideration all reasonable and supporting information (including the forward-looking information). For financial assets of which the credit risk does not significantly increase since initial recognition, the Group recognizes an allowance equal to 12-month expected credit losses; for financial assets of which the credit risk significantly increases since initial recognition, the Group recognizes an allowance equal to the lifetime expected credit loss; for accounts receivables that do not contain significant financial components or plan assets, the Group recognizes an allowance equal to the lifetime expected credit loss.

(11) Derecognition of Financial Assets

The Group derecognizes a financial asset when the contractual rights to receive cash flows from the financial asset expire.

(12) Inventory

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity), excluding borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance is recognized in profit or loss when accrued.
3. Property, plant and equipment are subsequently measured at cost. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Property, plant and equipment are depreciated individually if they contain any significant components.
4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each end of reporting year. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors," from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Building and structures	5~50 years
Machinery	2~18 years
Utilities equipment	5~15 years
Transportation equipment	4~5 years
Office equipment	4~10 years
Other equipment	2~12 years

(14) Lease Transactions of a Lessee - Right-of-use Assets/Lease Liabilities

1. The Group recognizes right-of-use assets and lease liabilities for all leases at the date when they are available for the Group's use. Low-value assets and short-term leases are recognized as expenses on a straight-line basis over the lease period.
2. The Group measures its lease liability at commencement date by discounting future lease payments using its incremental borrowing interest rate. Lease payments include:

Fixed payments, less any lease incentives receivable that are measured in subsequent periods using the effective interest rate method and amortized over the lease term. When a change in lease payments occurs not due to contract modification, lease liability will be remeasured, with such remeasurements adjusted to right-of-use assets.

3. Right-of-use assets are recognized at costs at the inception of the lease. Cost includes:

- (1) The initial lease liability measured;
- (2) Lease payments made before or at the inception of the lease;
- (3) Any original direct costs incurred.

Right-of-use assets are subsequently measured at costs. Depreciation of right-of-use assets is recognized at the earlier of the end of the useful life and the end of the lease term. When a lease liability is remeasured, the Group adjusts the right-of-use asset for any remeasurements.

(15) Intangible assets

1. Computer software

Computer software is measured at the acquisition cost and amortized using the straight-line method over its estimated useful life of 2-5 years.

2. Goodwill

Goodwill results from mergers or acquisition.

(16) Impairment of Financial Assets

1. The Group assesses at the end of reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is an asset's fair value less costs to sell or its value in use, whichever is higher. When there is an indication that the impairment loss recognized in prior years for an asset other than goodwill decreases or no long exists, the impairment loss is reversed to the extent of the loss previously recognized in profit or loss. However, the increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.
2. The Group regularly measures the recoverable amount of goodwill, intangible assets with uncertain useful life and intangible assets not available for use. Impairment is recognized when the recoverable amount is lower than the carrying amount. Impairment of goodwill is not reversed in subsequent periods.

(17) Borrowings

Borrowings mean short- and long-term loans borrowed from banks. Borrowings are initially recognized at the fair value less any transaction costs, and subsequently at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the borrowing period using the effective interest rate method.

(18) Accounts Receivables and Notes Receivables

1. Accounts receivable and notes receivable are the debt incurred by credit purchase of raw materials, goods, or services and the notes receivables incurred by operating and non-operating activities.
2. The Group measures short-term accounts receivable and notes receivable that do not bear an interest at the invoice value because they have insignificant discount effect.

(19) Derecognition of Financial Liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled, or they expire.

(20) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

2. Pension

(1) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund from the plan or a reduction in future contributions to the plan.

(2) Defined benefit plans

- A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior period. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The discount rate is determined by using the interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the defined benefit plans. If there is no deep market in such bonds in a country, the discount rate shall be the market yields on government bonds.
- B. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

- C. Past service costs are recognized immediately in profit or loss.
 - D. The pension cost of interim period is calculated based on the pension cost actuarially determined according to the end date of the previous fiscal year for the period from the beginning of the year to the end of the period. In case where there is any material market fluctuation or material reduction, repayment or other material one-time events after the end date, adjustments are made and relevant information is disclosed according to the aforementioned policy.
3. Employee compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations and those amounts can be reliably estimated. Any difference between the amount accrued and the amount actually distributed is accounted for as a change in accounting estimate. When employee compensation is appropriated in shares, the basis for calculating the number of shares shall be the closing price at the date before the date the Board of Directors resolves on the appropriation.

(21) Income tax

1. The tax expense comprises current tax and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax charge is calculated by applying the taxable income to the tax rate specified in the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. Where appropriate, management also estimate income tax liabilities based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheets liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheets. If there is a temporary difference arising from investing in a subsidiary, the Group can control the timing of the temporary difference, and the temporary difference is likely to not be recognized in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
6. A deferred income tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.
7. The tax expense of interim period is calculated based on the estimated annual average effective tax rate applied to the income before tax up to the interim period and relevant information is disclosed according to the aforementioned policy.
8. When there is tax rate change occurred during the interim period, the Group recognizes the change impact at once during the period of occurrence. Items related to the income tax not recognized in profit or loss, the change impact is recognized in the other comprehensive income or equity item. For items related to the income tax recognized in profit or loss, the change impact is recognized in profit or loss.

(22) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are recognized in equity as a deduction from the proceeds.

(23) Dividends appropriation

Dividends appropriated to shareholders of the Company are recognized on the date the shareholders' meeting resolves on such appropriation. Appropriation in cash is recognized as liability.

(24) Recognition of revenue

Sale of goods

1. The Group manufactures and sells electronic parts, magnet cores, multilayer wire-wound and other wire-wound products. Sales revenue is recognized when the control of products is transferred to clients, *i.e.*, when products are delivered to clients to be handled at their discretion and the Group has no unperformed further obligation that may impact clients from accepting the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the clients and either the clients have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
2. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

(25) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are recognized as non-current liabilities and are amortized to profit or loss over the estimated useful lives of the related assets using the straight-line method.

(26) Operating segments

The information on operating segments is reported in a manner consistent with the way the internal management report is provided to management. The key operating decision makers are responsible for allocating resources to operating segments and evaluate their performance. The Group identifies the Board of Directors as its key operating decision markers.

V. Significant Account Judgments and Assumptions and Primary Sources of Estimation Uncertainty

When preparing this consolidated financial statements, management has exercised their professional judgment to determine the accounting policies to be applied and made accounting estimates and assumptions based on reasonable expectation as to how future events will hold for the circumstances that exist on the balance sheets date. The significant accounting estimates and assumptions being made may deviate from the actual outcomes and will be consistently measured and adjusted in accordance with historical experience and for other factors. Such estimates and assumptions may lead to the risk of significant adjustment being made to the carrying amount of the assets and liabilities on the balance sheet. Significant accounting judgments and the uncertainty in accounting estimates and assumptions are stated below:

(1) Significant Judgments in Applying Accounting Policies

None.

(2) Significant Accounting Estimates and Assumptions

Since inventory is measured at the lower of costs and the net realizable value, the Group needs to exercise judgment and estimates to determine the net realizable value of inventory at the balance sheet date. Since the value of inventory is subject to market price fluctuation and its lifetime, the Group evaluates the market selling price and value lost due to obsolescence of inventory at the balance sheet date, and writes down inventory costs to net realization value. Being based on the demands for products in a future period, the valuation estimate may significantly change.

As of September 30, 2020, the carrying amount of the inventories of the Group is \$606,353.

VI. Description of Significant Accounts

(1) Cash and cash equivalents

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Cash on hand and revolving funds	\$ 1,847	\$ 2,011	\$ 1,680
Checking deposits and demand deposits	435,321	550,221	634,312
Time deposits	<u>12,804</u>	<u>29,980</u>	<u>-</u>
Total	<u>\$ 449,972</u>	<u>\$ 582,212</u>	<u>\$ 635,992</u>

1. Since the Group corresponds with multiple financial institutions with good credit quality to diversify credit risks, the risk of default is expected to be low.
2. The Group did not pledge any cash and cash equivalents as collaterals.
3. As of September 30, 2020, December 31, 2019, and September 30, 2019, the Group recognized \$85,461, \$0, and \$0, respectively, for time deposits originally due within three months that are presented as “financial assets measured at amortized cost – current.”

(2) Notes and Accounts Receivable

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Notes receivable	<u>\$ 50,002</u>	<u>\$ 53,226</u>	<u>\$ 52,637</u>
Accounts Receivable	\$ 1,631,317	\$ 1,277,873	\$ 1,214,901
Less: Allowance for bad debt	(1,782)	(16,311)	(24,486)
Allowance for sales returns and discounts	<u>(4,144)</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,625,391</u>	<u>\$ 1,261,562</u>	<u>\$ 1,190,415</u>
Accounts receivable due from related parties	\$ 146,206	\$ 95,285	\$ 105,143
Less: Allowance for bad debt	<u>(88)</u>	<u>(666)</u>	<u>(851)</u>
	<u>\$ 146,118</u>	<u>\$ 94,619</u>	<u>\$ 104,292</u>

1. The aging analysis of accounts receivable and notes receivable is as follows:

	<u>September 30, 2020</u>		<u>December 31, 2019</u>		<u>September 30, 2019</u>	
	<u>Accounts Receivable</u>	<u>Notes receivable</u>	<u>Accounts Receivable</u>	<u>Notes receivable</u>	<u>Accounts Receivable</u>	<u>Notes receivable</u>
Not yet due	\$1,767,313	\$ 50,002	\$1,345,532	\$ 53,226	\$1,289,383	\$ 52,637
Within 30 days	9,697	-	26,085	-	17,021	-
31~90 days	513	-	1,536	-	12,924	-
91~180 days	-	-	4	-	706	-
Over 181 days	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>10</u>	<u>-</u>
	<u>\$1,777,523</u>	<u>\$ 50,002</u>	<u>\$1,373,158</u>	<u>\$ 53,226</u>	<u>\$1,320,044</u>	<u>\$ 52,637</u>

The above aging analysis is based on the number of days past due.

2. The accounts receivable and notes receivable as of September 30, 2020, December 31, 2019, and September 30, 2019 all came from contracts with clients. In addition, the accounts receivable arising from contracts with clients as of January 1, 2019 was \$1,395,678.
3. Without considering the collaterals or other credit enhancements held, the amounts most representative of the credit risk exposed to the Group’s notes receivable as of September 30, 2020, December 31, 2019, and

September 30, 2019 were \$50,002, \$53,226, and \$52,637, respectively; and the amounts most representative of the credit risk exposed to the Group's accounts receivable as of September 30, 2020, December 31, 2019, and September 30, 2019 were \$1,771,509, \$1,356,181, and \$1,294,707, respectively.

4. On September 30, 2020, December 31, 2019, and September 30, 2019, the Group paid \$0, \$21,857, and \$19,073 in bills receivable, respectively. If the invoicer refuses to pay when it is due, the Group is obliged to pay it off. But under normal circumstances, the Group does not expect the invoicer to refuse to pay. Therefore, the part where the Group paid the loan with bills receivable is still listed as accounts payable.

5. Credit risks associated with accounts receivable and notes receivable are stated in Note 12(2).

(3) Inventory

	<u>September 30, 2020</u>		
	<u>Cost</u>	<u>Allowance for inventory valuation</u>	<u>Carrying amount</u>
Raw materials	\$ 100,691	(\$ 9,871)	\$ 90,820
Work in process	223,552	(8,389)	215,163
Finished products	254,780	(12,634)	242,146
Goods	44,770	(3,612)	41,158
Supplies	<u>18,990</u>	<u>(1,924)</u>	<u>17,066</u>
Total	<u>\$ 642,783</u>	<u>(\$ 36,430)</u>	<u>\$ 606,353</u>

	<u>December 31, 2019</u>		
	<u>Cost</u>	<u>Allowance for inventory valuation</u>	<u>Carrying amount</u>
Raw materials	\$ 73,713	(\$ 9,644)	\$ 64,069
Work in process	228,109	(11,371)	216,738
Finished products	221,781	(13,111)	208,670
Goods	<u>24,690</u>	<u>(4,418)</u>	<u>20,272</u>
Total	<u>\$ 548,293</u>	<u>(\$ 38,544)</u>	<u>\$ 509,749</u>

	<u>September 30, 2019</u>		
	<u>Cost</u>	<u>Allowance for inventory valuation</u>	<u>Carrying amount</u>
Raw materials	\$ 84,391	(\$ 12,356)	\$ 72,035
Work in process	245,219	(11,926)	233,293
Finished products	210,175	(13,680)	196,495
Goods	<u>40,766</u>	<u>(3,598)</u>	<u>37,168</u>
Total	<u>\$ 580,551</u>	<u>(\$ 41,560)</u>	<u>\$ 538,991</u>

1. The inventory costs recognized as expenses by the Group in this period:

	<u>July 1 to September 30, 2020</u>	<u>July 1 to September 30, 2019</u>
Cost of inventory sold	\$ 816,655	\$ 602,746
Inventory falling price loss	5,961	2,125
Others	<u>769</u>	<u>13,101</u>
	<u>\$ 823,385</u>	<u>\$ 617,972</u>

	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
Cost of inventory sold	\$ 2,167,584	\$ 1,671,900
Inventory (recovery benefit) depreciation loss (2,012)	2,545
Others	<u>14,440</u>	<u>31,262</u>
	<u>\$ 2,180,012</u>	<u>\$ 1,705,707</u>

The net realizable value increased due to a constant digestion of inventory from January 1, 2020 to September 30, 2020.

2. The Group did not pledge any inventory as collaterals.

(4) Financial assets at fair value through other comprehensive income

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Non-current:			
Equity instruments			
Shares listed on the stock exchange or the OTC market	\$ 7,156	\$ 7,534	\$ 7,534
Shares not traded on the stock exchange, the OTC market, or the emerging stock market	<u>19,209</u>	<u>19,789</u>	<u>20,489</u>
	26,365	27,323	28,023
Adjustments for change in value	<u>142,948</u>	<u>124,288</u>	<u>121,259</u>
Total	<u>\$ 169,313</u>	<u>\$ 151,611</u>	<u>\$ 149,282</u>

1. The Group's choice will be a strategic investment in the shares of All Ring Tech Co., Ltd. and Superworld Holding (S) PTE. LTD. shares are categorized as financial assets at fair value through other comprehensive income (FVTOCI), and the fair value of such investment as of September 30, 2020, December 31, 2019, and September 30, 2019 were amounted to \$169,313, \$151,611, and \$149,282, respectively.
2. The detailed breakdown of financial assets measured at fair value through other comprehensive income is as follows:

	<u>July 1 to September 30, 2020</u>	<u>July 1 to September 30, 2019</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Changes in fair value recognized in other comprehensive gains or losses	(\$ <u>12,090</u>)	\$ <u>15,022</u>
Dividends income recognized in profit or loss		
held at the end of current period	\$ <u>490</u>	\$ <u>1,929</u>
	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Changes in fair value recognized in other comprehensive gains or losses	\$ <u>18,660</u>	\$ <u>24,034</u>

Dividends income recognized in profit
or loss

held at the end of current period	\$ <u>12,960</u>	\$ <u>11,649</u>
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3. Without considering the collaterals or other credit enhancements held, the amounts most representative of the credit risk exposed to the Group's financial assets at fair value through other comprehensive income as of September 30, 2020, December 31, 2019, and September 30, 2019 were \$169,313, \$151,611, and \$149,282, respectively.
4. The Group did not pledge any financial assets at fair value through other comprehensive income as collaterals.

(5) Property, plant and equipment

	<u>2020</u>							<u>Unfinished construction and equipment pending for inspection</u>	<u>Total</u>
	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery</u>	<u>Utilities equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>		
January 1									
Cost	\$ 96,495	\$ 500,337	\$ 3,568,526	\$ 19,597	\$ 9,453	\$ 35,251	\$ 174,702	\$ 21,374	\$ 4,425,735
Accumulated depreciation and impairment	-	(180,245)	(1,637,091)	(14,458)	(5,705)	(26,817)	(117,212)	-	(1,981,528)
	<u>\$ 96,495</u>	<u>\$ 320,092</u>	<u>\$ 1,931,435</u>	<u>\$ 5,139</u>	<u>\$ 3,748</u>	<u>\$ 8,434</u>	<u>\$ 57,490</u>	<u>\$ 21,374</u>	<u>\$ 2,444,207</u>
January 1	\$ 96,495	\$ 320,092	\$ 1,931,435	\$ 5,139	\$ 3,748	\$ 8,434	\$ 57,490	\$ 21,374	\$ 2,444,207
Addition	-	-	86,500	-	-	1,915	24,181	164,684	277,280
Disposal	-	-	(654)	-	-	-	(22)	-	(676)
Reclassification (Note)	-	679	115,848	-	-	639	2,409	(121,473)	(1,898)
Depreciation expenses	-	(17,239)	(183,356)	(576)	(1,020)	(2,028)	(17,340)	-	(221,559)
Impairment	-	-	(2,021)	-	-	-	-	-	(2,021)
Net exchange differences	-	(1,646)	(6,569)	(1)	(6)	(29)	(266)	3	(8,514)
September 30	<u>\$ 96,495</u>	<u>\$ 301,886</u>	<u>\$ 1,941,183</u>	<u>\$ 4,562</u>	<u>\$ 2,722</u>	<u>\$ 8,931</u>	<u>\$ 66,452</u>	<u>\$ 64,588</u>	<u>\$ 2,486,819</u>
September 30									
Cost	\$ 96,495	\$ 498,849	\$ 3,745,481	\$ 19,428	\$ 9,433	\$ 36,772	\$ 200,404	\$ 64,588	\$ 4,671,450
Accumulated depreciation and impairment	-	(196,963)	(1,804,298)	(14,866)	(6,711)	(27,841)	(133,952)	-	(2,184,631)
	<u>\$ 96,495</u>	<u>\$ 301,886</u>	<u>\$ 1,941,183</u>	<u>\$ 4,562</u>	<u>\$ 2,722</u>	<u>\$ 8,931</u>	<u>\$ 66,452</u>	<u>\$ 64,588</u>	<u>\$ 2,486,819</u>

Note: Reclassified to intangible assets.

	<u>2019</u>							<u>Unfinished construction and equipment pending for inspection</u>	<u>Total</u>
	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery</u>	<u>Utilities equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>		
January 1									
Cost	\$ 96,495	\$ 515,678	\$ 3,147,858	\$ 19,627	\$ 8,500	\$ 35,765	\$ 174,209	\$ 263,811	\$ 4,261,943
Accumulated depreciation and impairment	-	(159,898)	(1,529,490)	(13,701)	(4,490)	(26,551)	(116,148)	-	(1,850,278)
	<u>\$ 96,495</u>	<u>\$ 355,780</u>	<u>\$ 1,618,368</u>	<u>\$ 5,926</u>	<u>\$ 4,010</u>	<u>\$ 9,214</u>	<u>\$ 58,061</u>	<u>\$ 263,811</u>	<u>\$ 2,411,665</u>
January 1	\$ 96,495	\$ 355,780	\$ 1,618,368	\$ 5,926	\$ 4,010	\$ 9,214	\$ 58,061	\$ 263,811	\$ 2,411,665
Addition	-	277	92,959	-	115	1,213	10,792	198,616	303,972
Disposal	-	-	(5,804)	-	-	(6)	(224)	-	(6,034)
Reclassification	-	-	402,446	-	986	414	4,240	(408,086)	-
Depreciation expenses	-	(18,574)	(162,300)	(582)	(989)	(2,038)	(17,086)	-	(201,569)
Net exchange differences	-	(5,648)	(25,606)	(5)	(14)	(114)	(839)	(277)	(32,503)
September 30	<u>\$ 96,495</u>	<u>\$ 331,835</u>	<u>\$ 1,920,063</u>	<u>\$ 5,339</u>	<u>\$ 4,108</u>	<u>\$ 8,683</u>	<u>\$ 54,944</u>	<u>\$ 54,064</u>	<u>\$ 2,475,531</u>
September 30									
Cost	\$ 96,495	\$ 508,249	\$ 3,544,885	\$ 19,612	\$ 9,529	\$ 36,542	\$ 170,009	\$ 54,064	\$ 4,439,385
Accumulated depreciation and impairment	-	(176,414)	(1,624,822)	(14,273)	(5,421)	(27,859)	(115,065)	-	(1,963,854)
	<u>\$ 96,495</u>	<u>\$ 331,835</u>	<u>\$ 1,920,063</u>	<u>\$ 5,339</u>	<u>\$ 4,108</u>	<u>\$ 8,683</u>	<u>\$ 54,944</u>	<u>\$ 54,064</u>	<u>\$ 2,475,531</u>

1. The capitalized interests for 2020 and from January 1, 2019 to September, 30, 2019 were all \$0.
2. The Group's significant components of buildings and structures, including buildings and engineering systems, are depreciated over 20~50 years and 5~20 years, respectively.
3. For information on pledged property, plant and equipment, refer to Note 8.

(6) Lease transactions - lessee

1. The underlying assets of the Group's lease include land use right, buildings, company cars and multi-function peripherals. The lease duration usually lasts 3 to 50 years. Lease contracts are agreed upon individually and contain different terms and conditions. Except for land use right, leased assets shall not be used as collaterals and are not restricted in any way.
2. The lease term of the buildings and warehouses leased by the Group is less than 12 months. The low-value underlying asset of the Group's lease is the electronic host for business use.
3. The information on the carrying amount of the right-of-use asset and the recognized depreciation expense is as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Right-of-use land	\$ 28,305	\$ 28,981	\$ 29,770
Buildings	3,968	5,084	5,456
Transportation equipment	2,470	3,652	796
Machinery and equipment	<u>1,234</u>	<u>969</u>	<u>465</u>
	<u>\$ 35,977</u>	<u>\$ 38,686</u>	<u>\$ 36,487</u>

	<u>July 1 to September 30, 2020</u>	<u>July 1 to September 30, 2019</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Right-of-use land	\$ 170	\$ 178
Buildings	372	372
Transportation equipment	393	450
Machinery and equipment	<u>102</u>	<u>104</u>
	<u>\$ 1,037</u>	<u>\$ 1,104</u>

	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Right-of-use land	\$ 510	\$ 542
Buildings	1,116	1,116
Transportation equipment	1,178	1,353
Machinery and equipment	<u>303</u>	<u>312</u>
	<u>\$ 3,107</u>	<u>\$ 3,323</u>

4. Profit or loss items in relation to lease contracts are as follows:

	<u>July 1 to September 30, 2020</u>	<u>July 1 to September 30, 2019</u>
<u>Items that affect profit or loss</u>		
Expenses attributable to short-term lease contracts \$	3,684	\$ 3,506

Expenses attributable to low-value assets	13	16
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January 1 to September 30, 2020 January 1 to September 30, 2019

Items that affect profit or loss

Expenses attributable to short-term lease contracts \$	9,484	\$	10,239
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Expenses attributable to low-value assets	45	16
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5. The Group's right-of-use asset increased by \$306, \$0, \$587, and \$0 for 2020 and from July 1, 2019 to September 30, 2019 as well as for 2020 and from January 1, 2019 to September 30, 2019, respectively.
6. The Group's cash used in lease contracts increased by \$4,564, \$4,448, \$12,126, and \$13,036 for 2020 and from July 1, 2019 to September 30, 2019 as well as for 2020 and from January 1, 2019 to September 30, 2019, respectively.

(7) Other non-current assets

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Refundable deposits	\$ 1,903	\$ 2,159	\$ 2,221
Prepayments for construction and equipment	11,078	2,599	23,976
Uncollectible overdue receivables	1,252	1,252	1,998
Allowance for uncollectible-overdue receivables	<u>(1,252)</u>	<u>(1,252)</u>	<u>(1,998)</u>
	<u>\$ 12,981</u>	<u>\$ 4,758</u>	<u>\$ 26,197</u>

(8) Short-term borrowings

Nature of borrowings	September 30, 2020	Interest rate range	Collaterals
Bank loan			
Secured loan	\$ 50,000	0.94%	Land and plant Right-of-use land
Credit loan	461,255	0.66%~1.00%	-
	<u>\$ 511,255</u>		
Nature of borrowings	December 31, 2019	Interest rate range	Collaterals
Bank loan			
Secured loan	\$ 89,066	1.06%~3.80%	Land and plant Right-of-use land
Credit loan	557,204	1.05%~2.44%	-

\$ 646,270

<u>Nature of borrowings</u>	<u>September 30, 2019</u>	<u>Interest rate range</u>	<u>Collaterals</u>
Bank loan			
Secured loan	\$ 134,433	1.10%~3.80%	Land and plant Right-of-use land
Credit loan	<u>643,840</u>	1.05%~2.87%	-
	<u>\$ 778,273</u>		

For 2020 and from July 1, 2019 to September 30, 2019 as well as for 2020 and from January 1, 2019 to September 30, 2019, the interest expenses incurred by short-term borrowings recognized in income were \$1,245, \$3,515, \$5,236, and \$11,180, respectively.

(9) Short-term notes and bills payable

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Commercial paper	<u>\$ 110,000</u>	<u>\$ 120,000</u>	<u>\$ 110,000</u>
Loan period	2020.09~2020.11	2019.12~2020.3	2019.08~2019.12
Interest rate range	0.94%~0.99%	1.02%~1.09%	1.01%~1.14%

For 2020 and from July 1, 2019 to September 30, 2019 as well as 2020 and from January 1, 2019 to September 30, 2019, the interest expenses incurred by short-term notes payable recognized in income were \$156, \$189, \$498, and \$549, respectively.

(10) Other payables

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Salary and bonus payables	\$ 136,086	\$ 107,403	\$ 91,904
Social benefits liabilities payable	105,396	89,656	90,004
Employee compensation and directors' and supervisors' remuneration payable	50,549	39,426	26,575
Construction and equipment payable	94,443	56,098	167,889
Others	<u>185,863</u>	<u>120,727</u>	<u>144,304</u>
	<u>\$ 572,337</u>	<u>\$ 413,310</u>	<u>\$ 520,676</u>

(11) Long-term borrowings

<u>Nature of borrowings</u>	<u>Loan period and means of repayment</u>	<u>Interest rate range</u>	<u>Collaterals</u>	<u>September 30, 2020</u>
Credit loan	Principal and interest are paid quarterly from May 2020 to May 2023.	0.98%	-	\$ 55,000
Credit loan	Repayment due from April 2020 to April 2022	0.94%	-	120,000

Credit loan	Principal and interest are repaid monthly from May 2016 to April 2021	0.95%	-	4,500
Secured loan	Principal and interest are repaid every six months from April 2020 to December 2023.	0.94%	Machinery	135,000
Secured loan	Repayment in installments from February 2020 to February 2025, monthly repayment of principal and interest	0.95%	Land, Housing and Construction	26,500
Secured loan	Repayment in installments from June 2020 to June 2025, monthly repayment of principal and interest	0.95%	Land, Housing and Construction	<u>28,500</u>
				369,500
	Less: current portion of long-term loans			<u>(46,500)</u>
				<u>\$ 323,000</u>

<u>Nature of borrowings</u>	<u>Loan period and means of repayment</u>	<u>Interest rate range</u>	<u>Collaterals</u>	<u>December 31, 2019</u>
Credit loan	Repayment due from July 2019 to February 2021 (Note 1)	1.31%	-	\$ 30,000
Credit loan	Repayment due from July 2019 to July 2021.	1.05%	-	120,000
Credit loan	Repayment in installments from May 2016 to April 2021, monthly repayment of principal and interest	1.20%	-	10,286
Secured loan	Repayment in installments from July 2019 to December 2023, with principal repayment every six months	1.30%	Machinery	<u>165,000</u>
				325,286
	Less: current portion of long-term loans			<u>(48,964)</u>
				<u>\$ 276,322</u>

Note 1: Early repayment made in full in January ~ May 2020.

<u>Nature of borrowings</u>	<u>Loan period and means of repayment</u>	<u>Interest rate range</u>	<u>Collaterals</u>	<u>September 30, 2019</u>
Credit loan	Repayment due from July 2019 to July 2021.	1.05%	-	\$ 120,000
Secured loan	Repayment in installments from July 2019 to July 2023, with principal repayment every six months	1.23%	Machinery	130,000
Credit loan	Repayment in installments from May 2016 to April 2021, monthly repayment of principal and interest	1.20%	-	12,214

Credit loan	Repayment due from February 2019 to February 2021 (Note 2)	1.31%	-	20,000
Credit loan	Repayment due from July 2019 to February 2021 (Note 1)	1.31%	-	<u>30,000</u>
				312,214
Less: current portion of long-term loans				<u>(23,964)</u>
				<u>\$ 288,250</u>

Note 2: Early loan repayment made in full in October 2019.

For 2020 and from July 1, 2019 to September 30, 2019 as well as for 2020 and from January 1, 2019 to September 30, 2019, the interest expenses incurred by long-term borrowings recognized in income were \$897, \$770, \$2,584, and \$1,675, respectively.

(12) Pension

1.

- (1) By adhering to the requirements set forth in the "Labor Standards Act," the Company has established its own defined retirement benefits plan, which is applicable both to the service years of all regular employees rendered before the enforcement of the "Labor Pension Act" on July 1, 2005, and to the service years of all employees who elected to continue applying the Labor Standards Act after the implementation of the "Labor Pension Act." Pensions for employees qualified for retirement are calculated based on their servicing years and their average salaries of the 6 months prior to their retirement. Two bases are given for each full year of service rendered within 15 years. But for the rest of the years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, under the name of the Independent Retirement Fund Committee. In addition, the Company estimates the balance of the said designated pension account before the end of year. If the balance is not sufficient to cover the amount to be paid to all employees - calculated in the manner specified above - who will qualify the retirement conditions next year, a lump-sum deposit should be made before March-end of the following year to cover the difference.
- (2) The Company has established the "Regulations for Resignation and Retirement of Managers," which is applicable to the managers appointed by the Company. Pensions for appointed managers are calculated as follows:
 - A. Pensions for the service year applying the Labor Standards Act are calculated using the equation stated in the previous section.
 - B. The Company contributes an amount of pension equal to 6% of an employee's monthly salary for those electing to apply the Labor Pension Act and those taking their post on or after July 1, 2005.
 - C. For appointed managers who have rendered 25 or more years of services as of December 31, 2018, two bases are given to each full year of services rendered within 15 years, one base is given to each full year of service over 15 years (rounded up to one year for any year of service less than one year), and their annual salary at their 25th year of service is taken as their average salary. The Company makes a pension contribution equal to 6% of their monthly salary starting from their 25th year of service.
- (3) For 2020 and from of July 1, 2019 to September 30, 2019 as well as 2020 and from January 1, 2019 to September 30, 2019, the pension costs recognized in the manner specified above were \$14, \$68, \$137, and \$205, respectively.
- (4) The Company is expected to pay a contribution of \$0 to the retirement plan for 2020.

2.

- (1) On July 1, 2005, the Company established its own pension regulations applicable to Taiwanese nationals in accordance with the "Labor Pension Act." Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (2) TAI-TECH Advanced Electronics (Kunshan) and TAIPAQ Electronic Components (Si-Hong) Co., Ltd. contribute a certain percentage of a local employee's monthly salary, as required by the People's Republic of China, to the endowment insurance system. For 2020 and from January 1, 2019 to September 30, 2019, the contribution percentages were 16% and 16%~19%, respectively. The pension for employees is managed independently by the government. Except for making monthly contribution, the Group has no further obligation.
- (3) In 2020 and from July 1, 2019 to September 30, 2019 as well as in 2020 and from January 1, 2019 to September 30, 2019, the pension costs recognized by the Group according to the preceding pension method were \$13,567, \$7,878, \$36,710, and \$30,152 respectively.

(13) Share capital

For 2020 and as of September 30, 2019, the Company had an authorized capital equal to \$1,500,000 (with \$20,000 retained for issuance of employee stock option certificates), a paid-in capital equal to \$910,000 and a share face value equal to NT\$10. All proceeds for share subscription were collected in full.

The number of the Company's outstanding ordinary shares at the beginning and end of the period was 91,000 thousand shares.

(14) Capital surplus

Under the Company Act, capital surplus arising from shares issued at premium or from donation may be used for offsetting deficit. Furthermore, if the Company has no accumulated loss, capital surplus may be used for issuing new shares or distributing cash in proportion to shareholders' original shareholding percentage. According to the Securities and Exchange Act, when the above-mentioned capital surplus is used for capitalization, the total amount every year shall not exceed 10% of the paid-in capital. The Company may use capital surplus to offset loss only when the amount of reserves is insufficient to offset the loss.

	<u>2020</u>	All changes in the subsidiaries'	
	<u>additional paid-in capital</u>	<u>Total changes in equity</u>	<u>net assets from merger</u>
January 1	\$ 200,124	\$ 12,353	\$ 2,046
Capital surplus appropriated in cash	(91,000)	-	-
September 30	<u>\$ 109,124</u>	<u>\$ 12,353</u>	<u>\$ 2,046</u>
	<u>2019</u>	All changes in the subsidiaries'	
	<u>additional paid-in capital</u>	<u>Total changes in equity</u>	<u>net assets from merger</u>
January 1	\$ 354,824	\$ 12,353	\$ 2,046
Capital surplus appropriated in cash	(154,700)	-	-
September 30	<u>\$ 200,124</u>	<u>\$ 12,353</u>	<u>\$ 2,046</u>

(15) Retained earnings

1. According to the Company's Articles of Incorporation, if the Company has any earnings in the final account, they should be used to pay off all the taxes and duties, as well as to compensate prior deficits. The remaining amount, if any, should be appropriated in the following order of presentation: (1) 10% as legal reserve until it reaches the Company's paid-in capital; (2) set aside or reverse a certain amount as or of special reserve according to operating needs or laws or regulations; (3) the remainder plus unappropriated earnings from prior years may be used to appropriate dividends or bonuses to shareholders after an earnings appropriation proposal is drafted by the Board of Directors and resolved in favor by the shareholders meeting.
2. The Company's dividend appropriation policy takes into account the factors such as the industry environment it is in, its growing phases, future capital demands, financial structure, capital budget, shareholders' interest,

balanced dividends and long-term financial planning. An earnings appropriation proposal is drafted by the Board of Directors (and reported to the shareholders' meeting) to the extent appropriate on the conditions that the Company's business is in the expanding phase, profitability expects to grow, and appropriation of stock dividends won't significantly dilute the Company's profitability. Surplus may be distributed in cash or in shares, provided, however, that the appropriation in cash shall not be less than 10% of the total appropriated amount.

3. Except being used to make up previous deficits or appropriate shares or cash to shareholders in proportion to their shareholding percentage, the legal reserve shall not be used. However, the amount of legal reserves used to appropriate new shares or cash shall be limited to the portion exceeding 25% of the paid-in capital.
4. As resolved on in the shareholder's meeting dated June 24, 2020, the Company determined to appropriate dividends in the amount of \$154,700 (NT\$1.7 per share) with the earnings made in 2019. As resolved on in the shareholders meeting dated June 25, 2019, the Company determined to appropriate dividends in the amount of \$136,500 (NT\$1.5 per share) with the earnings made in 2018.

(16) Other equity items

	<u>2020</u>		
	<u>Unrealized gains (losses)</u>	<u>Foreign currency translation</u>	<u>Total</u>
January 1	\$ 124,288	(\$ 214,279)	(\$ 89,991)
Valuation of financial assets at fair value through other comprehensive income:			
- Group	18,660	-	18,660
Exchange differences: - Group			
- Group	-	(16,360)	(16,360)
September 30	<u>\$ 142,948</u>	<u>(\$ 230,639)</u>	<u>(\$ 87,691)</u>

	<u>2019</u>		
	<u>Unrealized gains (losses)</u>	<u>Foreign currency translation</u>	<u>Total</u>
January 1	\$ 97,225	(\$ 119,260)	(\$ 22,035)
Valuation of financial assets at fair value through other comprehensive income:			
- Group	24,034	-	24,034
Exchange differences: - Group			
- Group	-	(43,414)	(43,414)
September 30	<u>\$ 121,259</u>	<u>(\$ 162,674)</u>	<u>(\$ 41,415)</u>

(17) Operating revenue

	<u>July 1 to September 30, 2020</u>	<u>July 1 to September 30, 2019</u>
Revenue from contracts with clients	<u>\$ 1,230,919</u>	<u>\$ 894,655</u>
	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
Revenue from contracts with clients	<u>\$ 3,269,866</u>	<u>\$ 2,390,225</u>

The Group's revenue derived from transfer of goods at a particular point of time are classified into the following

categories:

	<u>July 1 to September 30, 2020</u>	<u>July 1 to September 30, 2019</u>
Wire-wound products	\$ 840,192	\$ 658,047
Multilayer products	251,963	188,699
LAN transformers	132,113	41,582
Other	<u>6,651</u>	<u>6,327</u>
Total	<u>\$ 1,230,919</u>	<u>\$ 894,655</u>

	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
Wire-wound products	\$ 2,262,986	\$ 1,718,320
Multilayer products	660,216	541,923
LAN transformers	323,515	105,408
Other	<u>23,149</u>	<u>24,574</u>
Total	<u>\$ 3,269,866</u>	<u>\$ 2,390,225</u>

(18) Other income

	<u>July 1 to September 30, 2020</u>	<u>July 1 to September 30, 2019</u>
Rental income	\$ 30	\$ 37
Dividends income	490	1,929
Subsidies income	2,194	10,359
Miscellaneous income	<u>471</u>	<u>405</u>
	<u>\$ 3,185</u>	<u>\$ 12,730</u>

	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
Rental income	\$ 75	\$ 113
Dividends income	12,960	11,649
Subsidies income	23,578	26,856
Miscellaneous income	<u>905</u>	<u>1,400</u>
Total	<u>\$ 37,518</u>	<u>\$ 40,018</u>

The Group recognized government subsidy income mainly due to the incentive policy application in Mainland China - incentive funds for high-quality industrial economy development, investment in industrial projects within Si-Hong Economic Development Zone.

(19) Other gains and losses

	<u>July 1 to September 30, 2020</u>	<u>July 1 to September 30, 2019</u>
Loss (gain) on disposal of property, plant and equipment	\$ 232	(\$ 10)
Exchange gains (losses), net	(28,716)	5,165
Impairment loss recognized on property, plant, and equipment	(2,021)	-
Miscellaneous expenses	<u>(40)</u>	<u>(3)</u>

	(\$ <u>30,545</u>)	\$ <u>5,152</u>
	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
Loss (gain) on disposal of property, plant and equipment	\$ 870	(\$ 1,213)
Exchange gains (losses), net	(28,612)	14,945
Impairment loss recognized on property, plant, and equipment	(2,021)	-
Miscellaneous expenses	(<u>754</u>)	(<u>10</u>)
	(\$ <u>30,517</u>)	\$ <u>13,722</u>

(20) Additional Information on the Nature of Expenses

	<u>July 1 to September 30, 2020</u>		
	<u>Attributable to operating costs</u>	<u>Attributable to operating expenses</u>	<u>Total</u>
Employee benefits expense	\$ 186,467	\$ 80,339	\$ 266,806
Depreciation expenses of property, plant and equipment	67,616	6,366	73,982
Depreciation expenses of right-of-use assets	89	948	1,037
Amortization expenses	104	377	481

	<u>July 1 to September 30, 2019</u>		
	<u>Attributable to operating costs</u>	<u>Attributable to operating expenses</u>	<u>Total</u>
Employee benefits expense	\$ 141,724	\$ 64,702	\$ 206,426
Depreciation expenses of property, plant and equipment	58,969	8,717	67,686
Depreciation expenses of right-of-use assets	95	1,009	1,104
Amortization expenses	134	196	330

	<u>January 1 to September 30, 2020</u>		
	<u>Attributable to operating costs</u>	<u>Attributable to operating expenses</u>	<u>Total</u>
Employee benefits expense	\$ 518,117	\$ 232,340	\$ 750,457
Depreciation expenses of property, plant and equipment	202,698	18,861	221,559
Depreciation expenses of right-of-use assets	264	2,843	3,107
Amortization expenses	319	912	1,231

January 1 to September 30, 2019

	<u>Attributable to operating costs</u>	<u>Attributable to operating expenses</u>	<u>Total</u>
Employee benefits expense	\$ 402,191	\$ 174,461	\$ 576,652
Depreciation expenses of property, plant and equipment	181,365	20,204	201,569
Depreciation expenses of right-of-use assets	95	3,228	3,323
Amortization expenses	400	553	953

(21) Employee benefit expense

July 1 to September 30, 2020

	<u>Attributable to operating costs</u>	<u>Attributable to operating expenses</u>	<u>Total</u>
Salary and wages	\$ 160,705	\$ 70,584	\$ 231,289
Labor and health insurance expense	4,232	3,309	7,541
Pension expense	10,903	2,678	13,581
Other personnel expense	<u>10,627</u>	<u>3,768</u>	<u>14,395</u>
	<u>\$ 186,467</u>	<u>\$ 80,339</u>	<u>\$ 266,806</u>

July 1 to September 30, 2019

	<u>Attributable to operating costs</u>	<u>Attributable to operating expenses</u>	<u>Total</u>
Salary and wages	\$ 123,770	\$ 57,121	\$ 180,891
Labor and health insurance expense	3,863	3,274	7,137
Pension expense	6,232	1,714	7,946
Other personnel expense	<u>7,859</u>	<u>2,593</u>	<u>10,452</u>
	<u>\$ 141,724</u>	<u>\$ 64,702</u>	<u>\$ 206,426</u>

January 1 to September 30, 2020

	<u>Attributable to operating costs</u>	<u>Attributable to operating expenses</u>	<u>Total</u>
Salary and wages	\$ 447,902	\$ 205,515	\$ 653,417
Labor and health insurance expense	11,917	9,190	21,107
Pension expense	29,148	7,699	36,847
Other personnel expense	<u>29,150</u>	<u>9,936</u>	<u>39,086</u>
	<u>\$ 518,117</u>	<u>\$ 232,340</u>	<u>\$ 750,457</u>

January 1 to September 30, 2019

	<u>Attributable to operating costs</u>	<u>Attributable to operating expenses</u>	<u>Total</u>
Salary and wages	\$ 339,634	\$ 150,375	\$ 490,009
Labor and health insurance expense	11,196	8,789	19,985

Pension expense	23,985	6,372	30,357
Other personnel expense	<u>27,376</u>	<u>8,925</u>	<u>36,301</u>
	<u>\$ 402,191</u>	<u>\$ 174,461</u>	<u>\$ 576,652</u>

- Where there are earnings in the final account, no less than 6% shall be allocated as employee compensation, either in cash or in shares, as resolved by the Board of Directors - employees qualified for such compensation include employees from affiliated companies who meet certain criteria; and 1%-2% shall be allocated as remuneration for directors and supervisors.
- For 2020 and from July 1, 2019 to September 30, 2019 as well as 2020 and January 1, 2019 to September 30, 2019, the employee compensation recognized by the Company were \$13,821, \$8,983, \$40,439, \$21,260, respectively, and the directors' and supervisors' remunerations recognized were \$3,705, \$2,265, \$10,110, and \$5,315, respectively, which were presented under salary and wages.

The employee compensation and directors' and supervisors' remuneration for 2020 and from January 1, 2019 to September 30, 2019 were estimated at 6% and 1.5%, respectively, of the earnings at the end of the period.

The amount of the accrued employee compensation and directors' and supervisors' remuneration for 2019 as had been resolved by the Board of Directors was the same as the amount recognized in the financial statements for 2019.

The amounts of employee compensation and directors' and supervisors' remuneration approved by the Board of Directors and resolved by the shareholders' meeting can be found on the Market Observation Post System of TWSE.

(22) Income tax

1. Income tax expense

(1) Income tax expense components:

	<u>July 1 to September 30, 2020</u>	<u>July 1 to September 30, 2019</u>
Current tax:		
Tax attributable to taxable income of the period	<u>\$ 28,935</u>	<u>\$ 10,280</u>
Total current tax	<u>28,935</u>	<u>10,280</u>
Deferred income tax:		
Deferred income tax on temporary differences		
originated and reversed	<u>6,496</u>	<u>18,296</u>
estimated deferred income tax	<u>6,496</u>	<u>18,296</u>
Income tax expenses	<u>\$ 35,431</u>	<u>\$ 28,576</u>
	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
Current tax:		
Tax attributable to taxable income of the period	\$ 76,913	\$ 49,351
Additional levy on unappropriated earnings	11,521	15,749
Over-estimate of income tax of the previous period	<u>(10,506)</u>	<u>(7,503)</u>
Total current tax	<u>77,928</u>	<u>57,597</u>
Deferred income tax:		

Deferred income tax on temporary differences		
originated and reversed	26,914	23,549
estimated deferred income tax	26,914	23,549
Income tax expenses	<u>\$ 104,842</u>	<u>\$ 81,146</u>

(2) Income tax expense amount related to other comprehensive income: None.

(3) Income tax directly debited or credited in equity: None.

2. The Company's for-profit business income tax has been approved by the Revenue Service Office until 2018.

(23) Earnings per share (EPS)

July 1 to September 30, 2020

<u>Post-tax amount</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (EPS) (NT\$)</u>
<u>Basic earnings per share</u>		
Profit attributable to shareholders of common shares of the parent	91,000	\$ 2.05
<u>Diluted earnings per share</u>		
Profit attributable to shareholders of common shares of the parent	91,000	
Dilutive effects of the potential common shares		
Employee compensation	180	
Profit attributable to shareholders of common shares of the parent plus potentially dilutive ordinary shares effect	91,180	\$ 2.05

July 1 to September 30, 2019

<u>Post-tax amount</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (EPS) (NT\$)</u>
<u>Basic earnings per share</u>		
Profit attributable to shareholders of common shares of the parent	91,000	\$ 1.39
<u>Diluted earnings per share</u>		
Profit attributable to shareholders of	91,000	

common shares of the parent			
Dilutive effects of the potential common shares			
Employee compensation	-	295	
Profit attributable to shareholders of common shares of the parent plus potentially dilutive ordinary shares effect	<u>\$ 126,705</u>	<u>91,295</u>	<u>\$ 1.39</u>

January 1 to September 30, 2020

	<u>Post-tax amount</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (EPS) (NT\$)</u>
<u>Basic earnings per share</u>			
Profit attributable to shareholders of common shares of the parent	<u>\$ 560,083</u>	<u>91,000</u>	<u>\$ 6.15</u>
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of common shares of the parent	\$ 560,083	91,000	
Dilutive effects of the potential common shares			
Employee compensation	-	840	
Profit attributable to shareholders of common shares of the parent plus potentially dilutive ordinary shares effect	<u>\$ 560,083</u>	<u>91,840</u>	<u>\$ 6.10</u>

January 1 to September 30, 2019

	<u>Post-tax amount</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (EPS) (NT\$)</u>
<u>Basic earnings per share</u>			
Profit attributable to shareholders of common shares of the parent	<u>\$ 283,458</u>	<u>91,000</u>	<u>\$ 3.11</u>
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of	\$ 283,458	91,000	

common shares of the parent			
Dilutive effects of the potential common shares			
Employee compensation	-	<u>1,087</u>	
Profit attributable to shareholders of common shares of the parent plus potentially dilutive ordinary shares effect	<u>\$ 283,458</u>	<u>92,087</u>	<u>\$ 3.08</u>

(24) Additional Information on Cash Flows

Investing activities partially involving cash payments:

	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
Acquisition of property, plant, and equipment	\$ 277,280	\$ 303,972
Add: Construction and equipment payable at the beginning of the period	56,098	93,486
Less: Construction and equipment payable at the end of the period	(94,443)	(167,889)
Notes payable at the end of the period	<u>(48,900)</u>	<u>(15,751)</u>
Cash paid in the period	<u>\$ 190,035</u>	<u>\$ 213,818</u>

(25) Changes in Liabilities Arising from Financing Activities

	<u>2020</u>				<u>Total liabilities from financing activities</u>
	<u>Short-term borrowings</u>	<u>Short-term notes and bills payable</u>	<u>Long-term borrowings</u>	<u>Lease liabilities</u>	
January 1	\$ 646,270	\$ 120,000	\$ 325,286	\$ 9,705	\$ 1,101,261
Changes from financing cash flows	(131,246)	(10,000)	44,214	(2,597)	(99,629)
Effects of exchange rate changes	(3,769)	-	-	(4)	(3,773)

Other non-cash changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>568</u>	<u>568</u>
September 30	<u>\$ 511,255</u>	<u>\$ 110,000</u>	<u>\$ 369,500</u>	<u>\$ 7,672</u>	<u>\$ 998,427</u>

	<u>2019</u>				
	<u>Short-term borrowings</u>	<u>Short-term notes and bills payable</u>	<u>Long-term borrowings</u>	<u>Lease liabilities</u>	<u>Total liabilities from financing activities</u>
January 1	\$ 752,814	\$ 150,000	\$ 149,666	\$ 9,519	\$ 1,061,999
Changes from financing cash flows	24,768	(40,000)	162,548	(2,781)	144,535
Effects of exchange rate changes	<u>691</u>	<u>-</u>	<u>-</u>	<u>(21)</u>	<u>670</u>
September 30	<u>\$ 778,273</u>	<u>\$ 110,000</u>	<u>\$ 312,214</u>	<u>\$ 6,717</u>	<u>\$ 1,207,204</u>

VII. Related Party Transactions

(1) Name and Relationship of Related Party

<u>Name of related party</u>	<u>Relationship with the Group</u>
Superworld Electronics (S) Pte Ltd.	Other related party
Superworld Holdings (S) Pte. Ltd.	Other related party
TAI-TECH ADVANCED ELECTRONICS (S) PTE LTD	Other related party
Superworld Electronics Co., Ltd.	Other related party
Superworld Electronics (Dongguan) Co., Ltd.	Other related party
Jui-hsia Tai	Immediate family member of the major management
Chang-i Hsieh	Immediate family member of the major management
Chairman, Supervisor, President, and Vice President	Major management of the Group

(2) Significant Transactions with Related Party

1. Operating revenue

	<u>July 1 to September 30, 2020</u>	<u>July 1 to September 30, 2019</u>
Sale of goods:		
Other related party	<u>\$ 81,500</u>	<u>\$ 68,771</u>
	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
Sale of goods:		
Other related party	<u>\$ 240,557</u>	<u>\$ 185,572</u>

The price of goods sold to related party by the Group is the same as that for an arm's length transaction; the payment terms also approximate those for ordinarily clients.

2. Purchase

	<u>July 1 to September 30, 2020</u>	<u>July 1 to September 30, 2019</u>
Purchase of goods:		
Other related party	\$ <u>1,181</u>	\$ <u>1,531</u>

	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
Purchase of goods:		
Other related party	\$ <u>4,908</u>	\$ <u>3,541</u>

The price of goods purchased from related party by the Group is the same as that for an arm's length transaction; the payment terms also approximate those for ordinarily suppliers.

3. Miscellaneous purchases and other expenses

	<u>July 1 to September 30, 2020</u>	<u>July 1 to September 30, 2019</u>
Other related party	\$ <u>33</u>	\$ <u>772</u>
	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
Other related party	\$ <u>167</u>	\$ <u>1,578</u>

4. Rental income

	<u>July 1 to September 30, 2020</u>	<u>July 1 to September 30, 2019</u>
Superworld Electronics (Dongguan) Co., Ltd.	\$ <u>-</u>	\$ <u>22</u>
	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
Superworld Electronics (Dongguan) Co., Ltd.	\$ <u>-</u>	\$ <u>68</u>

The rent mentioned above is the general rent for renting out offices. The rent is determined with reference to the general market price and is charged on a monthly basis.

5. Other income

	<u>July 1 to September 30, 2020</u>	<u>July 1 to September 30, 2019</u>
Other related party	\$ <u>-</u>	\$ <u>-</u>
	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
Other related party	\$ <u>22</u>	\$ <u>-</u>

6. Lease transactions - lessee

(1) The Group leased buildings from the immediate family members of the major management, with the lease term due between 2018 and 2023 and the rental paid on a monthly basis.

(2) Obtain Right-of-use Assets

Due to the application of IFRS 16, the Group increased the right-of-use assets by \$6,572 on January 1, 2019.

(3) Rental expense

	<u>July 1 to September 30, 2020</u>	<u>July 1 to September 30, 2019</u>
Other related party	\$ <u>80</u>	\$ <u>104</u>

	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
Other related party	\$ <u>280</u>	\$ <u>282</u>

(4) Lease liabilities

Balance at the end of the period:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Jui-hsia Tai	\$ 2,035	\$ 2,607	\$ 2,798
Chang-i Hsieh	<u>1,933</u>	<u>2,477</u>	<u>2,658</u>
	<u>\$ 3,968</u>	<u>\$ 5,084</u>	<u>\$ 5,456</u>

7. Accounts receivables due from related party

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Accounts receivable:			
Other related party	\$ <u>146,118</u>	\$ <u>94,619</u>	\$ <u>104,292</u>
Other receivables:			
Other related party	<u>21</u>	<u>54</u>	<u>8</u>
Total	<u>\$ 146,139</u>	<u>\$ 94,673</u>	<u>\$ 104,300</u>

8. Accounts Payable to Related Party

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Notes payable:			
Close relatives of key managers Members	\$ <u>-</u>	\$ <u>-</u>	\$ <u>122</u>
Accounts payable:			
Other related party	<u>26,974</u>	<u>19,698</u>	<u>27,850</u>
Other payables:			
Other related party	<u>38</u>	<u>395</u>	<u>14,236</u>
Total	<u>\$ 27,012</u>	<u>\$ 20,093</u>	<u>\$ 42,208</u>

9. Property transactions (None for January 1 to September 30, 2020)

Acquisition of financial assets

January 1 to September 30, 2019

	<u>Accounting items</u>	<u>Number of share transactions</u>	<u>Transaction targets</u>	<u>Acquisition prices</u>
Other related party	Financial assets at fair value through other comprehensive income	109,167	Superworld Holdings (S) Pte. Ltd.	\$ 13,972

10. The Group's long- and short-term loans on September 30, 2020, December 31, 2019, and September 30, 2019 are jointly and severally guaranteed by the key management of the Group.

(3) Remuneration to Major Management

	<u>July 1 to September 30, 2020</u>	<u>July 1 to September 30, 2019</u>
Short-term employee benefits	\$ 20,102	\$ 16,727
Post-retirement benefits	<u>381</u>	<u>320</u>
Total	<u>\$ 20,483</u>	<u>\$ 17,047</u>

	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
Short-term employee benefits	\$ 53,769	\$ 41,298
Post-retirement benefits	<u>975</u>	<u>885</u>
Total	<u>\$ 54,744</u>	<u>\$ 42,183</u>

VIII. Pledged Assets

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

<u>Type of asset</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>	<u>Purpose of collateral</u>
Property, plant and equipment				
-land	\$ 85,828	\$ 85,828	\$ 85,828	Short and long-term borrowings
- Buildings and structures	234,170	248,220	253,853	Short and long-term borrowings
- Machinery	283,274	302,060	306,110	Long-term borrowings
Right-of-use asset- land use rights	4,606	4,710	4,836	Short-term borrowings

IX. Significant Commitments or Contingencies

(I) Contingency

None.

(II) Commitments

Capital expenditures committed but not yet incurred

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Property, plant and equipment	<u>\$ 66,415</u>	<u>\$ 28,015</u>	<u>\$ 55,138</u>

X. Significant Disaster Losses

None.

XI. Significant Subsequent Events

None.

XII. Others

(1) Capital Management

The purposes of the Group's capital management are to ensure that the Group continues as a going concern, to maintain an optimum capital structure to lower financing costs and to provide returns of investment to shareholders. For the purpose of maintaining an optimal capital structure, the Group may adjust the amount of dividends paid to shareholders or may issue new shares.

(2) Financial Instrument

1. Type of financial instrument

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<u>Financial Assets</u>			
Financial assets measured at FVTOCI			
Equity instrument specified and selected			
Investment	\$ 169,313	\$ 151,611	\$ 149,282
Financial assets measured at amortized cost			
Cash and cash equivalents	\$ 449,972	\$ 582,212	\$ 635,992
Net accounts receivable measured			
Financial Assets	85,461	-	-
Notes receivable, net	50,002	53,226	52,637
at cost after amortization (including related parties)			
	1,771,509	1,356,181	1,294,707
Other receivables	19,194	11,292	14,491
Refundable deposits (recognized under other non-current assets)			
	1,903	2,159	2,221
	<u>\$ 2,378,041</u>	<u>\$ 2,005,070</u>	<u>\$ 2,000,048</u>
<u>Financial Liabilities</u>			
Financial assets measured at amortized cost			
Short-term borrowings	\$ 511,255	\$ 646,270	\$ 778,273
Short-term notes and bills payable	110,000	120,000	110,000
Notes payable (including associates)	60,284	93,363	26,656
Accounts payable (including related party)	587,266	455,163	455,618
Other payables	572,337	413,310	520,676
Long-term borrowings (including those due within 1 year)			
	369,500	325,286	312,214
	<u>\$ 2,210,642</u>	<u>\$ 2,053,392</u>	<u>\$ 2,203,437</u>
Lease liabilities	<u>\$ 7,672</u>	<u>\$ 9,705</u>	<u>\$ 6,717</u>

2. Risk management policy

- (1) The Group's daily operations are affected by various financial risks, e.g., market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management policy focuses on the unpredictable market events in order to minimize their potentially adverse impacts on the Group's financial position and financial performance.
- (2) The Group's key financial activities are reviewed by the Board of Directors against relevant regulations and its internal control systems. The Company strictly abides by relevant financial operating procedures during the implementation of financial plans.

3. Nature and degree of significant financial risks

(1) Market risk

Foreign currency risk

- A. The Group operates internationally and so is subject to the exchange rate risk of different currencies, particularly the USD and RMB. Relevant exchange rate risk arises from future business transactions and the recognized assets and liabilities. In addition, the conversion from RMB to other currencies is subject to the foreign currency exchange control regulations imposed by China.
- B. The Group's management has formulated relevant policy to require entities within the Group to manage the foreign exchange risks associated with their functional currency. Foreign exchange risk arises when future business transactions or recognized assets or liabilities are denominated in a currency other than the entity's functional currency.
- C. The Group's business involves a number of non-functional currencies (The functional currency of the Company and some subsidiaries is NTD, and the functional currency of some subsidiaries is RMB). So the information on foreign currency assets and liabilities affected by major exchange rate fluctuations due to the exchange rate fluctuation is as follows:

September 30, 2020

(Foreign currency: functional currency)	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>Carrying amount (New Taiwan Dollars)</u>
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 45,376	29.10	
RMB:NTD	591	4.27	\$ 1,320,442
USD:RMB	30,535	6.81	2,524
			207,943
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 32,096	29.10	\$ 933,994
RMB:NTD	35	4.27	149
USD:RMB	19,513	6.81	132,884

December 31, 2019

(Foreign currency: functional currency)	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>Carrying amount (New Taiwan Dollars)</u>
<u>Financial Assets</u>			
<u>Monetary items</u>			

USD:NTD	\$	39,493	29.98	\$	1,184,000
RMB:NTD		822	4.30		3,535
USD:RMB		24,986	6.98		174,402

Financial Liabilities

Monetary items

USD:NTD	\$	19,257	29.98	\$	577,325
USD:RMB		16,721	6.98		116,713

September 30, 2019

	<u>Foreign currency</u>		<u>Carrying amount</u>	
	<u>(in thousands)</u>	<u>Exchange rate</u>	<u>(New Taiwan Dollars)</u>	
(Foreign currency: functional currency)				

Financial Assets

Monetary items

USD:NTD	\$	30,280	31.04	\$	939,891
RMB:NTD		20,145	4.39		88,437
USD:RMB		22,427	7.07		158,559

Financial Liabilities

Monetary items

USD:NTD	\$	13,997	31.04	\$	434,467
RMB:NTD		24,540	4.39		107,731
USD:RMB		18,897	7.07		133,602

D. The monetary items of the Group were significantly affected by exchange rate fluctuations in 2020 and from July 1, 2019 to September 30, 2019. The amounts of all exchange gains and losses recognized in 2020 and from January 1, 2019 to September 30, 2019 were exchange losses of \$28,716, profits of \$5,165, losses of \$28,612, and profits of \$14,945. Since the Group's transactions involve multiple currencies that have significant foreign exchange impacts, they are disclosed as a whole.

E. Foreign exchange risks arising from significant exchange rate changes that the Group is exposed to were as follows:

	<u>January 1 to September 30, 2020</u>		
	<u>Sensitivity Analysis</u>		
	<u>Fluctuation</u>	<u>Effects on P/L</u>	<u>Impact on other comprehensive income</u>
(Foreign currency: functional currency)			
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 13,204	\$ -
RMB : NTD	1%	25	-
USD:RMB	1%	2,079	-
<u>Financial Liabilities</u>			

<u>Monetary items</u>				
USD:NTD	1%		9,340	-
USD:RMB	1%		1,329	-
<u>January 1 to September 30, 2019</u>				
<u>Sensitivity Analysis</u>				
				Impact on other
	<u>Fluctuation</u>	<u>Effects on P/L</u>		<u>comprehensive income</u>
(Foreign currency: functional currency)				
<u>Financial Assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	9,399	\$ -
RMB : NTD	1%		884	-
USD:RMB	1%		1,586	-
<u>Financial Liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%		4,345	-
RMB:NTD	1%		1,077	-
USD:RMB	1%		1,336	-

Price risk

- A. Since the Group's investment is classified as financial assets measured at fair value through other comprehensive income on the consolidated balance sheets, the Group is exposed to the risk of price changes in equity instrument.
- B. The Group mainly invests in equity instruments issued by a domestic or foreign company. The price of such equity instruments can be affected by changes in future value of their investment targets. Suppose the price of these equity instruments increases or decreases by 1%, and all other factors remain unchanged. In that case, the gains or losses on other comprehensive profit and loss classified as equity investments measured at fair value in 2020 and from January 1, 2019 to September 30, 2019, through other comprehensive income would increase or decrease by \$1,693 and \$1,493, respectively.

Cash flow and fair value interest rate risk

- A. The Group's interest rate risks mainly come from short- and long-term borrowings issued at floating interest rates. Such exposure also means the Group is exposed to cash flow interest rate risks, though a portion of risks have been offset by the Group's holding of cash bearing a floating interest rate. For 2020 and from January 1, 2019 to September 30, 2019, the Group's borrowings bearing a floating interest rate are denominated in NTD and USD.
- B. When the borrowing interest rate of NTD and USD increases or decreases by 1%, held other variables constant, the Company's net income after tax for 2020 and from January 1, 2019 to September 30, 2019 would also decrease or increase by \$5,285 and \$6,543, respectively, mainly due to changes in interest expense caused by borrowings bearing a floating interest rate.

(2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Group arising from default by clients, or by counter-parties of financial instruments on the contract obligations. Credit risk of the Group mainly comes from accounts receivable, notes receivable and the contractual cash flows of financial assets measured at amortized cost that are prone to default by counter-parties.

- B. The Group establishes a framework for managing credit risks from a group's perspective. As the internal credit approval policy stipulates, an operating entity within the Group shall manage and analyze the credit risk of a new client before proposing terms and conditions pertaining to payments and delivery of goods. Internal risk control is achieved by evaluating a client's credit quality against the client's financial position, credit records and other factors. The limit on individual risk is set by the management by referring to internal or external ratings. The status of utilization of credit lines is regularly monitored.
- C. The Group applies the presumption of IFRS 9 and deems that the credit risk of a financial assets has significantly increased after initial recognition when the receivables obliged by the contractual terms are 30-days past due.
- D. The Group's credit risk management procedures deem a default occurred when a counterparty is significantly delinquent on repayments.
- E. After the recourse procedures, the Group writes off financial assets that could not be reasonably expected to be recovered. Nonetheless, the Group will continue the recourse legal procedures to secure its right to the debt. The Group's creditor's rights that have been written off and recourse activities still available were \$0 for 2020 and as of September 30, 2019.
- F. The Group classifies accounts receivable due from clients by the characteristics of their ratings, and adopts the simplified approach that measures expected credit losses based on the preparation matrix.
- G. The Group incorporates perspective considerations for future specific periods and the loss rate established by the current information in order to estimate the allowance for receivables and contractual assets. The preparation matrix for September 30, 2020, December 31, 2019, and September 30, 2019 were as follows:

	<u>Individual</u>	<u>Not yet due</u>	<u>Within 30 days past due</u>	<u>Overdue 31 ~ 90 days</u>	<u>Overdue 91 ~ 180 days</u>	<u>Overdue by over 181 days</u>	<u>Total</u>
<u>September 30, 2020</u>							
Expected loss (%)	100.00%	0.07%	5.44%	6.94%	100.00%	100.00%	
Total carrying amount	<u>\$ 1,252</u>	<u>\$ 1,817,315</u>	<u>\$ 9,697</u>	<u>\$ 513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,828,777</u>
Loss allowance	<u>\$ 1,252</u>	<u>\$ 1,270</u>	<u>\$ 573</u>	<u>\$ 27</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,122</u>
<u>December 31, 2019</u>							
Expected loss (%)	100.00%	0.70%	25.40%	61.11%	100.00%	100.00%	
Total carrying amount	<u>\$ 1,252</u>	<u>\$ 1,398,758</u>	<u>\$ 26,085</u>	<u>\$ 1,536</u>	<u>\$ 4</u>	<u>\$ 1</u>	<u>\$ 1,427,636</u>
Loss allowance	<u>\$ 1,252</u>	<u>\$ 9,408</u>	<u>\$ 6,625</u>	<u>\$ 939</u>	<u>\$ 4</u>	<u>\$ 1</u>	<u>\$ 18,229</u>
<u>September 30, 2019</u>							
Expected loss (%)	100.00%	0.81%	29.39%	71.02%	100.00%	100.00%	
Total carrying amount	<u>\$ 1,998</u>	<u>\$ 1,342,020</u>	<u>\$ 17,021</u>	<u>\$ 12,924</u>	<u>\$ 706</u>	<u>\$ 10</u>	<u>\$ 1,374,679</u>
Loss allowance	<u>\$ 1,998</u>	<u>\$ 10,440</u>	<u>\$ 5,003</u>	<u>\$ 9,178</u>	<u>\$ 706</u>	<u>\$ 10</u>	<u>\$ 27,335</u>

- H. Changes in the loss allowances provided for accounts receivable using the simplified approach are as follows:

<u>2020</u>	<u>Uncollectible</u>	
<u>Accounts</u>	<u>Notes receivable</u>	<u>overdue receivables</u>
<u>Receivable</u>		<u>Total</u>

January 1	\$ 16,977	\$ -	\$ 1,252	\$ 18,229
Impairment loss reversed	(15,020)	-	-	(15,020)
Exchange rate effects	(87)	-	-	(87)
September 30	<u>\$ 1,870</u>	<u>\$ -</u>	<u>\$ 1,252</u>	<u>\$ 3,122</u>

	<u>2019</u>			
	<u>Accounts Receivable</u>	<u>Notes receivable</u>	<u>Uncollectible overdue receivables</u>	<u>Total</u>
January 1	\$ 34,419	\$ -	\$ 1,252	\$ 35,671
Impairment loss	-	-	771	771
Impairment loss reversed	(7,512)	-	-	(7,512)
Written off amount due to failure of collection	(1,495)	-	-	(1,495)
Exchange rate effects	(75)	-	(25)	(100)
September 30	<u>\$ 25,337</u>	<u>\$ -</u>	<u>\$ 1,998</u>	<u>\$ 27,335</u>

(3) Liquidity risk

A. Cash flows forecast is done by each operating entity; the Administration Department of the Group is responsible only for summarizing the results. Administration Department of the Group monitors the forecast of the Group's liquidity needs to ensure that it has sufficient funds to meet operating needs and maintain sufficient unused loan commitments so that it won't default on any borrowing limits or terms. Such a forecast takes into account the Group's debt financing plan, compliance with provisions of debt instruments, fulfillment of the financial ratio targets on the balance sheet and conformity with external regulatory requirements, such as foreign exchange control.

B. The table below listed the Group's non-derivative financial liabilities by maturity date. They were analyzed for the residual duration between the balance sheet date and the maturity date. The table below disclosed the contractual cash flows not discounted.

Non-derivative financial liabilities :

	<u>Less than 1 year</u>	<u>Within 1~2 years</u>	<u>Within 2~5 years</u>
September 30, 2020			
Short-term borrowings	\$ 511,255	\$ -	\$ -
Short-term notes and bills payable	110,000	-	-
Notes payable	60,284	-	-
Accounts payable	560,292	-	-
Accounts payables to related parties	26,974	-	-
Other payables	572,337	-	-
Lease liabilities (including the portion with maturity in one year)	3,133	2,864	1,675
Long-term borrowings (including the portion with maturity in one year)	49,777	204,096	121,927
December 31, 2019	Less than 1 year	Within 1~2 years	Within 2~5 years
Short-term borrowings	\$ 646,270	\$ -	\$ -
Short-term notes and bills payable	120,000	-	-
Notes payable	93,363	-	-

Accounts payable	435,465	-	-
Accounts payables to related parties	19,698	-	-
Other payables	413,310	-	-
Lease liabilities (including the portion with maturity in one year)	3,422	2,875	3,408
Long-term borrowings (including the portion with maturity in one year)	48,964	193,822	82,500

Non-derivative financial liabilities :

September 30, 2019	Less than 1 year	Within 1~2 years	Within 2~5 years
Short-term borrowings	\$ 778,273	\$ -	\$ -
Short-term notes and bills payable	110,000	-	-
Notes payable	26,534	-	-
Notes payable - related party	122	-	-
Accounts payable	427,768	-	-
Accounts payables to related parties	27,850	-	-
Other payables	520,676	-	-
Lease liabilities (including the portion with maturity in one year)	2,379	1,810	2,528
Long-term borrowings (including the portion with maturity in one year)	27,513	209,414	82,344

C. The Group does not expect a maturity analysis of which the cash flows timing would be significantly earlier or the actual amount would be significantly different.

(3) Fair Value Information

1. Below are the definitions assigned to each level of valuation technique used to measure the fair value of financial and non-financial assets.

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

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

Level 3: Unobservable inputs for the asset or liability. This includes the equity instruments without active market investment by the Company.

2. Financial instruments not measured at fair values

The carrying amounts of cash and cash equivalents, financial assets measured at amortized cost, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables, and long-term borrowings (including the portion with maturity in one year), are reasonable approximations of fair values.

3. Financial and non-financial assets at fair value are classified by nature, characteristic, risk and fair value level, stated as follows:

(1) The Group classifies its assets and liabilities by their function; stated as follows:

September 30, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				

Financial assets at fair value through other comprehensive income

Equity-based securities	<u>\$ 39,975</u>	<u>\$ -</u>	<u>\$ 129,338</u>	<u>\$ 169,313</u>
December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>

Assets

Recurring fair value

Financial assets at fair value through other comprehensive income

Equity-based securities	<u>\$ 25,460</u>	<u>\$ -</u>	<u>\$ 126,151</u>	<u>\$ 151,611</u>
September 30, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>

Assets

Recurring fair value

Financial assets at fair value through other comprehensive income

Equity-based securities	<u>\$ 22,140</u>	<u>\$ -</u>	<u>\$ 127,142</u>	<u>\$ 149,282</u>
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(2) The techniques and assumptions used to measure fair value are stated as follows:

- A. Financial instruments of which the fair value is marked to market quotations (*i.e.*, level 1 inputs) are stated as follows:

	<u>Listed shares</u>
Market quotation	Closing price

- B. Except for financial instruments with an active market, the fair value of other financial instruments is obtained either based on the valuation technique or by reference to the quotes from counter-parties. Fair value can be obtained by using a valuation technique that refers to the fair value of financial instruments having substantially the same terms and characteristics, or by using other valuation technique, *e.g.*, the one that applies market information available on the consolidated balance sheets date to a pricing model for calculation.

- C. Outputs from the valuation models are estimates and valuation techniques may not be able to reflect all relevant factors of the financial and non-financial instruments held by the Group. Therefore, when needed, estimates from the valuation model would be adjusted for additional parameters, *e.g.*, model risk or liquidity risk.

4. For 2020 and from January 1, 2019 to September 30, 2019, there was no transfer between Level 1 and Level 2 fair value hierarchy.
5. Changes in Level 3 fair value hierarchy are stated as follows for 2020 and from January 1, 2019 to September 30, 2019:

	<u>2020</u>	<u>2019</u>
	<u>Equity-based securities</u>	<u>Equity-based securities</u>
January 1	\$ 126,151	\$ 85,012
Gains or losses recognized in other comprehensive income		
Unrealized gains (losses) from investments in equity instruments	7,061	27,213
at fair value through other comprehensive income		

recognized

Purchase of current period	-	13,972
Exchange rate effects	(3,874)	945
September 30	<u>\$ 129,338</u>	<u>\$ 127,142</u>

- For 2020 and from January 1 to September 30, 2019, there was no transfer into or out of Level 3.
- Valuation process regarding fair value Level 3 is conducted by the Group's Administration Department, which conducts an independent fair value verification through use of independent data source in order to make the valuation results close to market conditions, and to ensure that the data source is independent, reliable and consistent with other sources, and that the fair value is adjusted where appropriate, thereby ensuring a reasonable valuation result.
- The quantitative information on, changes in, and sensitivity analysis of significant unobservable inputs used in Level 3 fair value measurement are stated as follows:

	<u>September 30, 2020</u> <u>Fair value per unit</u>	<u>Valuation</u> <u>technique</u>	<u>Significant</u> <u>unobservable</u> <u>inputs</u>	<u>Interval</u> <u>(weighted</u> <u>average)</u>	<u>Relationship of inputs and</u> <u>fair value</u>
Non-derivative equity instruments:					
Unlisted shares	\$ 129,338	Public company comparables	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value

	<u>December 31, 2019</u> <u>Fair value per unit</u>	<u>Valuation</u> <u>technique</u>	<u>Significant</u> <u>unobservable</u> <u>inputs</u>	<u>Interval</u> <u>(weighted</u> <u>average)</u>	<u>Relationship of inputs and</u> <u>fair value</u>
Non-derivative equity instruments:					
Unlisted shares	\$ 126,151	Public company comparables	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value

	<u>September 30, 2019</u> <u>Fair value per unit</u>	<u>Valuation</u> <u>technique</u>	<u>Significant</u> <u>unobservable</u> <u>inputs</u>	<u>Interval</u> <u>(weighted</u> <u>average)</u>	<u>Relationship of inputs and</u> <u>fair value</u>
Non-derivative equity instruments:					
Unlisted shares	\$ 127,142	Public company comparables	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value

- The Group elects to adopt valuation models and valuation parameters under prudential consideration. Nonetheless, this does not preclude the differences arising from adoption of different valuation models or parameters. If valuation parameters change, financial assets classified as Level 3 will have effects on other comprehensive income, stated as follows:

		<u>September 30, 2020</u>		<u>Recognized in other</u> <u>comprehensive income (OCI)</u>	
		<u>Recognized in P/L</u>		<u>Favorable</u>	<u>Unfavorable</u>
<u>inputs</u>	<u>Changes</u>	<u>Favorable</u> <u>changes</u>	<u>Unfavorable</u> <u>changes</u>	<u>Favorable</u> <u>changes</u>	<u>Unfavorable</u> <u>changes</u>

Financial Assets						
Equity instruments	17,245±1%		\$ -	\$ -	\$ 1,746	(\$ 1,746)

			<u>December 31, 2019</u>			
			<u>Recognized in P/L</u>		<u>Recognized in other comprehensive income (OCI)</u>	
			<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>
	<u>Inputs</u>	<u>Changes</u>	<u>changes</u>	<u>changes</u>	<u>changes</u>	<u>changes</u>
Financial Assets						
Equity instruments	16,820±1%		\$ -	\$ -	\$ 1,799	(\$ 1,799)

			<u>September 30, 2019</u>			
			<u>Recognized in P/L</u>		<u>Recognized in other comprehensive income (OCI)</u>	
			<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>
	<u>Inputs</u>	<u>Changes</u>	<u>changes</u>	<u>changes</u>	<u>changes</u>	<u>changes</u>
Financial Assets						
Equity instruments	16,954 ±1%		\$ -	\$ -	\$ 1,063	(\$ 1,063)

XIII. Additional Disclosures

(1) Information on Significant Transactions

1. Loaning Funds to Others: Refer to Table 1.
2. Provision of Endorsements and Guarantees: refer to Table 2.
3. Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Affiliated Companies and the Control Portion in a Joint Venture): refer to Table 3.
4. Accumulative Purchase or Disposal of the Same Marketable Securities that Reaches NT\$300 Million or 20% or More of Paid-in Capital: None.
5. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: none.
6. Disposal of Real Property That Reaches NT\$300 Million or 20% or More of Paid-in Capital: none.
7. Transaction with Related Party That Reaches NT\$100 Million or 20% or More of Paid-in Capital: refer to Table 4.
8. Receivables Due from Related Party That Reach NT\$100 Million or 20% or More of Paid-in Capital: refer to Table 5.
9. Engagement in Derivatives Trading: none.
10. Significant Inter-company Transactions during the Reporting Period. Refer to Table 6 for details.

(2) Information on Indirect Investment

Names and Location of Investees (Excluding Those in Mainland China): refer to Table 7.

(3) Investment in Mainland China

1. Basic Information: refer to Table 8.
2. Significant transactions that occurred directly or indirectly through third-region enterprises and investee companies and were reinvested in mainland China: refer to Table 6

XIV. Segment Information

(1) General Information

The Group engages in a single industry; the Group's Board of Directors evaluates the performance of and allocates resources to the Group as a whole. As such, the Group identifies itself to be a single reporting segment.

(2) Segment Information

Information on reportable segment provided to the main operating decision makers:

	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
Segment revenue	<u>\$ 3,269,866</u>	<u>\$ 2,390,225</u>
Segment gross profit	<u>\$ 1,089,854</u>	<u>\$ 684,518</u>
Segment profits or losses	<u>\$ 664,925</u>	<u>\$ 364,604</u>
Discount and amortization	<u>\$ 225,897</u>	<u>\$ 205,845</u>
Income tax expenses	<u>\$ 104,842</u>	<u>\$ 81,146</u>
	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Segment assets	<u>\$ 5,736,258</u>	<u>\$ 5,296,107</u>
Segment liabilities	<u>\$ 2,411,983</u>	<u>\$ 2,399,227</u>

(3) Reconciliation of Segment Profit or Loss

Reconciliation is not required because the profit or loss information on the reporting segment that was provided to the main operating decision makers is consistent with that prepared and disclosed in the financial statements.

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries

Loans of funds to others

January 1 to September 30, 2020

Table 1

Unit: NTS thousand

(unless otherwise specified)

No.	Lending company	Borrowing party	Transaction item	Whether it is a related party	Highest balance Maximum Amount	Ending balance	Amount actually drawn	Interest rate range	Nature of loaning of funds	Business transaction amount	Reason for necessary short-term financing	Allowance for impairment Loss	Collaterals Name Value	Loan and limit for individual borrower (Note)	Total limit of loaning of funds to others (Note)	Remarks
1	Fixed Rock Holding Ltd.	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Other receivables	Yes	\$ 272,250 (USD 9,000 thousand)	\$ 87,300 (USD 3,000 thousand)	\$ 37,830 (USD 1,300 thousand)	2.40%	Short-term financing fund	\$ -	Business revolving fund	\$ -	- -	\$ 1,660,916	\$ 1,660,916	
1	Fixed Rock Holding Ltd.	TAI-TECH Advanced Electronics (Kunshan)	Other receivables	Yes	\$ 87,300 (USD 3,000 thousand)	\$ 87,300 (USD 3,000 thousand)	\$ -	-	Short-term financing fund	\$ -	Business revolving fund	\$ -	- -	\$ 1,660,916	\$ 1,660,916	
2	Best Bliss Investments Limited	TAI-TECH Advanced Electronics (Kunshan)	Other receivables	Yes	\$ 60,500 (USD 2,000 thousand)	\$ -	\$ -	-	Short-term financing fund	\$ -	Business revolving fund	\$ -	- -	\$ 2,677,315	\$ 2,677,315	
3	TAI-TECH Advanced Electronics (Kunshan)	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Other receivables	Yes	\$ 86,480 (RMB 20,000 thousand)	\$ 85,461 (RMB 20,000 thousand)	\$ 85,461 (RMB 20,000 thousand)	3.80%	Short-term financing fund	\$ -	Business revolving fund	\$ -	- -	\$ 736,204	\$ 736,204	

Note: The total amount of loaning of funds to others of the Company shall not exceed 40% of the net worth of the Company, and the amount of loaning of fund to an individual company or firm shall not exceed 20% of the net worth of the Company. Fund lending between subsidiaries whereby the Company directly and indirectly holding 100% of the voting shares is not subject to the restriction that the total amount is capped at 40% of the net value.

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries

Endorsements/guarantees

January 1 to September 30, 2020

Unit: NT\$ thousand

(unless otherwise specified)

Table 2

No.	Endorsed/guaranteed party name			Limits on endorsement/guarantee amount provided to each guaranteed party (Note)	Balance of maximum amount of endorsement/guarantee of the period	Ending balance of endorsement/guarantee	Amount	Amount of endorsement/guarantee collateralized by properties	Ratio of accumulated endorsement/guarantee to net equity per latest financial statements	Maximum amount of endorsement/guarantee allowance (Note)	Endorsement/guarantee provided by parent company to subsidiary	Endorsement/guarantee provided by parent company to subsidiary	Endorsement/guarantee provided to Mainland China	Remarks
	Endorsement/guarantee provider	provider	Relationship											
0	Tai-Tech Advanced Electronics Co., Ltd.	Fixed Rock Holding Ltd.	Subsidiary	\$ 1,329,710	\$552,447 (USD 18,300 thousand)	\$203,700 (USD7,000 thousand)	\$ -	\$ -	6.13%	\$ 1,662,138	Yes	No	No	
0	Tai-Tech Advanced Electronics Co., Ltd.	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Subsidiary	\$ 1,329,710	\$302,500 (USD10,000 thousand)	\$291,000 (USD10,000 thousand)	\$101,850 (USD3,500 thousand)	\$ -	8.75%	\$ 1,662,138	Yes	No	Yes	

Note: The total amount of endorsements/guarantees shall not exceed 50% of the net worth of the Company. The amount of endorsements/guarantees made for one single enterprise shall not exceed 40% of the net worth of the Company.

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries

Holding of marketable securities at the end of the period (not including those of subsidiaries, associates and joint ventures)

September 30, 2020

Table 3

Unit: NTS thousand

(unless otherwise specified)

<u>Holding company name</u>	<u>Marketable securities types and name</u>	<u>Relationship with issuer</u>	<u>Financial statement account</u>	<u>Number of shares (thousand shares)</u>	<u>End of period</u>			<u>Remarks</u>
					<u>Carrying amount</u>	<u>Shareholdings Percentage</u>	<u>Fair value per unit</u>	
Tai-Tech Advanced Electronics Co., Ltd.	All Ring Tech Co., Ltd.	None	Financial assets at fair value through other comprehensive income acquired - non-current	615	\$ 39,975	1%	\$ 39,975	Unpledged
Best Bliss Investments Limited	Superworld Holding (S) PTE. LTD.	Other related party	Financial assets at fair value through other comprehensive income acquired - non-current	2,000	129,338	10%	129,338	Unpledged

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries

Transaction with Related Party That Reaches NT\$100 Million or 20% or More of Paid-in Capital

January 1 to September 30, 2020

Table 4

Unit: NT\$ thousand

(unless otherwise specified)

<u>Company of purchase (sale)</u>	<u>Transaction party name</u>	<u>Relationship</u>	<u>Transaction Details</u>			<u>Abnormal Transaction and Reason</u>			<u>Notes/Accounts Receivable (Payable)</u>		<u>Remarks</u>
			<u>Purchase (Sale)</u>	<u>Amount</u>	<u>Percentage of total purchase (sale)</u>	<u>Payment terms</u>	<u>Unit price</u>	<u>Payment terms</u>	<u>Balance</u>	<u>Percentage of total notes/accounts receivable (payable)</u>	
Tai-Tech Advanced Electronics Co., Ltd.	TAI-TECH Advanced Electronics (Kunshan)	Parent-subsidiary	Sales	(\$ 173,345)	7%	Note 1	Note 1	-	77,109	6%	
Tai-Tech Advanced Electronics Co., Ltd.	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Parent-subsidiary	Sales	(436,280)	16%	Note 1	Note 1	-	234,600	17%	
Tai-Tech Advanced Electronics Co., Ltd.	Superworld Electronics (S) Pte Ltd	Other related party	Sales	(163,965)	6%	Note 2	Note 2	-	96,416	7%	
North Star International Limited	Tai-Tech Advanced Electronics Co., Ltd.	Parent-subsidiary	Sales	(215,592)	56%	Note 1	Note 1	-	76,499	60%	
TAI-TECH Advanced Electronics (Kunshan)	North Star International Limited	Associate	Sales	(302,779)	31%	Note 1	Note 1	-	76,375	14%	
TAI-TECH Advanced Electronics (Kunshan)	Tai-Tech Advanced Electronics Co., Ltd.	Parent-subsidiary	Sales	(237,790)	24%	Note 1	Note 1	-	189,156	34%	
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Tai-Tech Advanced Electronics Co., Ltd.	Parent-subsidiary	Sales	(1,041,841)	49%	Note 1	Note 1	-	492,720	42%	
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	TAI-TECH Advanced Electronics (Kunshan)	Associate	Sales	(385,786)	18%	Note 1	Note 1	-	241,765	21%	

Note 1: Transaction price adopts the general rules for the payment receipt period agreed by both parties.

Note 2: Transaction price and the payment receipt period adopts the general rules.

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries

Receivables Due from Related Party That Reach NTS100 Million or 20% or More of Paid-in Capital

September 30, 2020

Table 5

Unit: NTS thousand

(unless otherwise specified)

<u>Company of accounts receivable recognized</u>	<u>Transaction party name</u>	<u>Relationship</u>	<u>Balance of accounts receivables due</u>		<u>Overdue amount of accounts receivable from related party</u>		<u>Amounts received in subsequent</u>	<u>Allowance for Impairment Loss</u>
			<u>from related party</u>	<u>Turnover rate</u>	<u>Amount</u>	<u>Treatment method</u>	<u>period</u>	
Tai-Tech Advanced Electronics Co., Ltd.	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Parent-subsidiary	\$ 234,600	3.10	-	-	57,567	-
TAI-TECH Advanced Electronics (Kunshan)	Tai-Tech Advanced Electronics Co., Ltd.	Parent-subsidiary	189,156	3.02	-	-	10,798	-
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Tai-Tech Advanced Electronics Co., Ltd.	Parent-subsidiary	492,720	3.14	-	-	130,599	-
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	TAI-TECH Advanced Electronics (Kunshan)	Associate	241,765	2.79	-	-	21,429	-

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries

Significant inter-company transactions during the reporting periods and their business relationships.

January 1 to September 30, 2020

Table 6

Unit: NT\$ thousand

(unless otherwise specified)

No. (Note 1)	Name of transaction party	Transaction party	Relationship with transaction party		Transaction details			
			(Note 2)	Item	Amount	Transaction terms	Percentage of consolidated total revenue or total assets	
0	Tai-Tech Advanced Electronics Co., Ltd.	North Star International Limited	1	Sales revenue	\$	50,849	Note 3	2%
0	"	"	1	Purchase		215,592	Note 3	7%
0	"	"	1	Accounts Receivable		15,200	Note 3	0%
0	"	"	1	Accounts payable		76,499	Note 3	1%
0	"	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	1	Sales revenue		436,280	Note 3	13%
0	"	"	1	Accounts Receivable		234,600	Note 3	4%
0	"	"	1	Other receivables		31,565	Note 3	1%
0	"	"	1	Sale of fixed Asset		31,926	Note 3	1%
0	"	"	1	Accounts payable		492,720	Note 3	9%
0	"	"	1	Purchase		1,041,841	Note 3	32%
0	"	TAI-TECH Advanced Electronics (Kunshan)	1	Sales revenue		173,345	Note 3	5%
0	"	"	1	Purchase		237,790	Note 3	7%
0	"	"	1	Accounts Receivable		77,109	Note 3	1%
0	"	"	1	Accounts payable		189,156	Note 3	3%
1	North Star International Limited	TAI-TECH Advanced Electronics (Kunshan)	2	Sales revenue		56,818	Note 3	2%
1	"	"	2	Purchase		302,779	Note 3	9%
1	"	"	2	Accounts Receivable		13,401	Note 3	0%
1	"	"	2	Accounts payable		76,375	Note 3	1%
2	Fixed Rock Holding Ltd.	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	2	Other receivables		38,334	Note 3	1%
3	TAI-TECH Advanced Electronics (Kunshan)	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	2	Purchase		385,786	Note 3	12%
3	"	"	2	Accounts payable		241,765	Note 3	4%
3	"	"	2	Other receivables		89,248	Note 3	2%

Note 1: The business dealing information between the parent company and subsidiary shall be, respectively, indicated in the numbering column and there are two types of number filling methods as follows:

- (1) Fill in "0" for the parent company.
- (2) Subsidiaries are listed sequentially, starting from the Arabic number "1."

Note 2: There are two types of relationship with the transaction party as follows:

- (1) Parent to subsidiary.
- (2) Subsidiary to parent company

Note 3: Transaction price adopts the general rules for the payment receipt period agreed by both parties.

Note 4: The disclosure standard for the business relationship and material transaction details between the parent and subsidiary for the period of January 1, 2020, to September 30, 2020 is NTS10 million and higher.

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries

Name, location, and other related information of the investees (not including investees in Mainland China)

January 1 to September 30, 2020

Table 7

Unit: NTS thousand

(unless otherwise specified)

Name of Investor	Name of Investee	Location	Main business	Initial investment amount		Number of shares (in thousands)	End of term holding		Current profit/loss of investee	Current investment profit/loss recognized	Remarks
				End of current period	End of last year		percentage	Carrying amount			
Tai-Tech Advanced Electronics Co., Ltd.	North Star International Limited	SAMOA	Buying and selling of electronic components	\$ 3,283	\$ 3,283	100	100%	\$ 82,297	\$ 6,497	\$ 6,497	
Tai-Tech Advanced Electronics Co., Ltd.	Best Bliss Investments Limited	Cayman Islands	Re-invested business	1,113,277	1,113,277	34,250	100%	2,585,613	336,189	328,364	
Best Bliss Investments Limited	Fixed Rock Holding Ltd.	Mahe Seychelles	Re-invested business	862,944 (USD 28,784 thousand)	862,944 (USD 28,784 thousand)	25,450	100%	1,663,371	246,784	246,784	

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries

Information on Investments in Mainland China - Basic Information

January 1 to September 30, 2020

Unit: NTS thousand
(unless otherwise specified)

Table 8

Name of investee in Mainland China	Main business	Paid-in capital	Investment method	Accumulated outward remittance for investment from Taiwan at beginning of the current period	Outward remittance or repatriation of investment amount of the current period		Accumulated outward remittance for investment from Taiwan at end of the current period (Note 7)	Current profit/loss of investee	Ownership percentage of direct or indirect investment	Current investment profit/loss recognized (Note 3)	Carrying amount at end of the period (Note 3)	Accumulated repatriation of investment income as of end of current period	Remarks
					Outward remittance	Repatriation							
TAI-TECH Advanced Electronics (Kunshan)	Production, processing, and sale of electronic components	USD11,935 thousand	Investment in Mainland China companies through a company invested and established in a third region (Note 1)	\$ 352,249 (USD10,914 thousand)	\$ -	\$ -	\$ 352,249 (USD10,914 thousand)	\$ 55,870	100%	\$ 56,649	\$ 735,950	\$ -	
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Production, processing, and sale of electronic components	USD33,156 thousand	Investment in Mainland China companies through a company invested and established in a third region (Note 2)	600,232 (USD18,821 thousand)	-	-	600,232 (USD18,821 thousand)	266,619	100%	266,619	1,755,880	-	

Provider	Accumulated outward remittance for investment in China region at end of the period (Note 4, Note 5)	Investment amount approved by Investment Commission, MOEA (Note 6)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
Tai-Tech Advanced Electronics Co., Ltd.	\$ 1,384,982 (USD 43,343 thousand)	\$ 1,290,381 (USD 44,343 thousand)	\$ 1,994,565

Note 1: 100% invested by Best Bliss Investments Limited 100%.

Note 2: Best Bliss Investments Limited and Fixed Rock Holding Ltd. hold 7.71% and 92.29%, respectively.

Note 3: The financial statements audited by CPA retained by the parent company in Taiwan.

Note 4: The Company liquidated TAI-TECH Advanced Electronics (Dongguan) in 2015 and the accumulated investment loss amount is USD 1,513 thousand.

Note 5: NTD is calculated based on the historical exchange rate.

Note 6: NTD is calculated based on rate of the balance sheet date

Note 7: The third-place proprietary fund and debt-equity swap investment amount are excluded.