

**WT MICROELECTRONICS CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2020 AND 2019**

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

INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors and Shareholders of WT Microelectronics Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of WT Microelectronics Co., Ltd. and subsidiaries (the “Group”) as at September 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(6), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using equity method were not reviewed by independent auditors. Those statements reflect total assets (including investments accounted for using equity method) of NT\$15,939,452 thousand and NT\$17,151,490 thousand, constituting 14% and 17% of the consolidated total assets, and total liabilities of NT\$4,352,848 thousand and NT\$4,688,776 thousand, constituting 6% and 6% of the consolidated total liabilities as at September 30, 2020 and 2019, respectively, and total comprehensive income (including share of profit (loss) and other comprehensive



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income (loss) of associates and joint ventures accounted for using equity method) of NT\$160,629 thousand, NT\$216,224 thousand, NT\$368,577 thousand and NT\$337,734 thousand, constituting 16%, 27%, 5% and 17% of the consolidated total comprehensive income for the three-month and nine-month periods then ended, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2020 and 2019, and of its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Juanlu, Man-Yu

Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

November 6, 2020

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2020, DECEMBER 31, 2019 AND SEPTEMBER 30, 2019
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of September 30, 2020 and 2019 are reviewed, not audited)

Assets	Notes	September 30, 2020		December 31, 2019		September 30, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 4,674,837	4	\$ 3,106,631	3	\$ 6,420,873	6
1110	Financial assets at fair value	6(13)						
	through profit or loss - current		11,876	-	-	-	5,102	-
1120	Financial assets at fair value	6(2)						
	through other comprehensive							
	income - current		247,165	-	404,806	-	434,004	-
1170	Accounts receivable, net	6(3)	49,840,206	42	44,665,508	44	45,438,390	44
1200	Other receivables	6(3)(4)	1,459,606	1	1,734,068	2	1,994,868	2
130X	Inventories	6(5)	41,881,190	36	45,795,192	45	42,768,312	42
1410	Prepayments		651,284	1	411,090	1	471,736	1
1470	Other current assets	6(1) and 8	17,481	-	42,021	-	52,747	-
11XX	Total current assets		<u>98,783,645</u>	<u>84</u>	<u>96,159,316</u>	<u>95</u>	<u>97,586,032</u>	<u>95</u>
Non-current assets								
1510	Financial assets at fair value	6(13)						
	through profit or loss - non-							
	current		29,489	-	-	-	-	-
1517	Financial assets at fair value	6(2)						
	through other comprehensive							
	income - non-current		13,361,773	11	265,779	-	262,891	-
1550	Investments accounted for	6(6)						
	using equity method		127,230	-	156,858	-	167,300	-
1600	Property, plant and equipment	6(7)	967,181	1	1,010,410	1	1,024,456	1
1755	Right-of-use assets	6(8)	774,266	1	848,855	1	879,343	1
1760	Investment property - net	6(9)	103,518	-	104,128	-	104,332	-
1780	Intangible assets	6(10)	1,850,622	2	1,883,859	2	1,909,651	2
1840	Deferred income tax assets		783,479	1	752,760	1	703,649	1
1900	Other non-current assets		582,300	-	185,271	-	146,973	-
15XX	Total non-current assets		<u>18,579,858</u>	<u>16</u>	<u>5,207,920</u>	<u>5</u>	<u>5,198,595</u>	<u>5</u>
1XXX	Total assets		<u>\$ 117,363,503</u>	<u>100</u>	<u>\$ 101,367,236</u>	<u>100</u>	<u>\$ 102,784,627</u>	<u>100</u>

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WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2020, DECEMBER 31, 2019 AND SEPTEMBER 30, 2019
(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2020 and 2019 are reviewed, not audited)

Liabilities and Equity	Notes	September 30, 2020		December 31, 2019		September 30, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(11)	\$ 27,252,600	23	\$ 25,995,988	26	\$ 30,271,741	29
2110	Short-term notes and bills payable	6(12)	637,516	1	463,840	-	699,246	1
2120	Financial liabilities at fair value through profit or loss - current	6(13)	1,821	-	26,118	-	4,780	-
2130	Contract liabilities - current	6(24)	392,509	-	195,597	-	179,047	-
2170	Accounts payable		45,633,476	39	45,689,544	45	42,373,508	41
2200	Other payables	6(14)	1,548,554	1	1,803,941	2	1,692,931	2
2230	Current income tax liabilities		389,779	-	644,397	1	627,811	1
2280	Lease liabilities - current		155,958	-	146,154	-	142,305	-
2320	Long-term liabilities, current portion	6(15)(16)	-	-	120,080	-	186,580	-
2365	Refund liabilities - current	6(24)	419,259	1	552,019	1	831,047	1
2399	Other current liabilities		42,771	-	44,635	-	45,863	-
21XX	Total current liabilities		<u>76,474,243</u>	<u>65</u>	<u>75,682,313</u>	<u>75</u>	<u>77,054,859</u>	<u>75</u>
Non-current liabilities								
2530	Bonds payable	6(15)	381,734	-	1,124,091	1	1,160,743	1
2540	Long-term loans	6(16)	800,000	1	-	-	-	-
2570	Deferred income tax liabilities		579,832	1	519,569	1	484,141	1
2580	Lease liabilities - non-current		351,255	-	426,419	-	451,898	-
2600	Other non-current liabilities	6(17)	132,354	-	135,708	-	128,745	-
25XX	Total non-current liabilities		<u>2,245,175</u>	<u>2</u>	<u>2,205,787</u>	<u>2</u>	<u>2,225,527</u>	<u>2</u>
2XXX	Total liabilities		<u>78,719,418</u>	<u>67</u>	<u>77,888,100</u>	<u>77</u>	<u>79,280,386</u>	<u>77</u>
Equity attributable to owners of parent								
Share capital								
3110	Common stock	6(19)	7,841,903	7	5,903,358	6	5,903,358	6
3130	Certificates of entitlement to new shares from convertible bonds		38,357	-	11,011	-	-	-
3140	Advance receipts for share capital		1,308,731	1	-	-	-	-
Capital surplus								
3200	Capital surplus	6(20)	14,940,364	13	9,531,836	9	9,502,681	9
Retained earnings								
3310	Legal reserve	6(21)	2,280,822	2	2,019,788	2	2,019,788	2
3320	Special reserve		791,142	-	143,568	-	143,568	-
3350	Unappropriated retained earnings		6,785,691	6	6,659,975	7	5,961,688	6
Other equity interest								
3400	Other equity interest	6(22)	4,656,305	4	(791,142)	(1)	(27,546)	-
31XX	Equity attributable to owners of the parent		<u>38,643,315</u>	<u>33</u>	<u>23,478,394</u>	<u>23</u>	<u>23,503,537</u>	<u>23</u>
36XX	Non-controlling interest	6(23)	770	-	742	-	704	-
3XXX	Total equity		<u>38,644,085</u>	<u>33</u>	<u>23,479,136</u>	<u>23</u>	<u>23,504,241</u>	<u>23</u>
Commitments and contingent liabilities								
Significant subsequent events								
3X2X	Total liabilities and equity		<u>\$ 117,363,503</u>	<u>100</u>	<u>\$ 101,367,236</u>	<u>100</u>	<u>\$ 102,784,627</u>	<u>100</u>

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except for earnings per share)
(Reviewed, not audited)

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2020		2019		2020		2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(24)	\$ 91,862,039	100	\$ 96,190,729	100	\$ 244,061,884	100	\$ 238,412,935	100
5000	Operating costs	6(5)	(89,101,435)	(97)	(93,213,619)	(97)	(236,318,778)	(97)	(230,426,514)	(96)
5900	Net operating margin		2,760,604	3	2,977,110	3	7,743,106	3	7,986,421	4
	Operating expenses	6(29)								
6100	Selling expenses		(1,021,239)	(1)	(1,060,629)	(1)	(2,958,528)	(1)	(3,071,893)	(1)
6200	General and administrative expenses		(237,038)	(1)	(244,201)	-	(720,018)	(1)	(714,959)	(1)
6300	Research and development expenses		(95,520)	-	(122,612)	-	(292,100)	-	(302,428)	-
6450	Reversal (impairment loss) determined in accordance with IFRS 9	12(2)	612	-	(424)	-	(24,527)	-	(1,671)	-
6000	Total operating expenses		(1,353,185)	(2)	(1,427,866)	(1)	(3,995,173)	(2)	(4,090,951)	(2)
6900	Operating profit		1,407,419	1	1,549,244	2	3,747,933	1	3,895,470	2
	Non-operating income and expenses									
7100	Interest income	6(25)	2,513	-	3,867	-	13,501	-	15,528	-
7010	Other income	6(26)	121,598	-	16,474	-	153,051	-	21,453	-
7020	Other gains and losses	6(27)	99,140	-	(25,905)	-	163,990	-	26,694	-
7050	Finance costs	6(28)	(180,364)	-	(485,290)	(1)	(833,140)	-	(1,498,972)	(1)
7060	Share of loss of associates and joint ventures accounted for using equity method	6(6)	(3,511)	-	(29,213)	-	(27,197)	-	(79,750)	-
7000	Total non-operating income and expenses		39,376	-	(520,067)	(1)	(529,795)	-	(1,515,047)	(1)
7900	Profit before income tax		1,446,795	1	1,029,177	1	3,218,138	1	2,380,423	1
7950	Income tax expense	6(31)	(295,140)	-	(211,811)	-	(661,082)	-	(556,145)	-
8200	Profit for the period		\$ 1,151,655	1	\$ 817,366	1	\$ 2,557,056	1	\$ 1,824,278	1

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WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except for earnings per share)
(Reviewed, not audited)

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2020		2019		2020		2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
Other comprehensive income (loss)										
Components of other comprehensive income that will not be reclassified to profit or loss										
8316	Unrealised gain on valuation of equity investment instruments measured at fair value through other comprehensive income	6(22)								
			\$ 214,141	-	\$ 137,826	-	\$ 6,442,288	2	\$ 220,507	-
8310	Other comprehensive income that will not be reclassified to profit or loss		214,141	-	137,826	-	6,442,288	2	220,507	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss										
8361	Financial statements translation differences of foreign operations	6(22)(23)	(379,399)	-	(158,685)	-	(872,743)	-	(1,925)	-
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	6(6)	1,068	-	(93)	-	585	-	(1,447)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(31)	-	-	-	-	-	-	(13,087)	-
8360	Other comprehensive loss that will be reclassified to profit or loss		(378,331)	-	(158,778)	-	(872,158)	-	(16,459)	-
8300	Total other comprehensive income (loss) for the period		(\$ 164,190)	-	(\$ 20,952)	-	\$ 5,570,130	2	\$ 204,048	-
8500	Total comprehensive income for the period		\$ 987,465	1	\$ 796,414	1	\$ 8,127,186	3	\$ 2,028,326	1
Profit attributable to:										
8610	Owners of the parent		\$ 1,151,553	1	\$ 817,278	1	\$ 2,556,746	1	\$ 1,824,029	1
8620	Non-controlling interest		102	-	88	-	310	-	249	-
			<u>\$ 1,151,655</u>	<u>1</u>	<u>\$ 817,366</u>	<u>1</u>	<u>\$ 2,557,056</u>	<u>1</u>	<u>\$ 1,824,278</u>	<u>1</u>
Comprehensive income attributable to:										
8710	Owners of the parent		\$ 987,377	1	\$ 796,328	1	\$ 8,126,882	3	\$ 2,028,077	1
8720	Non-controlling interest		88	-	86	-	304	-	249	-
			<u>\$ 987,465</u>	<u>1</u>	<u>\$ 796,414</u>	<u>1</u>	<u>\$ 8,127,186</u>	<u>3</u>	<u>\$ 2,028,326</u>	<u>1</u>
Earnings per share (in dollars)										
9750	Basic earnings per share	6(32)	\$ 1.46		\$ 1.38		\$ 3.62		\$ 3.13	
9850	Diluted earnings per share		\$ 1.44		\$ 1.32		\$ 3.49		\$ 3.03	

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Equity attributable to owners of the parent												
	Share Capital				Retained Earnings			Other Equity Interest					
	Notes	Share capital - common stock	Certificates of bond-to- stock conversion	Advance receipts for share capital	Capital Surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Non- controlling interest	Total equity
2019													
Balance at January 1, 2019		\$ 5,551,889	\$24,217	\$ -	\$ 8,773,382	\$ 1,741,965	\$ 109,102	\$ 5,749,889	(\$ 392,100)	\$ 248,532	\$ 21,806,876	\$ 712	\$ 21,807,588
Consolidated net income		-	-	-	-	-	-	1,824,029	-	-	1,824,029	249	1,824,278
Other comprehensive income (loss)	6(22)	-	-	-	-	-	-	-	(16,459)	220,507	204,048	-	204,048
Total comprehensive income (loss)		-	-	-	-	-	-	1,824,029	(16,459)	220,507	2,028,077	249	2,028,326
Appropriations of 2018 earnings:	6(21)												
Legal reserve		-	-	-	-	277,823	(277,823)	-	-	-	-	-	-
Special reserve		-	-	-	-	-	34,466	(34,466)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(1,387,967)	-	-	(1,387,967)	-	-	(1,387,967)
Due to recognition of equity component of convertible bonds issued		-	-	-	37,762	-	-	-	-	37,762	-	-	37,762
Conversion of convertible bonds	6(19)(20)	351,469	(24,217)	-	691,537	-	-	-	-	-	1,018,789	-	1,018,789
Changes in non-controlling interest	6(23)	-	-	-	-	-	-	-	-	-	-	(257)	(257)
Disposal of financial assets at fair value through other comprehensive income	6(22)	-	-	-	-	-	88,026	-	(88,026)	-	-	-	-
Balance at September 30, 2019		<u>\$ 5,903,358</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,502,681</u>	<u>\$ 2,019,788</u>	<u>\$ 143,568</u>	<u>\$ 5,961,688</u>	<u>(\$ 408,559)</u>	<u>\$ 381,013</u>	<u>\$ 23,503,537</u>	<u>\$ 704</u>	<u>\$ 23,504,241</u>
2020													
Balance at January 1, 2020		\$ 5,903,358	\$11,011	\$ -	\$ 9,531,836	\$ 2,019,788	\$ 143,568	\$ 6,659,975	(\$ 1,159,794)	\$ 368,652	\$ 23,478,394	\$ 742	\$ 23,479,136
Consolidated net income		-	-	-	-	-	-	2,556,746	-	-	2,556,746	310	2,557,056
Other comprehensive income (loss)	6(22)	-	-	-	-	-	-	-	(872,129)	6,442,265	5,570,136	(6)	5,570,130
Total comprehensive income (loss)		-	-	-	-	-	-	2,556,746	(872,129)	6,442,265	8,126,882	304	8,127,186
Issuance of shares	6(19)(20)	1,710,000	-	-	4,914,000	-	-	-	-	-	6,624,000	-	6,624,000
Issuance of preference shares	6(19)	-	-	1,308,731	-	-	-	-	-	-	1,308,731	-	1,308,731
Appropriations of 2019 earnings:	6(21)												
Legal reserve		-	-	-	-	261,034	(261,034)	-	-	-	-	-	-
Special reserve		-	-	-	-	-	647,574	(647,574)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(1,645,111)	-	-	(1,645,111)	-	-	(1,645,111)
Conversion of convertible bonds	6(19)(20)	228,545	27,346	-	492,822	-	-	-	-	-	748,713	-	748,713
Changes in non-controlling interest	6(23)	-	-	-	-	-	-	-	-	-	-	(276)	(276)
Disposal of financial assets at fair value through other comprehensive income	6(22)	-	-	-	-	-	-	122,689	-	(122,689)	-	-	-
Compensation cost of share-based payments	6(18)	-	-	-	1,706	-	-	-	-	1,706	-	-	1,706
Balance at September 30, 2020		<u>\$ 7,841,903</u>	<u>\$38,357</u>	<u>\$ 1,308,731</u>	<u>\$ 14,940,364</u>	<u>\$ 2,280,822</u>	<u>\$ 791,142</u>	<u>\$ 6,785,691</u>	<u>(\$ 2,031,923)</u>	<u>\$ 6,688,228</u>	<u>\$ 38,643,315</u>	<u>\$ 770</u>	<u>\$ 38,644,085</u>

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 3,218,138	\$ 2,380,423
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(29)	223,194	214,219
Amortisation	6(29)	9,330	6,679
Impairment loss determined in accordance with IFRS 9	12(2)	24,527	1,671
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	6(27)	13,917	(65,606)
Share-based payments	6(18)	1,706	-
Share of loss of associates and joint ventures accounted for using equity method	6(6)	27,197	79,750
Loss on disposal of property, plant and equipment, net	6(27)	349	165
Impairment loss	6(27)	-	27,718
Interest expense	6(28)	481,667	815,269
Interest income	6(25)	(13,501)	(15,528)
Dividend income	6(26)	(115,395)	(5,977)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(6,877,680)	(9,286,910)
Other receivables		242,750	114,173
Inventories		1,883,040	4,487,067
Prepayments		(242,200)	(107,567)
Changes in operating liabilities			
Financial assets and liabilities at fair value through profit or loss		(46,546)	61,287
Contract liabilities		201,857	48,160
Accounts payable		3,158,598	3,978,250
Other payables		(257,236)	(33,026)
Other current liabilities (including refund liabilities)		(134,408)	(46,260)
Accrued pension liabilities		-	(14,772)
Cash inflow generated from operations		1,799,304	2,639,185
Interest received		13,501	15,528
Dividends received		115,395	5,977
Interest paid		(480,591)	(807,548)
Income taxes paid		(831,765)	(582,433)
Net cash flows from operating activities		<u>615,844</u>	<u>1,270,709</u>

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WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in other receivables - related parties		(\$ 21,004)	\$ -
Acquisition of financial assets at fair value through profit or loss		(90,193)	-
Proceeds from disposal of financial assets at fair value through profit or loss		56,450	-
Acquisition of financial assets at fair value through other comprehensive income		(3,416)	(20,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(2)	134,262	92,627
Decrease in other financial assets		24,540	36,349
Acquisition of property, plant and equipment	6(33)	(47,184)	(85,202)
Proceeds from disposal of property, plant and equipment		262	519
Acquisition of intangible assets	6(10)	(1,864)	(18,038)
Net cash payments for business combination	6(33)(34)	(466,447)	(15,396)
Decrease in other non-current assets		66,112	14,280
Acquisition of right-of-use assets		-	(18,088)
Net cash flows used in investing activities		<u>(348,482)</u>	<u>(12,949)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(35)	1,275,692	4,199,884
Increase (decrease) in short-term notes and bills payable	6(35)	167,860	(1,138,191)
Proceeds from long-term borrowings	6(35)	800,000	-
Payments of long-term loans	6(35)	(120,424)	(810,660)
Proceeds from issuing bonds	6(15)(35)	-	1,195,000
Repayments of bonds	6(35)	-	(49,900)
Decrease in other non-current liabilities		(3,687)	(1,021)
Changes in non-controlling interest	6(23)	(276)	(257)
Payment of lease liabilities	6(35)	(125,989)	(117,475)
Cash dividends paid	6(21)	(1,645,111)	(1,387,967)
Advance receipts for preference share	6(19)	1,308,731	-
Net cash flows from financing activities		<u>1,656,796</u>	<u>1,889,413</u>
Effect of exchange rate changes		<u>(355,952)</u>	<u>(61,481)</u>
Net increase in cash and cash equivalents		1,568,206	3,085,692
Cash and cash equivalents at beginning of period		3,106,631	3,335,181
Cash and cash equivalents at end of period		<u>\$ 4,674,837</u>	<u>\$ 6,420,873</u>

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

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

(Reviewed, not audited)

1. HISTORY AND ORGANISATION

WT Microelectronics Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the development and sales of electronic and communication components.

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

These consolidated financial statements were reported to the Board of Directors on November 6, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, 'Disclosure initiative-definition of material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020
Amendment to IFRS 16, 'Covid-19-related rent concessions'	June 1, 2020 (Note)

Note : Earlier application from January 1, 2020 is allowed by the FSC.

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

A. Amendments to IFRS 3, 'Definition of a business'

The amendments clarify the definition of a business that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together; narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs. Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. Besides, add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

B. Amendment to IFRS 16, 'Covid-19-related rent concessions'

This amendment provides a practical expedient for lessees from assessing whether a rent concession related to COVID-19, and that meets all of the following conditions, is a lease modification:

- (a) Changes in lease payments result in the revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) Any reduction in lease payments affects only payments originally due on or before June 30 2021; and
- (c) There is no substantive change to other terms and conditions of the lease.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 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 contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

Amendments to IFRS 3, 'Reference to the conceptual framework'

The amendments were made to IFRS 3, 'Business combinations' to update the references to the 2018 Conceptual Framework for Financial Reporting, in determining what constitutes an asset or a liability in a business combination. In addition, the amendments added an exception in IFRS 3 for the recognition of liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The amendments also confirmed that contingent assets, as defined in IAS 37, should not be recognised by the acquirer at the acquisition date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal significant 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) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Accounting Standards 34, "Interim financial reporting" as endorsed by the FSC.

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit assets (liabilities) recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) 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 begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised 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.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			September 30, 2020	December 31, 2019	September 30, 2019	
WT Microelectronics Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	99.65	99.65	99.65	
WT Microelectronics Co., Ltd.	Morrihan International Corp.	Trading Company	100	100	100	
WT Microelectronics Co., Ltd.	BSI Semiconductor Pte. Ltd.	Trading Company	100	100	100	
WT Microelectronics Co., Ltd.	Nuvision Technology Inc.	Trading Company	99.91	99.91	99.91	
WT Microelectronics Co., Ltd.	Milestone Investment Co., Ltd.	Investment Company	100	100	100	
WT Microelectronics Co., Ltd.	SinYie Investment Co., Ltd.	Investment Company	100	100	100	
WT Microelectronics Co., Ltd.	AboveE Technology Inc.	Software Services	100	100	100	
WT Microelectronics Co., Ltd.	Techmosa International Inc.	Trading Company	100	100	100	
WT Microelectronics Co., Ltd.	MSD Holdings Pte. Ltd.	Trading Company	100	100	100	
WT Microelectronics Co., Ltd.	Maxtek Technology Co., Ltd.	Trading Company	100	100	100	
Wintech Microelectronics Holding Limited	WT Microelectronics (Shanghai) Co., Ltd.	Trading Company	100	100	100	
Wintech Microelectronics Holding Limited	Promising Investment Limited	Investment Company	100	100	100	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Ltd.	Trading Company	100	100	100	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Limited	Investment Company	100	100	100	
Wintech Microelectronics Holding Limited	WT Technology Pte. Ltd.	Trading Company	100	100	100	
Wintech Microelectronics Holding Limited	Wintech Investment Co., Ltd.	Investment Company	100	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			September 30, 2020	December 31, 2019	September 30, 2019	
Wintech Microelectronics Holding Limited	Anius Enterprise Co., Ltd.	Trading Company	100	100	100	
Wintech Microelectronics Holding Limited	Mega Source Co., Ltd.	Trading Company	100	100	100	
BSI Semiconductor Pte. Ltd.	Wonchang Semiconductor Co., Ltd.	Trading Company	100	100	100	
BSI Semiconductor Pte. Ltd.	WT Technology Korea Co., Ltd.	Trading Company	4.53	4.53	4.53	
Morrihan International Corp.	Hotech Electronics Corp.	Trading Company	100	100	100	
Morrihan International Corp.	Asia Latest Technology Limited	Investment Company	100	100	100	
Promising Investment Limited	WT Technology (H.K.) Limited	Trading Company	100	100	100	
Promising Investment Limited	WT Solomon QCE Ltd.	Trading Company	100	100	100	
Promising Investment Limited	WT Microelectronics (Hong Kong) Limited	Trading Company	100	100	100	
Promising Investment Limited	Nino Capital Co., Ltd.	Investment Company	100	100	100	
Promising Investment Limited	Rich Web Ltd.	Investment Company	100	100	100	
Wintech Investment Co., Ltd.	WT Microelectronics Singapore Pte. Ltd.	Trading Company	100	100	100	
Wintech Investment Co., Ltd.	WT Microelectronics (Malaysia) Sdn. Bhd.	Trading Company	100	100	100	
Wintech Investment Co., Ltd.	WT Technology Korea Co., Ltd.	Trading Company	95.47	95.47	95.47	
Nino Capital Co., Ltd.	Shanghai WT Microelectronics Co., Ltd.	Trading Company	100	100	100	
Rich Web Ltd.	WT Microelectronics (Shenzhen) Co., Ltd.	Trading Company	100	100	100	
WT Microelectronics Singapore Pte. Ltd.	WT Microelectronics (Thailand) Co., Limited.	Trading Company	100	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			September 30, 2020	December 31, 2019	September 30, 2019	
WT Microelectronics Singapore Pte. Ltd.	WT Microelectronics India Private Limited	Trading Company	100	100	100	(b)
SinYie Investment Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	0.35	0.35	0.35	
Asia Latest Technology Limited	Morrihan International Trading (Shanghai) Co., Ltd.	Trading Company	100	100	100	
Techmosa International Inc.	Techmosa International Holding Ltd.	Investment Company	100	100	100	
Techmosa International Inc.	Morrihan Singapore Pte. Ltd.	Trading Company	100	100	100	
Maxtek Technology Co., Ltd.	HongTech Electronics Co., Ltd.	Trading Company	100	100	100	
Maxtek Technology Co., Ltd.	Lacewood International Corp.	Trading Company	100	100	100	
Maxtek Technology Co., Ltd.	Best Winner International Development Ltd.	Investment Company	100	100	100	
Best Winner International Development Ltd.	Maxtek International (HK) Limited.	Trading Company	100	100	100	

(a) The financial statements of certain consolidated insignificant subsidiaries for the nine-month periods ended September 30, 2020 and 2019 were not reviewed by independent auditors. The total assets of these unreviewed subsidiaries as of September 30, 2020 and 2019 were \$15,812,222 and \$16,984,190, constituting 13% and 17% of consolidated total assets, respectively, and the total liabilities were \$4,352,848 and \$4,688,776, constituting 6% and 6% of the consolidated total liabilities, respectively. The total comprehensive income was \$163,072, \$245,530, \$395,189 and \$418,931, constituting 17%, 31%, 5% and 21% of the consolidated total comprehensive income for the three-month and nine-month periods ended September 30, 2020 and 2019, respectively.

(b) WT Microelectronics India Private Limited is a newly established subsidiary in August 2019.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

A. The consolidated financial statements are presented in NT dollars, which is the Company's functional and the Group's presentation currency.

B. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

C. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Group retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.

- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets (liabilities) at fair value through profit or loss

- A. These are financial assets that are not measured at amortised cost or at fair value through other comprehensive income and are held for trading if acquired principally for the purpose of repurchasing in the short term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

- B. On a regular way purchase or sale basis, financial assets and liabilities at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition relating to the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.
- C. The Group's operating pattern of accounts receivable that are expected to be factored is for the purpose of receiving contract cash flow and selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in other comprehensive income.

(10) Impairment of financial assets

For financial assets at amortised cost including accounts receivable that have a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred, however, the Group has not retained control of the financial asset.

(12) Leasing arrangements (lessor) - operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

- A. The cost of inventories includes the purchase price, import duties and other costs directly attributable to the acquisition of goods. The discount, allowance and others alike should be deducted from the cost.
- B. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. 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. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. 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:

Buildings	26 ~ 55 years
Office equipment	2 ~ 9 years
Other assets	2 ~ 12 years

(16) Leasing arrangements (lessee) - right-of-use assets / lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable; and

(b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date; and

(c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 ~ 55 years.

(18) Intangible assets

A. Goodwill arises in a business combination accounted for by applying the acquisition method.

B. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3~5 years.

C. Other intangible assets, mainly customer relationship, are recorded at cost and amortised on a straight-line basis over the estimated useful life of 5 years.

(19) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the

circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

- B. The recoverable amount of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs.

(22) Convertible bonds payable

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares). The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial liability or an equity instrument ('capital surplus—share options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

- A. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds

payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

- B. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- C. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- D. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus – share options.

(23) Employee benefits

A. 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 recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. 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 periods. The liability recognised 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 rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments,

settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.
- B. The grant date of cash capital increase reserved for employee preemption is the date at which the entity and the employee agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement.

(25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate 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.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business

combination that at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred 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 realised or the deferred tax liability is settled.

- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. 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 recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred 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 realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.
- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(26) Share capital

Ordinary shares are classified as equity. The classification of preference shares is determined according to the special rights attached to the preference shares based on the substance of the contract and the definition of financial liabilities and equity instruments. Preference shares are classified as liabilities when they have the fundamental characteristic of financial liabilities; otherwise, they are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders or Board of Directors. Cash dividends are recorded as liabilities.

(28) Revenue recognition

- A. The Group sells electronic and communication components. Sales are recognised when the control of the products has been transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer acceptance of 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 customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. The goods are often sold with volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Accumulated experience is used to estimate and provide for the sales discounts and allowances, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 90~120 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- C. A receivable is recognised 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 the payment is due. The customer pays at the time specified in the payment schedule. If the payments exceed the merchandise provided, a contract liability is recognised.

(29) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised

amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

Revenue recognition on a net/gross basis

The Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Group recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Group recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Indicators that the Group controls the goods or services before it is provided to a customer include the following:

- A. The Group is primarily responsible for the provision of goods or services;
- B. The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.
- C. The Group has discretion in establishing prices for the goods or services.

(2) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(10) for the information of goodwill impairment.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the estimated selling price in the ordinary course of business within the specified period before the balance sheet date. Therefore, there might be material changes to the evaluation.

6. DETAILS 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	\$ 2,857	\$ 1,531	\$ 4,157
Checking accounts and demand deposits	4,671,980	3,105,100	6,400,716
Cash equivalents			
Time deposits	-	-	16,000
	<u>\$ 4,674,837</u>	<u>\$ 3,106,631</u>	<u>\$ 6,420,873</u>

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

B. The Group's deposits with banks that have been pledged as collateral were classified as 'other current assets'. Please refer to Note 8 for details. As of September 30, 2020, December 31, 2019 and September 30, 2019, the time deposits with maturity date over 3 months of \$14,656, \$39,109 and \$23,613, respectively, are recorded as 'other current assets'.

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

Items	September 30, 2020	December 31, 2019	September 30, 2019
Current items:			
Equity instruments	\$ <u>247,165</u>	\$ <u>404,806</u>	\$ <u>434,004</u>
Non-current items:			
Equity instruments	\$ <u>13,361,773</u>	\$ <u>265,779</u>	\$ <u>262,891</u>

A. The Group has elected to classify certain strategic investments in the aforementioned equity instruments, including publicly listed and privately held companies, as financial assets measured at fair value through other comprehensive income.

B. The Company exchanged shares with ASMedia Technology Inc. on April 21, 2020 and acquired \$6,624,000 of financial assets at fair value through other comprehensive income - non-current. Please refer to Note 6(19) for more details.

C. Aiming to satisfy its operating capital needs, the Group sold \$134,262 and \$92,628 of listed and unlisted shares at fair value which resulted in a cumulative gain on disposal of \$122,689 and \$88,026 during the nine-month periods ended September 30, 2020 and 2019, respectively.

D. Please refer to Note 6(22) for information on changes in fair value recognised in other comprehensive income for the three-month and nine-month periods ended September 30, 2020 and 2019.

E. The Group has no financial assets measured at fair value through other comprehensive income pledged to others as of September 30, 2020, December 31, 2019 and September 30, 2019.

(3) Notes and accounts receivable

	September 30, 2020	December 31, 2019	September 30, 2019
Notes receivable	\$ 2,166,456	\$ 1,774,036	\$ 1,636,523
Accounts receivable	47,926,131	43,172,327	44,121,958
Less: Allowance for uncollectible accounts	(<u>252,381</u>)	(<u>280,855</u>)	(<u>320,091</u>)
Notes and accounts receivable, net	<u>49,840,206</u>	<u>44,665,508</u>	<u>45,438,390</u>
Overdue receivables	457,326	975,343	962,751
Less: Allowance for uncollectible accounts	(<u>457,326</u>)	(<u>975,343</u>)	(<u>962,751</u>)
Overdue receivables, net (shown as 'other non-current assets')	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 49,840,206</u>	<u>\$ 44,665,508</u>	<u>\$ 45,438,390</u>

A. As of September 30, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2019, the balance of receivables from contracts with customers amounted to \$37,410,341.

B. Transferred financial assets that are derecognised in their entirety

(a) As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group had outstanding discounted notes receivable amounting to \$1,722,799, \$1,475,639 and \$1,224,050,

respectively. However, as notes receivable are bank's acceptance bills and are discounted without right of recourse, those discounted notes receivable were deducted directly from notes receivable.

- (b) The Group entered into a factoring agreement with a domestic financial institution to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable, and the related information is as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Accounts receivable transferred (Amount derecognised)	<u>\$ 33,339,034</u>	<u>\$ 36,854,586</u>	<u>\$ 43,040,358</u>
Amount advanced	<u>\$ 32,852,921</u>	<u>\$ 36,248,848</u>	<u>\$ 42,268,164</u>
Amount retained	<u>\$ 486,113</u>	<u>\$ 605,738</u>	<u>\$ 772,194</u>

- i. The above amounts retained are shown as 'other receivables'. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
 - ii. As of September 30, 2020, December 31, 2019 and September 30, 2019, the interest rates for amounts advanced ranged between 0.413%~3.235%, 1.2%~3.97% and 1.2%~3.93%, respectively.
 - iii. As of September 30, 2020, December 31, 2019 and September 30, 2019, the total limits of the accounts receivable factoring were \$81,701,510, \$81,356,704 and \$82,568,244, respectively.
 - iv. As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group has issued a promissory note of \$182,328,334, \$156,259,104 and \$161,547,480, respectively, as performance guarantee against any business dispute.
 - v. Please refer to Note 6(28) for information on financing charges on accounts receivable factoring for the three-month and nine-month periods ended September 30, 2020 and 2019.
- C. Transferred financial assets that are not derecognised in their entirety

The Group entered into a factoring agreement with domestic financial institutions to sell its accounts receivable. Under the agreement, the Group can transfer non-L/C accounts receivable financing to financial institution, and the bank has the right of recourse to the transferred accounts receivable. For accounts receivable that will not be recovered in the specific period, the Group will retain risk and returns of such accounts receivable. Accordingly, the Group did not derecognise the accounts receivable where the bank has the right of recourse.

As of September 30, 2020, December 31, 2019 and September 30, 2019, the total limits of the accounts receivable factoring agreement with recourse were \$931,840, \$750,500 and \$775,500, respectively. The Group has no accounts receivable that are financed and amount advanced.

D. The Group took out a credit insurance on the accounts receivable from certain main customers, whereby 75%~90% of the receivable amount can be covered when the receivables are uncollectible. As at September 30, 2020, December 31, 2019 and September 30, 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was the carrying amount of the notes and accounts receivable.

E. Please refer to Note 8 for details of accounts receivable pledged as security.

F. As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group's accounts receivable that are expected to be factored were classified as financial assets at fair value through other comprehensive income in the amounts of \$14,293,989, \$15,046,030 and \$9,177,836, respectively, and recorded as 'accounts receivable'.

G. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4) Other receivables

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
VAT refund receivable	\$ 704,497	\$ 866,889	\$ 853,189
Amounts retained for accounts receivable factoring	486,113	605,738	772,194
Others	<u>268,996</u>	<u>261,441</u>	<u>369,485</u>
	<u>\$ 1,459,606</u>	<u>\$ 1,734,068</u>	<u>\$ 1,994,868</u>

(5) Inventories

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Merchandise inventory	\$ 42,880,017	\$ 46,779,421	\$ 43,760,994
Less: Allowance for inventory obsolescence and market value decline	(<u>998,827</u>)	(<u>984,229</u>)	(<u>992,682</u>)
	<u>\$ 41,881,190</u>	<u>\$ 45,795,192</u>	<u>\$ 42,768,312</u>

The cost of inventories recognised as expense for the period:

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Cost of inventories sold	\$ 89,089,188	\$ 93,204,208
Loss on disposal of inventory	47	1
Loss on decline in market value	<u>12,200</u>	<u>9,410</u>
	<u>\$ 89,101,435</u>	<u>\$ 93,213,619</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Cost of inventories sold	\$ 236,287,931	\$ 230,398,431
Loss on disposal of inventory	47	1
Loss on decline in market value	<u>30,800</u>	<u>28,082</u>
	<u>\$ 236,318,778</u>	<u>\$ 230,426,514</u>

(6) Investments accounted for using equity method

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
JCD Optical (Cayman) Co., Ltd.	\$ 40,648	\$ 62,571	\$ 69,472
Qwave Technology Co., Ltd.	35,494	34,934	36,126
Rainbow Star Group Limited	28,715	30,077	31,250
Joy Capital Ltd.	<u>22,373</u>	<u>29,276</u>	<u>30,452</u>
	<u>\$ 127,230</u>	<u>\$ 156,858</u>	<u>\$ 167,300</u>

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

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Loss for the period from continuing operations	(\$ 3,511)	(\$ 29,213)
Other comprehensive income (loss), net of tax	<u>1,068</u>	<u>(93)</u>
Total comprehensive loss	<u>(\$ 2,443)</u>	<u>(\$ 29,306)</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Loss for the period from continuing operations	(\$ 27,197)	(\$ 79,750)
Other comprehensive income (loss), net of tax	<u>585</u>	<u>(1,447)</u>
Total comprehensive loss	<u>(\$ 26,612)</u>	<u>(\$ 81,197)</u>

The share of profit (loss) of associates and other comprehensive income recognised for the abovementioned investments accounted for using equity method were based on the associates' financial statements of the same reporting period which were not reviewed by the independent auditors.

(7) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2020</u>					
Cost	\$ 225,459	\$ 641,873	\$ 389,030	\$ 354,743	\$ 1,611,105
Accumulated depreciation and impairment	-	(112,299)	(249,171)	(239,225)	(600,695)
	<u>\$ 225,459</u>	<u>\$ 529,574</u>	<u>\$ 139,859</u>	<u>\$ 115,518</u>	<u>\$ 1,010,410</u>
<u>2020</u>					
Opening net book amount	\$ 225,459	\$ 529,574	\$ 139,859	\$ 115,518	\$ 1,010,410
Additions	-	3,786	18,684	27,852	50,322
Disposals	-	-	(611)	-	(611)
Depreciation charge	-	(11,177)	(37,657)	(41,079)	(89,913)
Net exchange differences	-	(1,665)	(946)	(416)	(3,027)
Closing net book amount	<u>\$ 225,459</u>	<u>\$ 520,518</u>	<u>\$ 119,329</u>	<u>\$ 101,875</u>	<u>\$ 967,181</u>
<u>At September 30, 2020</u>					
Cost	\$ 225,459	\$ 643,898	\$ 391,686	\$ 381,341	\$ 1,642,384
Accumulated depreciation and impairment	-	(123,380)	(272,357)	(279,466)	(675,203)
	<u>\$ 225,459</u>	<u>\$ 520,518</u>	<u>\$ 119,329</u>	<u>\$ 101,875</u>	<u>\$ 967,181</u>
	<u>Land</u>	<u>Buildings</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2019</u>					
Cost	\$ 225,459	\$ 634,212	\$ 360,629	\$ 296,940	\$ 1,517,240
Accumulated depreciation and impairment	-	(98,392)	(218,235)	(205,319)	(521,946)
	<u>\$ 225,459</u>	<u>\$ 535,820</u>	<u>\$ 142,394</u>	<u>\$ 91,621</u>	<u>\$ 995,294</u>
<u>2019</u>					
Opening net book amount	\$ 225,459	\$ 535,820	\$ 142,394	\$ 91,621	\$ 995,294
Additions	-	-	34,958	64,889	99,847
Disposals	-	-	(683)	(1)	(684)
Reclassifications	-	24,663	-	-	24,663
Depreciation charge	-	(10,864)	(41,502)	(32,965)	(85,331)
Net exchange differences	-	(10,773)	(1,693)	3,133	(9,333)
Closing net book amount	<u>\$ 225,459</u>	<u>\$ 538,846</u>	<u>\$ 133,474</u>	<u>\$ 126,677</u>	<u>\$ 1,024,456</u>
<u>At September 30, 2019</u>					
Cost	\$ 225,459	\$ 647,603	\$ 372,238	\$ 354,969	\$ 1,600,269
Accumulated depreciation and impairment	-	(108,757)	(238,764)	(228,292)	(575,813)
	<u>\$ 225,459</u>	<u>\$ 538,846</u>	<u>\$ 133,474</u>	<u>\$ 126,677</u>	<u>\$ 1,024,456</u>

Office and other equipments at September 30, 2020 and 2019 were for the Group's own use and not for lease.

(8) Leasing arrangements - lessee

A. The Group leases various assets including land, office and warehouse. Except for right-of-use of land for periods of 20 to 50 years, the rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are 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>
Land	\$ 278,016	\$ 284,991	\$ 291,759
Buildings and structures	<u>496,250</u>	<u>563,864</u>	<u>587,584</u>
	<u>\$ 774,266</u>	<u>\$ 848,855</u>	<u>\$ 879,343</u>

Three-month periods ended September 30,

	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 1,423	\$ 1,379
Buildings and structures	<u>43,409</u>	<u>41,218</u>
	<u>\$ 44,832</u>	<u>\$ 42,597</u>

Nine-month periods ended September 30,

	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 4,310	\$ 4,000
Buildings and structures	<u>128,361</u>	<u>124,278</u>
	<u>\$ 132,671</u>	<u>\$ 128,278</u>

C. For the three-month and nine-month periods ended September 30, 2020 and 2019, the additions to right-of-use assets were \$31,860, \$47,301, \$68,093 and \$75,792, respectively.

D. The information on income or expense accounts relating to lease contracts is as follows:

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 4,008	\$ 4,787
Expense on short-term lease contracts	19,098	24,006

Nine-month periods ended September 30,

	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 12,618	\$ 15,128
Expense on short-term lease contracts	55,429	73,380

E. For the nine-month periods ended September 30, 2020 and 2019, the Group's total cash outflow for leases were \$194,036 and \$205,983, respectively.

(9) Investment property

	Land	Buildings	Total
<u>At January 1, 2020</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(15,810)	(17,707)
	<u>\$ 82,839</u>	<u>\$ 21,289</u>	<u>\$ 104,128</u>
<u>2020</u>			
Opening net book amount	\$ 82,839	\$ 21,289	\$ 104,128
Depreciation charge	-	(610)	(610)
Closing net book amount	<u>\$ 82,839</u>	<u>\$ 20,679</u>	<u>\$ 103,518</u>
<u>At September 30, 2020</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(16,420)	(18,317)
	<u>\$ 82,839</u>	<u>\$ 20,679</u>	<u>\$ 103,518</u>
	Land	Buildings	Total
<u>At January 1, 2019</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(14,996)	(16,893)
	<u>\$ 82,839</u>	<u>\$ 22,103</u>	<u>\$ 104,942</u>
<u>2019</u>			
Opening net book amount	\$ 82,839	\$ 22,103	\$ 104,942
Depreciation charge	-	(610)	(610)
Closing net book amount	<u>\$ 82,839</u>	<u>\$ 21,493</u>	<u>\$ 104,332</u>
<u>At September 30, 2019</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(15,606)	(17,503)
	<u>\$ 82,839</u>	<u>\$ 21,493</u>	<u>\$ 104,332</u>

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Rental income from the lease of the investment property	<u>\$ 661</u>	<u>\$ 643</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 203</u>	<u>\$ 203</u>
	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Rental income from the lease of the investment property	<u>\$ 1,983</u>	<u>\$ 1,942</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 610</u>	<u>\$ 610</u>

B. The fair values of the investment property held by the Group as at September 30, 2020, December 31, 2019 and September 30, 2019 were \$192,219, \$136,824 and \$133,780, respectively, which were based on the valuation of market prices estimated using comparison approach and is categorised within Level 2 in the fair value hierarchy.

(10) Intangible assets

	<u>Goodwill</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2020</u>				
Cost	\$ 2,028,000	\$ 102,488	\$ 5,381	\$ 2,135,869
Accumulated amortisation and impairment	(174,119)	(77,891)	-	(252,010)
	<u>\$ 1,853,881</u>	<u>\$ 24,597</u>	<u>\$ 5,381</u>	<u>\$ 1,883,859</u>
<u>2020</u>				
Opening net book amount	\$ 1,853,881	\$ 24,597	\$ 5,381	\$ 1,883,859
Additions	-	1,864	-	1,864
Amortisation charge (shown as 'general and administrative expenses')	-	(7,985)	(1,345)	(9,330)
Net exchange differences	(25,771)	-	-	(25,771)
Closing net book amount	<u>\$ 1,828,110</u>	<u>\$ 18,476</u>	<u>\$ 4,036</u>	<u>\$ 1,850,622</u>
<u>At September 30, 2020</u>				
Cost	\$ 2,002,229	\$ 104,351	\$ 5,381	\$ 2,111,961
Accumulated amortisation and impairment	(174,119)	(85,875)	(1,345)	(261,339)
	<u>\$ 1,828,110</u>	<u>\$ 18,476</u>	<u>\$ 4,036</u>	<u>\$ 1,850,622</u>

	<u>Goodwill</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2019</u>				
Cost	\$ 2,038,130	\$ 78,901	\$ -	\$ 2,117,031
Accumulated amortisation and impairment	(170,309)	(68,113)	-	(238,422)
	<u>\$ 1,867,821</u>	<u>\$ 10,788</u>	<u>\$ -</u>	<u>\$ 1,878,609</u>
<u>2019</u>				
Opening net book amount	\$ 1,867,821	\$ 10,788	\$ -	\$ 1,878,609
Additions	10,015	18,038	5,381	33,434
Amortisation charge (shown as 'general and administrative expenses')	-	(6,679)	-	(6,679)
Impairment loss	(3,811)	-	-	(3,811)
Net exchange differences	8,098	-	-	8,098
Closing net book amount	<u>\$ 1,882,123</u>	<u>\$ 22,147</u>	<u>\$ 5,381</u>	<u>\$ 1,909,651</u>
<u>At September 30, 2019</u>				
Cost	\$ 2,056,242	\$ 96,939	\$ 5,381	\$ 2,158,562
Accumulated amortisation and impairment	(174,119)	(74,792)	-	(248,911)
	<u>\$ 1,882,123</u>	<u>\$ 22,147</u>	<u>\$ 5,381</u>	<u>\$ 1,909,651</u>

- A. Other intangible assets mainly pertain to customer relationship.
- B. The information on intangible assets acquired through business combinations for the period ended September 30, 2019 is provided in Note 6(33).
- C. Goodwill is allocated as follows to the Group's cash-generating units identified according to operating segment:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
	<u>Retail</u>	<u>Retail</u>	<u>Retail</u>
Greater China Region	\$ 1,221,846	\$ 1,228,405	\$ 1,235,692
All other segments	606,264	625,476	646,431
	<u>\$ 1,828,110</u>	<u>\$ 1,853,881</u>	<u>\$ 1,882,123</u>

- D. Goodwill is allocated to the Group's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period.

Management determined budgeted gross margin based on past performance and their expectations of market development. The assumptions used for weighted average growth rates are based on past historical experience and expectations of industry; the assumption used for discount rate is the weighted average capital cost of the Group. As of September 30, 2020,

December 31, 2019 and September 30, 2019, the key valuations used for pre-tax discount rate were 6.27%~9.83%, 6.69%~10.5% and 6.66%~10.91%, respectively.

E. There were no intangible assets that were impaired and pledged to others.

(11) Short-term borrowings

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Credit loans	\$ 27,252,600	\$ 25,995,988	\$ 30,271,741
Interest rates per annum	<u>0.5187%~3.52%</u>	<u>0.9177%~4.002%</u>	<u>0.9%~4.1325%</u>

(12) Short-term notes and bills payable

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Commercial paper	\$ 638,000	\$ 465,000	\$ 700,000
Amortisation of discount	(484)	(1,160)	(754)
	<u>\$ 637,516</u>	<u>\$ 463,840</u>	<u>\$ 699,246</u>
Coupon rate	<u>0.369%~0.792%</u>	<u>0.61%~0.89%</u>	<u>0.61%~0.89%</u>

The notes and bills were issued under securities and acceptance offered by the financial institutions to fund short-term capital. The issuance period is within 90 days.

(13) Financial assets and liabilities at fair value through profit or loss

<u>Assets</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Current items:			
Derivatives	\$ 1,351	\$ -	\$ 5,102
Beneficiary certificates	<u>10,525</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,876</u>	<u>\$ -</u>	<u>\$ 5,102</u>
Non-current items:			
Redeemable bonds	\$ 369	\$ -	\$ -
Beneficiary certificates	<u>29,120</u>	<u>-</u>	<u>-</u>
	<u>\$ 29,489</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities			
Current items:			
Derivatives	<u>\$ 1,821</u>	<u>\$ 26,118</u>	<u>\$ 4,780</u>

A. Amounts recognised in profit or loss in relation to financial assets and liabilities mandatorily measured at fair value through profit or loss are as follows:

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Derivative instruments	(\$ 83,811)	\$ 54,658
Beneficiary certificates	3,455	-
Overseas bonds	<u>9</u>	<u>-</u>
	<u>(80,347)</u>	<u>54,658</u>

	Nine-month periods ended September 30,	
	2020	2019
Derivative instruments	(\$ 20,901)	\$ 65,606
Beneficiary certificates	6,975	-
Overseas bonds	9	-
	(13,917)	65,606

B. The non-hedging derivative instruments and contract information are as follows:

September 30, 2020			
	Contract amount (Notional principal)		Contract period
Derivative financial assets	(In thousands)		
Current items:			
Forward foreign exchange contracts	USD (BUY)	40,000	2020.9.30~2020.10.15
Derivative financial liabilities	(In thousands)		
Current items:			
Forward foreign exchange contracts	USD (BUY)	32,000	2020.7.1~2020.10.15
December 31, 2019			
	Contract amount (Notional principal)		Contract period
Derivative financial liabilities	(In thousands)		
Current items:			
Forward foreign exchange contracts	USD (BUY)	147,017	2019.11.8~2020.3.27
September 30, 2019			
	Contract amount (Notional principal)		Contract period
Derivative financial assets	(In thousands)		
Current items:			
Forward foreign exchange contracts	USD (BUY)	29,000	2019.08.16~2019.12.24
Derivative financial liabilities	(In thousands)		
Current items:			
Forward foreign exchange contracts	USD (BUY)	23,000	2019.08.14~2019.11.27

The Group entered into forward foreign exchange contracts to sell USD to hedge exchange rate risk of foreign currency. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. For the derivative transactions, the Group deals with a variety of financial institutions all with high credit quality, so it expects that the probability of counterparty default is remote.

D. The Group has no financial assets measured at fair value through profit or loss pledged to others.

(14) Other payables

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Salaries and bonuses payable	\$ 871,397	\$ 843,313	\$ 741,425
Accrued VAT payable	187,703	287,603	351,175
Freight payable	138,302	122,501	127,099
Costs to provide technical services payable	73,564	76,335	61,630
Insurance expense payable	51,742	47,284	45,061
Finance cost payable	39,746	120,739	144,862
Others	186,100	306,166	221,679
	<u>\$ 1,548,554</u>	<u>\$ 1,803,941</u>	<u>\$ 1,692,931</u>

(15) Bonds payable

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Bonds payable	\$ 389,900	\$ 1,158,600	\$ 1,200,000
Less: Discount on bonds payable	(8,166)	(34,509)	(39,257)
	381,734	1,124,091	1,160,743
Less: Bonds payable, current portion	-	-	-
	<u>\$ 381,734</u>	<u>\$ 1,124,091</u>	<u>\$ 1,160,743</u>

A. Sixth unsecured convertible bonds of 2019

(a) The terms of the sixth domestic unsecured convertible bonds issued by the Company are as follows:

- i. The Company issued \$1,200,000, 0%, sixth domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (July 1, 2019 ~July 1, 2022) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on July 1, 2019.
- ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- iii. The conversion price of the bonds is set up based on the pricing model as specified in the terms of the bonds (with the conversion price at NT\$40 per share), and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. On September 30, 2020, the conversion price was NT\$28.2 per share.
- iv. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from securities trading markets), matured and converted are retired and not to be resold or re-issued; the convertible rights attached to the bonds are also extinguished.

- (b) Regarding the issuance of convertible bonds, the equity conversion options amounting to \$37,762 were separated from the liability component and were recognised in ‘capital surplus share options’ amounting to \$12,270 as of September 30, 2020 , in accordance with IAS 32.
 - (c) As of September 30, 2020, the convertible bonds converted into 26,690 thousand common shares totaled \$810,100 at par value.
- B. Fifth unsecured convertible bonds of 2016
- (a) The terms of the fifth domestic unsecured convertible bonds issued by the Company are as follows:
 - i. The Company issued \$1,500,000, 0%, fifth domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (July 7, 2016 ~July 7, 2019) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on July 7, 2016.
 - ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after one month of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
 - iii. The conversion price of the bonds is set up based on the pricing model as specified in the terms of the bonds (with the conversion price at NT\$40.5 per share), and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. On July 7, 2019, the conversion price was NT\$31.3 per share.
 - iv. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from securities trading markets), matured and converted are retired and not to be resold or re-issued; the convertible rights attached to the bonds are also extinguished.
 - (b) Regarding the issuance of convertible bonds, the equity conversion options amounting to \$0 were separated from the liability component and were recognised in ‘capital surplus-share options’ as of September 30, 2020, in accordance with IAS 32.
 - (c) As of December 31, 2019, the convertible bonds converted into 45,316 thousand common shares totaled \$1,450,100 at par value.
 - (d) The abovementioned bonds matured on July 7, 2019. The Company repaid \$49,900 for the unconverted bonds in accordance with the contract, and transferred \$1,875 from ‘capital surplus-share options’ to ‘capital surplus-share premium’.
- C. For the three-month and nine-month periods ended September 30, 2020 and 2019, the amortised discount of bonds payable was \$1,173, \$3,505, \$6,356 and \$5,446, respectively.

(16) Long-term loans

Type of loans	Period	September 30, 2020	
		Credit line	Amount
Mid-term borrowings (Bank of Taiwan)	2020/9/14~2022/9/14	<u>\$ 800,000</u>	\$ 800,000
Less: Long-term borrowings, current portion			<u>-</u>
			<u>\$ 800,000</u>
Range of interest rates			<u>1.2%</u>

Type of loans	Period	December 31, 2019	
		Credit line	Amount
Mid-term borrowings (The Export-Import Bank of the Republic of China)	2017/1/25~2020/1/25	<u>\$ 120,080</u>	\$ 120,080
Less: Long-term borrowings, current portion			(<u>120,080</u>)
			<u>\$ -</u>
Range of interest rates			<u>2.8013%</u>

Type of loans	Period	September 30, 2019	
		Credit line	Amount
Mid-term borrowings (Bank SinoPac)	2017/10/3~2019/10/3	\$ 1,500,000	\$ 62,500
Mid-term borrowings (The Export-Import Bank of the Republic of China)	2017/1/25~2020/1/25	<u>124,080</u>	<u>124,080</u>
		<u>\$ 1,624,080</u>	<u>186,580</u>
Less: Long-term borrowings, current portion			(<u>186,580</u>)
			<u>\$ -</u>
Range of interest rates			<u>1.05%~3.7526%</u>

- A. The mid-term borrowing contract the Group entered into with the head quarter of The Export-Import Bank of the Republic of China expired in January 2020 and all the borrowings were settled in the first quarter of 2020.
- B. Under the Bank SinoPac borrowing contract, the Group should maintain the required current ratio, gearing ratio and interest coverage ratio based on the annual and semi-annual consolidated financial statements during the terms of the loans.
- C. Under the Bank of Taiwan borrowing contract, the Group shall review the average balance of demand deposits every six months during the contract period in order to maintain the interest rate markup.
- D. The Group's liquidity risk is provided in Note 12.

(17) Pensions

A. Defined benefit pension plan

- (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Group would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Group will make contributions for the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognised pension costs of \$424, \$6,483, \$1,240 and \$7,438 for the three-month and nine-month periods ended September 30, 2020 and 2019, respectively.
- (c) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2021 amount to \$3,949.

B. Defined contribution pension plan

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company 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.
- (b) The Company's subsidiaries in Mainland China have a defined contribution plan in accordance with the pension regulations in the People's Republic of China (PRC). These companies contribute monthly an amount based on 1%~21% of the employees' monthly salaries based on the employees' domiciles to their independent funds administered by the government. For the subsidiaries in Hong Kong, these companies and its employees each contribute monthly an amount equal to 5% of the employees' monthly salaries pursuant to the legislation in Hong Kong. Each fund is managed by the government. Except for the monthly contribution, these companies have no other obligation.

(c) The pension costs under the defined contribution pension plan of the Group for the three-month and nine-month periods ended September 30, 2020 and 2019 were \$35,665, \$42,012, \$106,052 and \$146,429, respectively.

(18) Share-based payment

A. For the nine-month period ended September 30, 2020, the Group's share-based payment arrangements are as follows:

Type of arrangement	Grant date	Quantity granted	Vesting conditions
Cash capital increase reserved for employee preemption	2020.8.17	520 thousand shares	Vested immediately

B. The fair value of stock options granted on August 17, 2020 is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility (%)	Expected option life (years)	Risk-free interest rate (%)	Fair value per unit (in dollars)
Cash capital increase reserved for employee preemption	2020.8.17	\$ 53.25	\$ 50.00	9.09	0.137	0.13	\$ 3.28

Compensation cost of share-based payment of \$1,706 was recognised for cash capital increase reserved for employee preemption for the nine-month period ended September 30, 2020.

(19) Share capital

A. As of September 30, 2020, the Company's authorised capital was \$15,000,000, consisting of 1.5 billion shares of ordinary stock (including 120 million shares reserved for employee stock options), and the paid-in capital was \$7,841,903 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares (including certificate of entitlement to new shares from convertible bonds) outstanding are as follows:

	2020	2019
	Shares (in thousands)	Shares (in thousands)
At January 1	591,437	557,611
Shares issued	171,000	-
Shares converted from bonds	25,589	32,725
At September 30	788,026	590,336

- C. As of September 30, 2020, convertible bonds amounting to \$113,400 in total par value were requested for conversion into 3,836 thousand ordinary shares. The amount was recorded under ‘certificate of entitlement to new shares from convertible bonds’ because the change in registration has not yet been completed as of September 30, 2020.
- D. On July 2, 2020, the Board of Directors resolved to increase the Company’s capital in the amount of \$6,750,000 by issuing 135 million shares of Class A preference shares with a par value of \$10 (in dollars) per share issued at \$50 (in dollars) per share. The capital injection was approved by the FSC on July 29, 2020, and the effective date was set on October 15, 2020. Proceeds amounting to \$1,308,731 from the issuance of preference shares have been collected as of September 30, 2020, and recorded as ‘Advance receipts for share capital’ under Equity. The rights and obligations of these outstanding preference shares are as follows:
- (a) Expiration date: The Company’s Class A preference shares are perpetual. The stockholders of Class A preferred stocks cannot request the Company to retire the preferred stocks they hold but all or certain parts are callable at any time from the next day of five years after issuance at the actual issue price. The outstanding Class A preference shares sustained all the rights and obligations specified in the issuance terms. Dividends payable as of the redemption date shall be calculated based on the actual outstanding days if the Board of Directors resolved to distribute the current year’s dividends.
 - (b) Dividends: Dividends are calculated at 4% per annum, consisting of five-year IRS rate of 0.6125% on pricing effective date (August 17, 2020) and specific markup of 3.3875%, based on the issue price per share. The five-year IRS rate will be reset on the next business day of five years since issuance and every subsequent five years and the pricing effective date for rate reset is two Taipei financial industry business days prior to the IRS rate reset date. The rate index, five-year IRS rate, is the arithmetic mean of five-year IRS rates appearing on Reuters pages “PYTWDFIX” and “COSMOS3” at 11:00 a.m. (Taipei time) on the relevant pricing effective date of rate reset. If such rate cannot be obtained, the Company will determine the rate based on the reasonable market price with good faith.
 - (c) Dividend distribution: Dividends of Class A preference shares are distributed once per year in the form of cash. The effective date for distributing previous year’s distributable dividends will be set by the Board of Directors or the chairman who is authorised by the Board of Directors. Dividend distributions in the issuance and redemption years are calculated based on the actual outstanding days. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating deficit and then set aside as legal reserve. Special reserve shall be set aside or reversed as required by regulations or the Competent Authority when necessary. The remainder, if any in the current year, can be distributed as dividends of preferred shares in first priority.
- The Company has discretion in dividend distribution of Class A preference shares. The Company could choose not to distribute dividends of preferred shares when resolved by the

Board of Directors, which would not be able to lead to default if the Company has no or has insufficient current year's earnings for distribution or has other necessary considerations. In addition, the amounts of undistributed dividends or insufficient distributed dividends will not become deferred payments in future years when the Company has earnings.

- (d) Excess dividend distribution: Besides the aforementioned dividends, the shareholders of Class A preference shares could not participate in the distribution of cash and capitalised assets for common shares derived from earnings and capital surplus.
 - (e) Residual property distribution: The shareholders of Class A preference shares have priority over shareholders of common stocks in distributing the Company's residual properties and have the same priority with other preferred shareholders of the Company, but behind the general creditor. In addition, the limit is the amount calculated by shares of outstanding preference shares issued and the issue price when distributing.
 - (f) Right to vote and be elected: The shareholders of Class A preference shares have no right to vote and be elected in the ordinary shareholders' meeting of the Company but have the right to vote in the shareholders' meeting for shareholders of Class A preference shares only and shareholders' meeting regarding unfavourable matters to rights and obligations of shareholders of Class A preference shares.
 - (g) Conversion to common shares: Class A preference shares could not be converted to common shares.
 - (h) The preemptive rights for shareholders of Class A preference shares are the same as of common shareholders when the Company increases its capital by issuing new shares.
 - (i) Capital surplus arising from premium issuance of Class A preference shares can be used to offset against accumulated deficit but cannot be capitalised during the issuance period.
- E. On February 21, 2020, the Company's Board of Directors resolved to increase capital of \$1,710,000 by issuing 171 million ordinary shares with a par value of NT\$10 (in dollars) per share to exchange for 9 million shares of ASMedia Technology Inc. The transaction was approved by the Financial Supervisory Committee on April 17, 2020, and the effective date was set on April 21, 2020.

(20) Capital surplus

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

2020						
	Share premium	Treasury share transactions	Stock options	Net change in equity of associates	Share -based payments	Total
At January 1	\$ 9,446,398	\$ 40,742	\$36,459	\$ 8,237	\$ -	\$ 9,531,836
Issue of shares	4,914,000	-	-	-	-	4,914,000
Issue of preference shares	-	-	-	-	1,706	1,706
Conversion of convertible bonds	517,011	-	(24,189)	-	-	492,822
At September 30	<u>\$14,877,409</u>	<u>\$ 40,742</u>	<u>\$12,270</u>	<u>\$ 8,237</u>	<u>\$1,706</u>	<u>\$14,940,364</u>

2019						
	Share premium	Treasury share transactions	Stock options	Net change in equity of associates	Total	
At January 1	\$ 8,684,119	\$ 40,742	\$ 40,362	\$ 8,159	\$ 8,773,382	
Issuance of convertible bonds	-	-	37,762	-	37,762	
Expiration of convertible bonds	1,875	-	(1,875)	-	-	
Conversion of convertible bonds	730,024	-	(38,487)	-	691,537	
At September 30	<u>\$ 9,416,018</u>	<u>\$ 40,742</u>	<u>\$ 37,762</u>	<u>\$ 8,159</u>	<u>\$ 9,502,681</u>	

B. For the information relating to capital surplus-share options, please refer to Note 6(15).

(21) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. Special reserve shall be set aside or reversed as required by regulations or the Competent Authority when necessary. The remainder, if any in the current year, shall be distributed as the dividend of preferred shares in first priority and then along with beginning unappropriated earnings is the accumulated distributable earnings which will be proposed to be distributed by the Board of Directors and resolved by the shareholders.
- B. In accordance with Article 240 of the Company Act, the Board of Directors is authorised, upon resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, to distribute dividends and bonus of all or part of the legal reserve and capital surplus in the form of cash based on the regulations specified in Article 241 of Company Act which shall be reported to the shareholders during their meeting. Said

distribution is not subject to the regulation which requires that the distribution shall be resolved by the shareholders during their meeting.

- C. The Company's dividend policy is regulated by the Board of Directors taking into consideration the Company's operations, future investment plans, capital budget and internal/external situations. As the Company is in the growth stage, most of retained earnings will be used to support business development and investment requirements and consequently, the minimum cash dividend and extra dividend policy is adopted by the Company. The Company's dividend policy is summarised below:

At least 40% of the Company's earnings shall be appropriated as stock dividends and cash dividends, taking into account profits in the future and capital needs, and cash dividends shall account for at least 10% of the total dividends distributed. In the event the total earnings appropriation exceeds 30% of the Company's paid-in capital before appropriation, cash dividends shall account for at least 20% of the total dividends distributed.

- D. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- E. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- F. According to the resolutions adopted by the stockholders during their meetings in March 2020 and June 2019, the distribution information of the Company's 2019 and 2018 earnings is as follows:

	Years ended December 31,			
	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 261,034		\$ 277,823	
Special reserve	647,574		34,466	
Cash dividends	<u>1,645,111</u>	\$ 2.776	<u>1,387,967</u>	\$ 2.36
	<u>\$ 2,553,719</u>		<u>\$ 1,700,256</u>	

Information on the appropriation of the Company's earnings as approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Other equity items

	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1, 2020	\$ 368,652	(\$ 1,159,794)	(\$ 791,142)
Valuation adjustment on equity instruments	6,442,265	-	6,442,265
Disposals reclassified as retained earnings	(122,689)	-	(122,689)
Currency translation differences:			
– Group	-	(872,714)	(872,714)
– Associates	-	585	585
At September 30, 2020	<u>\$ 6,688,228</u>	<u>(\$ 2,031,923)</u>	<u>\$ 4,656,305</u>

	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1, 2019	\$ 248,532	(\$ 392,100)	(143,568)
Valuation adjustment on equity instruments	220,507	-	220,507
Disposals reclassified as retained earnings	(88,026)	-	(88,026)
Currency translation differences:			
– Group	-	(15,012)	(15,012)
– Associates	-	(1,447)	(1,447)
At September 30, 2019	<u>\$ 381,013</u>	<u>(\$ 408,559)</u>	<u>(\$ 27,546)</u>

(23) Non-controlling interests

	2020	2019
At January 1	\$ 742	\$ 712
Share attributable to non-controlling interest:		
Profit for the period	310	249
Increase in non-controlling interests	7	-
Exchange differences on translation of foreign financial statements	(29)	-
Unrealised financial assets at fair value through other comprehensive income	16	-
Cash dividends paid	(276)	(257)
At September 30	<u>\$ 770</u>	<u>\$ 704</u>

(24) Operating revenue

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Contract revenue		
Sale of electronic components	\$ 91,830,141	\$ 96,145,391
Other operating revenue	<u>31,898</u>	<u>45,338</u>
	<u>\$ 91,862,039</u>	<u>\$ 96,190,729</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Contract revenue		
Sale of electronic components	\$ 243,967,655	\$ 238,288,471
Other operating revenue	<u>94,229</u>	<u>124,464</u>
	<u>\$ 244,061,884</u>	<u>\$ 238,412,935</u>

A. The Group's revenue from customers' contracts primarily arise from the transfer of goods at a point in time in the following major product lines:

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Analog IC	\$ 38,070,440	\$ 44,969,775
IC Memory	7,187,199	6,229,682
Microcontroller	7,169,709	6,617,847
Microprocessor	5,724,365	3,712,527
Discrete Devices	6,119,138	4,331,279
Application-Specific IC	3,182,228	7,626,501
Mixed-Signal IC	4,540,126	1,323,925
Others	<u>19,868,834</u>	<u>21,379,193</u>
	<u>\$ 91,862,039</u>	<u>\$ 96,190,729</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Analog IC	\$ 101,183,489	\$ 101,417,971
IC Memory	19,597,878	17,483,938
Microcontroller	18,842,462	18,595,351
Microprocessor	17,182,274	10,360,527
Discrete Devices	14,632,932	10,320,148
Application-Specific IC	12,294,692	19,358,826
Mixed-Signal IC	11,358,648	4,272,548
Others	<u>48,969,509</u>	<u>56,603,626</u>
	<u>\$ 244,061,884</u>	<u>\$ 238,412,935</u>

B. The Group has recognised the following revenue-related contract liabilities provisions for estimated sales discounts:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>	<u>January 1, 2019</u>
Refund liabilities				
-sales discounts and returns	\$ <u>419,259</u>	\$ <u>552,019</u>	\$ <u>831,047</u>	\$ <u>879,111</u>
Contract liabilities				
-advance sales receipts	\$ <u>392,509</u>	\$ <u>195,597</u>	\$ <u>179,047</u>	\$ <u>118,246</u>

C. The main supplier, Texas Instruments, notified the Company that they plan to terminate the authorised agency agreement effective from December 31, 2020. The business transactions between both parties will remain unchanged in accordance with the original agency agreement before the termination.

(25) Interest income

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Interest income from bank deposits	\$ 1,392	\$ 2,797
Interest income - related parties	1,066	1,025
Other interest income	<u>55</u>	<u>45</u>
	<u>\$ 2,513</u>	<u>\$ 3,867</u>
	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Interest income from bank deposits	\$ 10,189	\$ 12,340
Interest income - related parties	3,150	3,016
Other interest income	<u>162</u>	<u>172</u>
	<u>\$ 13,501</u>	<u>\$ 15,528</u>

(26) Other income

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Dividend income	\$ 115,395	\$ 5,977
Grant revenue	4,073	-
Indemnity income	826	2,065
Other income	<u>1,304</u>	<u>8,432</u>
	<u>\$ 121,598</u>	<u>\$ 16,474</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Dividend income	\$ 115,395	\$ 5,977
Grant revenue	16,591	297
Other current liabilities recognised as other revenue	6,057	150
Indemnity income	4,872	4,006
Other income	10,136	11,023
	<u>\$ 153,051</u>	<u>\$ 21,453</u>

(27) Other gains and losses

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Foreign exchange gain (loss), net	\$ 182,173	(\$ 51,457)
(Loss) gain on financial assets and liabilities at fair value through profit or loss - derivatives	(80,347)	54,658
Impairment loss	-	(27,718)
(Loss) gain on disposal of property, plant and equipment	(330)	129
Other losses	(2,356)	(1,517)
	<u>\$ 99,140</u>	<u>(\$ 25,905)</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Foreign exchange gain (loss), net	\$ 185,842	(\$ 5,194)
(Loss) gain on financial assets and liabilities at fair value through profit or loss - derivatives	(13,917)	65,606
Impairment loss	-	(27,718)
Loss on disposal of property, plant and equipment	(349)	(165)
Other losses	(7,586)	(5,835)
	<u>\$ 163,990</u>	<u>\$ 26,694</u>

(28) Finance costs

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Interest expense:		
Bank borrowings	\$ 99,785	\$ 247,452
Others	6,926	10,199
Financing charges on accounts receivable factoring	66,949	220,577
Other finance costs	6,704	7,062
	<u>\$ 180,364</u>	<u>\$ 485,290</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Interest expense:		
Bank borrowings	\$ 456,877	\$ 785,771
Others	24,790	29,498
Financing charges on accounts receivable factoring	329,894	661,619
Other finance costs	21,579	22,084
	<u>\$ 833,140</u>	<u>\$ 1,498,972</u>

(29) Expenses by nature

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Employee benefit expense	\$ 850,806	\$ 867,872
Depreciation	75,156	72,969
Amortisation	3,771	2,669
Total (shown as 'Operating expenses')	<u>\$ 929,733</u>	<u>\$ 943,510</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Employee benefit expense	\$ 2,539,048	\$ 2,555,156
Depreciation	223,194	214,219
Amortisation	9,330	6,679
Total (shown as 'Operating expenses')	<u>\$ 2,771,572</u>	<u>\$ 2,776,054</u>

(30) Employee benefit expense

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Employee benefit expense		
Wages and salaries	\$ 725,669	\$ 708,650
Labour and health insurance fees	25,420	26,347
Pension costs	36,089	48,495
Other personnel expenses	<u>63,628</u>	<u>84,380</u>
Total (shown as ‘Operating expenses’)	<u>\$ 850,806</u>	<u>\$ 867,872</u>
	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Employee benefit expense		
Wages and salaries	\$ 2,141,446	\$ 2,080,084
Labour and health insurance fees	81,874	84,221
Pension costs	107,292	153,867
Other personnel expenses	<u>208,436</u>	<u>236,984</u>
Total (shown as ‘Operating expenses’)	<u>\$ 2,539,048</u>	<u>\$ 2,555,156</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees’ compensation and directors’ remuneration. The ratio shall not be lower than 1% for employees’ compensation and shall not be higher than 3% for directors’ remuneration.
- B. For the three-month and nine-month periods ended September 30, 2020 and 2019, employees’ compensation was accrued at \$12,300, \$9,200, \$28,600 and \$22,900, respectively; while directors’ remuneration was accrued at \$3,150, \$3,000, \$9,450 and \$9,000, respectively. The aforementioned amounts were recognised in salary expenses. The employees’ compensation and directors’ remuneration were estimated and accrued based on distributable profit of current year for the nine-month periods ended September 30, 2020 and 2019. Employees’ compensation and directors’ remuneration for 2019 as resolved by the directors during its meeting were in agreement with those amounts recognised in profit or loss for 2019. Information about employees’ compensation and directors’ remuneration of the Company as resolved by the Board of Directors will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.
- C. Employee benefit expense for the three-month and nine-month periods ended September 30, 2020 decreased because the Group’s mainland China subsidiaries were affected by the COVID-19 and were entitled to the reduction in social insurance in accordance with the No. 11 (2020) of the Ministry of Human Resources and Social Security, “Notice of the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises”.

(31) Income tax

A. Income tax expense

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Current tax:		
Current tax on profit for the period	\$ 262,476	\$ 291,822
Prior year income tax underestimation	637	1,195
Total current tax	<u>263,113</u>	<u>293,017</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>32,027</u>	(<u>81,206</u>)
Total deferred tax	<u>32,027</u>	(<u>81,206</u>)
Income tax expense	<u>\$ 295,140</u>	<u>\$ 211,811</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Current tax:		
Current tax on profit for the period	\$ 607,860	\$ 523,469
Tax on undistributed surplus earnings	2,831	63,772
Prior year income tax over estimation	(<u>1,129</u>)	(<u>246</u>)
Total current tax	<u>609,562</u>	<u>586,995</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>51,520</u>	(<u>30,850</u>)
Total deferred tax	<u>51,520</u>	(<u>30,850</u>)
Income tax expense	<u>\$ 661,082</u>	<u>\$ 556,145</u>

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

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Currency translation differences	<u>\$ -</u>	<u>\$ -</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Currency translation differences	<u>\$ -</u>	(<u>\$ 13,087</u>)

C. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

(32) Earnings per share

	<u>Three-month period ended September 30, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	<u>\$ 1,151,553</u>	<u>787,109</u>	<u>\$ 1.46</u>
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	1,151,553	787,109	
Assumed conversion of all dilutive potential ordinary shares			
Conversion of convertible bonds	1,172	14,744	
Employees' compensation	<u>-</u>	<u>377</u>	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,152,725</u>	<u>802,230</u>	<u>\$ 1.44</u>
	<u>Three-month period ended September 30, 2019</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	<u>\$ 817,278</u>	<u>590,336</u>	<u>\$ 1.38</u>
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	817,278	590,336	
Assumed conversion of all dilutive potential ordinary shares			
Conversion of convertible bonds	3,505	32,019	
Employees' compensation	<u>-</u>	<u>237</u>	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 820,783</u>	<u>622,592</u>	<u>\$ 1.32</u>

<u>Nine-month period ended September 30, 2020</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 2,556,746	705,832	\$ 3.62
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	2,556,746	705,832	
Assumed conversion of all dilutive potential ordinary shares			
Conversion of convertible bonds	6,356	26,747	
Employees' compensation	-	939	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,563,102</u>	<u>733,518</u>	<u>\$ 3.49</u>
<u>Nine-month period ended September 30, 2019</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 1,824,029	583,514	\$ 3.13
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	1,824,029	583,514	
Assumed conversion of all dilutive potential ordinary shares			
Conversion of convertible bonds	5,446	18,663	
Employees' compensation	-	825	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,829,475</u>	<u>603,002</u>	<u>\$ 3.03</u>

(33) Business combination

As of September 30, 2020 and 2019, the Group's mergers are as follows:

- A. In accordance with the resolution adopted by the Board of Directors on July 2, 2020, the Company decided to acquire all shares of Analog World Co., Ltd. through stock swap at a price of US\$112.82 per share. Total acquisition consideration was \$398,813 (US\$13,539 thousand), and the effective date for the conversion was set on October 5, 2020. Analog World Co., Ltd. is engaged mainly in the sales of integrated circuits and other electronic components. The merger was made with the objective of improving and enhancing the Company's ADI product line targeting the Korean market in order to increase the Group's operating performance. The abovementioned acquisition consideration was recognised in other non-current assets.
- B. In July 2020, the Company's subsidiary, Morrihan International Corp., signed a business transfer agreement with Analog Tech Systems, Inc. and Analogtechsys Limit, acquiring part of the companies' electronic component distribution business amounting to \$38,149. The record date of the transfer was October 5, 2020. The consideration for the transfer was recognised in other non-current assets.
- C. The Company acquired part of the electronic component distribution business of Green Chips Co, Ltd.:
- (a) In December 2018, the Company signed a business transfer agreement with Green Chips Co, Ltd., acquiring part of the company's electronic component distribution business amounting to \$15,396. The record date of the transfer was July 1, 2019.
- (b) Green Chips Co, Ltd. is a distributor of electronic components with the Korea region as its primary market.
- (c) Information on the acquisition of the distribution business is as follows:

	<u>July 1, 2019</u>
Purchase consideration - cash	\$ 15,396
Less: Fair value of the identifiable net assets	(5,381)
Goodwill	<u>\$ 10,015</u>

(34) Supplemental cash flow information

A. Cash paid for property, plant and equipment:

	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Purchase of property, plant and equipment	\$ 50,322	\$ 99,847
Add: Opening balance of payable on equipment	4,879	13,396
Ending balance of prepayments for business facilities	-	115
Less: Ending balance of payable on equipment (	6,405) (	2,248)
Opening balance of prepayments for business facilities	(1,609) (	25,899)
Effect of foreign exchange	(3) (	9)
Cash paid during the period	<u>\$ 47,184</u>	<u>\$ 85,202</u>

B. Cash paid for business combinations:

	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Purchase of intangible assets	\$ -	\$ 15,396
Add: Ending balance of prepayments	<u>466,447</u>	<u>-</u>
Cash paid during the period	<u>\$ 466,447</u>	<u>\$ 15,396</u>

C. Financing activities with no cash flow effects

	<u>September 30, 2020</u>
Issue of shares	\$ 6,624,000
Acquisition of financial assets at fair value through other comprehensive income	(6,624,000)
Cash paid during the period	<u>\$ -</u>

On April 21, 2020, the Company issued new shares to exchange shares with ASMedia Technology Inc. Please refer to Note 6(19) for more details.

(35) Changes in liabilities from financing activities

	Short-term borrowings (Note)	Short-term notes and bills payable	Bonds payable	Lease liability	Liabilities from financing activities-gross
At January 1, 2020	\$ 26,116,068	\$ 463,840	\$ 1,124,091	\$ 572,573	\$ 28,276,572
Changes in cash flow from financing activities	1,955,268	167,860	-	(125,989)	1,997,139
Impact of changes in foreign exchange rate	(18,736)	-	-	(7,464)	(26,200)
Interest expense from amortisation	-	5,816	6,356	-	12,172
Conversion of convertible bonds	-	-	(748,713)	-	(748,713)
Increase in lease liability for the period	-	-	-	68,093	68,093
At September 30, 2020	<u>\$ 28,052,600</u>	<u>\$ 637,516</u>	<u>\$ 381,734</u>	<u>\$ 507,213</u>	<u>\$ 29,579,063</u>
	Short-term borrowings (Note)	Short-term notes and bills payable	Bonds payable	Lease liability	Liabilities from financing activities-gross
At January 1, 2019	\$ 27,106,343	\$ 1,828,513	\$ 1,066,748	\$ -	\$ 30,001,604
Changes in cash flow from financing activities	3,389,224	(1,138,191)	1,145,100	(117,475)	3,278,658
Impact of changes in foreign exchange rate	(37,246)	-	-	(9,531)	(46,777)
Interest expense from amortisation	-	8,924	5,446	-	14,370
Conversion of convertible bonds	-	-	(1,018,789)	-	(1,018,789)
Issuance of convertible bonds	-	-	(37,762)	-	(37,762)
IFRS 16 conversion recognition	-	-	-	682,856	682,856
Increase in lease liability for the period	-	-	-	38,353	38,353
At September 30, 2019	<u>\$ 30,458,321</u>	<u>\$ 699,246</u>	<u>\$ 1,160,743</u>	<u>\$ 594,203</u>	<u>\$ 32,912,513</u>

Note: Including long-term loans - current portion

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
JCD Optical Corporation Limited	Indirectly reinvested associate of the Company
JCD Optical Corporation	Indirectly reinvested associate of the Company
Qwave Technology Co., Ltd.	Indirectly reinvested associate of the Company
BRILLNICS (HK) LIMITED	Indirectly reinvested associate of the Company
WPG Holding Co., Ltd. and Subsidiaries (Note 1)	Entity with significant influence over the Group
ASUSTeK Computer Inc. and Subsidiaries (Note 2)	Entity with significant influence over the Group

Note 1: On January 30, 2020, WPG Holdings Limited acquired 177,110,000 shares of the Company and became the related parties who has significant influence over the Group.

Note 2: On April 21, 2020, ASUSTeK Computer Inc.'s subsidiary, ASMedia Technology Inc., became a related party with significant influence over the Group by exchanging shares with the Company and acquiring 171,000 thousand shares of the Company.

(2) Significant related party transactions

A. Operating revenue

	Three-month periods ended September 30,	
	2020	2019
Sales of goods:		
- Entity with significant influence over the Group	\$ 626,111	\$ -
- Associates	-	2
	<u>\$ 626,111</u>	<u>\$ 2</u>
	Nine-month periods ended September 30,	
	2020	2019
Sales of goods:		
- Entity with significant influence over the Group	\$ 1,191,730	\$ -
- Associates	822	890
	<u>\$ 1,192,552</u>	<u>\$ 890</u>

The collection terms with related parties were 45 to 120 days and the products were categorised and priced after referring to the inventory cost, market and other transaction conditions.

B. Purchases

	Three-month periods ended September 30,	
	2020	2019
Purchases of goods:		
- Entity with significant influence over the Group	\$ 294,013	\$ -
- Associates	9,177	12,512
	<u>\$ 303,190</u>	<u>\$ 12,512</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Purchases of goods:		
- Entity with significant influence over the Group	\$ 517,721	\$ -
- Associates	<u>25,734</u>	<u>33,665</u>
	<u>\$ 543,455</u>	<u>\$ 33,665</u>

The credit term to related parties is 30 to 45 days and the purchase prices were categorised and priced after referring to market prices and other transaction conditions.

C. Receivables from related parties

	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Accounts receivable:		
- Entity with significant influence over the Group	\$ 192,612	\$ -
- Associates	<u>-</u>	<u>889</u>
	<u>\$ 192,612</u>	<u>\$ 889</u>

D. Payables to related parties

	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Accounts payable:		
- Entity with significant influence over the Group	\$ 119,046	\$ -
- Associates	<u>3,249</u>	<u>9,269</u>
	<u>\$ 122,295</u>	<u>\$ 9,269</u>

E. Loans to others

Loans to related parties:

(a) Outstanding balance (shown as 'other receivables'):

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
- Associate			
BRILLNICS (HK) LIMITED	<u>\$ 165,984</u>	<u>\$ 150,100</u>	<u>\$ 155,100</u>

For the nine-month periods ended September 30, 2020 and 2019, the interest rate was 2.1%~2.6% for the abovementioned loans to related parties. Please refer to table 1 for details of loans to subsidiaries.

(b) Interest income

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
- Associate		
BRILLNICS (HK) LIMITED	<u>\$ 1,066</u>	<u>\$ 1,025</u>
	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
- Associate		
BRILLNICS (HK) LIMITED	<u>\$ 3,150</u>	<u>\$ 3,016</u>

(3) Key management compensation

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	\$ 18,705	\$ 18,255
Post-employment benefits	157	67
	<u>\$ 18,862</u>	<u>\$ 18,322</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	\$ 45,315	\$ 45,765
Post-employment benefits	291	202
	<u>\$ 45,606</u>	<u>\$ 45,967</u>

8. PLEDGED ASSETS

The details of the Group's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Purpose</u>	<u>Book value</u>		
		<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Other current assets:				
Bank deposits	Guarantee for customs duties	\$ -	\$ -	\$ 26,125
	Bid bond	2,825	2,912	3,009
		<u>\$ 2,825</u>	<u>\$ 2,912</u>	<u>\$ 29,134</u>

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT

COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Outstanding letters of credit

The amounts of outstanding letters of credit for the purchase of inventories by the Group are as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Outstanding letters of credit	<u>\$ 7,333,680</u>	<u>\$ 5,887,913</u>	<u>\$ 5,956,478</u>

B. Guarantee for customs duties

The total guarantee for customs duties is as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Customs duties guarantee	<u>\$ 31,000</u>	<u>\$ 36,000</u>	<u>\$ 35,000</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- A. Information on the capital increase by issuing Class A preference shares is provided in Note 6(19).
 B. Information on the Company acquiring a 100% equity interest in Analog World Co., Ltd. is provided in Note 6(33).

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the financial debt ratio. This ratio is calculated as total liabilities with interests divided by total net assets. Total liabilities with interest is calculated as total amount of long-term and short-term borrowings, short-term bills payable and corporate bonds payable in the consolidated balance sheet. Total equity is calculated as the 'equity' in the consolidated balance sheet.

In 2020 and 2019, the Group's strategy was to maintain the financial debt ratio below 250%.

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss (Note 3)	\$ 41,365	\$ -	\$ 5,102
Financial assets at fair value through other comprehensive income (Note 1)	27,902,927	15,716,615	9,874,731
Financial assets at amortised cost (Note 2)	<u>41,791,482</u>	<u>34,615,901</u>	<u>44,729,042</u>
	<u>\$ 69,735,774</u>	<u>\$ 50,332,516</u>	<u>\$ 54,608,875</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss (Note 3)	\$ 1,821	\$ 26,118	\$ 4,780
Financial liabilities at amortised cost (Note 4)	<u>76,266,744</u>	<u>75,210,425</u>	<u>76,397,858</u>
	<u>\$ 76,268,565</u>	<u>\$ 75,236,543</u>	<u>\$ 76,402,638</u>
Lease liability	<u>\$ 507,213</u>	<u>\$ 572,573</u>	<u>\$ 594,203</u>

Note 1: Including notes receivable and accounts receivable that are expected to be factored (net) and equity instrument.

Note 2: Including cash and cash equivalents, notes receivable and accounts receivable that are not expected to be factored (net), other receivables, guarantee deposits paid and other current assets.

Note 3: Held for trading.

Note 4: Including short-term borrowings, short-term notes and bills payable, accounts payable, other payables, long-term liabilities - current portion, bonds payable, long-term borrowings and guarantee deposits received.

B. Risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk. In addition, foreign exchange risk is managed by matching the payment periods of foreign currency assets and liabilities.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk is provided in Note 6(13).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(13).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other subsidiaries' functional currency: RMB and KRW). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

September 30, 2020

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 1,771,157	29.120	\$ 51,576,092	1%	\$ 515,761
USD:RMB	817	6.8206	23,791	1%	238
USD:KRW	9,605	1,173.5	279,698	1%	2,797
<u>Non-monetary items</u>					
USD:NTD	10,500	29.120	305,774		
<u>Foreign operations</u>					
USD:NTD	387,964	29.120	11,291,128		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	2,045,868	29.120	59,575,676	1%	595,757
USD:RMB	54,112	6.8206	1,575,741	1%	15,757
USD:KRW	10,390	1,173.5	302,557	1%	3,026

December 31, 2019

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 1,492,889	30.020	\$ 44,816,528	1%	\$ 448,165
USD:RMB	2,817	6.988	84,566	1%	846
USD:KRW	15,044	1,160.9	451,621	1%	4,516
<u>Non-monetary items</u>					
USD:NTD	14,485	30.020	450,033		
<u>Foreign operations</u>					
USD:NTD	371,464	30.020	11,140,819		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	1,658,340	30.020	49,783,367	1%	497,834
USD:RMB	55,531	6.988	1,667,041	1%	16,670
USD:KRW	30,354	1,160.9	911,227	1%	9,112

September 30, 2019

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 1,676,359	31.020	\$ 52,000,656	1%	\$ 520,007
USD:RMB	3,683	7.124	114,247	1%	1,142
USD:KRW	15,072	1,199.1	467,533	1%	4,675
<u>Non-monetary items</u>					
USD:NTD	14,991	31.020	465,024		
<u>Foreign operations</u>					
USD:NTD	360,057	31.020	11,158,283		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	1,828,099	31.020	56,707,631	1%	567,076
USD:RMB	43,466	7.124	1,348,315	1%	13,483
USD:KRW	36,157	1,199.1	1,121,590	1%	11,216

- v. The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and nine-month periods ended September 30, 2020 and 2019 amounted to \$182,173, (\$51,457), \$185,842 and (\$5,194), respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares, beneficiary certificates and bonds issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the nine-month periods ended September 30, 2020 and 2019 would have increased/decreased by \$400 and \$0, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$136,089 and \$6,969, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from bank borrowings with variable rates and advance receipt of factoring accounts receivable, which expose the Group to cash flow interest rate risk. During the nine-month periods ended September 30, 2020 and 2019, the Group's borrowings at variable rate were mainly denominated in US Dollars.
- ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate had increased/decreased by 25 basis point with all other variables held constant, profit, net of tax for the nine-month periods ended September 30, 2020 and 2019 would have decreased/increased by \$54,800 and \$62,114, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only approved by FSC are accepted. According to the credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. If the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. The default occurs when the contract payments are past due over 180 days.
- iv. The ageing analysis of accounts receivable (including overdue receivables) and notes receivable is as follows:

	<u>Notes and accounts receivable</u>		
	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Not past due	\$ 46,777,080	\$ 38,307,182	\$ 39,039,493
Up to 90 days	3,068,242	6,286,811	6,273,090
91 to 180 days	100,950	127,451	135,359
Over 180 days	<u>603,641</u>	<u>1,200,262</u>	<u>1,273,290</u>
	<u>\$ 50,549,913</u>	<u>\$ 45,921,706</u>	<u>\$ 46,721,232</u>

- (i) The above ageing analysis was based on days past due.

- (ii) Abovementioned notes receivable are not past due.
- v. The Group assesses the expected credit losses of its accounts receivable as follows:
- (i) Accounts receivable that are significantly past due are assessed individually for their expected credit losses;
- (ii) The remaining receivables are segmented according to the Group's credit ratings of its customers. Different loss rates or provision matrices are applied to the different segments when estimating expected credit losses;
- (iii) Loss rates, calculated from historical and current information, are adjusted according to forward-looking information such as the business indicators published by the National Development Council.
- (iv) As of September 30, 2020, December 31, 2019 and September 30, 2019, loss allowances of accounts receivable and notes receivable calculated from individual assessment or using the loss rate methodology and provision matrix are as follows:

<u>September 30, 2020</u>	<u>Individual</u>	<u>Group A & B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
Expected loss rate	95.74%	0.03%	0.15%~52.8%	6.67%~24.89%	
Total book value	<u>\$ 610,269</u>	<u>\$ 30,714,434</u>	<u>\$ 18,213,904</u>	<u>\$ 1,011,306</u>	<u>\$ 50,549,913</u>
Loss allowance	<u>\$ 584,274</u>	<u>\$ 9,214</u>	<u>\$ 43,309</u>	<u>\$ 72,910</u>	<u>\$ 709,707</u>
<u>December 31, 2019</u>	<u>Individual</u>	<u>Group A & B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
Expected loss rate	96.46%	0.03%	0.07%~30.66%	2.37%~28.83%	
Total book value	<u>\$ 1,164,498</u>	<u>\$ 25,130,125</u>	<u>\$ 17,710,013</u>	<u>\$ 1,917,070</u>	<u>\$ 45,921,706</u>
Loss allowance	<u>\$ 1,123,235</u>	<u>\$ 7,539</u>	<u>\$ 46,626</u>	<u>\$ 78,798</u>	<u>\$ 1,256,198</u>
<u>September 30, 2019</u>	<u>Individual</u>	<u>Group A & B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
Expected loss rate	96.79%	0.03%	0.05%~24.71%	2.60%~30.77%	
Total book value	<u>\$ 1,213,640</u>	<u>\$ 25,137,824</u>	<u>\$ 18,781,135</u>	<u>\$ 1,588,633</u>	<u>\$ 46,721,232</u>
Loss allowance	<u>\$ 1,174,643</u>	<u>\$ 7,542</u>	<u>\$ 29,866</u>	<u>\$ 70,791</u>	<u>\$ 1,282,842</u>

Group A: Customers with excellent credit rating

Group B: Customers with fine credit rating

Group C: Customers with normal credit rating

Group D: Rated as other than A, B and C

- vi. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable (including overdue receivables) are as follows:

	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
At January 1	\$ 1,256,198	\$ 1,283,005
Provision for impairment	24,527	1,671
Write-off	(555,281)	-
Effect of exchange rate changes	(15,737)	(1,834)
At September 30	<u>\$ 709,707</u>	<u>\$ 1,282,842</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(16)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internally assessed financial ratio targets and, if applicable, external regulatory or legal requirements.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. The Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts, and expects to readily generate cash inflows for managing liquidity risk.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

September 30, 2020

	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Lease liability	\$ 169,231	\$ 312,618	\$ 64,974	\$ 546,823
Bonds payable	-	389,900	-	389,900
	<u>\$ 169,231</u>	<u>\$ 702,518</u>	<u>\$ 64,974</u>	<u>\$ 936,723</u>

December 31, 2019

Lease liability	\$ 161,486	\$ 362,161	\$ 99,893	\$ 623,540
Bonds payable	-	1,158,600	-	1,158,600
	<u>\$ 161,486</u>	<u>\$ 1,520,761</u>	<u>\$ 99,893</u>	<u>\$ 1,782,140</u>

September 30, 2019

Lease liability	\$ 158,616	\$ 380,108	\$ 111,620	\$ 650,344
Bonds payable	-	1,200,000	-	1,200,000
	<u>\$ 158,616</u>	<u>\$ 1,580,108</u>	<u>\$ 111,620</u>	<u>\$ 1,850,344</u>

Except for the abovementioned, the Group's non-derivative financial liabilities are due in one year.

Derivative financial liabilities

As of September 30, 2020, December 31, 2019 and September 30, 2019, all derivative financial liabilities of the Group are due in one year.

iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, open-end funds and overseas bonds 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. The fair value of the Group's investment in derivative instruments is included in level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, notes and accounts receivable, other receivables, other current assets, short-term borrowings, short-term notes and bills payable, accounts payable, other payables, corporate bonds payable and long-term borrowings, are approximate to their fair values.

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

(a) The related information on the nature of the assets and liabilities is 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 measurements</u>				
Financial assets at fair value				
through profit or loss				
Derivative instrument	\$ -	\$ 1,351	\$ -	\$ 1,351
Beneficiary certificates	10,525	-	29,120	39,645
Overseas bonds	369	-	-	369
Financial assets at fair value through other comprehensive income				
Equity securities	13,553,855	-	55,083	13,608,938
Accounts receivable that are expected to be factored	-	14,293,989	-	14,293,989
	<u>\$13,564,749</u>	<u>\$14,295,340</u>	<u>\$ 84,203</u>	<u>\$27,944,292</u>

Liabilities

Recurring fair value measurements

Financial liabilities at fair value through profit or loss

Derivative instrument
 \$ - | \$ 1,821 | \$ - | \$ 1,821 |

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ 614,602	\$ -	\$ 55,983	\$ 670,585
Accounts receivable that are expected to be factored	-	15,046,030	-	15,046,030
	<u>\$ 614,602</u>	<u>\$ 15,046,030</u>	<u>\$ 55,983</u>	<u>\$ 15,716,615</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instrument	<u>\$ -</u>	<u>\$ 26,118</u>	<u>\$ -</u>	<u>\$ 26,118</u>

September 30, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Derivative instrument	\$ -	\$ 5,102	\$ -	\$ 5,102
Financial assets at fair value through other comprehensive income				
Equity securities	639,912	-	56,983	696,895
Accounts receivable that are expected to be factored	-	9,177,836	-	9,177,836
	<u>\$ 639,912</u>	<u>\$ 9,182,938</u>	<u>\$ 56,983</u>	<u>\$ 9,879,833</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instrument	<u>\$ -</u>	<u>\$ 4,780</u>	<u>\$ -</u>	<u>\$ 4,780</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

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

	<u>Listed shares</u>	<u>Open-end fund</u>	<u>Corporate bonds</u>
Market quoted price	Closing price	Net asset value	Weighted average quoted price

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- iii. When assessing non-standard and low-complexity financial instruments, for example, cross currency swap contracts, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

- v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- vi. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. For the nine-month periods ended September 30, 2020 and 2019, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the nine-month periods ended September 30, 2020 and 2019:

	<u>Equity securities and beneficiary certificates</u>	
	<u>2020</u>	<u>2019</u>
At January 1	\$ 55,983	\$ 39,858
Recorded as unrealised losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	-	(3,167)
Acquired in the period	29,822	20,000
Sold in the period	-	(14)
Effect of exchange rate changes	(1,602)	306
At September 30	<u>\$ 84,203</u>	<u>\$ 56,983</u>

For the nine-month periods ended September 30, 2020 and 2019, there was no transfer into or out from Level 3.

G. The following is the qualitative information on significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at September 30, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 55,083	Discounted cash flow method	Weighted average cost of capital Discount for lack of control Discount for lack of marketability Long-term revenue growth rate	8.22% ~12.51% 10% 5%~8% 6.1% ~219.3%	The higher the weighted average cost of capital, discount for lack of control and discount for lack of marketability, the lower the fair value; the higher the long-term revenue growth rate, the higher the fair value
Private equity fund	\$ 29,120	Net asset value	Not applicable	-	Not applicable
	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 55,983	Discounted cash flow method	Weighted average cost of capital Discount for lack of control Discount for lack of marketability Long-term revenue growth rate	8.22% ~12.51% 10% 5%~8% 6.1% ~219.3%	The higher the weighted average cost of capital, discount for lack of control and discount for lack of marketability, the lower the fair value; the higher the long-term revenue growth rate, the higher the fair value
	Fair value at September 30, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 56,983	Latest transaction price without active market	N/A	N/A	N/A

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(13).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 9.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Note 13(1).

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. SEGMENT INFORMATION

(1) General information

The Group is engaged in the development and sales of electronic and communication components. The chief operating decision maker considered the business and determined to separate segments from a perspective of sales region, which are mainly divided into Greater China, South Asia and North Asia. The Group has identified the Greater China shall be a reportable operating segment, and for other segments which have not met the quantitative threshold are not disclosed individually.

The Group's operating segment information is prepared in accordance with the Group's accounting policies. The chief operating decision maker allocates resources and assesses performance of the operating segments primarily based on the operating revenue and profit (loss) before tax of individual operating segment.

(2) Financial information of reportable segment

The financial information on reportable segment provided to the chief operating decision maker is as follows:

	Greater China Region	
	Three-month periods ended September 30,	
	2020	2019
Revenue from external customers	\$ 86,858,510	\$ 90,481,234
Segment income	\$ 1,395,625	\$ 1,011,884
Segment assets (Note)	\$ -	\$ -

	Greater China Region	
	Nine-month periods ended September 30,	
	2020	2019
Revenue from external customers	\$ 226,516,912	\$ 223,372,310
Segment income	\$ 3,091,134	\$ 2,342,150
Segment assets (Note)	\$ -	\$ -

Note: The chief operating decision maker does not use the measured amount of the assets as a measurement indicator; therefore, the measured amount of the Group's assets shall be disclosed as zero.

(3) Reconciliation information on reportable segment revenue and profit (loss)

A reconciliation of reportable segment income or loss to the income / (loss) before tax from continuing operations is as follows:

	Three-month periods ended September 30,	
Operating revenue	2020	2019
Total reported segment revenue	\$ 86,858,510	\$ 90,481,234
Other operating segment revenue	5,003,529	5,709,495
Total operating revenue	\$ 91,862,039	\$ 96,190,729

	Nine-month periods ended September 30,	
Operating revenue	2020	2019
Total reported segment revenue	\$ 226,516,912	\$ 223,372,310
Other operating segment revenue	17,544,972	15,040,625
Total operating revenue	\$ 244,061,884	\$ 238,412,935

Profit and loss	Three-month periods ended September 30,	
	2020	2019
Income of reported segment	\$ 1,395,625	\$ 1,011,884
Income of other operating segments	51,170	17,293
Income before income tax from continuing operations	\$ 1,446,795	\$ 1,029,177

Profit and loss	Nine-month periods ended September 30,	
	2020	2019
Income of reported segment	\$ 3,091,134	\$ 2,342,150
Income of other operating segments	127,004	38,273
Income before income tax from continuing operations	\$ 3,218,138	\$ 2,380,423

WT Microelectronics Co., Ltd. and subsidiaries
Loans to others
Nine-month period ended September 30, 2020

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during	Balance at	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					the period ended September 30, 2020	September 30, 2020							Item	Value			
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Other receivables - related parties	Y	\$ 866,580	\$ 853,880	\$ -	1.2%	Short-term financing	\$ -	Business Operation	\$ -	-	\$ -	\$ 3,864,332	\$ 15,457,326	Note 3
1	WT TECHNOLOGY (H.K.) LIMITED	WT MICROELECTRONICS (HONG KONG) LIMITED	Other receivables - related parties	Y	90,750	87,360	87,360	2.3%	Short-term financing	-	Business Operation	-	-	-	108,673	108,673	Note 2
2	LACEWOOD INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Other receivables - related parties	Y	203,840	203,840	203,840	0.8%	Short-term financing	-	Business Operation	-	-	-	559,417	559,417	Note 2
3	WINTech MICROELECTRONICS HOLDING LIMITED	BRILLNICS (HK) LIMITED	Other receivables - related parties	Y	302,050	291,200	165,984	2.1%~2.6%	Short-term financing	-	Business Operation	-	-	-	2,818,311	3,757,748	Note 4
3	WINTech MICROELECTRONICS HOLDING LIMITED	WINTech MICROELECTRONICS LTD.	Other receivables - related parties	Y	1,135,680	1,135,680	655,200	0.8%~2.7%	Short-term financing	-	Business Operation	-	-	-	9,394,371	9,394,371	Note 2
4	BSI SEMICONDUCTOR PTE. LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables - related parties	Y	293,522	288,288	288,288	1.3%~1.9%	Short-term financing	-	Business Operation	-	-	-	510,945	510,945	Note 2
5	MSD HOLDING PTE. LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables - related parties	Y	84,728	81,536	81,536	1.4%	Short-term financing	-	Business Operation	-	-	-	91,670	91,670	Note 2

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: The policy for loans granted mutually between overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows: ceiling on total loans granted by an overseas subsidiary to all overseas subsidiaries and limit on loans granted by an overseas subsidiary to a single overseas subsidiary are the Creditor's net assets.

Note 3: The policy for loans between the Company and subsidiaries is as follows: limit on loans granted by subsidiary to a single party is 10% of the subsidiary's net assets, based on the most recent audited financial statements of the company; ceiling on total loans granted by an subsidiary is 40% of the subsidiary's net assets.

Note 4: The policy for loans between the Company and subsidiaries and companies with short-term capital needs is as follows: limit on loans granted by the Company and subsidiaries to a single party is 30% of the company's net assets, based on the most recent audited financial statements of the company; ceiling on total loans granted by an company is 40% of the company's net assets.

Note 5: The net assets referred to above are based on the latest audited or reviewed financial statements.

WT Microelectronics Co., Ltd. and subsidiaries
Provision of endorsements and guarantees to others
Nine-month period ended September 30, 2020

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser / guarantor (Note 2)	Limit on endorsements / guarantees provided for a single party (Note 3)	Maximum outstanding endorsement / guarantee amount as of September 30, 2020	Outstanding endorsement / guarantee amount at September 30, 2020	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/guarante e amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements / guarantees provided (Note 3)	Provision of endorsements / guarantees by parent company to subsidiary	Provision of endorsements / guarantees by subsidiary to parent company	Provision of endorsements / guarantees to the party in Mainland China	Footnote
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	2	\$ 30,914,652	\$ 350,000	\$ 350,000	\$ 350,000	-	0.91%	\$ 30,914,652	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	2	30,914,652	12,000	-	-	-	0.00%	30,914,652	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	2	30,914,652	151,300	145,600	58,548	-	0.38%	30,914,652	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	2	30,914,652	1,200,800	1,164,800	-	-	3.01%	30,914,652	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	2	30,914,652	2,118,200	1,456,000	-	-	3.77%	30,914,652	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	2	30,914,652	63,546	61,152	26,711	-	0.16%	30,914,652	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	2	30,914,652	1,513	1,456	138	-	0.00%	30,914,652	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN SINGAPORE PTE. LTD.	2	30,914,652	302,600	291,200	-	-	0.75%	30,914,652	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	2	30,914,652	242,080	-	-	-	0.00%	30,914,652	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	2	30,914,652	4,226,240	4,036,022	1,793,148	-	10.44%	30,914,652	Y	N	Y	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	2	30,914,652	1,469,719	1,435,294	469,634	-	3.71%	30,914,652	Y	N	Y	
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	2	30,914,652	181,560	-	-	-	0.00%	30,914,652	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	2	30,914,652	1,383,200	1,383,200	1,288,958	-	3.58%	30,914,652	Y	N	N	
1	TECHMOSA INTERNATIONAL INC.	TECHMOSA INTERNATIONAL INC.	1	1,082,048	2,000	2,000	2,000	-	0.15%	1,082,048	N	N	N	Note 4
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN INTERNATIONAL CORP.	1	3,056,398	15,000	15,000	15,000	-	0.39%	3,056,398	N	N	N	Note 4
3	MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	3	1,094,190	151,300	-	-	-	0.00%	1,094,190	N	N	N	
3	MAXTEK TECHNOLOGY CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	1	1,094,190	9,500	6,000	6,000	-	0.44%	1,094,190	N	N	N	Note 4
4	HONGTECH ELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	1	213,735	9,500	8,000	8,000	-	2.99%	213,735	N	N	N	Note 4

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following three categories:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

Note 3: The total endorsements and guarantees of the Company to others or mutually between subsidiaries should not be in excess of 80% of the endorser/ guarantor's net assets, and for a single party the Company and its subsidiaries hold more than 50% of common shares should not be in excess of 80% of the Company's net assets. The net assets referred to above are based on the latest audited or reviewed financial statements.

Note 4: The Company's subsidiaries' guarantee for customs duties to itself.

WT Microelectronics Co., Ltd. and subsidiaries
Holding of marketable securities (not including subsidiaries, associates and joint ventures)
Nine-month period ended September 30, 2020

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Type of securities	Name of securities	Relationship with the securities issuer	General ledger account (Note 1)	As of September 30, 2020				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
WT MICROELECTRONICS CO., LTD.	Common stock	TERAWINS, INC.	None	2	666,248	\$ 5,963	2.19	\$ 5,963	
WT MICROELECTRONICS CO., LTD.	Common stock	AIPTEK INTERNATIONAL INC.	None	2	309,929	-	0.24	-	
WT MICROELECTRONICS CO., LTD.	Common stock	SANJET TECHNOLOGY CORP.	None	2	43,588	-	0.14	-	
WT MICROELECTRONICS CO., LTD.	Common stock	CORERIVER SEMICONDUCTOR CO., LTD.	None	2	28,570	-	0.73	-	
WT MICROELECTRONICS CO., LTD.	Common stock	ASMEDIA TECHNOLOGY INC.	None	2	9,000,000	13,095,000	13.00	13,095,000	
WT MICROELECTRONICS CO., LTD.	Limited Partnership	FORYOU VENTURE CAPITAL LIMITED PARTNERSHIP	None	2	-	20,000	9.62	20,000	
WT MICROELECTRONICS CO., LTD.	Funds	YUANTA GLOBAL NEXGEN COMMUNICATION INNOVATIVE TCHNOLOGY ETF	None	3	500,000	10,525	-	10,525	
NUVISION TECHNOLOGY INC.	Common stock	EIRGENIX, INC.	None	2	529,370	33,350	0.26	33,350	
WINTECH MICROELECTRONICS HOLDING LTD.	Common stock	AMBARELLA INC.	None	1	162,664	247,165	0.47	247,165	
WINTECH MICROELECTRONICS HOLDING LTD.	Preferred shares	LIFEMAX HEALTHCARE INTERNATIONAL CORPORATION	None	2	2,702,703	29,120	0.83	29,120	
WINTECH MICROELECTRONICS HOLDING LTD.	Bonds	EXXON MOBIL CORPORATION	None	4	100	369	-	369	
WINTECH MICROELECTRONICS HOLDING LTD.	Private equity	CATHAY PRIVATE EQUITY ECOLOGY LIMITED PARTNERSHIP	None	4	-	29,120	-	29,120	
MILESTONE INVESTMENT CO.,LTD.	Common stock	GRAND FORTUNE SECURITIES CO., LTD.	None	2	5,637,500	48,821	2.29	48,821	
MAXTEK TECHNOLOGY CO., LTD.	Common stock	FITIPOWER INTEGRATED TECHNOLOGY INC.	None	2	2,967,505	103,121	1.79	103,121	
HONGTECH ELECTRONICS CO., LTD.	Common stock	FITIPOWER INTEGRATED TECHNOLOGY INC.	None	2	759,652	26,398	0.46	26,398	

Note 1 : Code of general ledger accounts: 1- Financial assets at fair value through other comprehensive income - current
2- Financial assets at fair value through other comprehensive income - non-current
3- Financial assets at fair value through profit or loss - current
4- Financial assets at fair value through profit or loss - non-current

WT Microelectronics Co., Ltd. and subsidiaries
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
Nine-month period ended September 30, 2020

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the counterparty	Balance as at January 1, 2020 (Note 1)		Addition		Disposal			Balance as at September 30, 2020 (Note 2)		
					No. of shares	Amount	No. of shares	Amount	No. of shares	Selling price	Book value	Gain (loss) on disposal	No. of shares	Amount
WT MICROELECTRONICS CO., LTD.	ASMEDIA TECHNOLOGY INC.	Financial assets at fair value through other comprehensive income - non-current	-	-	-	-	9,000,000	\$ 6,624,000	-	-	-	-	9,000,000	\$ 13,095,000

Note 1 : The balance as at January 1, 2020, addition amount, and the balance as at September 30, 2020 are presented in initial investment amount.

Note 2 : The balance as at September 30, 2020 includes the unrealised gain (loss) from financial assets measured at fair value.

WT Microelectronics Co., Ltd. and subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Nine-month period ended September 30, 2020

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount		Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	\$ 51,842,682	26	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	\$ 10,031,012	31	
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	17,720,107	9	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	2,585,073	8	
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Sales	7,678,815	4	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	3,448,051	11	
WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	5,852,809	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	18,764	-	
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	5,685,687	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	331,183	1	
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Sales	2,656,178	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	96,180	-	
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	Affiliates	Sales	1,974,504	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	55,597	-	
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	915,208	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	Affiliates	Sales	420,918	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	186,330	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	Affiliates	Sales	173,076	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Purchases	3,848,940	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Affiliates	Purchases	2,330,928	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(745,253)	2	
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Purchases	1,267,838	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(14,632)	-	
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Purchases	1,216,180	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(349,710)	1	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	\$ 2,417,959	20	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	\$ 319,696	10
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	1,495,601	13	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	795,833	25
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	Sales	1,259,932	11	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	323,766	10
NUVISION TECHNOLOGY INC.	HONGTECH ELECTRONICS CO., LTD.	Affiliates	Sales	123,263	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	48,584	2
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Sales	7,396,805	9	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,165,524	9
MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	439,241	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	315,851	3
MORRIHAN INTERNATIONAL CORP.	WINTech MICROELECTRONICS LTD.	Affiliates	Sales	362,958	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	170,741	1
MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	306,159	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	53,599	-
MORRIHAN INTERNATIONAL CORP.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	252,057	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	60,288	-
MORRIHAN INTERNATIONAL CORP.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	124,813	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	47,463	-
MORRIHAN INTERNATIONAL CORP.	LACEWOOD INTERNATIONAL CORP.	Affiliates	Sales	108,024	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(5,303)	-
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	177,349	4	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	78,170	5
TECHMOSA INTERNATIONAL INC.	WINTech MICROELECTRONICS LTD.	Affiliates	Sales	118,440	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	85,464	6
HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	1,190,788	36	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	227,202	33
WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Sales	4,751,448	74	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,270,175	83
WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Sales	1,710,229	26	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	267,589	17

WT Microelectronics Co., Ltd. and subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
Nine-month period ended September 30, 2020

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	\$ 10,031,012	11.47	\$ -		\$ 320,715	\$ -
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	3,448,051	5.44	-		-	-
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	2,585,073	12.52	-		-	-
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	331,183	26.41	-		298,764	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	795,833	4.61	-		-	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS CO., LTD.	Affiliates	745,253	8.91	-		-	-
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	323,766	7.53	-		-	-
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	319,696	21.25	-		-	-
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	1,165,524	17.11	-		-	-
MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	Affiliates	170,741	5.42	-		-	-
MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	315,851	4.64	-		-	-
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS CO., LTD.	Affiliates	349,710	8.47	-		-	-
HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	227,202	20.46	-		178,193	-
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	1,270,175	6.66	-		217,392	-
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	267,589	22.56	-		-	-

Note: For information on loans between the Company and subsidiaries, please refer to table 1.

WT Microelectronics Co., Ltd. and subsidiaries
Significant inter-company transactions during the reporting period
Nine-month period ended September 30, 2020

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4)			Percentage of total operating revenues or total assets (Note 5)
				General ledger account	Amount	Transaction terms	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	\$ 51,842,682	(Note 3)	21
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Accounts receivable	10,031,012	(Note 3)	9
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	17,720,107	(Note 3)	7
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	2,585,073	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Sales	7,678,815	(Note 3)	3
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Accounts receivable	3,448,051	(Note 3)	3
0	WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	5,852,809	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	5,685,687	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	Accounts receivable	331,183	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Sales	2,656,178	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	Affiliates	Sales	1,974,504	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	915,208	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	Affiliates	Sales	420,918	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	186,330	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	Affiliates	Sales	173,076	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Purchases	3,848,940	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Affiliates	Purchases	2,330,928	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Affiliates	Accounts payable	745,253	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Purchases	1,267,838	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Purchases	1,216,180	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Accounts payable	349,710	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	2,417,959	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Accounts receivable	319,696	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	1,495,601	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	795,833	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	Sales	1,259,932	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	Accounts receivable	323,766	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	HONGTECH ELECTRONICS CO., LTD.	Affiliates	Sales	123,263	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Sales	7,396,805	(Note 3)	3
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Accounts receivable	1,165,524	(Note 3)	1
2	MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	439,241	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	315,851	(Note 3)	-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4)		Transaction terms	Percentage of total operating revenues or total assets (Note 5)
				General ledger account	Amount		
2	MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	\$ 362,958	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	Affiliates	Accounts receivable	170,741	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	306,159	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	252,057	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	124,813	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	LACEWOOD INTERNATIONAL CORP.	Affiliates	Sales	108,024	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	177,349	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	118,440	(Note 3)	-
4	HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	1,190,788	(Note 3)	-
4	HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Accounts receivable	227,202	(Note 3)	-
5	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Sales	4,751,448	(Note 3)	2
5	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Accounts receivable	1,270,175	(Note 3)	1
5	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Sales	1,710,229	(Note 3)	1
5	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Accounts receivable	267,589	(Note 3)	-

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in "Number" column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiary to the Company.

(3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: The prices and terms to related parties were similar to third parties. The credit term is 90 days after the end of each month.

Note 4: For sales, purchases and account receivables, transactions reaching NT\$100 million or 20% of paid-in capital or more should be disclosed.

Note 5: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note 6: Information of loans between the Company and subsidiaries, please refer to table 1.

WT Microelectronics Co., Ltd. and subsidiaries

Names, locations and other information of investee companies (not including investees in Mainland China)

Nine-month period ended September 30, 2020

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2020			Net profit (loss) of the investee for the nine-month period ended September 30, 2020	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2020	Footnote
				Balance at September 30, 2020	Balance at December 31, 2019	Number of shares	Ownership (%)	Book value			
WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	\$ 3,644,147	\$ 3,644,147	115,323,691	99.65	\$ 9,347,489	\$ 383,030	\$ 383,030	Subsidiary
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Taiwan	Sale of electronic components	1,781,829	1,781,829	73,949,070	100.00	1,921,803	146,451	146,451	Subsidiary
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Taiwan	Sale of electronic components	3,106,620	3,106,620	283,760,000	100.00	3,820,440	704,632	704,632	Subsidiary
WT MICROELECTRONICS CO., LTD.	BSI SEMICONDUCTOR PTE. LTD.	Singapore	Sale of electronic components	486,289	486,289	7,544,002	100.00	739,186	23,429	23,429	Subsidiary
WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Taiwan	Sale of electronic components	323,030	323,030	28,216,904	99.91	854,269	344,538	344,228	Subsidiary
WT MICROELECTRONICS CO., LTD.	ABOVEE TECHNOLOGY INC.	Taiwan	Information software and service industry	41,856	41,856	500,000	100.00	- (	50) (	50)	Subsidiary
WT MICROELECTRONICS CO., LTD.	MILESTONE INVESTMENT CO., LTD.	Taiwan	General investment	61,985	61,985	4,500,000	100.00	70,028	5,872	5,872	Subsidiary
WT MICROELECTRONICS CO., LTD.	SINYIE INVESTMENT CO., LTD.	Taiwan	General investment	52,000	52,000	2,900,000	100.00	44,818	-	-	Subsidiary
WT MICROELECTRONICS CO., LTD.	MSD HOLDINGS PTE. LTD.	Singapore	Sale of electronic components	215,559	215,559	200,001	100.00	214,103	2,543	2,543	Subsidiary
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Taiwan	Sale of electronic components	1,895,949	1,895,949	70,220,331	100.00	1,614,040	4,152	4,152	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	PROMISING INVESTMENT LIMITED	Mauritius	General investment	1,843,796	1,871,222	62,332,506	100.00	3,760,846	324,113	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH INVESTMENT CO., LTD.	Belize	General investment	621,800	621,800	21,020,957	100.00	1,098,454	22,724	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LTD.	Belize	Sale of electronic components	88,743	88,743	3,000,100	100.00	61,198 (	11,787)	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LIMITED	British Virgin Islands	Holding company	148	148	5,000	100.00	5	-	Note 1	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2020			Net profit (loss) of the investee for the nine-month period ended September 30, 2020	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2020	Footnote
				Balance at September 30, 2020	Balance at December 31, 2019	Number of shares	Ownership (%)	Book value			
WİNTECH MICROELECTRONICS HOLDING LIMITED	WT TECHNOLOGY PTE. LTD.	Singapore	Sale of electronic components	\$ 147,900	\$ 147,900	5,000,000	100.00	\$ 2,071,192	\$ 221	Note 1	Subsidiary
WİNTECH MICROELECTRONICS HOLDING LIMITED	JCD OPTICAL (CAYMAN) CO., LTD.	Cayman Islands	Holding company	70,220	70,220	5,869,093	23.07	40,648	(68,840)	Note 1	Associates
WİNTECH MICROELECTRONICS HOLDING LIMITED	SUPREME MEGA LTD.	Seychelles	Holding company	541,669	541,669	14,917,000	47.98	-	(80,877)	Note 1	Associates
WİNTECH MICROELECTRONICS HOLDING LIMITED	ANIUS ENTERPRISE CO., LTD.	Seychelles	Sale of electronic components	-	-	1	100.00	-	-	Note 1	Subsidiary
WİNTECH MICROELECTRONICS HOLDING LIMITED	MEGA SOURCE CO., LTD.	Seychelles	Sale of electronic components	-	-	1	100.00	-	-	Note 1	Subsidiary
WİNTECH MICROELECTRONICS HOLDING LIMITED	JOY CAPITAL LTD.	Seychelles	General investment	35,496	35,496	1,200,000	17.65	22,373	(2,604)	Note 1	Associates
WİNTECH MICROELECTRONICS HOLDING LIMITED	RAINBOW STAR GROUP LIMITED	British Virgin Islands	General investment	29,580	29,580	18,924	24.65	28,715	(1,890)	Note 1	Associates
PROMISING INVESTMENT LIMITED	WT MICROELECTRONICS (HONG KONG) LIMITED	Hong Kong	Sale of electronic components	370,567	370,567	12,527,632	100.00	2,009,680	155,847	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	NINO CAPITAL CO., LTD.	Samoa	Holding company	9,199	9,199	311,000	100.00	30,662	(5,000)	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	RICH WEB LTD.	British Virgin Islands	Holding company	679,584	679,584	22,974,430	100.00	727,253	23,137	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT TECHNOLOGY (H.K.) LIMITED	Hong Kong	Sale of electronic components	3,816	3,816	1,000,000	100.00	106,822	1,441	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT SOLOMON QCE LIMITED	Hong Kong	Sale of electronic components	788,179	788,179	110,000,000	100.00	886,427	148,699	Note 1	Subsidiary
WİNTECH INVESTMENT CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Singapore	Sale of electronic components	31,875	31,875	1,500,000	100.00	264,574	3,859	Note 1	Subsidiary
WİNTECH INVESTMENT CO., LTD.	WT MICROELECTRONICS (MALAYSIA) SDN. BHD.	Malaysia	Sale of electronic components	3,444	3,444	500,000	100.00	3,413	(138)	Note 1	Subsidiary
WİNTECH INVESTMENT CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sale of electronic components	538,560	538,560	3,800,000	95.47	829,748	31,764	Note 1	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2020			Net profit (loss) of the investee for the nine-month period ended September 30, 2020	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2020	Footnote
				Balance at September 30, 2020	Balance at December 31, 2019	Number of shares	Ownership (%)	Book value			
WT MICROELECTRONICS SINGAPORE PTE. LTD.	WT MICROELECTRONICS (THAILAND) LIMITED.	Thailand	Sale of electronic components	\$ 2,873	\$ 2,873	300,000	100.00	\$ 2,370	(\$ 536)	Note 1	Subsidiary
WT MICROELECTRONICS SINGAPORE PTE. LTD.	WT MICROELECTRONICS INDIA PRIVATE LIMITED	India	Sale of electronic components	2,850	2,850	700,000	100.00	2,499	(469)	Note 1	Subsidiary
SINYIE INVESTMENT CO., LTD.	WINTECH MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	69,042	69,042	407,469	0.35	46,882	383,030	Note 1	Subsidiary
MORRIHAN INTERNATIONAL CORP.	HOTECH ELECTRONICS CORP.	Taiwan	Sale of electronic components	14,770	14,770	500,000	100.00	-	1,367	Note 1	Subsidiary
MORRIHAN INTERNATIONAL CORP.	ASIA LATEST TECHNOLOGY LIMITED	Mauritius	Holding company	37,771	37,771	1,120,000	100.00	43,927	(390)	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sale of electronic components	51,307	51,307	180,472	4.53	27,154	31,764	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	South Korea	Sale of electronic components	23,199	23,199	53,505	100.00	195,160	17,698	Note 1	Subsidiary
TECHMOSA INTERNATIONAL INC.	MORRIHAN SINGAPORE PTE. LTD.	Singapore	Sale of electronic components	210,451	210,451	9,500,000	100.00	331,038	87,679	Note 1	Subsidiary
TECHMOSA INTERNATIONAL INC.	TECHMOSA INTERNATIONAL HOLDING LTD.	Anguilla	Holding company	-	-	1	100.00	17,391	232	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Taiwan	Sale of electronic components	115,000	115,000	11,500,000	100.00	246,725	43,526	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	British Virgin Islands	Sale of electronic components	194,366	194,366	29,500	100.00	531,377	(11,541)	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	BEST WINNER INTERNATIONAL DEVELOPMENT LTD.	British Virgin Islands	Holding company	19,954	19,954	6,000	100.00	19,735	(14)	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	QWAVE TECHNOLOGY CO., LTD.	Taiwan	Sale of electronic components, IC design	40,000	40,000	4,000,000	40.00	35,494	649	Note 1	Associates
BEST WINNER INTERNATIONAL DEVELOPMENT LTD.	MAXTEK INTERNATIONAL (HK) LIMITED	Hong Kong	Sale of electronic components	22,896	22,896	6,000,000	100.00	17,403	40	Note 1	Subsidiary

Note 1: Profit (loss) of investee has been included in the investor, and will not be disclosed separately.

WT Microelectronics Co., Ltd. and subsidiaries
Information on investments in Mainland China
Nine-month period ended September 30, 2020

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2020		Accumulated amount of remittance from Taiwan to	Net income of investee for the nine- month period ended September 30, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2020 (Note 2)	Book value of investment in Mainland China as of September 30, 2020	Accumulated amount of investment income remitted back to	Footnote
				Mainland China as of January 1, 2020	Remitted to Mainland China	Remitted back to Taiwan	of September 30, 2020					Taiwan as of September 30, 2020	
SHANGHAI WT MICROELECTRONICS CO., LTD.	International trade, entrepot trade and etc.	\$ 8,736	2	\$ 8,736	\$ -	\$ -	\$ 8,736	(\$ 5,000)	100.00	(\$ 5,000)	\$ 30,586	\$ -	Note 5
WT MICROELECTRONICS (SHENZHEN) CO., LTD.	International trade, entrepot trade and etc.	668,746	2	612,456	-	-	612,456	23,138	100.00	23,138	727,151	-	Note 6
WT MICROELECTRONICS (SHANGHAI) CO., LTD.	International trade, entrepot trade and etc.	1,023,568	2	557,648	-	-	557,648	61,892	100.00	61,892	1,139,334	-	Note 7
MORRIHAN INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	International trade, entrepot trade and etc.	38,730	3	29,120	-	-	29,120	(390)	100.00	(390)	43,918	-	Note 4
JCD OPTICAL CORPORATION	Production and sale of optoelectronic material and components	119,392	2	19,336	-	-	19,336	(52,577)	23.07	(12,130)	35,693	-	Note 8
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)		Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA									
WT MICROELECTRONICS CO., LTD.	\$ 1,227,296	\$ 1,920,998		\$ 23,186,450									

Note 1: The investment methods are classified into the following three categories:

- (1) Directly investing in Mainland China.
- (2) Through investing in companies in the third area, which then invested in the investee in Mainland China.
- (3) Others.

Note 2: Investment gains or losses were recognised based on reviewed financial statements.

Note 3: The amount disclosed was 60% of net assets and based on Investment Commission, MOEA Regulation No. 09704604680 announced on August 29, 2008.

Note 4: This is a China subsidiary which was reinvested through the company in the third area when Morrihan International Corp. was acquired in September 2009.

Note 5: This is a China company which was invested through the company, NINO CAPITAL CO., LTD., in the third area.

Note 6: This is a China company which was invested through the company, RICH WEB LTD., in the third area.

Note 7: This is a China company which was reinvested through the company, WINTECH MICROELECTRONICS HOLDING LIMITED, in the third area.

Note 8: This is a China company which was reinvested through the company, JCD OPTICAL (CAYMAN) CO., LTD., in the third area.

WT Microelectronics Co., Ltd. and subsidiaries
Major shareholders information
September 30, 2020

Table 10

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
WPG HOLDING CO., LTD.	177,110,000	22.47%
ASMEDIA TECHNOLOGY INC.	171,000,000	21.69%
SHAO YANG INVESTMENT CO., LTD.	60,238,426	7.64%

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

Note 2: If the aforementioned data contains shares which were held in trust by the shareholders, the data disclosed is the settlor's separate account for the fund set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shares include the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. The information on the reported share equity of insider is provided in the "Market Observation Post System".

Note 3: As of September 30, 2020, the number of shares held by the chairman under his own name and under the names of others was 101,492,962 shares, and the shareholding ratio was 12.88%. The abovementioned information is provided in the "Market Observation Post System".