

**ZHEN DING TECHNOLOGY HOLDING  
LIMITED AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REVIEW REPORT OF INDEPENDENT ACCOUNTANTS  
FOR THE NINE-MONTH PERIODS ENDED  
SEPTEMBER 30, 2020 AND 2019**

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

## REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Zhen Ding Technology Holding Limited

### Introduction

We have reviewed the accompanying consolidated balance sheets of Zhen Ding Technology Holding Limited and its subsidiaries as of September 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three-month periods ended September 30, 2020 and 2019 and for the nine-month periods ended September 30, 2020 and 2019; consolidated statements of changes in equity and of cash flows for the six-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 "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

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.

### Conclusion

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 Zhen Ding Technology Holding Limited and its subsidiaries as of September 30, 2020 and 2019; its consolidated financial performance for the three-month periods ended September 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the nine-month periods ended September 30, 2020 and 2019, in accordance with "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.

Hsu, Yung-Chien

Feng, Min-Chuan

For and on behalf of PricewaterhouseCoopers, Taiwan  
November 11, 2020

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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.

**ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2020; DECEMBER 31, 2019; AND SEPTEMBER 30, 2019**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

Assets	Notes	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1) and 8	\$ 32,529,266	22	\$ 38,280,304	27	\$ 40,810,825	29
1136	Current financial assets at amortised cost	6(3) and 8	6,321,455	4	4,790,922	4	2,591,146	2
1170	Accounts receivable, net	6(4)	19,611,432	13	24,259,541	17	24,621,383	17
1180	Accounts receivable due from related parties, net	6(4) and 7	2,690,500	2	2,828,109	2	2,727,946	2
1200	Other receivables	6(5)	226,913	-	1,306,347	1	602,391	-
130X	Inventories	6(6)	15,396,385	11	8,516,862	6	11,014,375	8
1410	Prepayments	6(5)	4,130,435	3	3,060,037	2	4,263,322	3
1460	Non-current assets held for sale, net	6(12)	-	-	161,211	-	-	-
1470	Other current assets	8	34,818	-	383	-	-	-
11XX	<b>Total current assets</b>		<u>80,941,204</u>	<u>55</u>	<u>83,203,716</u>	<u>59</u>	<u>86,631,388</u>	<u>61</u>
<b>Non-current assets</b>								
1510	Non-current financial assets at fair value through profit or loss	6(2)	609,144	-	-	-	-	-
1517	Non-current financial assets at fair value through other comprehensive income	6(7)	226,210	-	193,804	-	193,622	-
1600	Property, plant and equipment	6(8)	54,077,409	37	46,242,613	33	44,123,970	31
1755	Right-of-use assets	6(9)	8,070,311	6	8,035,650	6	8,234,018	6
1780	Intangible assets	6(10)	636,682	1	360,370	-	250,109	-
1840	Deferred income tax assets	6(30)	1,059,741	1	1,408,038	1	1,038,763	1
1990	Other non-current assets	6(11) and 8	404,443	-	437,144	1	469,675	1
15XX	<b>Total non-current assets</b>		<u>65,083,940</u>	<u>45</u>	<u>56,677,619</u>	<u>41</u>	<u>54,310,157</u>	<u>39</u>
1XXX	<b>Total assets</b>		<u>\$ 146,025,144</u>	<u>100</u>	<u>\$ 139,881,335</u>	<u>100</u>	<u>\$ 140,941,545</u>	<u>100</u>

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**ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2020; DECEMBER 31, 2019; AND SEPTEMBER 30, 2019**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

Liabilities and equity	Notes	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>								
2100	Short-term borrowings	6(13)	\$ 1,284,144	1	\$ 9,682,812	7	\$ 10,786,421	8
2170	Accounts payable		18,571,332	13	13,838,755	10	18,796,780	13
2180	Accounts payable to related parties	7	537,286	-	579,010	1	516,976	-
2200	Other payables	6(14)	13,237,137	9	12,449,520	9	12,249,165	9
2230	Current income tax liabilities		493,084	-	1,848,643	1	1,731,088	1
2260	Liabilities related to non-current assets classified as held for sale	6(12)	-	-	480,371	-	-	-
2280	Current lease liabilities		100,662	-	88,495	-	90,729	-
2320	Long-term liabilities, current portion	6(16)	4,361,362	3	-	-	-	-
2399	Other current liabilities		58,256	-	65,273	-	96,710	-
21XX	<b>Total current liabilities</b>		<u>38,643,263</u>	<u>26</u>	<u>39,032,879</u>	<u>28</u>	<u>44,267,869</u>	<u>31</u>
<b>Non-current liabilities</b>								
2530	Bonds payable	6(15)	10,657,176	8	-	-	-	-
2540	Long-term borrowings	6(16)	4,361,362	3	8,980,884	6	9,296,480	7
2570	Deferred income tax liabilities	6(30)	968,573	1	972,792	1	726,769	1
2580	Non-current lease liabilities		423,898	-	150,912	-	176,103	-
2600	Other non-current liabilities		385,644	-	399,767	-	303,958	-
25XX	<b>Total non-current liabilities</b>		<u>16,796,653</u>	<u>12</u>	<u>10,504,355</u>	<u>7</u>	<u>10,503,310</u>	<u>8</u>
2XXX	<b>Total liabilities</b>		<u>55,439,916</u>	<u>38</u>	<u>49,537,234</u>	<u>35</u>	<u>54,771,179</u>	<u>39</u>
<b>Equity</b>								
<b>Equity attributable to owners of parent</b>								
Share capital								
3110	Ordinary share	6(19)	9,022,299	6	9,022,299	7	9,022,299	6
Capital surplus								
3200	Capital surplus	6(20)	30,577,929	21	29,534,781	21	29,499,880	21
Retained earnings								
3310	Legal reserve	6(21)	5,219,158	4	4,350,638	3	4,350,638	3
3320	Special reserve		5,014,697	3	2,948,306	2	2,948,306	2
3350	Unappropriated retained earnings		23,100,267	16	26,318,375	19	22,637,687	16
Other equity interest								
3400	Other equity interest	6(22)	( 5,668,409)	( 4)	( 5,014,697)	( 4)	( 4,229,828)	( 3)
31XX	<b>Total equity attributable to owners of parent</b>		<u>67,265,941</u>	<u>46</u>	<u>67,159,702</u>	<u>48</u>	<u>64,228,982</u>	<u>45</u>
36XX	<b>Non-controlling interests</b>		<u>23,319,287</u>	<u>16</u>	<u>23,184,399</u>	<u>17</u>	<u>21,941,384</u>	<u>16</u>
3XXX	<b>Total equity</b>		<u>90,585,228</u>	<u>62</u>	<u>90,344,101</u>	<u>65</u>	<u>86,170,366</u>	<u>61</u>
Significant contingent liabilities and unrecognised contract commitments								
3X2X	<b>Total liabilities and equity</b>	9	<u>\$ 146,025,144</u>	<u>100</u>	<u>\$ 139,881,335</u>	<u>100</u>	<u>\$ 140,941,545</u>	<u>100</u>

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

**ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)  
(REVIEWED, NOT AUDITED)

Item	Notes	Three-month period ended September 30, 2020		Three-month period ended September 30, 2019		Nine-month period ended September 30, 2020		Nine-month period ended September 30, 2019		
		Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue	6(23), 7 and 14	\$ 32,076,905	100	\$ 35,601,549	100	\$ 76,079,412	100	\$ 78,094,966	100
5000	Operating costs	6(6) and 7	( 25,872,900)	( 81)	( 27,246,656)	( 76)	( 62,101,090)	( 82)	( 62,015,398)	( 79)
5950	Gross profit from operations		6,204,005	19	8,354,893	24	13,978,322	18	16,079,568	21
	Operating expenses	6(24)								
6100	Selling expenses		( 520,651)	( 2)	( 547,622)	( 2)	( 1,398,993)	( 2)	( 1,213,016)	( 2)
6200	Administrative expenses		( 1,228,121)	( 4)	( 1,043,431)	( 3)	( 3,025,868)	( 4)	( 3,002,286)	( 4)
6300	Research and development expenses		( 1,418,882)	( 4)	( 1,509,657)	( 4)	( 3,496,136)	( 4)	( 4,054,106)	( 5)
6450	Expected credit loss in accordance with IFRS 9	12	( 21,052)	-	7,104	-	1,546	-	18,576	-
6000	Total operating expenses		( 3,188,706)	( 10)	( 3,093,606)	( 9)	( 7,922,543)	( 10)	( 8,250,832)	( 11)
6900	Net operating income		3,015,299	9	5,261,287	15	6,055,779	8	7,828,736	10
	Non-operating income and expenses									
7100	Interest income	6(26)	155,023	1	273,127	1	592,027	1	983,129	1
7010	Other income	6(27)	438,797	1	176,707	-	714,494	1	532,278	1
7020	Other gains and losses	6(28)	( 579,792)	( 2)	319,216	1	536,240	1	( 162,959)	( -)
7050	Finance costs	6(29)	( 115,681)	-	( 156,533)	( -)	( 345,421)	( 1)	( 547,372)	( 1)
7000	Total non-operating income and expenses		101,653	-	612,517	2	424,860	-	1,130,994	1
7900	<b>Profit before income tax</b>		2,913,646	9	5,873,804	17	6,480,639	8	8,959,730	11
7950	Income tax expense	6(30)	( 572,235)	2	( 1,083,900)	( 3)	( 1,027,500)	( 1)	( 1,751,960)	( 2)
8200	<b>Profit</b>		\$ 2,341,411	7	\$ 4,789,904	14	\$ 5,453,139	7	\$ 7,207,770	9

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ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)  
(REVIEWED, NOT AUDITED)

Item	Notes	Three-month period ended September 30, 2020		Three-month period ended September 30, 2019		Nine-month period ended September 30, 2020		Nine-month period ended September 30, 2019	
		Amount	%	Amount	%	Amount	%	Amount	%
<b>Other comprehensive income</b>									
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>									
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(7)(22)							
		\$ 36,593	-	\$ 1,200	-	\$ 34,022	-	\$ 10,592	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>									
8361	Exchange differences on translation of foreign financial statements	6(22)							
		1,388,319	5	( 3,161,400)	( 9)	( 942,717)	( 1)	( 2,255,057)	( 3)
8300	<b>Other comprehensive (loss) income</b>	\$ 1,424,912	5	(\$ 3,160,200)	( 9)	(\$ 908,695)	( 1)	(\$ 2,244,465)	( 3)
8500	<b>Total comprehensive income</b>	\$ 3,766,323	12	\$ 1,629,704	5	\$ 4,544,444	6	\$ 4,963,305	6
Profit attributable to:									
8610	Owners of the parent	\$ 1,630,037	5	\$ 3,405,469	10	\$ 3,776,837	5	\$ 5,005,001	6
8620	Non-controlling interests	711,374	2	1,384,435	4	1,676,302	2	2,202,769	3
		\$ 2,341,411	7	\$ 4,789,904	14	\$ 5,453,139	7	\$ 7,207,770	9
Comprehensive income attributable to:									
8710	Owners of the parent	\$ 2,685,022	9	\$ 1,077,200	3	\$ 3,123,125	4	\$ 3,723,479	4
8720	Non-controlling interests	1,081,301	3	552,504	2	1,421,319	2	1,239,826	2
		\$ 3,766,323	12	\$ 1,629,704	5	\$ 4,544,444	6	\$ 4,963,305	6
Basic earnings per share									
9750	Basic earnings per share	6(31)	\$ 1.81	\$ 3.80	\$ 4.19	\$ 5.78			
Diluted earnings per share									
9850	Diluted earnings per share	6(31)	\$ 1.72	\$ 3.80	\$ 4.12	\$ 5.78			

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

**ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)  
(REVIEWED, NOT AUDITED)

	Notes	Equity attributable to owners of parent										
		Retained earnings					Other equity interest			Total	Non-controlling interests	Total equity
		Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income				
<b>Nine-month period ended September 30, 2019</b>												
Balance at January 1, 2019		\$ 8,047,484	\$ 22,000,657	\$ 3,505,859	\$ 1,717,913	\$ 23,731,600	(\$ 2,879,635)	(\$ 68,671)	\$ 56,055,207	\$ 22,053,373	\$ 78,108,580	
Profit for the period		-	-	-	-	5,005,001	-	-	5,005,001	2,202,769	7,207,770	
Other comprehensive income (loss) for the period	6(22)	-	-	-	-	-	1,292,114	10,592	1,281,522	(962,943)	2,244,465	
Total comprehensive income		-	-	-	-	5,005,001	1,292,114	10,592	3,723,479	1,239,826	4,963,305	
Appropriation and distribution of retained earnings:	6(21)											
General reserve		-	-	844,779	-	(844,779)	-	-	-	-	-	
Special reserve		-	-	-	1,230,393	(1,230,393)	-	-	-	-	-	
Cash dividends		-	-	-	-	(4,023,742)	-	-	(4,023,742)	-	(4,023,742)	
Conversion of convertible bonds	6(19)(20)	974,815	7,431,639	-	-	-	-	-	8,406,454	-	8,406,454	
Compensation cost of employee restricted stock	6(18)	-	67,584	-	-	-	-	-	67,584	25,225	92,809	
Change in non-controlling interests - distribution of retained earnings by subsidiaries		-	-	-	-	-	-	-	-	(1,377,040)	(1,377,040)	
Balance at September 30, 2019		\$ 9,022,299	\$ 29,499,880	\$ 4,350,638	\$ 2,948,306	\$ 22,637,687	(\$ 4,171,749)	(\$ 58,079)	\$ 64,228,982	\$ 21,941,384	\$ 86,170,366	
<b>Nine-month period ended September 30, 2020</b>												
Balance at January 1, 2020		\$ 9,022,299	\$ 29,534,781	\$ 4,350,638	\$ 2,948,306	\$ 26,318,375	(\$ 4,960,710)	(\$ 53,987)	\$ 67,159,702	\$ 23,184,399	\$ 90,344,101	
Profit for the period		-	-	-	-	3,776,837	-	-	3,776,837	1,676,302	5,453,139	
Other comprehensive income (loss) for the period	6(22)	-	-	-	-	-	(687,292)	33,580	(653,712)	(254,983)	(908,695)	
Total comprehensive income		-	-	-	-	3,776,837	(687,292)	33,580	3,123,125	1,421,319	4,544,444	
Appropriations and distribution of retained earnings:	6(21)											
General reserve		-	-	868,520	-	(868,520)	-	-	-	-	-	
Special reserve		-	-	-	2,066,391	(2,066,391)	-	-	-	-	-	
Cash dividends		-	-	-	-	(4,060,034)	-	-	(4,060,034)	-	(4,060,034)	
Issuance of overseas convertible bonds recognized as warrants	6(20)	-	996,753	-	-	-	-	-	996,753	-	996,753	
Compensation cost of employee restricted stock	6(18)	-	46,395	-	-	-	-	-	46,395	17,316	63,711	
Change in non-controlling interests - acquisition of subsidiary equity		-	-	-	-	-	-	-	-	11,819	11,819	
Change in non-controlling interests - distribution of retained earnings by subsidiaries		-	-	-	-	-	-	-	-	(1,315,566)	(1,315,566)	
Balance at September 30, 2020		\$ 9,022,299	\$ 30,577,929	\$ 5,219,158	\$ 5,014,697	\$ 23,100,267	(\$ 5,648,002)	(\$ 20,407)	\$ 67,265,941	\$ 23,319,287	\$ 90,585,228	

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)  
(REVIEWED, NOT AUDITED)

	Notes	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 6,480,639	\$ 8,959,730
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(24)	5,785,650	5,722,017
Amortisation expense	6(24)	187,302	119,953
Impairment losses	6(8)	106,433	342,959
Expected credit loss (reversal)	12	1,546 (	18,576 )
Losses (gains) on disposal of property, plant and equipment	6(28)	151,529 (	13,619 )
Gain on disposal of land use right		- (	9,031 )
Interest income	6(26)	( 592,027 ) (	983,129 )
Interest expenses	6(29)	345,421	547,372
Share-based payment	6(18)	63,711	92,809
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		-	3,437
Notes receivable		34,748	10,483
Accounts receivable		4,195,042 (	2,879,065 )
Accounts receivable due from related parties		59,391 (	38,717 )
Other receivables		1,040,489	589,375
Inventories		( 7,087,829 ) (	1,027,005 )
Prepayments		( 1,112,572 ) (	712,081 )
Changes in operating liabilities			
Accounts payable		4,839,252	2,069,332
Accounts payable to related parties		( 36,859 ) (	496,178 )
Other payables		607,243	872,647
Other current liabilities		( 6,430 ) (	35,097 )
Cash inflow generated from operations		15,062,679	13,117,616
Income tax paid		( 2,010,801 ) (	2,559,233 )
Net cash from operating activities		<u>13,051,878</u>	<u>10,558,383</u>

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ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)  
(REVIEWED, NOT AUDITED)

	Notes	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Proceeds from repayment of financial assets at amortised cost		(\$ 606,775 )	\$ -
Decrease (Increase) in financial assets at amortised cost		( 1,761,746 )	6,272,588
Proceeds from repayment of financial assets at amortised cost		-	( 136,192 )
Acquisition of property, plant and equipment	6(32)	( 14,227,935 )	( 10,779,181 )
Proceeds from disposal of property, plant and equipment		452,145	207,574
Acquisition of land right-of-use (within 'right-of-use assets)	6(32)	-	( 1,015,560 )
Proceeds from disposal of land use right		-	42,664
Increase in restricted assets		( 65,028 )	-
Increase of other non-current assets		( 129,097 )	( 46,975 )
Increase in other non-current liabilities		45,083	182,392
Interest received		661,048	945,460
Net cash used in investing activities		( 15,632,305 )	( 4,327,230 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase (decrease) in short-term loans		( 8,326,003 )	1,697,897
Decrease in guarantee deposits received		( 56,230 )	( 25,156 )
Cash dividends paid	6(21)	( 4,060,034 )	( 4,023,742 )
Issuance of convertible bonds		11,795,359	-
Repayments of convertible bonds	6(15)	-	( 147,233 )
Repayments of lease liabilities		( 70,347 )	( 70,595 )
Interest paid		( 331,623 )	( 490,725 )
Change in non-controlling interests - distribution of retained earnings by subsidiaries		( 1,315,566 )	( 1,377,040 )
Change in non-controlling interests - acquisition of subsidiary equity		11,819	-
Net cash flows from financing activities		( 2,352,625 )	( 4,436,594 )
Effect of exchange rate changes on cash and cash equivalents		( 817,986 )	( 1,636,707 )
Increase (decrease) in cash and cash equivalents		( 5,751,038 )	157,852
Cash and cash equivalents at beginning of period		38,280,304	40,652,973
Cash and cash equivalents at end of period		\$ 32,529,266	\$ 40,810,825

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE 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 ORGANIZATION

Zhen Ding Technology Holding Limited (the 'Company', formerly named as Foxconn Advanced Technology Limited) was incorporated in the Cayman Islands in June 2006. According to the resolution of the Board of Directors in May 2011, the Company was renamed to Zhen Ding Technology Holding Limited and related registration was completed in July 2011. The registration address is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands. The Company and its subsidiaries (collectively referred herein as the 'Group') are engaged in manufacturing, processing and selling printed circuit boards (PCBs). The Company has been listed on the Taiwan Stock Exchange since December 26, 2011.

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

The consolidated financial statements were authorized for issuance by the Board of Directors on November 11, 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, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission ('FSC') (collectively referred herein as the 'IFRSs').

New, revised or amended standards and interpretations endorsed by the FSC effective from 2020 are as follows

New, Revised or Amended Standards and Interpretations	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 7, IFRS 9, and IAS 39, 'Interest Rate Benchmark Reform'	January 1, 2020
Amendments to IFRS 16, 'Covid-19-Related Rent Concessions'	June 1, 2020 (coming into effect early on January 1, 2020 permitted)
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative - definition of material'	January 1, 2020

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

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

New, revised or amended standards and interpretations endorsed by the FSC effective from 2021 are as follows

<u>New, Revised or Amended Standards and Interpretations</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 position and financial performance based on the Group's assessment.

(3) IFRSs issued by International Accounting Standards Board ('IASB') but not yet endorsed by the FSC

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

<u>New, Revised or Amended Standards and Interpretations</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 IASB
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17 'Insurance contracts'	January 1, 2023
Amendments to IFRS 1 'Classification of Liabilities as Current or Non-current'	January 1, 2023
Amendments to IFRS 16 'Property, Plant and Equipment — Proceeds before Intended Use'	January 1, 2022
Amendments to IFRS 37 'Onerous Contracts — Cost of Fulfilling a Contract'	January 1, 2022
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022
Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16, and IAS 39, 'Interest Rate Benchmark Reform' - Phase 2	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as stated otherwise, the principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all the periods presented.

(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 IAS 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 liabilities recognised based on the net amount of pension fund assets minus present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with 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 items involving a higher degree of judgement or complexity, or items 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 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) The profit or loss and each component of other comprehensive income shall be attributed to the owners of the parent and to the non-controlling interests, and total comprehensive income shall also be 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 equity transactions (i.e., transactions among owners in their capacity as owners). Difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity.
- B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of subsidiary	Main Business Activities	Ownership (%)			Description
			September 30, 2020	December 31, 2019	September 30, 2019	
The Company	Zhen Ding Technology Co., Ltd.	Trading company	100	100	100	
The Company	Monterey Park Finance Limited (B.V.I.)	Holding company	100	100	100	
Zhen Ding Technology Co., Ltd.	FAT Holdings Limited (Cayman)	Holding company	100	100	100	
Monterey Park Finance Limited (B.V.I.)	Coppertone Enterprises Limited (B.V.I.)	Holding company	100	100	100	

Name of Investor	Name of subsidiary	Main Business Activities	Ownership (%)			Description
			September 30, 2020	December 31, 2019	September 30, 2019	
Monterey Park Finance Limited (B.V.I.)	Pacific Fair International Limited (Hongkong)	Holding company	100	100	100	
Monterey Park Finance Limited (B.V.I.)	Henley International Limited (Hongkong)	Trading company	100	100	100	
Monterey Park Finance Limited (B.V.I.)	Qi Ding Technology Qinhuangdao Co., Ltd.	Manufacturing company	100	100	100	
Monterey Park Finance Limited (B.V.I.)	Huaian Jia Wei Industrial Development Co., Ltd.	Trading company	100	100	100	(1)
Monterey Park Finance Limited (B.V.I.)	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Manufacturing company	-	-	-	(8)
Coppertone Enterprises Limited (B.V.I.)	Mayco Industrial Limited (Hongkong)	Holding company	100	100	100	
Mayco Industrial Limited (Hongkong)	Avary Holding (Shenzhen) Co., Limited	Manufacturing company	66.38	66.38	66.38	
Pacific Fair International Limited (Hongkong)	Avary Holding (Shenzhen) Co., Limited	Manufacturing company	6.44	6.44	6.44	
Avary Holding (Shenzhen) Co., Limited	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Manufacturing company	-	100	100	(7)
Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Manufacturing company	100	100	100	

Name of Investor	Name of subsidiary	Main Business Activities	Ownership (%)			Description
			September 30, 2020	December 31, 2019	September 30, 2019	
Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electrical Technology (Huaian) Co., Ltd.	Manufacturing company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	Manufacturing company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Manufacturing company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Fu Bo Industrial (Shenzhen) Co., Ltd.	Manufacturing company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Yun Ding Technology (Shenzhen) Limited	Trading company	-	100	100	(9)
Avary Holding (Shenzhen) Co., Limited	Kui Sheng Technology (Shenzhen) Limited	Trading company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Avary Holding Investment (Shenzhen) Co., Ltd.	Investing company	100	-	-	(5)
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited (Hongkong)	Trading company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Avary Singapore Private Limited (Singapore)	Holding company	100	100	100	(2)
Fu Bo Industrial (Shenzhen) Co., Ltd.	Zhan Yang Automation (Dongguan) Co., Ltd.	Trading company	60	-	-	(6)
Garuda International Limited (Hongkong)	Garuda Technology Co., Ltd.	Trading company	100	100	100	
Garuda International Limited (Hongkong)	Avary Japan Co., Ltd.	Trading company	100	100	100	(4)

Name of Investor	Name of subsidiary	Main Business Activities	Ownership (%)			Description
			September 30, 2020	December 31, 2019	September 30, 2019	
Avary Singapore Private Limited (Singapore)	Avary Technology (India) Private Limited	Manufacturing company	100	100	100	(3)

- (a) The Group invested in Huai'An Jia Wei Industrial Development Co., Ltd. at Huai'an and included the entity in the consolidated financial statement on January 8, 2019. The entity mainly engages in construction-related business.
- (b) The Group invested in Avary Singapore Private Limited at Singapore and included the entity in the consolidated financial statements on March 18, 2019. The entity mainly engages in holding company business.
- (c) The Group invested in Avary Technology (India) Private Limited in India and included the entity in the consolidated financial statements on June 17, 2019. The entity mainly engages in manufacturing of PCB products.
- (d) The Group invested in Avary Japan Co., Ltd. in Japan and included the entity in the consolidated financial statements on July 30, 2019. The entity mainly engages in trading of PCB products.
- (e) The Group invested in Avary Holding Investment (Shenzhen) Co., Ltd. in Shenzhen and included the entity in the consolidated financial statement on January 19, 2020. The entity mainly engages in investment company business.
- (f) The Group invested in Zhanyang Automation (Dongguan) Co., Ltd. in Dongguan and included the entity in the consolidated financial statement on February 3, 2020. The entity mainly engages in ATMs manufacturing business.
- (g) The Group adjusted its investment structure in 2019, disposed of all the equity of Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd., and completed registration of change on March 12, 2020.
- (h) The Group invested in Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd. in Shenzhen and included the entity in the consolidated financial statement on September 4, 2020. The entity mainly engages in electronics processing and manufacturing business.
- (i) The Group has restructured the investment structure. Yun Ding Technology (Shenzhen) Limited has completed the winding-up process in the third quarter of 2020.
- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group:

As of September 30, 2020, December 31, 2019 and September 30, 2019, the non-controlling interests of the Group amounted to \$23,319,287, \$23,184,399, and \$941,384, respectively. The information on subsidiaries and their respective non-controlling interests is as follows:

Name of subsidiary	Principal place of business	Non-controlling interests		Description
		September 30, 2020		
		Amount	Ownership (%)	
Avary Holding (Shenzhen) Co., Limited	China	\$ 23,296,143	27.18%	

Name of subsidiary	Principal place of business	Non-controlling interests		Description
		December 31, 2019		
		Amount	Ownership (%)	
Avary Holding (Shenzhen) Co., Limited	China	\$ 23,184,399	27.18%	

Name of subsidiary	Principal place of business	Non-controlling interests		Description
		September 30, 2019		
		Amount	Ownership (%)	
Avary Holding (Shenzhen) Co., Limited	China	\$ 21,941,384	27.18%	

Summary of the financial information of subsidiaries

Consolidated balance sheets of Avary Holding (Shenzhen) Co., Limited

	September 30, 2020	December 31, 2019	September 30, 2019
Current assets	\$ 58,438,352	\$ 70,593,495	\$ 73,479,624
Non-current assets	62,623,615	54,104,439	51,668,835
Current liabilities	( 33,794,457 )	( 38,383,281 )	( 43,566,331 )
Non-current liabilities	( 1,532,182 )	( 1,013,604 )	( 854,436 )
Total net assets	\$ 85,735,328	\$ 85,301,049	\$ 80,727,692

The consolidated statements of comprehensive income of Avary Holding (Shenzhen) Co., Limited

	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
Revenue	\$ 74,425,453	\$ 77,128,863
Profit before income tax	7,065,357	9,661,264
Income tax expense	( 927,750 )	( 1,556,742 )
Profit	6,137,607	8,104,522
Other comprehensive income, net of tax	( 145,269 )	116,656
Total comprehensive income	\$ 5,992,338	\$ 8,221,178
Comprehensive income, attributable to non-controlling interests	\$ 1,421,319	\$ 1,239,826

The consolidated statements of cash flows of Avary Holding (Shenzhen) Co., Limited

	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
Net cash from operating activities	\$ 13,279,532	\$ 9,521,779
Net cash used in investing activities	( 11,664,629 )	( 9,460,847 )
Net cash flows from financing activities	( 13,253,705 )	( 3,216,344 )
Effect of exchange rate changes on cash and cash equivalents	( 488,475 )	( 836,604 )
Net increase (decrease) in cash and cash equivalents	( 12,127,277 )	( 3,992,016 )
Cash and cash equivalents at beginning of period	29,230,247	34,977,025
Cash and cash equivalents at end of period	\$ 17,102,970	\$ 30,985,009

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The Company's functional currency is USD; however, the consolidated financial statements are presented in NTD because of regulatory requirements.

A. 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 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 in the period in which they arise.
- (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 in the period in which they arise. 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 foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the Group's entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

When presenting the Group's functional currency-denominated financial statements in NT dollar, the average exchange rates were US\$1=NT\$29.82 and US\$1=NT\$31.05 for the periods January 1 to September 30, 2020 and 2019, respectively. The closing rates were

US\$1=NT\$29.10, US\$1=NT\$29.98 and US\$1=NT\$31.04 as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

(5) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realized, 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; or
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date

Assets not meeting the above criteria are classified by the Group as non-current assets.

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

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date; or
- (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.

Liabilities not meeting the above criteria are classified by the Group as non-current liabilities.

(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 at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets measured at amortised cost or fair value through other comprehensive income are designated as the financial assets at fair value through profit or loss at initial recognition by the Group if doing so eliminates or significantly reduces a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently measured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.
- D. The Group recognises the dividend income in profit or loss only when the right to receive payment is established, it is probable that the 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. The Group may make irrevocable election at initial recognition to recognise the changes in fair value in other comprehensive income for the investments in equity instruments that are not held for trading or the investments in debt instruments that meet both of the following conditions:

- (a) The financial assets held within a business model whose objective is both collecting contractual cash flows and selling financial assets.

- (b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement 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:
  - (a) The changes in fair value of equity instruments are recognised in other comprehensive income. The cumulative gain or loss previously recognised in other comprehensive income shall be recorded to retained earnings and not be reclassified to profit or loss upon the derecognition. Dividends are recognised in profit or loss when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.
  - (b) Except for the impairment losses, interest income and foreign exchange gains or losses which are recognised in profit or loss, the changes in fair value of debt instruments are recognised in other comprehensive income before derecognition. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are meet both of the following conditions:
  - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not meet the condition of cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) 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.

(11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost including accounts receivable or contract assets containing a significant financing component, lease receivables, loan commitments and financial guarantee contracts, at each balance sheet 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 (including forecasts). On the other hand, the Group recognises the impairment provision for lifetime ECLs for accounts receivable or contract assets containing a significant financing component.

(12) Derecognition of financial assets

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

(13) Leasing (lessor)

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.

(14) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. 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 estimated cost of completion and applicable variable selling expenses.

(15) Non-Current Assets Held for Sale (or disposal groups)

An asset is classified as held for sale when the sale of non-current asset (or disposal group) is highly probable and is being actively marketed for sale at a sales price reasonable in relation to its fair value. Non-assets (or disposal groups) held for sale are measured at the lower of carrying amount and fair value less costs to sell.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- 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 financial year-end. 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 and structures	5~53 years
Machinery and equipment	2~10 years
Leasehold improvements	5 years
Other facilities	2~15 years

(17) Leasing (lessee)

- A. The Group recognises lease assets as right-of-use assets and lease liabilities at the commencement date of the lease. For short-term leases or leases of low value assets, lease payments are recognised as expenses using the straight-line method during the lease term.
- B. The Group measures right-of-use assets at cost on the commencement date of the lease. The costs include the initial measurement amount of lease liabilities and any initial direct costs incurred. The right-of-use assets are subsequently measured by adopting the cost model. The Group depreciates the right-of-use assets at the earlier of the right-of-use assets' useful life or the end of lease term.
- C. On the commencement date, the Group measures lease liabilities by the present value of outstanding lease payments, using the Group's incremental borrowing rate. Lease payments include fixed payments less any lease incentives receivable. In subsequent periods, the Group measures lease liabilities at amortised cost using the effective interest method and recognises interest expense during the lease term. If the lease term or lease payment is changed due to reasons other than amendments to the lease contracts, the Group will

remeasure the lease liabilities. The remeasurement amount is then recognised as an adjustment to the right-of-use assets.

(18) Intangible assets

A. Computer software

Computer software is recognised as acquisition cost and is amortised on a straight-line basis using the estimated useful lives of 3-5 years.

B. Goodwill

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

(19) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there are any impairment indications. 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 amounts 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 based on the operating segment 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.

(20) Borrowings

A. 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 draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

C. Extension option is not closed related to the host debt instruments, unless the rates are also adjusted close to current market rates when extending.

(21) Accounts and notes payable

A. Accounts payable are the liabilities for purchases of raw materials, goods or services.

B. The short-term accounts and notes payable without bearing interest are measured at initial invoice amount as the effect of discounting is immaterial.

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged, cancelled, or expired.

(23) Financial liabilities and equity instruments

Convertible corporate bonds issued by the Group are embedded with conversion options (that is, the bondholders have the right to convert the bonds into the Group's ordinary shares by exchanging a fixed amount of cash for a fixed number of ordinary share), call options and put options. In accordance with the terms and conditions of the indenture, the Group classifies the convertible corporate bonds and the embedded derivative instruments on initial recognition as a financial asset, a financial liability or an equity instrument (the 'capital surplus-share options'). Convertible corporate bonds are accounted for as follows:

- A. The exercise price of call options and put options embedded in the convertible corporate bonds is approximately equal to the amortised cost of the host debt instrument on each exercise date; therefore, call options and put options are closely related to the host debt contract.
- B. Call options, put options and host debt of the convertible corporate bonds are initially recognised at fair value. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond outstanding using the effective interest method.
- C. Conversion options embedded in convertible corporate bonds issued by the Group, which meet the definition of an equity instrument, are initially recognised in the 'capital surplus-share options' at the residual amount of total issue price less amounts of the 'bonds payable' as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- E. When bondholders exercise conversion options, the liability component shall be remeasured on the conversion date. The carrying amount of ordinary shares issued due to the conversion shall be based on the remeasured carrying amount of the abovementioned liability component plus the carrying amount of 'capital surplus-share options'.

(24) 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 exchange for that service, and shall be recognised as expenses when the employees have rendered service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions shall be recognised as pension expenses when they are due on an accrual basis. Prepaid contributions shall be recognised that excess as an asset to the extent that the prepayment will lead to a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is accrued from the present value of future benefits that employees have earned in return for their services in the current or prior periods. The Group recognised the present value of the defined benefit obligation deducting the fair value of plan assets at the balance sheet date. Net obligation of the defined benefit is calculated annually by independent actuaries using the projected unit credit method and is discounted by using the market yield on government bonds (at the balance sheet date).
- 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 and significant

curtailments, settlements, or other significant one-off events since that time. Also, relevant information will be disclosed in conjunction with the above policy.

C. Employees' remuneration and directors' remuneration

Employees' remuneration and directors' remuneration are recognised as expense and liabilities, 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 employees' remuneration (bonus) is distributed by shares, the Group calculates the number of shares based on the fair value per share (closing price) at the previous day of the Board of Directors' resolution.

(25) 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 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 quantity of equity instruments that are expected to vest under the non-market vesting conditions. Ultimately, the amount of compensation cost is recognised based on the number of equity instruments that eventually vest.

B. Employee restricted stocks:

(a) Employee restricted stocks measured at the fair value of the equity instruments at the grant date, and are recognised as compensation cost over the vesting period.

(b) Those restricted stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) Employees have to pay to acquire those restricted stocks. If employees resign during the vesting period, the Group must refund their payments in exchange for the restricted stocks return by the employees. The Group recognises the payments to the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments for the employees who are expected to be eventually vested with the stocks in 'capital surplus – others'.

(26) 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 Group operates and generates 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. Different tax regulations are applicable to the Group according to the countries where the companies are registered:

(a) Companies that are registered in Cayman Islands and British Virgin Islands are exempted from income tax in accordance with local regulations.

(b) For the companies that are registered in the Republic of China, except for income tax that is estimated in accordance with the tax laws, an additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings. When calculating income tax, except for applying the tax laws to calculate regular tax, the basic tax is calculated under the 'Income Basic Tax Act.' If regular tax is lower than basic tax, the difference between

the two shall be added to income tax payable. The aforementioned difference shall not be offset with investment tax credits under other regulations.

- (c) Income taxes of companies that are registered in Mainland China are calculated in accordance with 'Law of the People's Republic of China on Enterprise Income Tax' and its implementation and related notification letters.
  - (d) Income taxes of companies that are registered in the Government of the Hong Kong Special Administrative Region of the People's Republic of China are calculated based on the revenue earned in Hong Kong and in accordance with 'Hong Kong Inland Revenue Ordinance'.
  - (e) For companies registered in Singapore, India, and Japan, they shall estimate business income tax of the current year pursuant to local laws and regulations.
- C. Deferred income 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 income 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 nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, 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 income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income 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 income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount is 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 income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. The interim period income tax expense is accrued based on the estimated average annual effective income tax rate applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- G. 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.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells PCBs and related products. Sales are recognised when control of the products has been transferred, i.e., when the products are delivered to the customer. The customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's 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. Sales of PCBs and related products are recognised as the amount of contract price, net of the estimated discounts, credits and price concessions.
- (b) Account 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.

B. Financial components

The contract between the Group and the customer, 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.

(29) Government grants

Government grants shall not be recognised at fair value until there is reasonable assurance that the entity will comply with the conditions attaching to them, and that the grants will be received. Government grants shall be recognised in profit on a systematic basis over the periods in which the entity recognises as the related expenses for which the grants are intended to compensate. Government grants related to property, plant and equipment shall be recognised within non-current liabilities that are recognised in profit on the straight-line method over the estimated useful life of related assets.

(30) Business combinations

- A. The Group accounts for a business combination by applying the acquisition method, unless it is a combination involving entities or businesses under common control or the acquiree is a subsidiary of an investment entity, as defined in IFRS 10, 'Consolidated financial statements', which is required to be measured at fair value through profit or loss. 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. If the total of the fair values of the consideration of acquisition, non-controlling interest in the acquiree, and previous equity interest in the acquiree is higher than the fair value of the identifiable assets and obligations acquired, the difference is recorded as goodwill; if the fair value of the identifiable assets and obligations acquired is higher than the total of the fair values of the consideration of acquisition, non-controlling interest in the acquiree, and previous equity interest in the acquiree, the difference is recognised directly in profit or loss as 'gain recognised in bargain purchase transaction'.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-maker, who is responsible for allocating resources to operating segments and evaluating their performance.

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

The preparation of these consolidated financial statements requires management to make critical judgments 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 resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the related information is addressed below:

Critical accounting estimates and assumptions

Accounting estimates are based on the situation on the balance sheet date to estimate future events, though there could be differences between the actual events and estimation. Estimates and assumptions on the risk of possible critical adjustments to the carrying amount of assets and liabilities for the next fiscal year are as follows:

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 judgments and estimates. Because of 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. Since an evaluation of inventories is principally based on the demand for products within a specified period in the future. Therefore, there might be material changes to the evaluation

As of September 30, 2020, the carrying amount of inventories was \$15,396,385.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand and petty cash	\$ 189	\$ 3,285	\$ 3,153
Checking accounts and demand deposits	20,505,399	26,733,935	22,840,328
Cash equivalents			
Time deposits	12,023,678	11,654,760	17,967,344
	<u>32,529,266</u>	<u>38,391,980</u>	<u>40,810,825</u>
Recognition of non-current assets held for sale	-	( 111,676)	-
Cash and cash equivalents presented on the balance sheet	<u>\$ 32,529,266</u>	<u>\$ 38,280,304</u>	<u>\$ 40,810,825</u>

A. As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group's time deposits with maturity of over three months which are recognised within 'financial assets at amortised cost' are referred to in Note 6(3).

B. Except for a total of NT\$29,883 in current deposit whose purpose is restricted to paying customs duty guarantees that is recognised within other current assets, the Group has no cash and cash equivalents pledged to others as referred to in Note 8.

(2) Financial assets at fair value through profit or loss

Item	September 30, 2020	December 31, 2019	September 30, 2019
Non-current items:			
Private Fund	\$ 553,020	\$ -	\$ -
Unlisted shares	53,755	-	-
	<u>606,775</u>	<u>-</u>	<u>-</u>
Net exchange differences	2,369	-	-
Total	<u>\$ 609,144</u>	<u>\$ -</u>	<u>\$ -</u>

- A. The Group recognised net gain of \$0, \$0, \$0 and \$9,697 within 'financial assets at fair value through profit or loss' for the periods July 1 to September 30, 2020 and 2019, and January 1 to September 30, 2020 and 2019, respectively.
- B. The Group has no outstanding forward foreign exchange contracts as of September 30, 2020, December 31, 2019 and September 30, 2019.
- C. The Group classified Beijing Firstred Acquisition Fund, which is a strategic investment, and Jingning Dingqing Electronic Technology Partnership (Limited Partnership) as financial assets at fair value through profit or loss.
- D. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Notes and accounts receivable

Item	September 30, 2020	December 31, 2019	September 30, 2019
Current items:			
Guaranteed income financial products	\$ 1,948,777	\$ 3,835,070	\$ 1,862,400
Time deposits with maturity of over three months	4,372,678	955,852	666,618
Corporate bonds	-	-	62,128
	<u>\$ 6,321,455</u>	<u>\$ 4,790,922</u>	<u>\$ 2,591,146</u>

- A. The Group recognised interest income in profit or loss for amortised cost for the three-month and nine-month periods ending September 30, 2020 and 2019, respectively. Please refer to Note 6(26).
- B. Except for a total of NT\$4,935 in time deposits with maturity of over three months whose purpose is restricted to paying customs duty guarantees that is recognised within other current assets, the Group has no financial assets at amortised cost pledged to others as referred to in Note 8.
- C. Please refer to Note 12(2) for relevant credit risk information.

(4) Notes and accounts receivable

	September 30, 2020	December 31, 2019	September 30, 2019
Notes receivable	\$ 15,956	\$ 51,209	\$ 64,403
Accounts receivable	19,672,558	24,284,254	24,595,940
	19,688,514	24,335,463	24,660,343
Less: Allowance for bad debts	( 77,082)	( 75,922)	( 38,960)
	<u>\$ 19,611,432</u>	<u>\$ 24,259,541</u>	<u>\$ 24,621,383</u>
Accounts receivable due from related parties	\$ 2,694,321	\$ 2,833,199	\$ 2,732,741
Less: Allowance for bad debts	( 3,821)	( 5,090)	( 4,795)
	<u>\$ 2,690,500</u>	<u>\$ 2,828,109</u>	<u>\$ 2,727,946</u>

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

	September 30, 2020	December 31, 2019	September 30, 2019
Not past due	\$ 22,209,374	\$ 27,080,296	\$ 27,175,379
Between 1 and 90 days	167,848	84,908	207,569
Between 91 and 180 days	2,663	1,647	9,106
Over 180 days	2,950	1,811	1,030
	<u>\$ 22,382,835</u>	<u>\$ 27,168,662</u>	<u>\$ 27,393,084</u>

- B. The balance of accounts and notes receivable as of September 30, 2020, December 31, 2019 and September 30, 2019 is generated from customer contracts. The balance of receivables on customer contracts as of January 1, 2019 was \$24,338,283.

C. The Group does not hold any collateral as security.

D. Please refer to Note12(2) for relevant credit risk information.

(5) Other receivables and prepayments

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Other receivables</u>			
Interest income receivable	\$ 189,068	\$ 232,957	\$ 236,866
Business tax refundable	-	828,943	2,089
Guarantee deposits receivable	-	206,899	296,062
Other	37,845	37,548	67,374
	<u>\$ 226,913</u>	<u>\$ 1,306,347</u>	<u>\$ 602,391</u>
	September 30, 2020	December 31, 2019	September 30, 2019
<u>Prepayments</u>			
Excess business tax paid	\$ 2,093,015	\$ 2,029,571	\$ 2,565,827
Prepaid expenses	2,037,420	1,015,944	1,683,001
Other	-	14,522	14,494
	<u>\$ 4,130,435</u>	<u>\$ 3,060,037</u>	<u>\$ 4,263,322</u>

The Group's Mainland China subsidiaries are engaged in export sales. Under local regulations, the subsidiaries are entitled to tax benefits on business tax ('VAT') exemption, deduction and refund on the exports of goods. The subsidiaries calculate VAT refund and deductible amounts based on monthly sales by product types. The subsidiaries' counterparties and performing parties are mainly government organizations, so the possibility of default is remote. The subsidiaries recognise related refunds and deductibles within 'other receivables' and 'prepayments', respectively.

(6) Inventories

	September 30, 2020		
	Cost	Allowance for valuation losses	Carrying amount
Raw materials	\$ 4,734,920	( \$ 328,802)	\$ 4,406,118
Work in process	4,768,376	( 231,712)	4,536,664
Finished goods	6,909,402	( 455,799)	6,453,603
	<u>\$ 16,412,698</u>	<u>( \$ 1,016,313)</u>	<u>\$ 15,396,385</u>

December 31, 2019			
	Cost	Allowance for valuation losses	Carrying amount
Raw materials	\$ 2,933,830	( \$ 224,729)	\$ 2,709,101
Work in process	2,306,804	( 92,292)	2,214,512
Finished goods	3,985,692	( 392,443)	3,593,249
	<u>\$ 9,226,326</u>	<u>( \$ 709,464)</u>	<u>\$ 8,516,862</u>

  

September 30, 2019			
	Cost	Allowance for valuation losses	Carrying amount
Raw materials	\$ 3,236,784	( \$ 223,175)	\$ 3,013,609
Work in process	2,489,621	( 84,838)	2,404,783
Finished goods	5,963,931	( 367,948)	5,595,983
	<u>\$ 11,690,336</u>	<u>( \$ 675,961)</u>	<u>\$ 11,014,375</u>

Expenses and losses incurred on inventories for the three-month and nine-month periods ended September 30, 2020 and 2019 are as follows:

	Three-month period ended September 30, 2020	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
Cost of goods sold	\$ 26,219,408	\$ 27,406,094	\$ 62,432,162	\$ 62,218,479
Impairment losses	35,100	77,961	103,365	275,180
Losses (gains on price recovery) on valuation of inventory	( 51,864)	47,130	312,991	58,753
Income from sale of scraps and wastes	( 329,744)	( 284,529)	( 747,428)	( 537,014)
	<u>\$ 25,872,900</u>	<u>\$ 27,246,656</u>	<u>\$ 62,101,090</u>	<u>\$ 62,015,398</u>

Gain on price recovery was created because loss on allowance valuation decreased due to clearance of inventory, which is recognised as allowance for valuation losses, between July 1 and September 30, 2020.

(7) Non-current financial assets at fair value through other comprehensive income

	September 30, 2020	December 31, 2019	September 30, 2019
Equity instruments			
Unlisted shares	\$ 257,184	\$ 257,184	\$ 257,184
Valuation adjustment	( 23,175)	( 57,197)	( 58,079)
Net exchange differences	( 7,799)	( 6,183)	( 5,483)
Total	<u>\$ 226,210</u>	<u>\$ 193,804</u>	<u>\$ 193,622</u>

A. The Group has chosen to classify the investment of SynPower Co., Ltd. and Jiangsu Aisen Semiconductor Material Co., Ltd. that is considered to be the strategic investment as financial assets at fair value through other comprehensive income.

B. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Three-month period ended September 30, 2020	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
Equity instruments	<u>\$ 36,593</u>	<u>( \$ 1,200)</u>	<u>( \$ 34,022)</u>	<u>\$ 10,592</u>

C. The Group has no financial assets at fair value through other comprehensive income pledged to others.

(8) Property, plant and equipment

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Other facilities</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
At January 1, 2020						
Cost	\$ 51,068	\$ 20,861,687	\$ 42,233,797	\$ 14,794,602	\$ 5,434,963	\$ 83,376,117
Accumulated depreciation and impairment	-	( 7,442,487)	( 21,991,287)	( 7,608,695)	( 91,035)	( 37,133,504)
	<u>\$ 51,068</u>	<u>\$ 13,419,200</u>	<u>\$ 20,242,510</u>	<u>\$ 7,185,907</u>	<u>\$ 5,343,928</u>	<u>\$ 46,242,613</u>
<u>2020</u>						
Opening net carrying amount	\$ 51,068	\$ 13,419,200	\$ 20,242,510	\$ 7,185,907	\$ 5,343,928	\$ 46,242,613
Additions (transfers)	41,956	2,068,906	3,388,076	2,713,141	6,158,182	14,370,261
Disposal	-	-	( 431,372)	( 172,302)	-	( 603,674)
Depreciation	-	( 993,919)	( 3,010,211)	( 1,525,966)	-	( 5,530,096)
Impairment losses	-	-	( 106,433)	-	-	( 106,433)
Reclassification	-	( 725,633)	866,173	( 36,718)	( 103,822)	-
Net exchange differences	73	( 102,961)	( 106,345)	( 46,160)	( 39,869)	( 295,262)
Closing net carrying amount	<u>\$ 93,097</u>	<u>\$ 13,665,593</u>	<u>\$ 20,842,398</u>	<u>\$ 8,117,902</u>	<u>\$ 11,358,419</u>	<u>\$ 54,077,409</u>
At September 30, 2020						
Cost	\$ 93,097	\$ 21,304,879	\$ 43,243,515	\$ 16,570,062	\$ 11,358,419	\$ 92,569,972
Accumulated depreciation and impairment	-	( 7,639,286)	( 22,401,117)	( 8,452,160)	-	( 38,492,563)
	<u>\$ 93,097</u>	<u>\$ 13,665,593</u>	<u>\$ 20,842,398</u>	<u>\$ 8,117,902</u>	<u>\$ 11,358,419</u>	<u>\$ 54,077,409</u>

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Other facilities</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
At January 1, 2019						
Cost	\$ 51,075	\$ 17,641,398	\$ 40,296,156	\$ 12,424,359	\$ 5,118,832	\$ 75,531,820
Accumulated depreciation and impairment	-	( 6,908,160)	( 20,274,370)	( 6,341,540)	( 94,584)	( 33,618,654)
	<u>\$ 51,075</u>	<u>\$ 10,733,238</u>	<u>\$ 20,021,786</u>	<u>\$ 6,082,819</u>	<u>\$ 5,024,248</u>	<u>\$ 41,913,166</u>
<u>2019</u>						
Opening net carrying amount	\$ 51,075	\$ 10,733,238	\$ 20,021,786	\$ 6,082,819	\$ 5,024,248	\$ 41,913,166
Additions (transfers)	-	2,244,474	4,166,404	2,109,597	860,754	9,381,229
Disposal	-	( 337)	( 118,006)	( 75,612)	-	( 193,955)
Depreciation	-	( 857,646)	( 3,140,730)	( 1,459,628)	-	( 5,458,004)
Impairment losses	-	-	( 342,959)	-	-	( 342,959)
Net exchange differences	( 101)	( 344,380)	( 470,579)	( 190,055)	( 170,392)	( 1,175,507)
Closing net carrying amount	<u>\$ 50,974</u>	<u>\$ 11,775,349</u>	<u>\$ 20,115,916</u>	<u>\$ 6,467,121</u>	<u>\$ 5,714,610</u>	<u>\$ 44,123,970</u>
At September 30, 2019						
Cost	\$ 50,974	\$ 19,288,975	\$ 41,293,511	\$ 13,748,337	\$ 5,806,597	\$ 80,188,394
Accumulated depreciation and impairment	-	( 7,513,626)	( 21,177,595)	( 7,281,216)	( 91,987)	( 36,064,424)
	<u>\$ 50,974</u>	<u>\$ 11,775,349</u>	<u>\$ 20,115,916</u>	<u>\$ 6,467,121</u>	<u>\$ 5,714,610</u>	<u>\$ 44,123,970</u>

- A. The significant parts of the Group's buildings and structures include main plants and auxiliary improvements, which are depreciated over 20~53 years and 5~10 years, respectively.
- B. The Group evaluates the recoverable amount of assets at the end of the reporting period of the financial statements. The recoverable amount is calculated on the basis of value in use and fair value minus costs to sell. The discount rate for estimating value in use was 8.02% and 5.03%. In addition, fair value is recognised with reference to the replacement cost in accordance with market approach, and the fair value is categorised within Level 3. According to the results of evaluation using the aforementioned method, the Group recognised \$106,433 and \$342,959 in impairment losses on disposal of property, plant and equipment for the period from January 1 to September 30, 2020 and 2019, respectively. For the period from January 1 to September 30, 2020 and 2019, cost of goods sold was \$103,365 and \$275,180, respectively; while other gains and losses were \$3,068 and \$67,779, respectively. The aforementioned losses were attributed to the PCB segment.
- C. The Group has no property, plant and equipment pledged to others.

(9) Right-of-use assets/lease liabilities

- A. The assets leased by the Group include land right-of-use, buildings and official vehicles. The Group's subsidiaries signed land right-of-use contracts with local governments whom the subsidiaries will return the right to when the contract expires. Except for the lease term of land right-of-use of 20 to 50 years, the remaining lease terms are between 2 and 8 years. The lease contracts are negotiated individually and contain various terms and conditions without other restrictions except for the leased assets restricted to pledge to others.
- B. The information of the carrying amount of the right-of-use assets and the recognition of depreciation expense are as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land right-of-use	\$ 7,895,212	\$ 7,799,693	\$ 7,970,032
Buildings	167,692	217,119	238,651
Transportation equipment (official vehicles)	7,407	18,838	25,335
	<u>\$ 8,070,311</u>	<u>\$ 8,035,650</u>	<u>\$ 8,234,018</u>
	Three-month period ended September 30, 2020	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2020
	<u>Depreciation</u>	<u>Depreciation</u>	<u>Depreciation</u>
Land right-of-use	\$ 62,797	\$ 58,274	\$ 185,622
Buildings	19,660	20,235	58,684
Transportation equipment (official vehicles)	3,747	4,192	11,248
	<u>\$ 86,204</u>	<u>\$ 82,701</u>	<u>\$ 255,554</u>
	Nine-month period ended September 30, 2019		<u>Depreciation</u>
			\$ 190,461
			61,056
			12,496
			<u>\$ 264,013</u>

The acquisition of the right-of-use assets for the nine-month period ended September 30, 2020 and 2019 amounted to \$356,933 and \$739,816, respectively.

- C. As of September 30, 2020, the amount of \$719,677 was still under the registration process in the land use rights contract signed between the Group's subsidiary and local government.
- D. The Group recognised as rental expense for either the lease term of less than 12 months or leases for which the underlying asset is of low value. The information on the lease contract affecting profit or loss is as follows:

	Three-month period ended September 30, 2020	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
<u>Items affecting current profit or loss</u>				
Interest expense from lease liabilities	<u>\$ 1,568</u>	<u>\$ 2,060</u>	<u>\$ 4,682</u>	<u>\$ 6,721</u>
Rental expenses for short-term lease contracts	<u>\$ 172,733</u>	<u>\$ 106,580</u>	<u>\$ 459,729</u>	<u>\$ 184,132</u>

- E. The cash flows used in the lease payments of the Group for the nine-month period ended September 30, 2020 and 2019 amounted to \$534,758 and \$1,277,008, respectively.

(10) Intangible assets

	September 30, 2020	December 31, 2019	September 30, 2019
Computer software	\$ 549,798	\$ 270,859	\$ 157,433
Goodwill	86,884	89,511	92,676
	<u>\$ 636,682</u>	<u>\$ 360,370</u>	<u>\$ 250,109</u>

The Group acquired 100% shares of Hong Heng Sheng Electrical Technology (Huaian) Co., Ltd. in 2008, recognised as goodwill under the acquisition method.

(11) Other non-current assets

	September 30, 2020	December 31, 2019	September 30, 2019
Prepayments for equipment	\$ 63,372	\$ 171,096	\$ 143,378
Refundable deposits	140,946	102,417	98,825
Others	200,125	163,631	227,472
	<u>\$ 404,443</u>	<u>\$ 437,144</u>	<u>\$ 469,675</u>

Please refer to Note 8 for other non-current assets - other pledges provided for customs duty guarantees.

(12) Non-current groups classified as held for sale

The assets and liabilities of Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd., which the Board of Directors approved to sell in order to optimise the deployment of resources and enhance management efficiency and operating performance of whole assets on December 27, 2019, were reclassified as disposal group classified as held for sale which belongs to PCB segment. The completion of the transaction was on March 12, 2020. As of December 31, 2019, the assets and liabilities of the disposal group classified as held for sale amounted to \$161,211 and \$480,371, respectively.

A. Assets of disposal group classified as held for sale:

	December 31, 2019
Cash and cash equivalents	\$ 111,676
Others	49,535
Total	<u>\$ 161,211</u>

B. Liabilities related to non-current assets classified as held for sale:

	December 31, 2019
Accounts payable	\$ 395,481
Other payables	68,897
Others	15,993
Total	<u>\$ 480,371</u>

C. The impairment loss of the disposal group classified as held for sale, presented in property, plant and equipment and right-of-use assets, was measured at the lower of its carrying amount or fair value less costs to sell. Please refer to Note 12(3) for the information of fair value.

(13) Short-term borrowings

	September 30, 2020	December 31, 2019	September 30, 2019
Credit loans	\$ 1,284,144	\$ 9,682,812	\$ 10,786,421
Interest rate range	0.58%~7.00%	2.17%~2.56%	2.45%~2.89%

(14) Other payables

	September 30, 2020	December 31, 2019	September 30, 2019
Payable on machinery and equipment	\$ 4,242,918	\$ 3,927,125	\$ 2,730,378
Wages and bonuses payable	4,240,284	3,840,859	4,132,797
Payable on mold and jig	1,791,945	1,485,561	1,534,537
Repairs and maintenance fees payable	562,725	830,379	985,320
Payable on consumable goods	246,464	375,025	515,520
Other	2,152,801	1,990,571	2,350,613
	<u>\$ 13,237,137</u>	<u>\$ 12,449,520</u>	<u>\$ 12,249,165</u>

(15) Bonds payable

	September 30, 2020	December 31, 2019	September 30, 2019
3rd overseas unsecured convertible bonds:			
Bonds payable	\$ 11,640,000	\$ -	\$ -
Less: Discount on bonds payable	( 982,824)	-	-
Bonds payable	<u>\$ 10,657,176</u>	<u>\$ -</u>	<u>\$ -</u>

A. Conditions for 3rd issuance of overseas unsecured convertible bonds are as follows:

- (a) The competent authority has approved the Company's third issuance of overseas unsecured corporate bonds on June 16, 2020. The total issue amount of the bonds is USD 400,000 thousand, at a coupon rate of 0% and maturity of 5 years from June 30, 2020 to June 30, 2025.
- (b) The conversion price of the bonds is adjusted based on the pricing model in the terms of the bonds. As of September 30, 2020, the conversion price was NT\$152.10 (exchange rate of NTD 29.5930 to USD 1), and no convertible bonds had been converted to ordinary shares.
- (c) The bondholders have the right to require the Company to repurchase all or any portion of bonds at the price of the bonds' principal amount with an annual rate of 0% as interest compensation (100% of the principal amount of the corporate bonds) on the day when three years have elapsed since issuance of the bonds.
- (d) Except for bonds redeemed before maturity, repurchased and retired, or converted by the bondholders, the Company will fully redeem the bonds at the maturity date with an annual rate of 0% based on the principal amount. The redemption amount is about 100% of the principal amount of the corporate bonds, and the bonds will be redeemed in full.
- (e) According to the terms of the bonds, all bonds repurchased (including bonds repurchased from the secondary market), redeemed before or at maturity, or converted by the bondholders are retired and not to be re-issued.
- (f) According to the terms of the bonds, the rights and obligations of newly issued shares after conversion are the same as other issued ordinary shares.
- (g) The effective rate of the corporate bonds is 1.86%.

- B. The Company's 2nd issuance of overseas unsecured convertible bonds with the amount of USD 279,800 thousand, as of June 26, 2019 the maturity date of convertible bonds, was converted at the conversion price then into ordinary shares of \$974,815 (i.e., 97,481,528 shares) at a par value of \$10, and resulted in 'capital surplus-premium of convertible bonds' of \$8,251,204. The remaining unconverted corporate bonds with a par value of USD 4,700 thousand were redeemed upon maturity.
- C. Regarding the issuance of overseas unsecured corporate bonds, the equity conversion options were separated from the liability component in accordance with IAS 32. The issuance of the 3rd overseas unsecured corporate bonds in 2020 was recognised as 'capital surplus-stock options' of \$996,753 as of June 30, 2020. The 1st and 2nd overseas unsecured corporate bonds issued in 2012 and 2014 were redeemed a total of USD 1,600 thousand, USD 15,500 thousand and USD 4,700 thousand on June 7, 2015, June 26, 2017 and June 26, 2019, respectively. The remaining unconverted share options recognised within 'capital surplus-expired share options' amounted to \$258, \$45,401 and \$13,767, respectively.

(16) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	September 30, 2020
Syndicated loans	Borrowing period is from October 4, 2018 to October 4, 2021; principal is repayable semiannually from April 4, 2021 in two installments; 50% of principal has to be repaid respectively.	\$ 8,730,000
Less: Syndicated loan arrangement fees		( 7,276)
Less: Current portion of long-term borrowings (within 'Long-term liabilities, current portion')		( 4,361,362)
		<u>\$ 4,361,362</u>
Interest rate		<u>1.3038%</u>
Type of borrowings	Borrowing period and repayment term	December 31, 2019
Syndicated loans	Borrowing period is from October 4, 2018 to October 4, 2021; principal is repayable semiannually from April 4, 2021 in two installments; 50% of principal has to be repaid respectively.	\$ 8,994,000
Less: Syndicated loan arrangement fees		( 13,116)
		<u>\$ 8,980,884</u>
Interest rate		<u>3.02%</u>
Type of borrowings	Borrowing period and repayment term	September 30, 2019
Syndicated loans	Borrowing period is from October 4, 2018 to October 4, 2021; principal is repayable semiannually from April 4, 2021 in two installments; 50% of principal has to be repaid respectively.	\$ 9,312,000
Less: Syndicated loan arrangement fees		( 15,520)
		<u>\$ 9,296,480</u>
Interest rate		<u>3.29%</u>

During the terms of the syndicated loans, in accordance with the syndicated loan agreement, the Company is required to calculate and maintain certain level of current ratio, liability ratio, times-interest-earned ratio and net tangible asset balance based on the audited annual consolidated financial statements and the reviewed semi-annual consolidated financial statements.

(17) Pensions

A. Defined benefit plan

- (a) The Group's subsidiary in Taiwan, Zhen Ding Technology Co., Ltd., has 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 Labor Standards 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 contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent Supervisory Committee of Labor Retirement Reserve Fund (the 'Fund'). Before the end of each year, the Taiwan subsidiary assesses the balance in the aforementioned Fund. If the balance in the Fund is inadequate to pay the retirement benefits of employees who are eligible for retirement in the following year by the aforementioned method, the Taiwan subsidiary is required to fund the deficit in one appropriation before the end of next March.
- (b) The pension costs recognised by the Group in accordance with the above pension plan were \$9, \$13, \$27, and \$39 for the three-month and nine-month periods ended September 30, 2020 and 2019, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group are \$24 for the year 2021.

B. Defined contribution plan

- (a) Effective July 1, 2005, the Taiwan company of the Group has established a defined contribution pension plan (the 'New Plan') under the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Taiwan subsidiaries of the Group 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 contribution plan accrued dividends from an employee's individual account is paid monthly or in lump sum upon retirement of an employee. The pension expenses recognised by the Group in accordance with the above pension plan were \$9,453, \$8,638, \$27,571 and \$22,229 for the three-month and nine-month periods ended September 30, 2020 and 2019, respectively.
- (b) The Mainland China subsidiaries of the Group have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China are based on certain percentage of employees' monthly salaries and wages with the contribution percentage of 10%~20%, and pension is contributed to the employees' individual pension accounts. Pension of each employee is managed by the government. Other than the monthly contributions, the Group has no further obligations. The pension expenses recognised in accordance with local regulations were \$226,629, \$261,512, \$532,442 and \$785,360 for the three-month and nine-month periods ended September 30, 2020 and 2019, respectively.

(18) Share-based payment

- A. The share-based payment arrangements of the Company's subsidiary, Avary Holding (Shenzhen) Co., Limited, are as follows:

Type of arrangements	Grant date	Quantity granted	Contract period	Vesting conditions
Restricted stocks to employees	2017.02.27	185,080 thousand shares	7 years	(a)(b)

- (a) The restricted stocks are not vested until an employee remains employed by Avary Holding (Shenzhen) Co., Limited for 7 years starting from the subscription date and achieves the performance goal. For an employee who does not satisfy the vesting conditions, the employee's investment will be refunded net by the Group at the investment amount or the carrying amount of assets, whichever is lower. However, appropriated dividends are not required to be returned.
- (b) Until the achievement of the vesting conditions, the right and obligations are as follows: cannot sell, pledge, transfer, give to others, create a right in rem over the stocks, or any other form of disposal.

B. Employee restricted stocks

The numbers of employees restricted stocks are as follows (in thousand shares):

	<u>2020</u>	<u>2019</u>
Outstanding as of January 1	183,272	185,080
Numbers granted (returned) for the current period	-	( 1,808 )
Numbers vested for the current period	( 36,654 )	-
Outstanding as of September 30	<u>146,618</u>	<u>183,272</u>

C. Expenses incurred on the share-based payment are as follows:

	Three-month period ended September 30, 2020	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
Expenses incurred on employees restricted shares	<u>\$ 21,224</u>	<u>\$ 30,389</u>	<u>\$ 63,711</u>	<u>\$ 92,809</u>

(19) Share capital

- A. As of September 30, 2020, the Company's authorised capital was \$16,000,000, and the issued capital was \$9,022,299, consisting of 902,230 thousand ordinary shares with a par value of NTD 10 per share.

Reconciliation between the beginning and the ending of the Company's ordinary shares outstanding is as follows:

	<u>2020</u>	<u>2019</u>
	Shares (thousand shares)	Shares (thousand shares)
At January 1	902,230	804,748
Conversion of overseas convertible bonds	-	97,482
At September 30	<u>902,230</u>	<u>902,230</u>

- B. For the nine-month period ended September 30, 2019, the Company's 2nd issuance of overseas unsecured convertible bonds with the amount of USD 279,800 thousand was converted into 97,482 thousand ordinary shares at a par value of NTD 10, and the paid-in capital increased by \$974,815.

(20) Capital surplus

	2020					
	Additional paid-in capital arising from ordinary share	Additional paid-in capital arising from bonds conversion	Share options	Expired share options	Changes in non-controlling interests	Total
At January 1	\$ 5,690,348	\$ 13,624,555	\$ -	\$ 59,426	\$ 10,160,452	\$ 29,534,781
Employee restricted stocks	-	-	-	-	46,395	46,395
Issuance of overseas convertible bonds	-	-	996,753	-	-	996,753
At September 30	<u>\$ 5,690,348</u>	<u>\$ 13,624,555</u>	<u>\$ 996,753</u>	<u>\$ 59,426</u>	<u>\$ 10,206,847</u>	<u>\$ 30,577,929</u>

	2019					
	Additional paid-in capital arising from ordinary share	Additional paid-in capital arising from bonds conversion	Share options	Expired share options	Changes in non-controlling interests	Total
At January 1	\$ 5,690,348	\$ 5,373,351	\$ 833,332	\$ 45,659	\$ 10,057,967	\$ 22,000,657
Employee restricted stocks	-	-	-	-	67,584	67,584
Conversion of convertible bonds	-	8,251,204	( 833,332)	13,767	-	7,431,639
At September 30	<u>\$ 5,690,348</u>	<u>\$ 13,624,555</u>	<u>\$ -</u>	<u>\$ 59,426</u>	<u>\$ 10,125,551</u>	<u>\$ 29,499,880</u>

- A. Capital surplus arising from paid-in capital in excess of par value on issuance of ordinary share is used to offset accumulated losses incurred in previous years or distribute dividends to shareholders.
- B. Please refer to Note 6(15) for the details of capital surplus-share options, capital surplus-expired share options and capital surplus-additional paid-in capital arising from bond conversion.

(21) Retained earnings

- A. In accordance with the Company's Articles of Incorporation, The Company shall set aside out of the current year's earnings sequentially as follows:
- A reserve for payment of tax for the relevant financial year;
  - An amount to offset losses incurred in previous years;
  - Ten percent (10%) as a general reserve, and
  - A special surplus reserve as required by the applicable securities authority under the applicable public company rules or a reserve as determined by the Board of Directors.
- The remainder shall be distributed pursuant to the proposal of the Board of Directors in accordance with the Company's dividend policy and resolved by the shareholders' meeting.

- B. The appropriations of 2019 and 2018 earnings were approved by the shareholders' meeting on June 19, 2020 and June 21, 2019, respectively. Details are summarised as follows:

	2019		2018	
	Amount	Dividends per share (in New Taiwan dollars)	Amount	Dividends per share (in New Taiwan dollars)
General reserve	\$ 868,520		\$ 844,779	
Special reserve	2,066,391		1,230,393	
Cash dividends	4,060,034	4.50	4,023,742	4.46
Total	<u>\$ 6,994,945</u>		<u>\$ 6,098,914</u>	

Information on the appropriation of the Company's earnings as resolved at the shareholders' meeting is posted in the 'Market Observation Post System' at the website of the Taiwan Stock Exchange.

(22) Other equity interest

	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Total
January 1, 2020	( \$ 53,987)	( \$ 4,960,710)	( \$ 5,014,697)
Valuation adjustment	33,580	-	33,580
Currency translation differences:			
- Group	-	( 687,292)	( 687,292)
September 30, 2020	<u>( \$ 20,407)</u>	<u>( \$ 5,648,002)</u>	<u>( \$ 5,668,409)</u>

	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Total
January 1, 2019	( \$ 68,671)	( \$ 2,879,635)	( \$ 2,948,306)
Valuation adjustment	10,592	-	10,592
Currency translation differences:			
- Group	-	( 1,292,114)	( 1,292,114)
September 30, 2019	<u>( \$ 58,079)</u>	<u>( \$ 4,171,749)</u>	<u>( \$ 4,229,828)</u>

(23) Operating revenue

	Three-month period ended September 30, 2020	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
Revenue from contracts with customers	<u>\$ 32,076,905</u>	<u>\$ 35,601,549</u>	<u>\$ 76,079,412</u>	<u>\$ 78,094,966</u>

The Group's revenue comes from product and services transferred at a certain time. Revenue by region is further divided based on the country in which the customer is located:

	Three-month period ended September 30, 2020	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
Revenue from contracts with customers				
U.S.A.	\$ 19,809,169	\$ 20,221,117	\$ 45,292,910	\$ 49,495,648
Mainland China	7,661,434	9,965,320	20,322,293	18,544,083
Taiwan	2,163,422	2,570,432	4,646,196	5,273,770
Other regions	2,442,880	2,844,680	5,818,013	4,781,465
	<u>\$ 32,076,905</u>	<u>\$ 35,601,549</u>	<u>\$ 76,079,412</u>	<u>\$ 78,094,966</u>

(24) Expenses by nature

	Three-month period ended September 30, 2020	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
Employee benefit expenses	\$ 4,627,291	\$ 4,604,908	\$ 11,561,743	\$ 11,506,744
Depreciation	1,943,165	1,881,574	5,785,650	5,722,017
Amortisation	67,704	48,219	187,302	119,953
	<u>\$ 6,638,160</u>	<u>\$ 6,534,701</u>	<u>\$ 17,534,695</u>	<u>\$ 17,348,714</u>

(25) Employee benefit expenses

	Three-month period ended September 30, 2020	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
Wages and salaries	\$ 3,771,046	\$ 3,758,975	\$ 9,463,894	\$ 9,212,962
Employees' remuneration	17,857	31,743	43,597	49,773
Labor and health insurance fees	187,040	152,815	386,623	423,443
Pension expenses	236,091	270,163	560,040	807,628
Other personnel expenses	415,257	391,212	1,107,589	1,012,938
	<u>\$ 4,627,291</u>	<u>\$ 4,604,908</u>	<u>\$ 11,561,743</u>	<u>\$ 11,506,744</u>

- A. In accordance with the Company's Articles of Incorporation, the Company shall distribute employee's remuneration between zero point five percent (0.5%) and twenty percent (20%) and distribute directors' remuneration no higher than zero point five percent (0.5%) of the distributed earnings covering accumulated losses.
- B. In accordance with the above Articles of Incorporation, the Company recognised employees' remuneration of \$17,857, \$31,743, \$43,597 and \$49,773 and directors' remuneration of \$4,361, \$2,620, \$13,061 and \$7,856 for the three-month and nine-month periods ended September 30, 2020 and 2019, respectively.
- C. Employees' remuneration and directors' remuneration of the Board of Directors' resolution for the year ended December 31, 2019 were equal to the amount recognised in the financial statements for the year ended December 31, 2019.
- D. Information on employees' remuneration and directors' remuneration of the Company as resolved by the Board of Directors and shareholders is posted in the 'Market Observation Post System' at the website of the Taiwan Stock Exchange.

(26) <u>Interest income</u>				
	Three-month period ended September 30, 2020	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
Interest income from bank deposits	\$ 130,262	\$ 236,163	\$ 432,019	\$ 787,927
Interest income from financial assets measured at amortised cost	24,761	36,964	160,008	195,202
	<u>\$ 155,023</u>	<u>\$ 273,127</u>	<u>\$ 592,027</u>	<u>\$ 983,129</u>
(27) <u>Others</u>				
	Three-month period ended September 30, 2020	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
Government grants revenue	\$ 410,298	\$ 155,510	\$ 650,295	\$ 469,160
Others	28,499	21,197	64,199	63,118
	<u>\$ 438,797</u>	<u>\$ 176,707</u>	<u>\$ 714,494</u>	<u>\$ 532,278</u>
(28) <u>Other gains and losses</u>				
	Three-month period ended September 30, 2020	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
Net currency exchange gains (losses)	(\$ 565,586)	\$ 382,102	(\$ 364,478)	\$ 247,494
Net gains (losses) on disposal of property, plant and equipment	(\$ 14,103)	( 12,394)	( 151,529)	13,619
Others	( 103)	( 50,492)	( 20,233)	( 98,154)
	<u>(\$ 579,792)</u>	<u>\$ 319,216</u>	<u>(\$ 536,240)</u>	<u>\$ 162,959</u>
(29) <u>Finance costs</u>				
	Three-month period ended September 30, 2020	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
Interest expenses				
Bank borrowings	\$ 59,265	\$ 152,524	\$ 282,141	\$ 485,967
Amortisation of convertible bond discounts	53,007	-	53,007	48,862
Amortisation of syndicated loan arrangement fees	1,841	1,949	5,591	5,822
Interest expense from lease liabilities	1,568	2,060	4,682	6,721
	<u>\$ 115,681</u>	<u>\$ 156,533</u>	<u>\$ 345,421</u>	<u>\$ 547,372</u>

(30) Income tax

## A. Components of income tax expense

	Three-month period ended September 30, 2020	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
Current tax:				
Tax payable arising from the current period	\$ 357,689	\$ 955,541	\$ 1,018,890	\$ 2,135,074
Adjustments in respect of prior years	630	35	( 70,977)	( 147,317)
Total current tax	<u>358,319</u>	<u>955,576</u>	<u>947,913</u>	<u>1,987,757</u>
Deferred tax:				
Origination and reversal of temporary differences	213,916	128,324	79,587	( 235,797)
Total deferred tax	<u>213,916</u>	<u>128,324</u>	<u>79,587</u>	<u>( 235,797)</u>
Income tax expense	<u>\$ 572,235</u>	<u>\$ 1,083,900</u>	<u>\$ 1,027,500</u>	<u>\$ 1,751,960</u>

B. The income tax returns of the Group's subsidiary, Zhen Ding Technology Co., Ltd., have been assessed and approved through 2017 by the Tax Authority.

C. The income tax returns of the Group's subsidiary, Garuda Technology Co., Ltd., have been assessed and approved through 2017 by the Tax Authority.

(31) 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 New Taiwan dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 1,630,037</u>	<u>902,230</u>	<u>\$ 1.81</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,630,037	902,230	
Assumed conversion of all dilutive potential ordinary shares			
Overseas convertible bonds	53,007	77,825	
Employees' remuneration	-	346	
Profit attributable to ordinary shareholders of the parent considering assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,683,044</u>	<u>980,401</u>	<u>\$ 1.72</u>

Three-month period ended September 30, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in New Taiwan dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,405,469	895,516	\$ 3.80
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,405,469	895,516	
Assumed conversion of all dilutive potential ordinary shares			
Employees' remuneration	-	448	
Profit attributable to ordinary shareholders of the parent considering assumed conversion of all dilutive potential ordinary shares	\$ 3,405,469	895,964	\$ 3.80
Nine-month period ended September 30, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in New Taiwan dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,776,837	902,230	\$ 4.19
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,776,837	902,230	
Assumed conversion of all dilutive potential ordinary shares			
Overseas convertible bonds	53,007	26,131	
Employees' remuneration	-	611	
Profit attributable to ordinary shareholders of the parent considering assumed conversion of all dilutive potential ordinary shares	\$ 3,829,844	928,972	\$ 4.12

	Nine-month period ended September 30, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in New Taiwan dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 5,005,001	865,605	\$ 5.78
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 5,005,001	865,605	
Assumed conversion of all dilutive potential ordinary shares			
Employees' remuneration	-	715	
Profit attributable to ordinary shareholders of the parent considering assumed conversion of all dilutive potential ordinary shares	\$ 5,005,001	866,320	\$ 5.78

As employees' remuneration might be distributed in the form of shares, the diluted EPS is calculated based on the assumption that all distribution will be in the form of shares in the calculation of the weighted-average number of ordinary shares outstanding during the reporting period, taking into account the dilutive effects of stock bonus on potential ordinary shares.

(32) Additional information of cash flows

A. Investing activities with partial cash payment:

	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
Acquisition of property, plant and equipment	\$ 14,370,261	\$ 9,381,229
Add: Opening balance of payable on machinery and equipment (within 'other payables')	3,927,125	4,190,436
Less: Ending balance of payable on machinery and equipment (within 'other payables')	( 4,242,918)	( 2,730,378)
Net exchange differences	173,467	( 62,106)
Cash paid during the period	<u>\$ 14,227,935</u>	<u>\$ 10,779,181</u>
		Nine-month period ended September 30, 2019
Acquisition of land right-of-use (within 'right-of-use assets')		\$ 719,677
Add: Opening balance of payable on land right-of-use (within 'other payables')		292,776
Net exchange differences		3,107
Cash paid during the period		<u>\$ 1,015,560</u>

B. Financing activities without cash flow effects

	Nine-month period ended September 30, 2019
Convertible bonds converted to ordinary share	\$ 974,815
Capital surplus	
Additional paid-in capital arising from bonds conversion	8,251,204
Share options	( 819,565)
Convertible bonds converted to equity	<u>\$ 8,406,454</u>

C. Changes in liabilities from financing activities

	2020				
	Bonds payable	Short-term borrowings	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities
At January 1	\$ -	\$ 9,682,812	\$ 239,407	\$ 179,511	\$ 10,101,730
Change in cash flow from financing activities	11,795,359	( 8,326,003)	( 75,029)	( 56,230)	3,338,097
Warrants generated from corporate bonds	( 996,753)	-	-	-	( 996,753)
Change in right-of-use assets	-	-	356,933	-	356,933
Amortisation of interest expenses	53,007	-	4,682	-	57,689
Effect of exchange rate fluctuation	( 194,437)	( 72,665)	( 1,433)	( 1,624)	( 270,159)
At September 30	<u>\$ 10,657,176</u>	<u>\$ 1,284,144</u>	<u>\$ 524,560</u>	<u>\$ 121,657</u>	<u>\$ 12,587,537</u>
	2019				
	Bonds payable	Short-term borrowings	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities
At January 1	\$ 8,699,319	\$ 9,184,066	\$ -	\$ 110,990	\$ 17,994,375
Effect of initially applying IFRS 16	-	-	330,787	-	330,787
Balance after adjustment at January 1	8,699,319	9,184,066	330,787	110,990	18,325,162
Change in cash flow from financing activities	( 147,233)	1,697,897	( 77,316)	( 25,156)	1,448,192
Conversion of corporate bonds	( 8,406,454)	-	-	-	( 8,406,454)
Change in right-of-use assets	-	-	13,380	-	13,380
Amortisation of interest expenses	48,862	-	6,721	-	55,583
Effect of exchange rate fluctuation	( 194,494)	( 95,542)	( 6,740)	35,732	( 261,044)
At September 30	<u>\$ -</u>	<u>\$ 10,786,421</u>	<u>\$ 266,832</u>	<u>\$ 121,566</u>	<u>\$ 11,174,819</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Hon Hai Precision Industry Co., Ltd. and its subsidiaries	The entity has significant influence over the Group
CyberTAN Technology Inc. and its subsidiaries	Other related parties
Ennoconn Corporation and its subsidiaries	Other related parties
Foxconn Interconnect Technology Limited and its subsidiaries	Other related parties
General Interface Solution Holding Limited and its subsidiaries	Other related parties

(2) Significant related parties transactions and balances

A. Sales

	<u>Three-month period ended September 30, 2020</u>	<u>Three-month period ended September 30, 2019</u>	<u>Nine-month period ended September 30, 2020</u>	<u>Nine-month period ended September 30, 2019</u>
Sale of goods:				
- Entity with significant influence over the Company	\$ 2,239,417	\$ 2,385,337	\$ 5,160,841	\$ 5,150,362
- Other related parties	<u>263,667</u>	<u>287,289</u>	<u>1,582,156</u>	<u>676,634</u>
	<u>\$ 2,503,084</u>	<u>\$ 2,672,626</u>	<u>\$ 6,742,997</u>	<u>\$ 5,826,996</u>

Unless the prices and terms were determined in accordance with mutual agreements due to no similar transactions, the sale prices and credit terms to related parties were similar to third parties. The normal credit term is around 1 to 4 months for general clients and related parties.

B. Purchases

	<u>Three-month period ended September 30, 2020</u>	<u>Three-month period ended September 30, 2019</u>	<u>Nine-month period ended September 30, 2020</u>	<u>Nine-month period ended September 30, 2019</u>
Purchase of goods:				
- Entity with significant influence over the Company	\$ 325,775	\$ 298,767	\$ 623,618	\$ 635,039
- Other related parties	<u>421,037</u>	<u>287,334</u>	<u>1,392,394</u>	<u>910,131</u>
Total	<u>\$ 746,812</u>	<u>\$ 586,101</u>	<u>\$ 2,016,012</u>	<u>\$ 1,545,170</u>

Unless the prices and terms were determined in accordance with mutual agreements due to no similar transactions, the purchase prices and payment terms to related parties were similar to third parties. The normal payment term is around 1 to 4 months for general suppliers and related parties.

C. Accounts receivable

	September 30, 2020	December 31, 2019	September 30, 2019
Accounts receivable - related parties:			
- Entity with significant influence over the Company	\$ 2,438,229	\$ 2,587,592	\$ 2,515,627
- Other related parties	256,092	245,607	217,114
	<u>2,694,321</u>	<u>2,833,199</u>	<u>2,732,741</u>
Less: Allowance for bad debts	( 3,821)	( 5,090)	( 4,795)
Total	<u>\$ 2,690,500</u>	<u>\$ 2,828,109</u>	<u>\$ 2,727,946</u>

D. Accounts payable

	September 30, 2020	December 31, 2019	September 30, 2019
Accounts payable - Related parties:			
- Entity with significant influence over the Company	\$ 133,140	\$ 122,034	\$ 143,439
- Other related parties	404,146	456,976	373,537
	<u>\$ 537,286</u>	<u>\$ 579,010</u>	<u>\$ 516,976</u>

(3) Key management compensation

	Three-month period ended September 30, 2020	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
Short-term employee benefits	<u>\$ 14,936</u>	<u>\$ 10,769</u>	<u>\$ 54,480</u>	<u>\$ 39,585</u>

8. PLEGDED ASSETS

The Group has the following assets provided as collaterals:

Item	Book value			Purpose of Collateral
	September 30, 2020	December 31, 2019	September 30, 2019	
Other current assets				
- Current deposit	\$ 29,883	\$ -	\$ -	Customs duty guarantee
- Time deposits with maturity of over three months	4,935	-	-	Customs duty guarantee
Other non-current assets				
- Time deposits with maturity of over one year	<u>29,612</u>	<u>-</u>	<u>-</u>	Customs duty guarantee
	<u>64,430</u>	<u>-</u>	<u>-</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

	September 30, 2020	December 31, 2019	September 30, 2019
Property, plant and equipment	<u>\$ 7,759,655</u>	<u>\$ 323,591</u>	<u>\$ 1,044,599</u>

B. The amount of unused letters of credit for the acquisition of property, plant and equipment is as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Unused letters of credit	<u>\$ 4,779,158</u>	<u>\$ 1,946,326</u>	<u>\$ 2,121,002</u>

C. On March 10, 2020, the Board of Directors of the Group approved to acquire all ownership of Boardtek Electronics Corporation through share exchange in order to not only strengthen Zhen Ding's technique in the field of automotive and high-frequency but also take the complementary advantage of bilateral technology development and product scope. This will deepen the Group's cooperation with the worldwide automotive and communication manufacturers, promote the performance of sales and profit, enhance shareholders' equity, and bring positive benefits to bilateral customers, employees and shareholders. The effective date for the above share exchange is set on November 4, 2020. The exchange ratio is temporarily that one ordinary share of Boardtek Electronics Corporation will be temporarily converted to 0.2 ordinary share of Zhen Ding Technology Holding Limited.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and 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 when convertible bonds are converted, or issue new shares for consideration to achieve optimal structure.

(2) Financial instruments

A. Financial instruments by category

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial assets</u>			
Financial assets at amortised cost	\$ 61,443,996	\$ 71,465,606	\$ 71,353,691
Financial assets at fair value through profit or loss	609,144	-	-
Financial assets at fair value through other comprehensive income	226,210	193,804	193,622
	<u>\$ 62,279,350</u>	<u>\$ 71,659,410</u>	<u>\$ 71,547,313</u>

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial liabilities</u>			
Financial liabilities at amortised cost	53,131,456	45,710,492	51,767,388
Lease liabilities	524,560	239,407	266,832
	<u>\$ 53,656,016</u>	<u>\$ 45,949,899</u>	<u>\$ 52,034,220</u>

Note: Financial assets at amortised cost include cash and cash equivalents, accounts receivable (including to related parties), other receivables, other current assets, and other non-current assets - time deposits with maturity of over one year; and financial liabilities at amortised cost include short-term borrowings, accounts payable (including due from related parties), other payables, current portion of long-term liabilities, bonds payable, long-term borrowings and guarantee deposits received.

B. Risk management policies

(a) Risk categories:

The Group employs a comprehensive risk management and control system to clearly identify, measure, and control various kinds of financial risks it faces, including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, and liquidity risk.

(b) Management objectives

- i. Except for market risk, which is controlled by outside factors, the remainder of the foregoing types of risks can be eliminated via internal control or operational procedures. Therefore, the goal in managing each of these risks is to reduce them to zero.
- ii. As for market risk, the goal is to optimise its overall position through strict analysis, suggestion, execution and audit processes, and proper consideration of trends in the external economic/financial environment, internal operating conditions and the actual effects of market fluctuations.
- iii. The Group's overall risk management policy focuses on the unpredictable item of financial markets and seeks to reduce the risk that potentially pose adverse effects on the Group's financial position and financial performance.
- iv. The Group uses derivative financial instruments. Please refer to Note 6 for details.

(c) Management system

- i. Risk management is carried out by a central treasury department (the Group treasury) under policies approved by the Board of Directors. The Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.
- ii. The Board of Directors 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. 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 various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from (a) the timing of recognition for accounts receivable, accounts payable, borrowings, and payables on machinery and equipment denominated in non-functional currencies is different, (b) recognised assets and liabilities and (c) net investments in foreign operations. Since the transacting currencies are different from functional currencies, foreign exchange risks arise.

- ii. Management has set up a policy to require all subsidiaries within the Group to manage their foreign exchange risk against their functional currency. However, the overall foreign exchange risk is managed by the Group treasury for hedging.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: USD; other certain subsidiaries' functional currency: RMB or NTD) so it is impacted by the exchange rate fluctuations. 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			Nine-month period ended September 30, 2020	
	Foreign currency (In thousands)	Exchange rate	Carrying amount (In thousands of NTD)	Degree of variation	Effect on comprehensive income
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD: NTD	256,616	29.1	\$ 7,467,526	1%	\$ 74,675
USD: RMB	1,027,239	6.8101	29,864,216	1%	298,642
<u>Net effect in consolidated entities with foreign currencies</u>					
USD: NTD	2,563,409	29.1	74,595,202	1%	745,952
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD: NTD	205,532	29.1	5,980,981	1%	59,810
USD: RMB	685,904	6.8101	19,940,819	1%	199,408
JPY: RMB	4,208,255	0.0644	1,156,950	1%	11,570
	December 31, 2019			2019	
	Foreign currency (In thousands)	Exchange rate	Carrying amount (In thousands of NTD)	Degree of variation	Effect on comprehensive income
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD: NTD	331,789	29.98	\$ 9,947,034	1%	\$ 99,470
USD: RMB	1,262,335	6.9762	37,911,126	1%	379,111
<u>Net effect in consolidated entities with foreign currencies</u>					
USD: NTD	2,536,935	29.98	76,057,311	1%	760,573
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD: NTD	220,978	29.98	6,624,920	1%	66,249
USD: RMB	823,355	6.9762	24,727,442	1%	247,274
JPY: RMB	4,440,833	0.0641	1,225,181	1%	12,252

	September 30, 2019			Nine-month period ended September 30, 2019	
	Foreign currency (In thousands)	Exchange rate	Carrying amount (In thousands of NTD)	Sensitivity analysis	
				Degree of variation	Effect on comprehensive income
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD: NTD	290,014	31.04	\$ 9,002,035	1%	\$ 90,020
USD: RMB	1,428,179	7.0729	43,940,946	1%	439,409
<u>Net effect in consolidated entities with foreign currencies</u>					
USD: NTD	2,362,732	31.04	73,339,201	1%	733,392
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD: NTD	242,029	31.04	7,512,580	1%	75,126
USD: RMB	985,497	7.0729	30,320,901	1%	303,209
JPY: RMB	1,977,074	0.0657	565,030	1%	5,650

- v. Please refer to Note 6(28) Net Foreign Exchange Gain (Loss) for the total exchange gain (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.

#### Interest rate risk for cash flow and fair value

The Group's interest rate risk mainly arises from borrowings. Borrowings at floating rates expose the Group to interest rate risk of cash flow, which is partially offset by cash and cash equivalents held at floating rates.

Based on the simulations performed, the impact on after-tax profit of a quarter-point shift would be a maximum increase or decrease of \$18,777 and \$37,685 for the nine-month periods ended September 30, 2020 and 2019, respectively. The simulation is based on a quarterly basis to ensure that the maximum potential loss is within the limit given by the management.

The financial assets at amortised cost held by the Group are fixed-rate products, and their changes of fair value arise from changes in market interest rate. However, the Group would hold the financial assets to the maturity because of the return at the effective rates for the duration, thus, there are no gains or losses on disposal or valuation arising from change in fair value.

#### Price risk

The Group's investments in equity securities comprise domestic listed stocks which are classified as investments in financial assets at fair value through other comprehensive income. The price of equity securities would be affected by the uncertainty of the future value of underlying investment. However, the Group expects the price fluctuations do not have significant impact on the price of equity securities.

#### (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.

According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is

regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and other financial instruments, and is managed and monitored by the Group treasury. The clients and counterparties are government organisations, banks with high credit quality and financial institutions with investment grade; thus, there is no significant default risk and critical credit risk.

- ii. The Group assess whether there has been significant increase in credit risk on that instrument since initial recognition:
  - (i) If the contract payments were an underlying more than 30 days past due based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
  - (ii) If the credit rating grade of an underlying investment degrades two grades, there has been a significant increase in credit risk on that instrument since initial recognition.
- iii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Delinquency or default in interest or principal payments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- iv. The default occurs when the contract payment are more than 90 days past due.
- v. The credit quality information of financial assets that are neither overdue nor impaired is as follows:

#### Cash and cash equivalents

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

#### Financial assets at amortised cost

The Group's investments in debt classified as financial assets at amortised are low credit risk, and the carrying amount is measured as the expected credit loss for the 12 months following the balance sheet date.

#### Accounts receivable (including from related parties)

- (i) The Group applies the following approaches to assess the expected credit losses (the 'ECLs') of accounts receivable:
  - 1 Assess the ECLs on an individual basis if a significant default has been occurred to the certain customers.
  - 2 Classifies the other customers' accounts receivables based on the Group's credit rating standards and estimates the ECLs using loss rate methodology or provision matrix.
  - 3 Adjust the loss rates constructed from historical and recent information by taking into account the business cycle indicators of the National Development Council and forecasts of the Basel Committee on Banking Supervision.
  - 4 As of September 30, 2020, December 31, 2019, and September 30, 2019, the individual provision for impairment of accounts receivable using loss rate methodology or provision matrix is as follows:

	<u>Individual</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 3</u>	<u>Group 4</u>	<u>Total</u>
<u>September 30, 2020</u>						
Expected loss rate		0.03%	0.07%	0.10%~1.00%	1%~5%	
Total book value	\$ -	\$ 10,270,413	\$ 7,759,216	\$ 792,974	\$ 3,560,232	\$ 22,382,835
Loss provisions	\$ -	( \$ 3,081)	( \$ 5,431)	( \$ 3,965)	( \$ 68,426)	( \$ 80,903)
<u>December 31, 2019</u>						
Expected loss rate		0.03%	0.07%	0.10%~1.00%	1%~5%	
Total book value	\$ -	\$ 16,319,559	\$ 6,642,699	\$ 662,031	\$ 3,544,373	\$ 27,168,662
Loss provisions	\$ -	( \$ 4,896)	( \$ 4,650)	( \$ 3,310)	( \$ 68,156)	( \$ 81,012)
<u>September 30, 2019</u>						
Expected loss rate		0.03%	0.07%	0.10%~1.00%	1%~5%	
Total book value	\$ -	\$ 16,858,619	\$ 8,376,631	\$ -	\$ 2,157,834	\$ 27,393,084
Loss provisions	\$ -	( \$ 5,058)	( \$ 5,864)	( \$ -)	( \$ 32,833)	( \$ 43,755)

Group 1: Standard Poor's, Fitch Ratings or Moody's ratings in A category, or A category rated based on the Group's Credit Quality Control Policy for those that have no external credit ratings.

Group 2: Standard Poor's or Fitch Ratings in BBB category, Moody's ratings in Baa category, or in B or C category rated based on the Group's Credit Quality Control Policy for those that have no external credit ratings.

Group 3: Standard Poor's or Fitch Ratings in BB+ category or below, or Moody's ratings in Bal category or below.

Group 4: Having no external agency rating. Ratings other than A, B, or C based on the Group's Credit Quality Control Policy.

(ii) Movements on allowance for accounts receivable adopting the modified approach (including due from related parties) as follows:

	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
Beginning balance	\$ 81,012	\$ 61,904
Provision for impairment losses (reversal)	( 1,546)	( 18,576)
Net exchange differences	( 1,655)	427
Ending balance	<u>\$ 80,903</u>	<u>\$ 43,755</u>

#### Other receivables

The Group's subsidiaries incorporated in Mainland China are engaged in export sales. Under local regulations, the subsidiaries are entitled to tax benefits on VAT exemption, deduction and refund on the exports of goods. The subsidiaries calculate VAT refund and deductible amounts based on monthly sales by product types. The subsidiaries' counterparties and performing parties are mainly government organisations, so the possibility of default is remote.

#### Financial assets at fair value through other comprehensive income

The equity securities issuer has high credit quality and the Group controls its credit risk through transaction limits control and critical assessment of credit rating levels, so it expects that the probability of default is remote.

Financial assets at fair value through profit or loss

The bond securities issuer has high credit quality and the Group controls its credit risk through transaction limits control and critical assessment of credit rating levels, so it expects that the probability of default is remote.

(c) Liquidity risk

i. Cash flow forecasting is performed by each Group entity and aggregated by the 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 undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and applicable external regulatory or legal requirements, such as foreign currency restrictions.

ii. The Group has the following undrawn borrowing facilities:

	September 30, 2020	December 31, 2019	September 30, 2019
Expiring within one year	\$ 52,236,132	\$ 34,800,762	\$ 35,066,731
Expiring beyond one year	6,598,054	11,343,144	11,521,449
	<u>\$ 58,834,186</u>	<u>\$ 46,143,906</u>	<u>\$ 46,588,180</u>

iii. The following table 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 and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the following table are the contractual undiscounted cash flows. The remaining period of corporate bonds payable is expressed as the period between the balance sheet date and the redeemable date by holders. Except those listed in the following table, all of the Group's non-derivative financial liabilities will attain maturity within one year:

Non-derivative financial liabilities:

September 30, 2020	Less than one year	Over one year	Total
Bonds payable	\$ -	\$ 11,640,000	\$ 11,640,000
Long-term borrowings (Note)	4,450,366	4,365,000	8,815,366
Guarantee deposits received	-	121,657	121,657
Lease liabilities	107,262	451,517	558,779
	<u>\$ 4,557,628</u>	<u>\$ 16,578,174</u>	<u>\$ 21,135,802</u>

Non-derivative financial liabilities:

December 31, 2019	Less than one year	Over one year	Total
Long-term borrowings (Note)	\$ 271,619	\$ 9,197,714	\$ 9,469,333
Guarantee deposits received	-	179,511	179,511
Lease liabilities	95,128	156,246	251,374
	<u>\$ 366,747</u>	<u>\$ 9,533,471</u>	<u>\$ 9,900,218</u>

Non-derivative financial liabilities:

September 30, 2019	Less than one year	Over one year	Total
Long-term borrowings (Note)	\$ 306,365	\$ 9,541,773	\$ 9,848,138
Guarantee deposits received	-	121,566	121,566
Lease liabilities	97,353	181,506	278,859
	<u>\$ 403,718</u>	<u>\$ 9,844,845</u>	<u>\$ 10,248,563</u>

Note: Including imputed interest payable.

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

(d) Cash flow risk of changes from interest rate

For the Group's borrowings at floating rates, the effective interest rate changes according to market interest rates. However, the working capital of the Group is sufficient to hedge the cash flow risk due to changes in interest rate. Furthermore, the Group's borrowings as fixed rates and lease payable have no cash flow risk due to changes in market interest rate.

(3) Fair value estimation

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: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities. A market is regarded as active if it meets all the following conditions: the items traded in the market are homogeneous; willing buyers and sellers can normally be found at any time; and prices are available to the public. The fair value of the Group's investment in listed stocks 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 (e.g., as prices) or indirectly (e.g., derived from prices). The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Inputs for the asset or liability that are not based on observable market data.

B. Financial instruments not measured at fair value

(a) Except for those listed in the following table below, the carrying amounts of the Group's financial instruments not measured at fair value, including cash and cash equivalents, financial assets at amortised cost-time deposits due for more than three months, financial assets at amortised cost-guaranteed income financial products, accounts receivable (including due from related parties), other receivables, other current assets, other non-current assets - time deposits with maturity of over one year, short-term borrowings, accounts payable (including related parties), other payables, lease liabilities, and long-term borrowings (including current portion) is a reasonable approximation of fair value.

September 30, 2020				
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 10,657,176	\$ -	\$ 11,106,411	\$ -
Guarantee deposits received	121,657	-	121,402	-
Total	<u>\$ 10,778,833</u>	<u>\$ -</u>	<u>\$ 11,227,813</u>	<u>\$ -</u>
December 31, 2019				
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Guarantee deposits received	\$ 179,511	\$ -	\$ 179,135	\$ -
September 30, 2019				
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Financial assets at amortised cost-corporate bonds	\$ 62,128	\$ 61,942	\$ -	\$ -
Financial liabilities:				
Guarantee deposits received	\$ 121,566	\$ -	\$ 121,311	\$ -

- (b) The methods and assumptions of fair value measurement are as follows:
- i. Bonds payable: Regarding the convertible bonds issued by Group, the fair value is estimated based on the expected cash flows using the present value and market rate.
  - ii. Guarantee deposits received: The fair value is estimated using the present value of the expected cash flows. The discount rate refers to the fixed interest rate of postal savings for a one-year time deposit.
  - iii. Financial assets at amortised cost-corporate bonds: The fair value is the quoted price in active markets.

C. Financial and non-financial instruments measured at fair value

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

September 30, 2020	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	\$ -	\$ -	\$ 609,144	\$ 609,144
Financial assets at fair value through other comprehensive income	\$ -	\$ -	\$ 226,210	\$ 226,210

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through other comprehensive income	\$ -	\$ -	\$ 193,804	\$ 193,804
<u>Recurring fair value</u>				
<u>measurements</u>				
Non-Current Assets Held for Sale	\$ -	\$ -	\$ 161,211	\$ 161,211
September 30, 2019	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through other comprehensive income	\$ -	\$ -	\$ 193,622	\$ 193,622

- (b) The methods and assumptions that the Group used to measure the fair value are as follows:
- i. The instruments the Group used market quoted prices as their fair values (i.e., Level 1).
  - ii. Except for the 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, foreign exchange 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.

D. The Level-3 movement for the nine-month periods ended September 30, 2020 and 2019, is as follows:

	Nine-month period ended September 30, 2020		Nine-month period ended September 30, 2019
	Financial assets at fair value through profit or loss- Debt securities	Financial assets at fair value through other comprehensive income- Equity securities	Financial assets at fair value through other comprehensive income- Equity securities
Beginning balance	\$ -	\$ 193,804	\$ 52,473
Acquisition of financial assets	606,775	-	136,192
Unrealised gains on valuation of financial assets	-	34,022	10,592
Net exchange differences	2,369	(1,616)	(5,635)
Ending balance	\$ 609,144	\$ 226,210	\$ 193,622

- (a) External appraiser is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in accordance with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- (b) The following is the qualitative information of 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
Equity securities:					
Unlisted shares	\$ 108,110	Market comparable companies	Enterprise value to EBIT multiple	5.94~28.66 [8.33]	The higher the EBIT, the higher the fair value
			Price to net value multiple	1.44~5.26 [2.57]	The higher the net value of shares, the higher the fair value
Unlisted shares	\$ 118,100	Market comparable companies	Enterprise value to EBIT multiple	34.41~50.38 [41.92]	The higher the EBIT, the higher the fair value
Debt Securities:					
Private placement	\$ 554,970	Most recent closing price	N/A	N/A	N/A
Partner's share in unlisted companies	\$ 54,174	Most recent closing price	N/A	N/A	N/A

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range [Weighted average]	Relationship of inputs to fair value
Equity securities:					
Unlisted shares	\$ 75,783	Market comparable companies	Enterprise value to EBIT multiple	9.40~33.88 [10.01]	The higher the EBIT, the higher the fair value
			Price to net value multiple	1.19~8.41 [1.83]	The higher the net value of shares, the higher the fair value
Unlisted shares	\$ 118,021	Market comparable companies	Enterprise value to EBIT multiple	38.63~66.14 [50.30]	The higher the EBIT, the higher the fair value
Non-Current Assets Held for Sale:					
Right-of-use assets	\$ 10,302	Market approach/repl acement cost approach	N/A	N/A	N/A

	Fair value at September 30, 2019	Valuation technique	Significant unobservable input	Range [Weighted average]	Relationship of inputs to fair value
Equity securities:					
Unlisted shares	\$ 62,878	Market comparable companies	Enterprise value to EBIT multiple	6.19~30.09 [7.13]	The higher the EBIT, the higher the fair value
			Price to net value multiple	1.25~8.42 [1.73]	The higher the net value of shares, the higher the fair value
Unlisted shares	\$ 130,744	Market comparable companies	Enterprise value to EBIT multiple	38.69~62.75 [53.63]	The higher the EBIT, the higher the fair value

- (c) The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, the use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		Nine-month period ended September 30, 2020		
		Recognised in other comprehensive income		
		Favourable change	Unfavourable change	
	Input	Change		
Financial assets				
Equity instruments	\$ 226,210	± 1%	\$ 2,262	(\$ 2,262)
Debt instruments	609,144	± 1%	6,091	(6,091)
Total	<u>\$ 835,354</u>		<u>\$ 8,353</u>	<u>(\$ 8,353)</u>
		Nine-month period ended September 30, 2019		
		Recognised in other comprehensive income		
		Favourable change	Unfavourable change	
	Input	Change		
Financial assets				
Equity instruments	\$ 193,622	± 1%	\$ 1,936	(\$ 1,936)

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

F. For the nine-month periods ended September 30, 2020 and 20198, there was no transfer into or out from Level 3.

(4) Others

Due to COVID-19, there were no significant influence over the Group for the nine-month periods ended September 30, 2020, except for some subsidiaries that received reductions or subsidies due to compliance with the local government's implementation regulations for the phased reduction and exemption of corporate social insurance.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

(The portions of transaction information with the investees were based on the financial statements of the investees for the same period which were audited by independent accountants. All the transactions with subsidiaries disclosed below had been eliminated in the consolidated financial statements. The disclosure information below is for reference only.)

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 (excluding investment in subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exccerding NT\$300 million or 20% of paid-in capital or more: Please refer to table 4.

E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 5.

F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

G. Purchase or sale of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 6.

H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 7.

I. Trading in derivative financial instruments: None.

J. The business relationship and significant transactions between the inter-companies: Please refer to table 8.

(2) Information on investees

(The portions of transaction information with the investees were based on the financial statements of the investees for the same period which were audited by independent accountants. All the transactions with subsidiaries disclosed below had been eliminated in the consolidated financial statements. The disclosure information below is for reference only.)

Names, locations and other information of investee companies (excluding the investees in Mainland China): Please refer to Table 9.

- (3) Information on investments in Mainland China  
 A. Basic information: Please refer to Table 10.  
 B. Significant transactions with the investees in Mainland China either directly or indirectly through other companies in the third areas: None.
- (4) Information on major shareholders  
 Information on major shareholders: Please refer to Table 11.

14. SEGMENT INFORMATION

(1) General information

The Group is engaged in the manufacturing of various types of PCB products. The chief operating decision-maker considers the business and operations from the product perspective. Currently, the Group only discloses one reportable segment as all operating segments meet the aggregation criteria (similar gross profit margin and expected growth rate). In allocating resources and assessing performance of the Group, the chief operating decision-maker uses operating segments' revenue and net income, which reflect internal cost and expense allocation. Except for inter-segment charges, which were determined based on the Group's internal policy, accounting policies of operating segments are in agreement with Note 4, 'Summary of significant accounting policies'.

(2) Reportable segment information

Reportable segment information provided to the chief operating decision maker is as follows:

	Three-month period ended September 30, 2020	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
Revenue from external customers	\$ 32,076,905	\$ 35,601,549	\$ 76,079,412	\$ 78,071,125
Inter-segment revenue	-	-	-	-
Segments' revenue	<u>\$ 32,076,905</u>	<u>\$ 35,601,549</u>	<u>\$ 76,079,412</u>	<u>\$ 78,071,125</u>
Measure of segment profit	<u>\$ 2,411,575</u>	<u>\$ 5,276,247</u>	<u>\$ 5,374,211</u>	<u>\$ 8,309,152</u>

(3) Reconciliation of reportable segment's revenue and measure of profit and loss

Sales between segments are carried out at fair value. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

The reconciliation from total reportable segment's revenue to the enterprise income and from segment profit from reportable segment to the net income for the current period is as follows:

	Three-month period ended September 30, 2020	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
Reportable segment's revenue	<u>\$ 32,076,905</u>	<u>\$ 35,601,549</u>	<u>\$ 76,079,412</u>	<u>\$ 78,094,966</u>

	Three-month period ended September 30, 2020	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
Reportable segment's profit	\$ 2,411,575	\$ 5,315,019	\$ 5,374,211	\$ 8,358,885
Interest income and finance costs	39,342	116,594	246,606	435,757
Net currency exchange gains (losses)	( 565,586)	382,102	( 364,478)	( 247,494)
Net gains (losses) on disposal of property, plant and equipment	( 14,103)	( 12,394)	( 151,529)	13,619
Others	470,183	( 1,011,417)	348,329	( 1,847,985)
Profit	<u>\$ 2,341,411</u>	<u>\$ 4,789,904</u>	<u>\$ 5,453,139</u>	<u>\$ 7,207,770</u>

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES  
LOANS TO OTHERS  
Nine-month period ended September 30, 2020

Table1

Expressed in thousands of NTD, except as otherwise indicated

No.	Lender	Borrower	General ledger account	Related party	Maximum outstanding balance during the current period (Note 3)	Ending balance (Note 4)	Actual amount drawn down	Interest rate range	Nature of loan	Amount of transaction	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Notes 1 & 2)	Limit on total lender's loans granted (Notes 1 & 2)	Footnote
													Name	Value			
0	The Company	Monterey Park Finance Limited	Other receivables	Yes	\$ 291,000	\$ 291,000	\$ -	-	Short-term financing	\$ -	Operation requirements	\$ -	No	\$ -	\$ 26,906,377	\$ 26,906,377	
1	FAT Holdings Limited	Monterey Park Finance Limited	Other receivables	Yes	291,000	291,000	-	-	Short-term financing	-	Operation requirements	-	No	-	3,647,932	5,107,105	
2	Mayco Industrial Limited	The Company	Other receivables	Yes	4,772,400	1,746,000	-	-	Short-term financing	-	Operation requirements	-	No	-	295,246,972	413,345,761	
2	Mayco Industrial Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	1,455,000	1,455,000	582,000	1.30%-3.10%	Short-term financing	-	Operation requirements	-	No	-	295,246,972	413,345,761	
2	Mayco Industrial Limited	Henley International Limited	Other receivables	Yes	873,000	873,000	-	-	Short-term financing	-	Operation requirements	-	No	-	295,246,972	413,345,761	
3	Pacific Fair International Limited	The Company	Other receivables	Yes	3,492,000	3,492,000	2,619,000	1.30%	Short-term financing	-	Operation requirements	-	No	-	45,093,776	63,131,286	
4	Monterey Park Finance Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	291,000	291,000	-	-	Short-term financing	-	Operation requirements	-	No	-	360,745,693	505,043,970	
5	Qi Ding Technology Qinhuangdao Co., Ltd.	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Other receivables	Yes	640,350	320,175	5,123	3.85%	Short-term financing	-	Operation requirements	-	No	-	7,903,052	11,064,273	
6	Garuda International Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Other receivables	Yes	1,455,000	1,455,000	-	-	Short-term financing	-	Operation requirements	-	No	-	25,492,816	35,689,942	
6	Garuda International Limited	AVARY TECHNOLOGY (INDIA) PRIVATE LIMITED	Other receivables	Yes	1,164,000	1,164,000	582,000	1.15%	Short-term financing	-	Operation requirements	-	No	-	2,039,425	2,039,425	
6	Garuda International Limited	AVARY SINGAPORE PRIVATE LIMITED	Other receivables	Yes	1,164,000	1,164,000	-	-	Short-term financing	-	Operation requirements	-	No	-	25,492,816	35,689,942	

No.	Lender	Borrower	General ledger account	Related party	Maximum outstanding balance during the current period (Note 3)	Ending balance (Note 4)	Actual amount drawn down	Interest rate range	Nature of loan	Amount of transaction	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Notes 1 & 2)	Limit on total lender's loans granted (Notes 1 & 2)	Footnote
													Name	Value			
7	Avary Holding (Shenzhen) Co., Limited	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Other receivables	Yes	\$ 85,380	\$ -	\$ -	0.00%	Short-term financing	-	Operation requirements	\$ -	No	\$ -	\$ -	\$ -	(Note 5)
7	Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Other receivables	Yes	10,672,500	10,672,500	981,870	4.15%	Short-term financing	-	Operation requirements	-	No	-	34,284,874	34,284,874	
7	Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electrical Technology (Huaian) Co., Ltd.	Other receivables	Yes	5,122,800	5,122,800	4,446,164	3.85%-4.20%	Short-term financing	-	Operation requirements	-	No	-	34,284,874	34,284,874	
7	Avary Holding (Shenzhen) Co., Limited	Fu Bo Industrial (Shenzhen) Co., Ltd.	Other receivables	Yes	853,800	853,800	192,105	3.85%	Short-term financing	-	Operation requirements	-	No	-	34,284,874	34,284,874	
7	Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Other receivables	Yes	6,403,500	6,403,500	2,292,453	3.85%-4.15%	Short-term financing	-	Operation requirements	-	No	-	34,284,874	34,284,874	
7	Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	Other receivables	Yes	2,134,500	2,134,500	687,309	3.85%-4.15%	Short-term financing	-	Operation requirements	-	No	-	34,284,874	34,284,874	
7	Avary Holding (Shenzhen) Co., Limited	Kui Sheng Technology (Shenzhen) Limited	Other receivables	Yes	341,520	341,520	-	-	Short-term financing	-	Operation requirements	-	No	-	34,284,874	34,284,874	

Note 1: Financial limit on total loans granted to others by the Group is 50% of the lender's net assets based on their most recent audited or reviewed consolidated financial statements, of which:

- (1) For parties having business relationship with the Company, the financial limit on total loans shall not exceed 10% of the Company's net worth and the financial limit on loans granted to a single party shall not exceed the year-to-date purchased amount or sales amount, whichever is higher, and shall not exceed 10% of the net worth of the Company as indicated in the financial statements for the most recent period certified or reviewed by a certified public accountant.
- (2) For parties in need of short-term financing, the financial limit on total loans shall not exceed 40% of the Company's net worth and the financial limit on loans granted to a single party shall not exceed 40% of the net worth of the Company as indicated in the financial statements for the most recent period certified or reviewed by a certified public accountant.

Note 2: The amount of loans between subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares or between the Company and overseas subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares is not limited to 40% of the borrower's net worth.

In accordance with the subsidiaries' respective Procedures for Lending Funds to Other Parties, the total amount of loans between subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares or between the Company and overseas subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares is limited to 700% of the lender's net worth based on the latest audited or reviewed financial statements.

In accordance with the subsidiaries' respective Procedures for Lending Funds to Other Parties, for loans between subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares or between the Company and overseas subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares, the limit on loans to a single enterprise is limited to 500% of the lender's net assets based on the latest audited or reviewed financial statements.

Note 3: Maximum amount for the period ended on the balance sheet date.

Note 4: The amount of loans granted as resolved by the Company's Board of Directors.

Note 5: The Company completed the selling of Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd. on March 12, 2020, and the Board of Directors approved the cancellation of loans and limit on loans to the company on April 30, 2020.

**ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES**  
**PROVISION OF ENDORSEMENTS/GUARANTEES TO OTHERS**  
 Nine-month period ended September 30, 2020

Table 2

Expressed in thousands of NTD, except as otherwise indicated

No. (Note 1)	Name of company	Entity for which the endorsement/ guarantee is made		Limit on endorsements/ guarantees to a single enterprise (Note 3)	Maximum outstanding balance of endorsements/ guarantees during the current period (Note 5)	Ending balance of endorsements/ guarantees (Note 6)	Actual amount drawn down (Note 7)	Endorsed/ Guaranteed amount with property as collateral	Cumulative endorsed/ guaranteed amount as a percentage of the net value in the most recent financial statements	Maximum endorsed/ guaranteed amount (Note 4)	Parent company to subsidiary (Note 8)	Subsidiary to parent company (Note 8)	To Mainland China (Note 8)	Footnote
		Relationship (Note 2)	Name of company											
0	The Company	Qi Ding Technology Qinhuangdao Co., Ltd.	2	\$ 6,726,594	\$ 582,000	\$ 582,000	\$ 582,000	\$ -	0.87%	\$ 67,265,941	Y	N	Y	
1	Zhen Ding Technology Co., Ltd.	Zhen Ding Technology Co., Ltd.	1	6,726,594	5,000	5,000	5,000	-	0.01%	67,265,941	N	N	N	(Note 9)
2	Qi Ding Technology Qinhuangdao Co., Ltd.	Qi Ding Technology Qinhuangdao Co., Ltd.	1	6,726,594	8,538	8,538	8,538	-	0.01%	67,265,941	N	N	Y	(Note 9)
3	Garuda Technology Co., Ltd.	Garuda Technology Co., Ltd.	1	6,726,594	15,000	15,000	15,000	-	0.02%	67,265,941	N	N	N	(Note 9)
4	Avary Holding (Shenzhen) Co., Limited	Avary Holding (Shenzhen) Co., Limited	1	6,726,594	277,485	277,485	277,485	-	0.41%	67,265,941	N	N	Y	(Note 9)
5	Hong Heng Sheng Electrical Technology (Huaian) Co., Ltd.	Hong Heng Sheng Electrical Technology (Huaian) Co., Ltd.	1	6,726,594	76,842	76,842	76,842	29,883	0.11%	67,265,941	N	N	Y	(Note 9)
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	1	6,726,594	64,035	64,035	64,035	-	0.10%	67,265,941	N	N	Y	(Note 9)
7	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Qing Ding Precision Electronics (Huaian) Co., Ltd.	1	6,726,594	230,526	230,526	213,450	-	0.34%	67,265,941	N	N	Y	(Note 9)
8	AVARY TECHNOLOGY (INDIA) PRIVATE LIMITED	AVARY TECHNOLOGY (INDIA) PRIVATE LIMITED	1	6,726,594	291,000	291,000	165,230	28,693	0.43%	67,265,941	N	N	N	(Note 9)

Note 1: The explanation for numbers is as follows:

- (1) Issuer is 0.
- (2) Investees are numbered in order starting from '1'.

Note 2: Relationships between endorser/guarantor and the entity for which the endorsement/guarantee is made are classified into the following six categories (simply specify the respective category):

- (1) Companies in a business relationship with the Company.
- (2) Subsidiaries in which the Company directly holds more than 50% of its total outstanding ordinary shares.
- (3) Investees in which parent company and subsidiary hold more than 50% of total outstanding ordinary shares combined.
- (4) Parent company in which the Company directly or indirectly (along with subsidiary) holds more than 50% of its total outstanding ordinary shares.
- (5) Companies providing mutual endorsements/guarantees for industry peers for purposes of undertaking a construction project.
- (6) Companies where all capital-contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.

Note 3: Limit on endorsements/guarantees to a single enterprise: Endorsements/guarantees that the Company makes for a single enterprise shall not exceed 10% of the parent company's net worth.

Note 4: Total amount of endorsements/guarantees: The total amount of endorsements/guarantees the Company makes for others shall not exceed 100% of the parent company's net worth.

Note 5: Highest balance of endorsements/guarantees to others for the year.

Note 6: Endorsement/guarantee liabilities are assumed when the amount of the endorsement/guarantee contracts or bills signed with the bank by the Company is approved as of the end of the year. Other matters related to endorsements/guarantees shall be included in the endorsement/guarantee balance.

Note 7: Actual amount drawn down by the companies for which the endorsements/guarantees are made within the range of endorsement/guarantee balance.

Note 8: Endorsements/guarantees made by TWSE/TPEX listed parent company for subsidiary, endorsements/guarantees made by subsidiary for TWSE/TPEX listed parent company, and endorsements/guarantees made in Mainland China are must be indicated with 'Y'.

Note 9: Guarantees made by the subsidiaries of the Company for their tax, science projects, and leases.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES  
HOLDING OF MARKETABLE SECURITIES AT THE END OF THE PERIOD (EXCLUDING INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES):  
September 30, 2020

Table 3 Expressed in thousands of NTD, except as otherwise indicated

Securities held by	Type and name of marketable securities (Note 1)	Relationship with securities issuer (Note 2)	General ledger account	As of September 30, 2020				Footnote (Note 4)
				Number of shares	Carrying amount (Note 3)	Ownership (%)	Fair value	
Zhen Ding Technology Co., Ltd.	SynPower Co., Ltd.	No	Financial assets at fair value through other comprehensive income	2,200,000	\$ 108,110	9.02%	\$ 108,110	
Avary Holding (Shenzhen) Co., Limited	Jiangsu Aisen Semiconductor Material Co., Ltd.	No	Financial assets at fair value through other comprehensive income	2,600,000	118,100	4.26%	118,100	
Avary Holding (Shenzhen) Co., Limited	Jingning Dingqing Electronic Technology Partnership	No	Financial assets at fair value through profit or loss	-	54,174	12.53%	54,174	
Avary Holding Investment (Shenzhen) Co., Ltd.	Beijing Firstred Acquisition Fund	No	Financial assets at fair value through profit or loss	-	554,970	3.33%	554,970	

Note 1: In accordance with IFRS 9, 'Financial Instruments', marketable securities in the table refer to shares, bonds, beneficiary certificates and other related derivative securities.

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

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

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES  
ACQUISITION OR SALE OF THE SAME SECURITY WITH THE ACCUMULATED COST EXCEEDING NT\$300 MILLION OR 20% OF PAID-IN CAPITAL OR MORE  
Nine-month period ended September 30, 2020

Table 4

Expressed in thousands of NTD, except as otherwise indicated

Companies purchased and sold	Type and name of marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship (Note 2)	Initial period		Buy-in (Note 3)		Sell-out (Note 3)			As of September 30, 2020		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Carrying amount	Gain or loss on disposal	Number of shares	Amount
Avary Holding Investment (Shenzhen) Co., Ltd.	Beijing Firstred Acquisition Fund	Financial assets at fair value through profit or loss	Firstred Fund Management (Beijing) Co., Ltd.	No	-	-	-	RMB 130,000	-	-	-	-	-	RMB 130,000

Note 1: Marketable securities in the table refer to shares, bonds, beneficiary certificates and other related derivative securities.

Note 2: Filling in the two fields is not required, except for investors whose securities are recognised under the equity method.

Note 3: Cumulative amount of acquisition or sale shall be separately calculated by their market value to determine whether it exceeds NT\$300 million or 20% of paid-in capital.

Note 4: Interest income is gain on disposal of financial assets measured at amortised cost.

Note 5: Paid-in capital refers to the paid-in capital of the parent company.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES  
Acquisition of real estate reaching NT\$300 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

Real estate acquired by	Name of asset	Incidence date	Transaction		Counterparty	Relationship	Previous transfer, if the counterparty is a related party				Pricing basis	Purpose of acquisition and utilization	Other provisions
			amount	Amount paid			Owner	Relationship with issuer	Transfer date	Amount			
Garuda Technology Co., Ltd.	Land right-of-use	September 11, 2020	\$ 346,160	\$ -	Southern Taiwan Science Park, Ministry of Science and Technology	No	N/A	N/A	N/A	N/A	Market based pricing	Business demands	No

Note 1: Appraisal results should be provided under "pricing basis" where appraisal is required for the acquired asset.

Note 2: Paid-in capital refers to the paid-in capital of the parent company. In the case of an issuer whose shares have no par value or a par value other than NT\$10, for the calculation of transaction amounts of 20% of paid-in capital, 10% of equity attributable to owners of the parent shall be substituted.

Note 3: The incidence date refers to the date of transaction signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors' resolutions, or other dates that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES  
PURCHASE OR SALE 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 6

Expressed in thousands of NTD, except as otherwise indicated

Purchaser/Seller	Counterparty	Relationship	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)	
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	An indirect subsidiary	Sales	\$ 21,536,996	68	60 days from the shipping date	Note 2	Note 2	\$ 9,289,057	74	
Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	An indirect subsidiary	Sales	8,739,558	27	90 days from the shipping date	Note 2	Note 2	2,839,407	23	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	An indirect subsidiary	Sales	25,384,014	88	90 days from the shipping date	Note 2	Note 2	8,809,997	93	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect subsidiary	Sales	3,219,043	11	90 days from the shipping date	Note 2	Note 2	569,282	6	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect subsidiary	Sales	243,881	1	90 days from the shipping date	Note 2	Note 2	54,516	1	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	An indirect subsidiary	Sales	2,613,461	75	60 days from the shipping date	Note 2	Note 2	303,306	59	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect subsidiary	Sales	642,555	18	90 days from the shipping date	Note 2	Note 2	157,492	31	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect subsidiary	Sales	177,988	5	30 days from the shipping date	Note 2	Note 2	44,152	9	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	An indirect subsidiary	Sales	18,508,592	87	60 days from the invoice date	Note 2	Note 2	5,049,330	81	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect subsidiary	Sales	2,566,314	12	90 days from the shipping date	Note 2	Note 2	982,706	16	

Purchaser/Seller	Counterparty	Relationship	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)	
Qi Ding Technology Qinhuangdao Co., Ltd. Co., Ltd.	Henley International Limited	An indirect subsidiary	Sales	\$ 1,293,567	74	90 days from the shipping date	Note 2	Note 2	\$ 301,520	59	
Kui Sheng Technology (Shenzhen) Limited	Avary Holding (Shenzhen) Co., Limited	An indirect subsidiary	Sales	808,997	100	60 days from the date of acceptance	Note 2	Note 2	255,078	100	
Henley International Limited	Zhen Ding Technology Co., Ltd.	An indirect subsidiary	Sales	1,290,870	100	90 days from the shipping date	Note 2	Note 2	291,545	100	
Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	An indirect subsidiary	Sales	5,118,802	8	90 days from the month following the shipping date	Note 2	Note 2	1,976,740	9	
Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	An indirect subsidiary	Sales	694,975	1	90 days from the month following the shipping date	Note 2	Note 2	266,548	1	
Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect subsidiary	Sales	4,469,486	7	90 days from the month following the shipping date	Note 2	Note 2	3,462,660	16	
Zhan Yang Automation (Dongguan) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect subsidiary	Sales	165,079	81	90 days from the month following the shipping date	Note 2	Note 2	70,240	86	
Garuda International Limited	Foxconn (FarEast) and its subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	5,123,104	8	90 days from the month following the shipping date	Note 2	Note 2	2,435,461	12	
Garuda International Limited	GIS Technology (Chengdu) Co., Ltd.	An indirect subsidiary of Hon Hai Precision Industry Co., Ltd., evaluated using the equity method	Sales	364,119	1	60 days from the month following the shipping date	Note 2	Note 2	125,140	1	
Garuda International Limited	Foxconn Interconnect Technology Limited and its subsidiaries	An indirect subsidiary of Hon Hai Precision Industry Co., Ltd., evaluated using the equity method	Sales	204,570	0	60 days from the month following the shipping date	Note 2	Note 2	-	-	
Garuda Technology Co., Ltd.	Reco Technology (Chengdu) Co., Ltd.	An indirect subsidiary of Hon Hai Precision Industry Co., Ltd., evaluated using the equity method	Sales	889,295	6	90 days from the month following the acceptance date	Note 2	Note 2	67,308	1	
Avary Holding (Shenzhen) Co., Limited	Foxconn (FarEast) and its subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	520,006	2	Net 90 after invoice date	Note 2	Note 2	( 92,062 )	1	

Purchaser/Seller	Counterparty	Relationship	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)	
Avary Holding (Shenzhen) Co., Ltd.	Foxconn Interconnect Technology Limited and its subsidiaries	An indirect subsidiary of Hon Hai Precision Industry Co., Ltd., evaluated using the equity method	Purchases	\$ 567,506	2	Net 90 after invoice date	Note 2	Note 2	( \$ 290,969 )	3	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	General Interface Solution Limited	An indirect subsidiary of Hon Hai Precision Industry Co., Ltd., evaluated using the equity method	Purchases	559,978	2	Net 30 after invoice date	Note 2	Note 2	( 2,136 )	-	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Foxconn Interconnect Technology Limited and its subsidiaries	An indirect subsidiary of Hon Hai Precision Industry Co., Ltd., evaluated using the equity method	Purchases	224,745	1	Net 90 after invoice date	Note 2	Note 2	( 97,917 )	2	

Note 1: The opposite related party transactions are not disclosed.

Note 2: Unless the transaction terms were determined in accordance with mutual agreements due to no similar transactions, the transaction terms to related parties were similar to third parties.

Note 3: Advance sales receipts.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES  
RECEIVABLES FROM RELATED PARTIES REACHING NT\$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE  
September 30, 2020

Table 7

Expressed in thousands of NTD, except as otherwise indicated

Creditor	Counterparty	Relationship	Receivables from related parties	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	An indirect subsidiary	\$ 9,289,057	2	\$ -	-	\$ 1,803,679	\$ -
Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	An indirect subsidiary	2,839,407	2	-	-	1,194,507	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	An indirect subsidiary	8,809,997	3	-	-	2,847,406	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect subsidiary	569,282	6	-	-	158,797	-
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	An indirect subsidiary	303,306	6	-	-	-	-
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect subsidiary	157,492	2	-	-	370	-
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	An indirect subsidiary	5,049,330	3	-	-	-	-
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect subsidiary	982,706	3	-	-	-	-
Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	An indirect subsidiary	301,520	5	-	-	155,311	-
Kui Sheng Technology (Shenzhen) Limited	Avary Holding (Shenzhen) Co., Limited	An indirect subsidiary	255,078	3	-	-	121,613	-
Henley International Limited	Zhen Ding Technology Co., Ltd.	An indirect subsidiary	291,545	5	-	-	151,872	-
Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	An indirect subsidiary	1,976,740	2	42,247	Subsequent collection	746,402	-
Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	An indirect subsidiary	266,548	2	-	-	147,586	-
Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect subsidiary	3,462,660	1	183,013	Subsequent collection	807,565	-

Creditor	Counterparty	Relationship	Receivables from related parties	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Garuda International Limited	GIS Technology (Chengdu) Co., Ltd.	An indirect subsidiary of Hon Hai Precision Industry Co., Ltd., evaluated using the equity method	\$ 125,140	3	\$ 1,200	Subsequent collection	\$ 55,533	\$ -
Garuda International Limited	Foxconn (FarEast) and its subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	2,435,461	2	247,016	Subsequent collection	705,677	-

As to receivables from loans to related parties exceeding NT\$100 million or 20% of issued capital, please refer to Table 1.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES  
SIGNIFICANT INTER-COMPANY TRANSACTIONS DURING THE REPORTING PERIODS  
Nine-month period ended September 30, 2020

Table 8

Expressed in thousands of NTD, except as otherwise indicated

No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Transaction		Percentage of consolidated total operating revenues or total assets (Note 4)
					Amount (Note 3)	Transaction terms	
1	Mayco Industrial Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	3	Other receivables	\$ 582,000	Note 5	-
2	Pacific Fair International Limited	The Company	2	Other receivables	2,619,000	"	2
3	Qi Ding Technology Qinhuangdao Co., Ltd.	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	3	Other receivables	5,123	"	-
4	Garuda International Limited	AVARY TECHNOLOGY (INDIA) PRIVATE LIMITED	3	Other receivables	582,000	"	-
5	Avary Holding (Shenzhen) Co., Limited	Fu Bo Industrial (Shenzhen) Co., Ltd.	3	Other receivables	192,105	"	-
5	Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Other receivables	981,870	"	1
5	Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	3	Other receivables	4,446,164	"	3
5	Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Other receivables	2,292,453	"	2
5	Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	3	Other receivables	687,309	"	-
5	Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	3	Sales	21,536,996	Note 8	28
5	Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	3	Accounts receivable	9,289,057	"	6
5	Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	3	Sales	8,739,558	"	11
5	Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	3	Accounts receivable	2,839,407	"	2
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	3	Sales	25,384,014	"	33
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	3	Accounts receivable	8,809,997	"	6
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	3,219,043	Note 11	4
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	569,282	"	-
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	243,881	Note 9	-
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	3	Sales	2,613,461	Note 8	3
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	3	Accounts receivable	303,306	"	-
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	177,988	Note 9	-
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	642,555	Note 8	1
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	157,492	"	-
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	3	Sales	18,508,592	"	24
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	3	Accounts receivable	5,049,330	"	3

No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms	
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	\$ 2,566,314	Note 8	3
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	982,706	"	1
9	Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	3	Sales	1,293,567	Note 6	2
9	Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	3	Accounts receivable	301,520	"	-
10	Kui Sheng Technology (Shenzhen) Limited	Avary Holding (Shenzhen) Co., Limited	3	Sales	808,997	Note 10	1
10	Kui Sheng Technology (Shenzhen) Limited	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	255,078	"	-
11	Henley International Limited	Zhen Ding Technology Co., Ltd.	3	Sales	1,290,870	Note 6	2
11	Henley International Limited	Zhen Ding Technology Co., Ltd.	3	Accounts receivable	291,545	"	-
12	Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	3	Sales	5,118,802	"	7
12	Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	1,976,740	"	1
12	Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Sales	694,975	"	1
12	Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Accounts receivable	266,548	"	-
12	Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Sales	4,469,486	"	6
12	Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Accounts receivable	3,462,660	"	2
13	Zhan Yang Automation (Dongguan) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	165,079	"	-

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories: Example: For transactions between parent company and subsidiary, if disclosure is made by the parent company, then repeated disclosure is not required for the part regarding the subsidiary; for transactions between subsidiaries, if disclosure is made by one of the subsidiaries, then repeated disclosure is not required for the part regarding the other subsidiary):

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

Note 3: Only the related party transactions exceeding the amount of NT\$100 million or 20% paid-in capital are disclosed, and the opposite related party transactions are not disclosed.

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is calculated based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

All the transactions had been eliminated in the consolidated financial statements.

Note 5: Nature of other receivables and other payables are loans to (from) others. Please refer to Note 13(1) A for interest rate and limit on loans.

Note 6: The prices and terms to related parties were similar to third parties. Credit term is 90 days from the shipping date.

Note 7: The prices and terms to related parties were similar to third parties. Credit term is 90 days from the shipping date.

Note 8: The prices and terms to related parties were similar to third parties. Credit term is 60 days from the shipping date.

Note 9: The prices and terms to related parties were similar to third parties. Credit term is 30 days from the shipping date.

Note 10: The prices and terms to related parties were similar to third parties. Credit term is 60 days from the received date.

Note 11: The prices and terms to related parties were similar to third parties. Credit term is 90 days from invoice date.

Note 12: The prices and terms to related parties were similar to third parties. Credit term is advance sales receipts.

**ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES**  
**NAMES, LOCATIONS AND OTHER INFORMATION OF INVESTEE COMPANIES (EXCLUDING THE INVESTEES IN MAINLAND CHINA):**  
Nine-month period ended September 30, 2020

Table 9

Expressed in thousands of NTD, except as otherwise indicated

Name of Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as of September 30, 2020			Net profit (loss) of investee for the current period	Investment income (loss) recognised by the Company for the current period	Footnote
				Balance as of September 30, 2020	Balance as of December 31, 2019	Number of shares	Ownership (%)	Carrying amount			
The Company	Monterey Park Finance Limited	British Virgin Islands	Holding company	\$ 26,371,875	\$ 24,916,875	906,250,000	100	\$ 71,830,966	\$ 4,440,710	\$ 4,440,710	
The Company	Zhen Ding Technology Co., Ltd.	Taiwan	Trading company	125,488	125,488	12,548,800	100	2,764,233	( 291,175 )	( 291,175 )	
Monterey Park Finance Limited	Coppertone Enterprises Limited	British Virgin Islands	Holding company	2,991,067	2,991,067	102,785,806	100	59,100,678	4,044,548	4,043,835	
Monterey Park Finance Limited	Pacific Fair International Limited	Hong Kong	Holding company	7,958,850	7,958,850	2,133,300,000	100	9,018,755	455,593	455,593	
Monterey Park Finance Limited	Henley International Limited	Hong Kong	Trading company	-	-	1	100	12,243	( 5,336 )	( 5,336 )	
Coppertone Enterprises Limited	Mayco Industrial Limited	Hong Kong	Holding company	34,777,641	34,777,641	9,321,841,932	100	59,049,394	4,044,579	4,044,579	
Zhen Ding Technology Co., Ltd.	FAT Holdings Limited	Cayman Islands	Holding company	146	146	5,000	100	730,345	7,671	7,671	
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	Hong Kong	Trading company	1,716,900	291,000	460,200,000	73	3,294,175	645,580	421,712	
Avary Holding (Shenzhen) Co., Limited	Avary Singapore Private Limited	Singapore	Holding company	425,733	3	14,630,000	73	231,513	( 83,947 )	( 61,131 )	
Garuda International Limited	Garuda Technology Co., Ltd.	Taiwan	Trading company	1,525,000	25,000	152,500,000	73	1,139,690	204,836	149,163	
Garuda International Limited	Avary Japan Co., Ltd.	Japan	Trading company	24,881	5,529	1,800	73	8,837	( 9,880 )	( 7,195 )	
Avary Singapore Private Limited	Avary Technology (India) Private Limited	India	Manufacturing company	282,776	282,776	71,620,000	73	137,656	( 81,210 )	( 59,137 )	

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES  
INFORMATION ON THE INVESTMENTS IN MAINLAND CHINA  
Nine-month period ended September 30, 2020

Table 10

Expressed in thousands of NTD, except as otherwise indicated

Investees in Mainland China	Main business activities	Paid-in capital	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the current period		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2020	Net profit (loss) of investee for the current period	Ownership held directly or indirectly by the Company	Investment income (loss) recognised by the Company in the current period (Note 3)	Carrying amount of investments as of September 30, 2020	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Manufacture and sales of PCB	\$ 9,982,867	2	\$ -	\$ -	\$ -	\$ -	\$ 3,450,946	73	\$ 2,540,936	\$ 17,834,525	\$ -	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Manufacture and sales of PCB	3,955,173	2	-	-	-	-	( 157,850 )	73	( 114,947 )	462,931	-	
Avary Holding (Shenzhen) Co., Limited	Manufacture and sales of PCB	9,867,496	2	-	-	-	-	6,126,442	73	4,461,306	62,416,041	-	
Fu Bo Industrial (Shenzhen) Co., Ltd.	Manufacture and sales of PCB	469,889	2	-	-	-	-	36,969	73	26,921	468,000	-	
Yu Ding Precision Electronics (Huaian) Co., Ltd.	Manufacture and sales of PCB	1,028,573	2	-	-	-	-	10,613	73	7,729	676,967	-	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Manufacture and sales of PCB	9,394,043	2	-	-	-	-	( 434,757 )	73	( 198,635 )	9,841,017	-	

Investees in Mainland China	Main business activities	Paid-in capital	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the current period		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2020	Net profit (loss) of investee for the current period	Ownership held directly or indirectly by the Company	Investment income (loss) recognised by the Company in the current period (Note 3)	Carrying amount of investments as of September 30, 2020	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Qi Ding Technology Qinhuangdao Co., Ltd. Co., Ltd.	Development, manufacture and sales of electronic products	\$ 2,036,424	2	\$ -	\$ -	\$ -	\$ -	(\$ 41,679)	100	(\$ 41,679)	\$ 1,580,610	\$ -	
Kui Sheng Technology (Shenzhen) Limited	Manufacture and sales of PCB	85,380	2	-	-	-	-	9,754	73	7,103	88,829	-	
Yun Ding Technology (Shenzhen) Limited	Manufacture and sales of PCB	-	2	-	-	-	-	( 76 )	73	( 55 )	-	-	
Huaian Jia Wei Industrial Development Co., Ltd.	Production and sale of construction materials, furniture and hardware tools	696,647	2	-	-	-	-	( 777 )	100	( 777 )	692,745	-	
Avary Holding Investment (Shenzhen) Co., Ltd.	Investments	559,239	2	-	-	-	-	( 127 )	73	( 92 )	407,148	-	
Zhan Yang Automation (Dongguan) Co., Ltd.	Research, development, sales, and processing of automated equipment and cargo or technology import/export	29,883	2	-	-	-	-	27,913	44	12,196	25,280	-	
Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Development, manufacture and sales of electronic products	1,459,123	2	-	-	-	-	( 13,050 )	100	( 13,050 )	1,446,044	-	

Note 1: The amounts in the table are shown in New Taiwan Dollars. Transactions denominated in foreign currencies are translated into New Taiwan Dollars at the spot exchange rates at the balance sheet date.

Note 2: The methods of investments to Mainland China are as follows:

1. The Group remits its own funds directly to the investee companies located in Mainland China.
2. Investee company, Monterey Park Finance Limited (B.V.I.), established by the Company and located outside of Taiwan and Mainland China, remits its own funds directly to the investee companies located in Mainland China.
3. Others

Note 3: The columns investment income (loss) recognised by the Company for the current period were based on the audited financial statements of the investees in Mainland China for the same period.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES  
INFORMATION ON MAJOR SHAREHOLDERS  
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Table 11

Major Shareholder Name	Number of Shares Held	Ownership (%)
Foxconn (Far East) Limited	305,515,627	33.86%
Capital Securities investment account for 2018 2nd discretionary investment mandate for New Labor Pension Fund	54,699,811	6.06%