# PAN-INTERNATIONAL INDUSTRIAL CORP. AND SUBSIDIARIES
# CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
## THIRD QUARTER IN 2020 AND 2019
## (STOCK CODE 2328)

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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 difference in the interpretation between the two versions, the Chinese language auditors' report and financial statements shall prevail.

Pan-International Industrial Corp. and Subsidiaries

Consolidated financial reports and review report of independent accountants

3rd quarter in 2020 and 2019

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Independent Auditors' Review Report

(2020) Tsai-Shen-Bao-Zi No. 20001957

To Pan-International Industrial Corp.

## Foreword

The consolidated balance sheet of Pan-International Industrial Corp. and its subsidiaries (hereafter, Pan-International Group) as of September 30, 2020 and 2019, the consolidated comprehensive income statement from July 1 to September 30, 2020 and 2019 and from January 1 to September 30, 2020 and 2019, the consolidated statement of changes in equity and consolidated cash flow statement from January 1 to September 30, 2020 and 2019, as well as the notes to the consolidated financial statements (including the summary of significant accounting policies), have been duly verified by us. It is the responsibility of the management to prepare properly expressed consolidated financial reports in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" recognized and released by the Financial Supervisory Commission, and our responsibility is to conclude the consolidated financial reports based on the review results.

## Scope

Except for retaining the statement in the basis paragraph of the qualified opinion, we conducted the review in accordance with the "Review of financial reports" of the Statement of Auditing Standards (SAS) No. 65. The procedures to be carried out in reviewing the consolidated financial reports include inquiry (mainly with the person in charge of financial and accounting affairs), analytical procedures, and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Basis for Qualified Conclusion

As stated in notes 4(3) and 6(7) to the consolidated financial reports, the financial reports of the same period of some non-significant subsidiaries are included in the consolidated financial reports mentioned above and investments by equity method have not been verified by us. The total assets as of September 30, 2020 and 2019 (including investment by equity method) were NT$2,862,346 thousand and NT$3,160,760 thousand respectively, accounting for 14% and 15% of the total consolidated assets, while the total liabilities were NT$1,496,706 thousand and NT$1,796,324 thousand respectively, accounting for 19% and 20% of the total consolidated liabilities; their comprehensive profit and loss from July 1 to September 30, 2020 and 2019 and of from January 1 to September 30, 2020 and 2019 were NT$33,249 thousand and NT$34,153 thousand, and NT$57,209 thousand and NT$14,116 thousand, accounting for 5%, 16%, 16%, and 3% of the consolidated comprehensive income respectively.

## Conclusion

According to our review results and the review report by other independent auditors (please refer to the Other item), except that the financial reports of the non-significant subsidiaries and investments by equity method mentioned in the basis paragraph of the qualified opinion, if audited by us, may lead to adjustments to the consolidated financial reports, it is not found that the consolidated financial reports above have not been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the "Interim Financial Reporting" of IAS 34 recognized and released by the Financial Supervisory Commission which may lead to the inability to properly express the consolidated financial status of Pan-International Industrial Corp. and its subsidiaries as of September 30, 2020 and 2019, and the consolidated financial performance from July 1 to September 30, 2020 and 2019 and from January 1 to September 30, 2020 and 2019, and the consolidated financial performance and consolidated cash flow from January 1 to September 30, 2020 and 2019.

## Other item - Review by Other Independent Auditors

For some of the subsidiaries included in the consolidated financial reports of the Pan-International Group, their financial reports are not reviewed by us but by other independent auditors. We have implemented a necessary review of the adjustments to the conversion of these subsidiaries' financial reports into consistent accounting policies. Therefore, in our review report pertaining to the consolidated financial reports above, the amounts in the financial reports of these subsidiaries before adjustments are based on the review reports of other independent auditors. Their total assets as of September 30, 2020 and 2019 were NT$4,758,530 thousand and 4,117,878 thousand respectively, accounting for 24% and 19% of the total consolidated assets. Their operating revenue for the period from July 1 to September 30, 2020 and 2019, and from January 1 to September 30, 2020 and 2019 were NT$1,599,098 thousand, NT$1,246,450 thousand, NT$3,095,424 thousand, and NT$3,745,125 thousand respectively, accounting for 30%, 17%, 21%, and 19% of the consolidated operating revenue.

PwC Taiwan

Man-Yu Ruan Lu

Independent Auditors

Min-Chuan Feng

Former Financial Supervisory Commission, Executive Yuan
Approval No.: Jin-Guan-Cheng-Shen-Zi No. 0990058257
Former Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan
Approval No.: Jin-Guan-Cheng-VI-Zi No. 0960038033

November 6, 2020

Pan-International Industrial Corp. and Subsidiaries

Consolidated Balance Sheets

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

(the consolidated balance sheet as of September 30, 2020 and 2019 was only reviewed but not audited according to generally accepted auditing standards)

Unit: NTD thousand

| | | | September 30, 2020 | | December 31, 2019 | | September 30, 2019 | |
|---|---|---|---|---|---|---|---|---|
| | Assets | Note | Amount | % | Amount | % | Amount | % |
| | **Current assets** | | | | | | | |
| 1100 | Cash and cash equivalents | 6 (1) | $ 6,818,552 | 34 | $ 6,200,511 | 29 | $ 5,647,992 | 26 |
| 1110 | Financial assets at FVTPL - Current | 6 (2) | 51,284 | - | 81,511 | - | 71,048 | - |
| 1150 | Net notes receivable | 6 (3) | 131 | - | 6,205 | - | 2,366 | - |
| 1170 | Net accounts receivable | 6 (3) | 2,762,335 | 14 | 2,598,473 | 12 | 3,043,443 | 14 |
| 1180 | Accounts receivable - Related parties net | 7 | 2,312,976 | 11 | 4,093,559 | 19 | 4,839,559 | 22 |
| 1200 | Other receivables | 7 | 85,707 | - | 149,302 | 1 | 94,630 | 1 |
| 130X | Inventory | 6 (4) | 2,113,226 | 11 | 2,493,527 | 11 | 1,963,772 | 9 |
| 1470 | Other current assets | 8 | 167,607 | 1 | 216,781 | 1 | 163,598 | 1 |
| 11XX | **Total current assets** | | 14,311,818 | 71 | 15,839,869 | 73 | 15,826,408 | 73 |
| | **NON-CURRENT ASSETS** | | | | | | | |
| 1517 | Financial assets measured at fair value through other comprehensive income - Non-current | 6 (5) | 2,694,147 | 13 | 2,607,269 | 12 | 2,405,761 | 11 |
| 1535 | Financial assets measured at after-amortization cost - Non-current | 6 (6) and 8 | 1,282 | - | 1,291 | - | 1,306 | - |
| 1550 | Investment by equity method | 6 (7) | 799,782 | 4 | 838,555 | 4 | 847,764 | 4 |
| 1600 | Property, plant, and equipment | 6 (8) and 8 | 1,608,784 | 8 | 1,682,528 | 8 | 1,762,933 | 8 |
| 1755 | Right-of-use assets | 6 (9) | 304,182 | 2 | 393,822 | 2 | 419,440 | 2 |
| 1760 | Net investment property | 6 (10) and 8 | 233,772 | 1 | 151,021 | 1 | 152,802 | 1 |
| 1780 | Intangible asset | 6 (11) | 36,371 | - | 37,142 | - | 37,539 | - |
| 1840 | Deferred tax assets | | 91,484 | 1 | 108,781 | - | 106,267 | 1 |
| 1900 | Other non-current assets | | 19,028 | - | 27,504 | - | 31,401 | - |
| 15XX | **Total non-current assets** | | 5,788,832 | 29 | 5,847,913 | 27 | 5,765,213 | 27 |
| 1XXX | **Total assets** | | $ 20,100,650 | 100 | $ 21,687,782 | 100 | $ 21,591,621 | 100 |

(To be Continued)

Pan-International Industrial Corp. and Subsidiaries

Consolidated Balance Sheets

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

(the consolidated balance sheet as of September 30, 2020 and 2019 was only reviewed but not audited according to generally accepted auditing standards)

Unit: NTD thousand

| | | | September 30, 2020 | | December 31, 2019 | | September 30, 2019 | |
|---|---|---|---|---|---|---|---|---|
| | LIABILITIES AND EQUITY | Note | Amount | % | Amount | % | Amount | % |
| | **Current liability** | | | | | | | |
| 2100 | Short-term borrowings | 6 (12) | $ 1,309,500 | 7 | $ 1,573,950 | 7 | $ 1,873,998 | 9 |
| 2130 | Contractual liabilities - Current | 6 (20) | 431,573 | 2 | 263,111 | 1 | 381,616 | 2 |
| 2170 | Accounts payable | | 2,741,765 | 14 | 3,307,826 | 15 | 3,113,050 | 14 |
| 2180 | Accounts payable - Related parties | 7 | 1,691,780 | 8 | 2,188,793 | 10 | 1,939,827 | 9 |
| 2200 | Other payables | 6 (13) | 823,582 | 4 | 949,138 | 5 | 1,002,696 | 5 |
| 2230 | Current tax liabilities | | 170,205 | 1 | 185,498 | 1 | 248,645 | 1 |
| 2280 | Lease liabilities - Current | 7 | 74,550 | - | 79,387 | 1 | 79,699 | - |
| 2399 | Other current liabilities - Other | | 14,743 | - | 41,222 | - | 24,165 | - |
| 21XX | **Total current liabilities** | | 7,257,698 | 36 | 8,588,925 | 40 | 8,663,696 | 40 |
| | **Non-current liabilities** | | | | | | | |
| 2570 | Deferred tax liabilities | | 266,050 | 1 | 257,574 | 1 | 260,357 | 2 |
| 2580 | Lease liabilities - Non-current | 7 | 162,296 | 1 | 215,900 | 1 | 238,510 | 1 |
| 2600 | Other non-current liabilities | | 52,188 | - | 47,449 | - | 45,527 | - |
| 25XX | **Total non-current liabilities** | | 480,534 | 2 | 520,923 | 2 | 544,394 | 3 |
| 2XXX | **Total liabilities** | | 7,738,232 | 38 | 9,109,848 | 42 | 9,208,090 | 43 |
| | **Equity attributable to owners of the parent company** | | | | | | | |
| | Share capital | 6 (15) | | | | | | |
| 3110 | Common share capital | | 5,183,462 | 26 | 5,183,462 | 24 | 5,183,462 | 24 |
| | Capital surplus | 6 (16) | | | | | | |
| 3200 | Capital surplus | | 1,503,606 | 7 | 1,503,606 | 8 | 1,503,606 | 7 |
| | Retained earnings | 6 (17) | | | | | | |
| 3310 | Legal reserve | | 1,062,342 | 5 | 959,410 | 4 | 959,410 | 4 |
| 3320 | Special reserve | | 1,312,274 | 7 | 883,205 | 4 | 883,205 | 4 |
| 3350 | Unappropriated earnings | | 3,159,793 | 16 | 3,741,403 | 17 | 3,699,808 | 17 |
| | Other equities | 6 (18) | | | | | | |
| 3400 | Other equities | | ( 1,348,414 ) | ( 7 ) | ( 1,312,274 ) | ( 6 ) | ( 1,448,878 ) | ( 6 ) |
| 31XX | **Total equity attributable to owners of the parent company** | | 10,873,063 | 54 | 10,958,812 | 51 | 10,780,613 | 50 |
| 36XX | **Non-controlling interests** | 6 (19) | 1,489,355 | 8 | 1,619,122 | 7 | 1,602,918 | 7 |
| 3XXX | **Total equity** | | 12,362,418 | 62 | 12,577,934 | 58 | 12,383,531 | 57 |
| | Significant Contingent Liabilities and Unrecognized Commitments | 9 | | | | | | |
| 3X2X | **Total liabilities and equity** | | $ 20,100,650 | 100 | $ 21,687,782 | 100 | $ 21,591,621 | 100 |

The attached notes to the consolidated financial report are part of this consolidated financial report. Please refer to them, too.

Chairman: Sung-Fa Lu　　Manager: Sung-Fa Lu　　Accounting supervisor: Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to September 30, 2020 and 2019
(Only reviewed, but not audited according to generally accepted auditing standards)

Unit: NTD thousand
(except in NTD for earnings per share)

| | Item | Note | July 1 to September 30, 2020 Amount | % | July 1 to September 30, 2019 Amount | % | January 1 to September 30, 2020 Amount | % | January 1 to September 30, 2019 Amount | % |
|---|---|---|---|---|---|---|---|---|---|---|
| 4000 | Operating revenue | 6 (20) and 7 | $ 5,412,622 | 100 | $ 7,188,587 | 100 | $ 15,061,690 | 100 | $ 19,344,132 | 100 |
| 5000 | Operating cost | 6 (4) (23) and 7 | ( 4,599,734 ) | ( 85 ) | ( 6,225,114 ) | ( 87 ) | ( 13,586,742 ) | ( 90 ) | ( 17,445,780 ) | ( 90 ) |
| 5900 | Operating profit margin | | 812,888 | 15 | 963,473 | 13 | 1,474,948 | 10 | 1,898,352 | 10 |
| | Operating expenses | 6 (23) | | | | | | | | |
| 6100 | Selling and marketing expenses | | ( 56,639 ) | ( 1 ) | ( 71,356 ) | ( 1 ) | ( 160,783 ) | ( 1 ) | ( 193,050 ) | ( 1 ) |
| 6200 | General and administrative expenses | | ( 205,182 ) | ( 4 ) | ( 182,801 ) | ( 2 ) | ( 546,199 ) | ( 4 ) | ( 497,906 ) | ( 3 ) |
| 6300 | Research and development expenses | | ( 74,311 ) | ( 2 ) | ( 71,787 ) | ( 1 ) | ( 186,833 ) | ( 1 ) | ( 201,677 ) | ( 1 ) |
| 6450 | Expected credit impairment benefit (loss) | 12 (2) | ( 4,777 ) | - | 2,210 | - | ( 16,931 ) | - | 8,183 | - |
| 6000 | Total operating expenses | | ( 340,909 ) | ( 7 ) | ( 323,734 ) | ( 4 ) | ( 910,746 ) | ( 6 ) | ( 884,450 ) | ( 5 ) |
| 6900 | Operating profit | | 471,979 | 8 | 639,739 | 9 | 564,202 | 4 | 1,013,902 | 5 |
| | Non-operating income and expense | | | | | | | | | |
| 7100 | Interest income | | 25,712 | - | 23,487 | - | 88,008 | - | 75,262 | - |
| 7010 | Other income | 6 (21) | 39,427 | 1 | 29,937 | - | 113,213 | 1 | 66,424 | - |
| 7020 | Other gains and losses | 6 (22) | ( 67,834 ) | ( 1 ) | 126,866 | 2 | 5,194 | - | 328,183 | 2 |
| 7050 | Financial costs | 6 (24) | ( 4,877 ) | - | ( 10,460 ) | - | ( 31,808 ) | - | ( 47,131 ) | - |
| 7060 | Share of profits and losses of affiliated companies and joint ventures recognized by the equity method | 6 (7) | ( 3,908 ) | - | ( 14,730 ) | - | ( 38,772 ) | - | ( 36,905 ) | - |
| 7000 | Total non-operating income and expenses | | ( 11,480 ) | - | 155,100 | 2 | 135,835 | 1 | 385,833 | 2 |
| 7900 | **Net income before tax** | | 460,499 | 8 | 794,839 | 11 | 700,037 | 5 | 1,399,735 | 7 |
| 7950 | Income tax expense | 6 (25) | ( 125,378 ) | ( 2 ) | ( 184,428 ) | ( 2 ) | ( 218,758 ) | ( 2 ) | ( 326,351 ) | ( 1 ) |
| 8200 | **Net income for the period** | | $ 335,121 | 6 | $ 610,411 | 9 | $ 481,279 | 3 | $ 1,073,384 | 6 |

(To be Continued)

Pan-International Industrial Corp. and Subsidiaries

Consolidated Statements of Comprehensive Income

January 1 to September 30, 2020 and 2019

(Only reviewed, but not audited according to generally accepted auditing standards)

Unit: NTD thousand

(except in NTD for earnings per share)

| | Item | Note | July 1 to September 30, 2020 Amount | % | July 1 to September 30, 2019 Amount | % | January 1 to September 30, 2020 Amount | % | January 1 to September 30, 2019 Amount | % |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Items that will not be reclassified subsequently to profit or loss** | | | | | | | | | |
| 8316 | Unrealized evaluation profit and loss of equity instrument investment measured at fair value through other comprehensive income | 6 (18) | $ 173,500 | 3 | ($ 117,151) | (2) | $ 137,425 | 1 | ($ 412,689) | (2) |
| 8310 | Total of items not reclassified to profit or loss | | 173,500 | 3 | (117,151) | (2) | 137,425 | 1 | (412,689) | (2) |
| | **Items that may be reclassified subsequently to profit or loss:** | | | | | | | | | |
| 8361 | Currency translation difference | 6 (18 (19) | 110,033 | 2 | (279,659) | (4) | (252,317) | (2) | (154,282) | (1) |
| 8360 | Total of items that may be reclassified subsequently to profit or loss: | | 110,033 | 2 | (279,659) | (4) | (252,317) | (2) | (154,282) | (1) |
| 8300 | **Other comprehensive income (net)** | | $ 283,533 | 5 | ($ 396,810) | (6) | ($ 114,892) | (1) | ($ 566,971) | (3) |
| 8500 | **Total comprehensive income in the current period** | | $ 618,654 | 11 | $ 213,601 | 3 | $ 366,387 | 2 | $ 506,413 | 3 |
| | NET PROFIT ATTRIBUTABLE TO: | | | | | | | | | |
| 8610 | Owners of the parent company | | $ 294,699 | 5 | $ 541,831 | 8 | $ 468,737 | 3 | $ 984,125 | 5 |
| 8620 | Non-controlling interests | | 40,422 | 1 | 68,580 | 1 | 12,542 | - | 89,259 | 1 |
| | | | $ 335,121 | 6 | $ 610,411 | 9 | $ 481,279 | 3 | $ 1,073,384 | 6 |
| | Total comprehensive income attributable to: | | | | | | | | | |
| 8710 | Owners of the parent company | | $ 566,412 | 10 | $ 167,889 | 2 | $ 432,597 | 2 | $ 418,452 | 3 |
| 8720 | Non-controlling interests | | 52,242 | 1 | 45,712 | 1 | (66,210) | - | 87,961 | - |
| | | | $ 618,654 | 11 | $ 213,601 | 3 | $ 366,387 | 2 | $ 506,413 | 3 |
| | Earnings per share (EPS) | 6 (26) | | | | | | | | |
| 9750 | Basic earnings per share | | $ 0.57 | | $ 1.05 | | $ 0.90 | | $ 1.90 | |
| 9850 | Diluted earnings per share | | $ 0.57 | | $ 1.04 | | $ 0.90 | | $ 1.89 | |

The attached notes to the consolidated financial report are part of this consolidated financial report. Please refer to them, too.

Chairman: Sung-Fa Lu Manager: Sung-Fa Lu Accounting supervisor: Feng-An Huang

# Pan-International Industrial Corp. and Subsidiaries

## Consolidated Statements of Changes Equity

## January 1 to September 30, 2020 and 2019

(Only reviewed, but not audited according to generally accepted auditing standards)

Unit: NTD thousand

| | | Equity attributable to owners of the parent company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Capital surplus | | Retained earnings | | | Other equities | | | | |
| | Note | Common share capital | Capital reserve - Issuance premium | Capital reserve - Treasury share transaction | Legal reserve | Special reserve | Unappropriated earnings | Currency translation difference | Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income | Total | Non-controlling interests | Total Equity |
| 2019 | | | | | | | | | | | | |
| Balance on January 1 | | $ 5,183,462 | $ 1,402,318 | $ 101,288 | $ 840,872 | $ 496,898 | $ 3,790,709 | ($ 783,138) | ($ 100,067) | $ 10,932,342 | $ 1,580,757 | $ 12,513,099 |
| Net income for the period | | - | - | - | - | - | 984,125 | - | - | 984,125 | 89,259 | 1,073,384 |
| Other comprehensive income recognized for the period | 6 (18) | - | - | - | - | - | - | (152,984) | (412,689) | (565,673) | (1,298) | (566,971) |
| Total comprehensive income in the current period | | - | - | - | - | - | 984,125 | (152,984) | (412,689) | 418,452 | 87,961 | 506,413 |
| Earnings distribution and appropriation for 2018: | 6 (17) | | | | | | | | | | | |
| Provision of legal reserve | | - | - | - | 118,538 | - | (118,538) | - | - | - | - | - |
| Provision of special reserve | | - | - | - | - | 386,307 | (386,307) | - | - | - | - | - |
| Cash dividends | | - | - | - | - | - | (570,181) | - | - | (570,181) | - | (570,181) |
| Decrease in non-controlling interests | 6 (19) | - | - | - | - | - | - | - | - | - | (65,800) | (65,800) |
| Balance as at September 30 | | $ 5,183,462 | $ 1,402,318 | $ 101,288 | $ 959,410 | $ 883,205 | $ 3,699,808 | ($ 936,122) | ($ 512,756) | $ 10,780,613 | $ 1,602,918 | $ 12,383,531 |
| 2020 | | | | | | | | | | | | |
| Balance on January 1 | | $ 5,183,462 | $ 1,402,318 | $ 101,288 | $ 959,410 | $ 883,205 | $ 3,741,403 | ($ 1,061,916) | ($ 250,358) | $ 10,958,812 | $ 1,619,122 | $ 12,577,934 |
| Net income for the period | | - | - | - | - | - | 468,737 | - | - | 468,737 | 12,542 | 481,279 |
| Other comprehensive income recognized for the period | 6 (18) | - | - | - | - | - | - | (173,565) | 137,425 | (36,140) | (78,752) | (114,892) |
| Total comprehensive income in the current period | | - | - | - | - | - | 468,737 | (173,565) | 137,425 | 432,597 | (66,210) | 366,387 |
| Earnings distribution and provisions for 2019: | 6 (17) | | | | | | | | | | | |
| Provision of legal reserve | | - | - | - | 102,932 | - | (102,932) | - | - | - | - | - |
| Provision of special reserve | | - | - | - | - | 429,069 | (429,069) | - | - | - | - | - |
| Cash dividends | | - | - | - | - | - | (518,346) | - | - | (518,346) | - | (518,346) |
| Decrease in non-controlling interests | 6 (19) | - | - | - | - | - | - | - | - | - | (63,557) | (63,557) |
| Balance as at September 30 | | $ 5,183,462 | $ 1,402,318 | $ 101,288 | $ 1,062,342 | $ 1,312,274 | $ 3,159,793 | ($ 1,235,481) | ($ 112,933) | $ 10,873,063 | $ 1,489,355 | $ 12,362,418 |

The attached notes to the consolidated financial report are part of this consolidated financial report. Please refer to them, too.

Chairman: Sung-Fa Lu　　Manager: Sung-Fa Lu　　Accounting supervisor: Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries

Consolidated Statements of Cash Flows

January 1 to September 30, 2020 and 2019

(Only reviewed, but not audited according to generally accepted auditing standards)

Unit: NTD thousand

| | Note | January 1 to September 30, 2020 | January 1 to September 30, 2019 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before income tax | | $ 700,037 | $ 1,399,735 |
| Adjustments | | | |
| income and expenses items | | | |
| Depreciation expenses and amortizations | 6 (23) | 296,143 | 328,068 |
| Expected credit impairment reversal loss (profit) | 12 (2) | 16,931 | ( 8,183 ) |
| Net benefits of financial assets and liabilities measured at fair value through the income | 6 (22) | ( 23,597 ) | ( 23,146 ) |
| Interest expense | 6 (24) | 31,808 | 47,131 |
| Interest income | | ( 88,008 ) | ( 75,262 ) |
| Dividend income | 6 (21) | ( 11,678 ) | ( 6,886 ) |
| Income from rental reduction | | ( 4,308 ) | - |
| Share of profits and losses of affiliated companies recognized by the equity method | 6 (7) | 38,772 | 36,905 |
| Unrealized foreign exchange gain | | ( 40,800 ) | - |
| Net loss from the disposal of property, plant and equipment | 6 (22) | 453 | 7,740 |
| Net profit from the disposal of non-current assets pending for sale | 6 (22) | - | ( 145,112 ) |
| Changes in assets/liabilities related to business activities | | | |
| Net change in assets related to business activities | | | |
| Financial assets and liabilities measured at fair value through the income | | 50,461 | 21,451 |
| Net notes receivable | | 6,074 | ( 2,182 ) |
| Net accounts receivable | | ( 239,453 ) | ( 249,127 ) |
| Accounts receivable - Related parties net | | 1,758,368 | 928,936 |
| Other receivables | | 46,061 | 128,759 |
| Inventory | | 332,497 | 772,503 |
| Other current assets | | 19,839 | ( 31,266 ) |
| Net change in liabilities related to business activities | | | |
| Accounts payable | | ( 528,906 ) | ( 1,115,063 ) |
| Accounts payable - Related parties | | ( 484,109 ) | ( 315,384 ) |
| Other payables | | ( 153,327 ) | 26,054 |
| Other current liabilities | | ( 25,221 ) | 5,061 |
| Contractual liabilities | | 168,462 | ( 17,997 ) |
| Other non-current liabilities | | 4,739 | 4,732 |
| Cash inflow from operations | | 1,871,238 | 1,717,467 |
| Income tax paid | | ( 245,515 ) | ( 245,861 ) |
| Net cash inflow from business activities | | 1,625,723 | 1,471,606 |
| Cash flows from investing activities | | | |
| Acquisition of financial assets measured at after-amortization cost | | - | ( 2,738,012 ) |
| Disposal of financial assets measured at after-amortization cost | | - | 3,442,005 |
| Purchase property, plant and equipment assets | 6 (27) | ( 266,996 ) | ( 226,253 ) |
| Proceeds from disposal of property, plant and equipment | | 38,861 | 32,239 |
| Proceeds from disposal of non-current assets pending for sale | | - | 246,191 |
| Decrease in refundable deposits | | 87 | - |
| Increase in other non-current assets | | ( 1,599 ) | ( 333 ) |
| Interest received | | 88,272 | 74,951 |
| Dividend received | | 11,678 | 6,886 |
| Net cash inflow (outflow) from investment activities | | ( 129,697 ) | 837,674 |
| Cash flows from financing activities | | | |
| Decrease in short-term borrowings | 6 (28) | ( 223,650 ) | ( 306,350 ) |
| Cash dividend payment | 6 (17) | ( 518,346 ) | ( 570,181 ) |
| Interest paid | | ( 30,412 ) | ( 44,161 ) |
| Number of cash dividends paid to non-controlling interests | 6 (19) | ( 63,557 ) | ( 65,800 ) |
| Lease principal repayment | | ( 42,206 ) | ( 27,871 ) |
| Net cash outflow from financing activities | | ( 878,171 ) | ( 1,014,363 ) |
| Effects of exchange rate changes on the balance of cash and cash equivalents | | 186 | ( 90,293 ) |
| Increase in cash and cash equivalents in the current period | | 618,041 | 1,204,624 |
| Cash and cash equivalents at the beginning of the period | | 6,200,511 | 4,443,368 |
| Cash and cash equivalents at the end of the period | | $ 6,818,552 | $ 5,647,992 |

The attached notes to the consolidated financial report are part of this consolidated financial report. Please refer to them, too.

Chairman: Sung-Fa Lu    Manager: Sung-Fa Lu    Accounting supervisor: Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries
Notes to consolidated financial reports
Third Quarter in 2020 and 2019
(Only reviewed, but not audited according to generally accepted auditing standards)

Unit: NTD thousand
(unless otherwise noted)

## I. Organization and operations

Pan-International Industrial Corp. (hereinafter referred to as "the Company") was established in the Republic of China. The main business activities of the Company and its subsidiaries (hereinafter referred to as "the Group") are the development, manufacturing, and sales of computer peripheral products and components such as electronic signal cables, connectors, electronic signal cables with connectors, precision molds, and printed circuit boards.

## II. The Authorization of Financial Reports

This consolidated financial report was announced after being submitted to the Board of Directors on November 6, 2020.

## III. Application of Newly Released and Revised Standards and Interpretations

### (1) The impact of the adoption of the new and revised International Financial Reporting Standards (IFRS) approved by the Financial Supervisory Commission (FSC)

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

| New issued/amended/revised standards and interpretations | Effective date of the release of the International Accounting Standards Board |
|---|---|
| Amendments to IAS 1 and IAS 8 "Disclosure initiative - Definition of materiality" | January 1, 2020 |
| Amendment to IFRS 3 "Definition of business" | January 1, 2020 |
| Amendments to IFRS 9, IAS 39, and IFRS 7 "Interest Rate Benchmark Reform" | January 1, 2020 |
| Amendment to IFRS 16 "Rent reduction related to new coronavirus pneumonia" | June 1, 2020 (Note) |

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

In addition to the following, the Group has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Group.

Amendment to IFRS 16 "Rent reduction related to new coronavirus pneumonia"

This amendment provides a practical relief, whereby the leasee, after satisfying the following conditions in regard to COVID-19 related rent reduction, may opt not to evaluate whether to account for lease modification. The change in lease payment due to the rent reduction during the relief period is processed according to floating lease payment:

(1) The consideration after a change in lease payment due to lease modification is almost equal or smaller than the consideration before modification;

(2) Any reduction in the lease payment only affects the payments due before June 30, 2021; further,

(3) the other terms and conditions of the lease do not have any substantial changes.

The Group has adopted this practical relief and increased other income by NT$4,308 for the period between January 1 and September 30, 2020.

(2) Impact of not adopting the new and revised International Financial Reporting Standards approved by the FSC

The following table sets forth the standards and interpretations for the new issues, amendments, and revisions of International Financial Reporting Standards (IFRS) recognized by the FSC for application in 2021:

| New issued/amended/revised standards and interpretations | Effective date of the release of the International Accounting Standards Board |
|---|---|
| Amendment to IFRS 4 “Extension of temporary exemption from the application of IFRS 9” | January 1, 2021 |

The Group has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Group.

(3) Impact of International Financial Reporting Standards issued by the International Accounting Standards Board not yet approved by the FSC

The following table summarizes the newly issued, amended, and revised standards and interpretations of International Financial Reporting Standards issued by the IASB but not yet recognized by the FSC:

| New issued/amended/revised standards and interpretations | Effective date of the release of the International Accounting Standards Board |
|---|---|
| Amendment to IFRS 3 “Index to conceptual framework” | January 1, 2022 |
| Amendments to IFRS 10 and IAS 28 “Asset sales or investments between investors and their associated enterprises or joint ventures” | To be decided by IASB |
| IFRS 17 “Insurance contracts” | January 1, 2023 |
| Amendment to IFRS 17 “Insurance contracts” | January 1, 2023 |
| Amendment to IAS 1 “Classification of current or non-current liabilities” | January 1, 2023 |
| Amendment to IAS 16 “Property, plant and equipment: price before reaching intended use” | January 1, 2022 |
| Amendment to IAS 37 “Loss contracts - Cost of performing contracts” | January 1, 2022 |
| Annual improvement from 2018 to 2020 | January 1, 2022 |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 second stage “Interest Rate Benchmark Reform - Phase 2.” | January 1, 2021 |

The Group has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Group.

IV. Summary of Significant Accounting Policies

The major accounting policies adopted in the preparation of this consolidated financial report are as follows. Unless otherwise stated, these policies apply consistently throughout the reporting period.

(1) Statement of compliance

This consolidated financial report is prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard No. 34 "Interim financial reporting" approved by the FSC.

(2) Basis of preparation

1. Except for the following important items, this consolidated financial report is prepared at historical cost:

(1) Financial assets and liabilities (including derivatives) are measured at fair value through income.

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

(3) Defined benefit liabilities are recognized according to the net amount of retirement fund assets minus the present value of defined benefit obligations.

2. The preparation of financial reports in accordance with the International Financial Reporting Standards, International Accounting Standards, Interpretation and Interpretation Announcements (hereinafter referred to as IFRSs) recognized by the FSC requires the use of some important accounting estimates. In the application of the Group's accounting policies, the management also needs to use its judgment, involving items with high judgment or complexity, or major assumptions and estimates involving consolidated financial reports. Please refer to note 5 for details.

(3) Basis of consolidation

1. Principles for preparation of consolidated financial reports

(1) All subsidiaries of the Group are included in the individual entities of the consolidated financial reports. Subsidiaries refer to individual entities (including structured individual entities) controlled by the Group. When the Group is exposed to or entitled to variable remuneration from participation in an individual entity, and can influence such remuneration through the power over the individual entity, the Group controls such an individual entity. Subsidiaries are included in the consolidated financial reports from the date when the Group obtains their control, and the merger is terminated from the date of loss of control.

(2) Intra-group transactions, balances, and unrealized gains and losses have been eliminated. Necessary adjustments have been made to the accounting policies of the subsidiaries which are consistent with the policies adopted by the Group.

(3) The components of profit and loss and other comprehensive income are attributable to the owners and non-controlling interests of the parent company; the total amount of comprehensive income is also attributable to the owners and non-controlling interests of the parent company, even if it results in a loss of the balance of non-controlling interests.

(4) Change in a parent's ownership interest in a subsidiary that does not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as an equity transaction, that is, a transaction with owners in their capacity as owners. The difference between the adjustment amount of a non-controlling interest and the fair value of the consideration paid or received is directly recognized under equity.

(5) When the Group loses control over a subsidiary, the remaining investment in this subsidiary is re-measured at fair value and is regarded as the fair value of the originally recognized financial assets or the cost on initial recognition of the associate or joint venture. Any difference between the fair value and the book value is recognized as the current profit and loss. All amounts previously recognized in other comprehensive income related to the subsidiary are reclassified as profit and loss.

2. Subsidiaries listed in the consolidated financial reports:

| Name | Name | Main Business | % of Ownership September 30, 2020 | December 31, 2019 | September 30, 2019 | Explanation |
|---|---|---|---|---|---|---|
| Pan-International Industrial Corp. | PAN-INTERNATIONAL ELECTRONICS INC.(PIU) | Engaged in the import and sales of various electronic products. | 100 | 100 | 100 | (2) |
| Pan-International Industrial Corp. | Pan Global Holding Co., Ltd. (PGH) | Engaged in reinvestment in the Asia Pacific and mainland China businesses, and production and manufacturing of electronic signal cables, connectors, and computer peripheral products. | 100 | 100 | 100 | (1) (2) |
| Pan-International Industrial Corp. | Yen Yung International Investment Co., Ltd | Engaged in the domestic investment business. | 100 | 100 | 100 | (2) |

(1) PGH's subsidiary, Bristech International Ltd., Great Support International Ltd, and sub-subsidiary, NCIH International Holdings Ltd were dissolved in September 2020.

(2) Please refer to Schedule 8 for the detailed disclosure of information on the indirect reinvestment by the subsidiary above in mainland China companies.

(3) The financial reports of some insignificant subsidiaries of the Group have not been reviewed by an independent auditor.

3. Subsidiaries not included in the consolidated financial reports: No such situation.

4. Different adjustment and treatment methods of subsidiary accounting period: No such situation.

5. Major limitation: No such situation.

6. Subsidiaries with significant non-controlling interests in the Group

The total amount of non-controlling interests of the Group as of September 30, 2020, and December 31 and September 30, 2019 were NT$1,489,355, NT$1,619,122, and NT$1,602,918 respectively. The following is the information about the significant non-controlling interests of the Group and its subsidiaries:

| | | Non-controlling interests | | | | | |
|---|---|---|---|---|---|---|---|
| | Main business location | September 30, 2020 | | December 31, 2019 | | September 30, 2019 | |
| Investee | | Amount | Shareholding percentage | Amount | Shareholding percentage | Amount | Shareholding percentage |
| P.I.E. INDUSTRIAL BERHAD | Malaysia | $ 1,449,964 | 49 | $ 1,554,282 | 49 | $ 1,538,076 | 49 |

Summary financial information of subsidiaries:

Balance sheet

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|---|---|---|
| Current assets | $ 3,786,925 | $ 3,041,706 | $ 3,172,032 |
| Non-current assets | 862,046 | 825,779 | 858,569 |
| Current liability | ( 1,634,075 ) | ( 616,392 ) | ( 816,698 ) |
| Non-current liabilities | ( 30,203 ) | ( 39,604 ) | ( 39,523 ) |
| Net total assets | $ 2,984,693 | $ 3,211,489 | $ 3,174,380 |

Comprehensive Income Statement

| | July 1 to September 30, 2020 | July 1 to September 30, 2019 |
|---|---|---|
| Income | $ 1,599,098 | $ 1,246,450 |
| Net income before tax | 120,007 | 169,520 |
| Income tax expense | ( 24,437 ) | ( 34,001 ) |
| Net income for the period | 95,570 | 135,519 |
| Other comprehensive income (after tax) | 21,519 | ( 39,383 ) |
| Total comprehensive income in the current period | $ 117,089 | $ 96,136 |
| Total comprehensive profit and loss attributable to non-controlling interests | $ 56,882 | $ 46,716 |

| | January 1 to September 30, 2020 | January 1 to September 30, 2019 |
|---|---|---|
| Income | $ 3,095,424 | $ 3,745,125 |
| Net income before tax | 98,008 | 244,572 |
| Income tax expense | ( 21,656 ) | ( 54,361 ) |
| Net income for the period | 76,352 | 190,211 |
| Other comprehensive income (after tax) | ( 160,255 ) | 2,830 |
| Total comprehensive income in the current period | ( $ 83,903 ) | $ 193,041 |
| Total comprehensive profit and loss attributable to non-controlling interests | ( $ 40,760 ) | $ 93,792 |

Cash Flow Statement

| | January 1 to September 30, 2020 | January 1 to September 30, 2019 |
|---|---|---|
| Net cash inflow from business activities | $ 80,880 | $ 458,614 |
| Net cash outflow from investment activities | ( 142,924 ) | ( 85,152 ) |
| Net cash outflow from financing activities | ( 135,279 ) | ( 288,978 ) |
| Effects of exchange rate changes on the balance of cash and cash equivalents | ( 36,703 ) | 2,101 |
| Increase (decrease) in cash and cash equivalents in the current period | ( 234,026 ) | 86,585 |
| Cash and cash equivalents at the beginning of the period | 1,227,197 | 897,270 |

| | | |
|---|---|---|
| Cash and cash equivalents at the end of the period | $ 993,171 | $ 983,855 |

(4) <u>Foreign exchange conversion</u>

1. The presentation currency of this consolidated financial report is the functional currency of the Company, “NTD”.

2. Foreign currency transactions and balances

(1) Foreign currency transactions are converted into the functional currency at the spot exchange rate on the transaction date or measurement date, and the conversion difference arising from the conversion of such transactions is recognized as current profit and loss.

(2) The balance of foreign currency monetary assets and liabilities shall be evaluated and adjusted at the spot exchange rate on the balance sheet date, and the conversion difference arising from the adjustment shall be recognized as the current profit and loss.

(3) The balance of non-monetary assets and liabilities in foreign currency measured at fair value through income shall be evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the exchange difference arising from the adjustment shall be recognized as the current profit and loss; if the balance is measured at fair value through other comprehensive income, it shall be evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the exchange difference arising from the adjustment shall be recognized in others comprehensive income; if it is not measured by fair value, it is measured according to the historical exchange rate on the initial trading day.

(4) All exchange gains and losses are reported in “other gains and losses” in the income statement.

3. Conversion of foreign operations

(1) For all group individuals and affiliated enterprises whose functional currency is different from the presentation currency, their operating results and financial status shall be converted into the presentation currency in the following ways:

A. The assets and liabilities expressed in each balance sheet are converted at the spot exchange rate on the balance sheet date;

B. The income and expense losses expressed in each consolidated income statement are converted at the current average exchange rate; and

C. All exchange differences arising from the conversion are recognized in other comprehensive income.

D. When the foreign operation which is partially disposed of or sold is a subsidiary, the accumulated exchange difference recognized in other comprehensive income is returned to the non-controlling interest of the foreign operation on a pro-rata basis. However, if the Group still retains part of its interest in the aforementioned subsidiary, but has lost control of the subsidiary of the foreign operation, it shall be treated as a disposal of all the rights and interests of the foreign operation.

(2) Goodwill and fair value adjustments arising from the acquisition of a foreign individual entity are treated as assets and liabilities of the foreign individual entity and are converted at the exchange rate at the end of the period.

(5) <u>Classification criteria for current and non-current assets and liabilities</u>

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

(1) The asset is expected to be realized in the normal business cycle or intended to be sold or consumed.

(2) Held mainly for trading purposes.

(3) Expected to be realized within 12 months after the balance sheet date.

(4) Cash or cash equivalents, except for those to be exchanged or used to settle liabilities in at least 12 months after the balance sheet date.

The Group classifies all assets that do not meet the conditions above as non-current.

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

(1) Those that are expected to be settled in the normal business cycle.

(2) Held mainly for trading purposes.

(3) Expected to be settled within 12 months after the balance sheet date.

(4) The repayment period cannot be unconditionally deferred to at least 12 months after the balance sheet date. The terms of the liabilities may be based on the choice of the counterparty; the fact that the liabilities are settled due to the issuance of equity instruments does not affect its classification.

The Group classifies all liabilities that do not meet the above conditions as non-current.

(6) Cash equivalents

Cash equivalents refer to short-term and highly liquid investments that can be converted into a fixed amount of cash at any time with little risk of change in value. Time deposits that meet the definition above and are held to meet short-term cash commitments in operation are classified as cash equivalents.

(7) Financial assets at FVTPL

1. Financial assets measured at fair value through income refer to financial assets held for trading. Financial assets are classified as held for trading if they are mainly to be sold in a short period at the time of acquisition. Derivatives are classified as financial assets held for trading, except those designated as hedging items according to hedge accounting.

2. The Group adopts transaction day accounting for financial assets measured at fair value through income in compliance with trading practices.

3. The Group measures their fair value at the time of original recognition, while relevant transaction costs are recognized as current profit and loss. Subsequently, they are measured at fair value and changes in profit or loss are recognized in profit or loss.

4. When the right to receive dividends is established, the economic benefits related to dividends are likely to flow in and the number of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.

(8) Financial assets at FVTOCI

1. Financial assets at FVTOCI refer to an irrevocable choice at the time of initial recognition to report changes in the fair value of equity instrument investments that are not held for trading in other comprehensive income; or debt instrument investments that meet the following conditions at the same time:

(1) The financial asset is held under the business model to collect contractual cash flow and for sale.

(2) The cash flow generated on a specific date from the contractual terms of the financial assets is entirely the interest in the payment of the principal and the outstanding principal amount.

2. The Group adopts transaction day accounting for financial assets measured at fair value through other comprehensive income in accordance with trading practices.

3. The Group measures their fair value plus transaction costs at the time of original recognition, and is subsequently measured at fair value:

(1) Changes in the fair value of equity instruments are recognized in other comprehensive income. At the time of derecognition, the accumulated profits or losses previously recognized in other comprehensive income shall not be reclassified to profit or loss but transferred to retained earnings. When the right to receive dividends is established, the economic benefits related to dividends are likely to flow in and the number of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.

(2) Changes in the fair value of debt instruments are recognized in other comprehensive income, while the impairment loss, interest income, and foreign currency exchange gain or loss before derecognition are recognized in profit or loss. At the time of derecognition, the accumulated gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(9) <u>Financial assets measured at after-amortization cost</u>

1. Financial assets measured at after-amortization cost refer to those who meet the following conditions at the same time:

(1) Holding the financial asset under the business model to collect the contractual cash flow.

(2) The cash flow generated on a specific date from the contractual terms of the financial assets is entirely the interest in the payment of the principal and the outstanding principal amount.

2. The Group adopts transaction day accounting for financial assets measured at after-amortization cost in accordance with trading practices.

3. The Group measures its fair value plus transaction cost at the time of original recognition. Subsequently, the effective interest method is adopted to recognize interest income and impairment loss in the current period according to the amortization procedure, and the profit or loss is recognized in profit and loss at the time of derecognition.

4. Due to the short holding period, the fixed deposits held by the Group that does not conform to cash equivalents have an insignificant discount effect and are therefore measured by the investment amount.

(10) <u>Accounts and notes receivable</u>

1. Accounts and notes receivable refer to accounts and notes which, according to the contract, have the unconditional right to receive the amount of consideration obtained from the transfer of goods or services.

2. For short-term accounts and notes receivable with unpaid interest, as they have little effect on discount, the Group measures them based on the original invoice amount.

(11) Impairment of financial assets

On each balance sheet date, the Group takes into account all reasonable and verifiable information (including forward-looking) in respect of debt instrument investment measured at fair value through other comprehensive income, financial assets measured at after-amortization cost, and accounts receivable with significant financial components. If the credit risk does not increase significantly since the original recognition, the loss allowance is measured as 12 months expected credit loss; if the credit risk has increased significantly since the original recognition, the loss allowance is measured according to the expected credit loss amount during the duration; for accounts receivable that do not contain significant financial components, the loss allowance is measured according to the expected credit loss amount during the duration.

(12) Derecognition of financial assets

When the Group's contractual right to receive cash flows from financial assets lapses, the financial assets will be derecognized.

(13) Lessor's lease transaction - Operating lease

Lease income from operating leases, after deducting any incentives given to the lessee, is amortized and recognized as current income on a straight-line method during the lease period.

(14) Inventory

Inventories are measured by the lower of cost and net realizable value, and the cost is determined by the weighted average method. The cost of finished products and work-in-progress includes raw materials, direct labor, other direct costs, and production-related manufacturing expenses (allocated according to normal production capacity), but does not include borrowing costs. When comparing whether the cost or the net realizable value is lower, the item-by-item comparison method is adopted. The net realizable value refers to the balance of the estimated selling price in the normal business process after subtracting the estimated cost that must be invested before completion and related variable sales expenses.

(15) Non-current assets to be sold (or the disposal group)

When the book value of a non-current asset (or the disposal group) is mainly recovered through a sale transaction rather than continued use, and it is highly likely to be sold, then it is classified as an asset for sale and is measured at the lower of its book value or fair value less the cost of sale.

(16) Investment by the equity method - Affiliated enterprises

1. Affiliated enterprises refer to all individual entities in which the Group has a significant influence on them but has no control over them. Generally, the Group directly or indirectly holds more than 20% of its voting rights. The Group's investment in affiliated enterprises is treated with the equity method and recognized at cost when acquired.

2. The Group recognizes the share of profit or loss of the affiliated enterprise as the current income and recognizes the share of other comprehensive income after the acquisition as other comprehensive income. If the Group's share of loss in any affiliated enterprise is equal to or exceeds its interest in the associated enterprise (including any other unsecured receivables), the Group does not recognize any further loss, unless the Group has a legal or constructive obligation to the associated enterprise or has made payments on its behalf.

3. When the equity change of non-profit and loss and other comprehensive income occurs in the affiliated enterprise but does not affect the shareholding ratio in the affiliated enterprise, the Group will recognize the change of equity under the share of the affiliated enterprise as the Group as "capital reserve" according to the shareholding ratio.

4. The unrealized gains and losses arising from the transactions between the Group and its affiliated enterprises have been written off in proportion to the equity in the affiliated enterprises; unless there is evidence showing that the assets transferred by the transaction have been impaired, the unrealized losses will also be eliminated. Necessary adjustments have been made to the accounting policies of affiliated enterprises which are consistent with the policies adopted by the Group.

5. When the Group disposes of an affiliated enterprise, if there is a loss of significant influence on the affiliated enterprise, the accounting treatment of all amounts previously recognized in other comprehensive income related to the affiliated enterprise is the same as if the Group directly disposes of the relevant assets or liabilities, that is, if the interests or losses previously recognized as other comprehensive income will be reclassified as profit and loss, then if there is a loss of significant influence on the affiliated enterprise, the profit or loss will be reclassified as profit and loss from equity. If the Group still has a significant influence on the affiliated enterprise, the amount previously recognized in other comprehensive income shall be transferred out in the above manner only in proportion.

(17) Property, plant, and equipment

1. Property, plant and equipment are recorded based on the acquisition cost, and the relevant interest during the acquisition and construction period is capitalized.

2. Subsequent costs are included in the book value of assets or recognized as a separate asset only when the future economic benefits related to the project are likely to flow into the Group and the cost of the project can be measured reliably. The book value of the reset part should be derecognized. All other maintenance costs are recognized in current profit or loss when incurred.

3. For property, plant and equipment, the cost model is adopted for the subsequent measurement. Except that land is not depreciated, the depreciation is calculated by the straight-line method according to the estimated service life. If the components of property, plant and equipment are significant, they are separately depreciated.

4. The Group reviews the residual value, service life, and depreciation method of each asset at the end of each fiscal year. If the expected value of the residual value or service life is different from the previous estimate, or the expected consumption pattern of the future economic benefits contained in the asset has changed significantly, then from the date of the change, it shall be handled in accordance with the provisions of the International Accounting Standard No. 8 "Accounting Policies, Changes and Errors in Accounting Estimates." The service life of each asset is as follows:

| | |
|---|---|
| Buildings | 20 ~ 40 years |
| Equipment | 2 ~ 10 years |
| Others | 2 ~ 10 years |

(18) Lessee's lease transaction - Right-of-use assets/lease liabilities

1. Lease assets are recognized as right-of-use assets and lease liabilities on the date they are available for use by the Group. When the lease contract is a short-term lease or lease of a low-value target asset, the lease payment shall be recognized as an expense during the lease period by the straight-line method.

2. Lease liabilities are recognized at the present value of the lease payments that have not been paid at the beginning of the lease, at the discounted current value of the Group's incremental borrowing rate.

Subsequently, the interest method is adopted and measured by the after-amortization cost, and interest expenses are provided during the lease period. When the lease period or lease payment changes but not due to contract modification, the lease liabilities will be reassessed and the right-of-use assets will be re-measured.

3. The right-of-use assets are recognized at cost on the lease start date, and the cost is measured based on the original amount of the lease liability.

The subsequent measurement is based on the cost model, and the depreciation expense is calculated when the service life of the right-of-use assets expire or the lease term expires, whichever is earlier. When the lease liabilities are reassessed, any re-measurement of the lease liabilities will be adjusted in the right-of-use assets.

(19) Investment property

Investment property is recognized at the acquisition cost, and the cost model is adopted for the subsequent measurement. Except for land, depreciation is made on a straight-line method based on the estimated service life, and the service life is between 10 and 40 years.

(20) Intangible asset

Goodwill is generated by corporate acquisition based on the purchase method.

(21) Impairment of non-financial assets

1. The Group estimates the recoverable amount of assets with signs of impairment on the balance sheet date. When the recoverable amount is lower than its book value, the impairment loss is recognized. The recoverable amount refers to the fair value of an asset minus disposal cost or its right-of-use value, whichever is higher. Except for goodwill, when there is no impairment or reduction in the assets recognized in the previous year, the impairment loss will be reversed, but the book value of the assets increased by the reversal of the impairment loss shall not exceed the book value of the assets if the impairment loss is not recognized after deduction of the depreciation or amortization.

2. The recoverable amount of goodwill is regularly estimated. When the recoverable amount is lower than its book value, the impairment loss is recognized. The impairment loss of goodwill impairment will not be reversed in subsequent years.

3. Goodwill is allocated to cash-generating units for impairment testing. This allocation is based on the identification of the operating segments, and goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the corporate merger that generates goodwill.

(22) Borrowings

Refers to short-term borrowings from a bank. The Group measures their fair value minus transaction costs at the time of initial recognition, and subsequently, for any difference between the price after deducting transaction costs and the redemption value, the effective interest method is used to recognize interest expenses in profit and loss during the outstanding period according to the amortization procedure.

(23) Notes payable and accounts payable

1. Notes payable and accounts payable refer to debts arising from the purchase of raw materials, commodities, or labor services on credit and notes payable due to business and non-business reasons.

2. For short-term accounts and notes payable that belong to unpaid interest, as the discounting effect is insignificant, the Group uses the original invoice amount to measure the value.

(24) Financial liabilities measured at fair value through the income

1. Financial liabilities are designated to be measured at fair value through income at the time of initial recognition. When financial liabilities meet any of the following conditions, the Group designates them as measured at fair value through income at the time of initial recognition:

(1) They belong to a mixed (combined) contract; or

(2) Inconsistent measurement or recognition can be eliminated or significantly reduced; or

(3) They are a tool to manage and evaluate the performance on a fair value basis in accordance

with a written risk management policy.

2. The Group measures their fair value at the time of initial recognition, and the relevant transaction costs are recognized in profit or loss; subsequently, they are measured at fair value, and the profit or loss is recognized in profit or loss.

(25) <u>The offset of financial assets and liabilities</u>

When there is a legally enforceable right to offset the recognized amount of financial assets and liabilities, and the intention is to settle on a net basis or to realize assets and settle liabilities at the same time, the financial assets and financial liabilities can offset each other and be expressed in the net amount on the balance sheet.

(26) <u>Non-hedging derivatives and embedded derivatives</u>

Non-hedging derivatives at the time of original recognition are measured at the fair value on the contract signing date, and recognized as financial assets or liabilities measured at fair value through income; subsequently, they are measured at fair value, and the profit or loss is recognized in profit or loss.

(27) <u>Employee welfare</u>

1. Short-term employee benefits

Short-term employee benefits are measured by the non-discounted amount expected to be paid and recognized as expenses when the related services are provided.

2. Pension

(1) Defined allocation plan

For a defined allocation plan, the amount of pension funds to be allocated is recognized as the current pension cost on an accrual basis. Advance allocations are recognized as assets to the extent that cash is refundable or future payments are reduced.

(2) Defined benefit plan

A. The net obligation under a defined benefit plan is calculated by discounting the future benefit amount earned by the employee in the current or past service, and the fair value of the plan asset is deducted from the present value of the defined benefit obligation on the balance sheet date. The net obligation of defined benefits is calculated annually by an actuary using the projected unit benefit method. The discount rate is determined by reference to the market yield of high-quality corporate bonds that are consistent with the currency and period of the defined benefit plan on the balance sheet date; in countries where there is no deep market for high-quality corporate bonds, the market yield of government bonds (on the balance sheet date) is used.

B. The remeasured amount arising from a defined benefit plan is recognized in other comprehensive income in the period in which it occurs and is expressed in retained earnings.

C. The interim pension cost is calculated based on the pension cost rate determined at the end of the previous fiscal year on the basis from the beginning until the end of the current period. If there are major market changes and major reductions, settlements, or other major one-off events after the ending date, adjustments shall be made and relevant information revealed in accordance with the aforementioned policies.

3. Employee remuneration and director’s remuneration

Employee remuneration and director’s remuneration are recognized as expenses and liabilities when they have legal or constructive obligations and the amount can be reasonably estimated. If there is any difference between the actual distribution amount and the estimated amount, it shall be treated as the change of accounting estimate.

(28) <u>Income tax</u>

1. Income tax expense includes current and deferred income tax. Income tax is recognized in profit or loss, except for income tax related to items included respectively in other comprehensive

income or directly included in equity.

2. The Group calculates the current income tax based on the tax rate enacted or substantively enacted on the balance sheet date by the country where the Group operates and the taxable income is generated. The management assesses the status of income tax returns regularly concerning the applicable income tax laws and regulations, and, where applicable, assesses income tax liabilities based on the amount of tax expected to be paid to the tax authorities. Undistributed earnings are subject to income tax in accordance with the income tax law, and the income tax expense of undistributed earnings shall be recognized in accordance with the actual distribution of earnings in the year following the year in which the earnings are generated after the earnings distribution proposal is passed by the shareholders' meeting.

3. Deferred income tax is recognized according to the temporary difference between the tax base of assets and liabilities and their book value in the consolidated balance sheet by using the balance sheet method. Deferred income tax liabilities arising from originally recognized goodwill are not recognized. If the deferred income tax comes from the originally recognized assets or liabilities in a transaction (excluding business merger), and the accounting profit or tax income (tax loss) is not affected at the time of the transaction, then it is not recognized. If there is a temporary difference arising from the investment in subsidiaries and affiliated enterprises, the Group can control the reversal time point of the temporary difference, and the temporary difference is likely to not be reversed in the foreseeable future, then it will not be recognized. Deferred income tax is subject to the tax rate (and tax law) that has been enacted or substantively enacted on the balance sheet date and is expected to apply when the relevant deferred income tax assets are realized or the deferred income tax liabilities are settled.

4. Deferred income tax assets are recognized to the extent that the temporary differences are likely to be used to offset future taxable income, and the unrecognized and recognized deferred income tax assets are reassessed on each balance sheet date.

5. The current income tax assets and current income tax liabilities can be offset when there is a legal enforcement right to offset the recognized current income tax assets and liabilities and there is an intention to pay off on a net basis or to realize assets and liabilities at the same time. When there is a legal enforcement right to offset the current income tax assets and current income tax liabilities, and the deferred income tax assets and liabilities are generated by the same taxpayer, or different taxpayers of the same tax authority and each entity intends to pay off the assets and liabilities on a net basis or realize the assets and settle the liabilities at the same time, then the deferred income tax assets and liabilities can be offset against each other.

6. The interim income tax expense is calculated by applying the estimated annual average effective tax rate to the interim pre-tax, and relevant information is disclosed in accordance with the policies above.

7. When there is a tax rate change in the interim period, the Group will recognize the effect of the change in one go in the current period of the change. For those related to income tax and items other than profit and loss, the effect of the change will be recognized in other comprehensive income or changes in equity. For those related to income tax and items recognized as income, the effect of the change will be recognized in profit and loss.

(29) Dividend distribution

Dividends distributed to the Company’s shareholders are recognized in the financial reports when the Company’s shareholders’ meeting decides to distribute such dividends. Cash dividends are recognized as liabilities, and stock dividends are recognized as stock dividends to be distributed and transferred to common shares on the base date of issuing new shares.

(30) Revenue recognition

1. The Group manufactures and sells 3C related products. Revenue from sales is recognized when the control of the product is transferred to the customer, that is, when the product is delivered to the buyer, the buyer has discretion over the price of the product, and the Group has no outstanding performance obligation that may affect the customer’s acceptance of the product. When the product is delivered to the designated place, the risk of obsolescence and loss has been transferred to the customer, and the customer accepts the product according to the sales contract, or if there is objective evidence to prove that all acceptance criteria have been met. Accounts receivable are recognized when the goods are delivered to the customer. Since then, the Group has unconditional rights to the contract price, and the consideration can be collected from the customer after a certain period of time.

2. The terms of payment for sale transactions are usually due 30 to 90 days after the date of shipment. Since the time interval between the transfer of the promised goods or services to the customer and the customer’s payment does not exceed one year, the Group has not adjusted the transaction price to reflect the time value of the currency.

(31) Government subsidy

Government subsidy is recognized at fair value when it is reasonably certain that the enterprise will comply with the conditions attached to the government subsidy and will receive the subsidy. If the nature of the government subsidy is to compensate for the expenses incurred by the Group, the government subsidy shall be recognized as the current income on a systematic basis during the period of the relevant expenses.

(32) Operating Segments

The information of the Group's operating segments is reported consistently with the internal management reports provided to major operational decision-makers. Major operational decision-makers are responsible for allocating resources to operating segments and assessing their performance.

## V. Major Sources of Uncertainty in Significant Accounting Judgments, Estimates, and Assumptions

When the Group prepares the consolidated financial reports, the management has used its judgment to determine the adopted accounting policies and has made accounting estimates and assumptions based on the reasonable expectations of future events based on the situation on the balance sheet date. Significant accounting estimates and assumptions made may differ from the actual results. Historical experience and other factors will be considered for continuous evaluation and adjustment. These estimates and assumptions contain risk that may result in significant adjustments to the book values of assets and liabilities in the next fiscal year. Please see below for a detailed description of the uncertainties of significant accounting judgments, estimates, and assumptions:

### (1) Important judgment for accounting policy adoption

Recognition of gross or net income

According to the type of transaction and its economic essence, the Group determines whether the nature of its commitment to customers is the performance obligation of providing specific goods or services by itself (i.e. the Group is the principal), or is the performance obligation of another party providing such goods or services (i.e. the Group is the agent). When the Group controls a particular product or service before transferring it to a customer, the Group acts as the principal and recognizes the total amount of consideration that it is expected to be entitled to receive for the transfer of the particular product or service as income. If the Group does not control the specific product or service before transferring it to customers, the Group acts as an agent to arrange for another party to provide the particular product or service to customers, and any fee or commission that the Group is entitled to receive via this arrangement is recognized as income.

The Group determines whether it controls a particular product or service before it is transferred to a customer based on the following indicators:

1. Being responsible for fulfilling the promise of providing a particular product or service.
2. Bearing the inventory risk before transferring the particular product or service to the customer, or bearing the inventory risk after transferring the control.
3. Having the discretion to fix the price of a particular product or service.

### (2) Important accounting estimates and assumptions

The accounting estimates made by the Group are based on the reasonable expectation of future events based on the situation as of the balance sheet date. However, the actual results may be different from the estimates. For the risk of significant adjustment to book values of assets and liabilities in the next fiscal year, please refer to the following details:

Inventory evaluation

Since inventory must be priced at the lower of the cost and net realizable value, the Group must use judgment and estimation to determine the net realizable value of inventory on the balance sheet date. Due to rapid changes in technology, the Group assesses the amount of inventory on the balance sheet due to normal wear and tear, obsolescence, or lack of market sales value, and reduces the inventory cost to the net realizable value. This inventory evaluation is mainly based on the estimated product demand in a specific period in the future, so significant changes may occur.

## VI. Summary of Significant Accounting Items

### (1) Cash and cash equivalents

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|---|---|---|
| Cash on hand and working capital | $ 5,902 | $ 3,299 | $ 3,444 |
| Checking and demand deposit accounts | 5,581,002 | 4,457,424 | 5,515,868 |
| Time deposit | 1,231,648 | 1,739,788 | 103,680 |
| Cash equivalents - Bond repos | - | - | 25,000 |
| | $ 6,818,552 | $ 6,200,511 | $ 5,647,992 |

1. The credit quality of the financial institutions with which the Group interacts is good, and the Group interacts with several financial institutions to diversify credit risks. The probability of default is expected to be very low.

2. Please refer to note 8 for the bank deposit pledging status of the Group on September 30, 2020 and December 31, September 30, 2019.

### (2) Financial assets measured at fair value through income - Current

| Item | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|---|---|---|
| Current items: | | | |
| Mandatory financial assets measured at fair value through income | | | |
| Open-end funds | $ 42,074 | $ 77,272 | $ 70,316 |
| Currency and interest rate swap contracts | - | - | 732 |
| Foreign exchange forward contracts | 9,210 | 4,239 | - |
| | $ 51,284 | $ 81,511 | $ 71,048 |

1. For the financial products held by the Group from July 1 to September 30, 2020 and 2019, and from January 1 to September 30, 2020 and 2019, a net gain of NT$5,148, NT$1,312, NT$23,597, and NT$$23,146 were recognized respectively.

2. The transaction and contract information of non-hedging derivative financial assets are explained as follows:

| | September 30, 2020 | | |
|---|---|---|---|
| Derivative financial liabilities | Contract amount (Nominal principal) (NT$ thousand) | | Contract period |
| Current items: | | | |
| Foreign exchange forward contracts | RMB (BUY) | 275,440 | September 2020 - November 2020 |
| | USD (SELL) | 40,000 | |

| | December 31, 2019 | | |
|---|---|---|---|
| Derivative financial assets | Contract amount (Nominal principal) (NT$ thousand) | | Contract period |
| Current items: | | | |
| Foreign exchange forward contracts | RMB (BUY) | 471,462 | November 2019 - March 2020 |
| | USD (SELL) | 67,000 | |

| Derivative financial assets | September 30, 2019 Contract amount (Nominal principal) (NT$ thousand) | | Contract period |
|---|---|---|---|
| Current items: | | | |
| Currency and interest rate swap contracts | TWD(SELL) | 373,200 | July 2019 - December 2019 |
| | USD(BUY) | 12,000 | |

(1) Foreign exchange forward contracts

The foreign exchange forward transactions entered into by the Group are US dollar forward transactions (selling USD to buy RMB) to avoid the exchange rate risk of working capital, but hedge accounting is not applicable.

(2) Currency and interest rate swap contracts

The currency and interest rate swap contracts signed by the Group are to meet working capital needs. On the currency swap, the principals of the two currencies are exchanged at the same exchange rate at the beginning and end of the period, so there is no exchange rate risk. On the interest rate swap, the principals of the two currencies are exchanged at the same interest rate to avoid the interest rate risk of working capital, so there is no interest rate fluctuation risk.

3. The Group has not pledged financial assets measured at fair value through income.

(3) <u>Notes and accounts receivable</u>

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|---|---|---|
| Note receivable | $ 131 | $ 6,205 | $ 2,366 |
| Accounts receivable | 2,770,265 | 2,602,387 | 3,051,689 |
| Less: Allowance for impairment loss | ( 7,930 ) | ( 3,914 ) | ( 8,246 ) |
| | $ 2,762,466 | $ 2,604,678 | $ 3,045,809 |

1. The Group does not hold any collateral.

2. The balance of accounts receivable and notes receivable as of September 30, 2020 and December 31, September 30, 2019 were generated from customer contracts, and the balance of notes receivable and accounts receivable of customer contracts on January 1, 2019 was NT$2,817,588.

3. Without considering the collateral or other credit enhancements held, the maximum amount of exposure that best represents the credit risk of notes and accounts receivable of the Group on September 30, 2020 and December 31, September 30, 2019 is the book value of each type of notes and accounts receivable.

4. Please refer to note 12(2) for details of relevant credit risk information.

(4) Inventory

| | September 30, 2020 | | |
|---|---|---|---|
| | Cost | Allowance for valuation losses | Book value |
| Raw materials | $ 1,292,748 | ( $ 125,314 ) | $ 1,167,434 |
| Work in process | 515,417 | ( 19,228 ) | 496,189 |
| Finished products | 534,355 | ( 84,752 ) | 449,603 |
| | $ 2,342,520 | ( $ 229,294 ) | $ 2,113,226 |

| | December 31, 2019 | | |
|---|---|---|---|
| | Cost | Allowance for valuation losses | Book value |
| Raw materials | $ 1,717,829 | ( $ 49,034 ) | $ 1,668,795 |
| Work in process | 373,349 | ( 13,822 ) | 359,527 |
| Finished products | 554,923 | ( 89,718 ) | 465,205 |
| | $ 2,646,101 | ( $ 152,574 ) | $ 2,493,527 |

| | September 30, 2019 | | |
|---|---|---|---|
| | Cost | Allowance for valuation losses | Book value |
| Raw materials | $ 1,019,389 | ( $ 70,929 ) | $ 948,460 |
| Work in process | 477,506 | ( 4,928 ) | 472,578 |
| Finished products | 621,906 | ( 79,172 ) | 542,734 |
| | $ 2,118,801 | ( $ 155,029 ) | $ 1,963,772 |

The cost of inventory recognized as expense losses by the Group in the current period:

| | July 1 to September 30, 2020 | July 1 to September 30, 2019 |
|---|---|---|
| Cost of inventory sold | $ 4,658,717 | $ 6,227,540 |
| Inventory valuation loss (benefit from appreciation) | ( 47,272 ) | 8,623 |
| Income from sales of scrap materials | ( 11,711 ) | ( 11,049 ) |
| | $ 4,599,734 | $ 6,225,114 |

| | January 1 to September 30, 2020 | January 1 to September 30, 2019 |
|---|---|---|
| Cost of inventory sold | $ 13,535,842 | $ 17,450,388 |
| Inventory valuation loss | 76,720 | 32,006 |
| Income from sales of scrap materials | ( 25,820 ) | ( 36,614 ) |
| | $ 13,586,742 | $ 17,445,780 |

During the period from January 1 to September 30, 2020, the Group's net realizable value of inventories rose due to the elimination of some of the inventories whose net realizable value was lower than the cost.

(5) Financial assets measured at fair value through other comprehensive income - Non-current

| Item | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|---|---|---|
| Non-current items: | | | |
| Equity instruments | | | |
| Listed and OTC stocks | $ 962,361 | $ 855,546 | $ 677,864 |
| Non-listed, OTC, or emerging stocks | 1,731,786 | 1,751,723 | 1,727,897 |
| Total | $ 2,694,147 | $ 2,607,269 | $ 2,405,761 |

1. Please refer to note 6(18) other equity items for the items the Group recognized in other comprehensive income due to changes in fair value from January 1 to September 30, 2020 and 2019.

2. None of the Group's financial assets measured at fair value through other comprehensive income were pledged as of September 30, 2020 and December 31, September 30, 2019.

(6) Financial assets measured at after-amortization cost - Non-current

| Item | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|---|---|---|
| Non-current items: | | | |
| Fixed deposit of more than three months | $ 1,282 | $ 1,291 | $ 1,306 |

1. Please refer to note 8 for the pledge of financial assets measured at after-amortization cost as of September 30, 2020 and December 31, September 30, 2019.

2. Please refer to note 12(2) for details of relevant credit risk information.

(7) Investment by equity method

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|---|---|---|
| Long Time Tech. Co., Ltd. | $ 799,782 | $ 838,555 | $ 847,764 |

1. The Group's investment by the equity method on January 1 to September 30, 2020 and 2019 was based on the evaluation in the financial reports compiled by the affiliated enterprise which was not reviewed by an independent auditor during the same period.

2. The share of operating results of the Group's individual non-significant affiliated companies is summarized as follows:

| | July 1 to September 30, 2020 | July 1 to September 30, 2019 |
|---|---|---|
| Current net loss of continuing business units | ( $ 3,908 ) | ( $ 14,730 ) |
| Total comprehensive income in the current period | ( $ 3,908 ) | ( $ 14,730 ) |

| | January 1 to September 30, 2020 | January 1 to September 30, 2019 |
|---|---|---|
| Current net loss of continuing business units | ( $ 38,772 ) | ( $ 36,905 ) |
| Total comprehensive income in the current period | ( $ 38,772 ) | ( $ 36,905 ) |

3. The Group's subsidiaries Pan Global Holding Co., Ltd. and Tekcon Electronics Corporation hold 22.26% of the equity of Long Time Tech. Co., Ltd., but they do not include Long Time Tech as consolidated entity because they don't acquire the control of the company.

## (8) Property, plant, and equipment

| | Land | Buildings | Equipment | Others | Unfinished construction and equipment to be accepted | Total |
|---|---|---|---|---|---|---|
| January 1, 2020 | | | | | | |
| Cost | $ 24,394 | $ 642,881 | $ 4,457,094 | $ 671,793 | $ 104,729 | $ 5,900,891 |
| Cumulative depreciation | - | ( 341,713 ) | ( 3,344,344 ) | ( 532,306 ) | - | ( 4,218,363 ) |
| | $ 24,394 | $ 301,168 | $ 1,112,750 | $ 139,487 | $ 104,729 | $ 1,682,528 |
| 2020 | | | | | | |
| January 1 | $ 24,394 | $ 301,168 | $ 1,112,750 | $ 139,487 | $ 104,729 | $ 1,682,528 |
| Addition | - | 13,672 | 226,701 | 21,676 | 31,326 | 293,375 |
| Disposal | - | - | ( 30,280 ) | ( 1,507 ) | ( 7,527 ) | ( 39,314 ) |
| Transfer | - | ( 68,191 ) | 96,567 | 2,500 | ( 103,183 ) | ( 72,307 ) |
| Depreciation expenses | - | ( 11,511 ) | ( 183,365 ) | ( 24,342 ) | - | ( 219,218 ) |
| Net exchange difference | ( 581 ) | ( 10,798 ) | ( 20,161 ) | ( 1,537 ) | ( 3,203 ) | ( 36,280 ) |
| September 30 | $ 23,813 | $ 224,340 | $ 1,202,212 | $ 136,277 | $ 22,142 | $ 1,608,784 |
| September 30, 2020 | | | | | | |
| Cost | $ 23,813 | $ 563,654 | $ 4,589,570 | $ 667,273 | $ 22,142 | $ 5,866,452 |
| Cumulative depreciation | - | ( 339,314 ) | ( 3,387,358 ) | ( 530,996 ) | - | ( 4,257,668 ) |
| | $ 23,813 | $ 224,340 | $ 1,202,212 | $ 136,277 | $ 22,142 | $ 1,608,784 |

| | Land | Buildings | Equipment | Others | Unfinished construction and equipment to be accepted | Total |
|---|---|---|---|---|---|---|
| January 1, 2019 | | | | | | |
| Cost | $ 23,985 | $ 652,981 | $ 4,577,981 | $ 708,948 | $ 92,062 | $ 6,055,957 |
| Cumulative depreciation | - | ( 327,751 ) | ( 3,308,648 ) | ( 567,212 ) | - | ( 4,203,611 ) |
| | $ 23,985 | $ 325,230 | $ 1,269,333 | $ 141,736 | $ 92,062 | $ 1,852,346 |
| 2019 | | | | | | |
| January 1 | $ 23,985 | $ 325,230 | $ 1,269,333 | $ 141,736 | $ 92,062 | $ 1,852,346 |
| Addition | - | 1,445 | 125,797 | 26,963 | 91,670 | 245,875 |
| Disposal | - | - | ( 35,677 ) | ( 3,088 ) | ( 1,214 ) | ( 39,979 ) |
| Transfer | - | - | 53,834 | ( 2,474 ) | ( 66,284 ) | ( 14,924 ) |
| Depreciation expenses | - | ( 18,934 ) | ( 208,121 ) | ( 26,630 ) | - | ( 253,685 ) |
| Net exchange difference | 490 | ( 782 ) | ( 23,729 ) | ( 3,153 ) | 474 | ( 26,700 ) |
| September 30 | $ 24,475 | $ 306,959 | $ 1,181,437 | $ 133,354 | $ 116,708 | $ 1,762,933 |
| September 30, 2019 | | | | | | |
| Cost | $ 24,475 | $ 647,755 | $ 4,563,536 | $ 685,372 | $ 116,708 | $ 6,037,846 |
| Cumulative depreciation | - | ( 340,796 ) | ( 3,382,099 ) | ( 552,018 ) | - | ( 4,274,913 ) |
| | $ 24,475 | $ 306,959 | $ 1,181,437 | $ 133,354 | $ 116,708 | $ 1,762,933 |

Please refer to note 8 for details of the Group’s pledged property, plant and equipment.

(9) Lease transaction - Lessee

1. The underlying lease assets of the Group include land, plants and buildings, and the terms of the lease contracts usually range from 1 to 5 years. The lease contracts are negotiated individually and contain various terms and conditions. There are no other restrictions except that the leased assets may not be used as a loan guarantee.

2. The book value and recognized depreciation expense information of the right-of-use assets are as follows:

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|---|---|---|
| | Book value | Book value | Book value |
| Land | $ 72,764 | $ 102,399 | $ 104,328 |
| Houses | 231,418 | 291,423 | 315,112 |
| | $ 304,182 | $ 393,822 | $ 419,440 |

| | July 1 to September 30, 2020 | July 1 to September 30, 2019 |
|---|---|---|
| | Depreciation expenses | Depreciation expenses |
| Land | $ 623 | $ 869 |
| Houses | 20,292 | 20,801 |
| | $ 20,915 | $ 21,670 |

| | January 1 to September 30, 2020 | January 1 to September 30, 2019 |
|---|---|---|
| | Depreciation expenses | Depreciation expenses |
| Land | $ 1,875 | $ 2,621 |
| Houses | 60,669 | 58,625 |
| | $ 62,544 | $ 61,246 |

3. The increase in the Group's right-of-use assets from July 1 to September 30, 2020 and 2019, and from January 1 to September 30, 2020 and 2019 were NT$0, NT$73,650, NT$0 and NT$73,650 respectively.

4. The information on profit and loss items related to leasing contracts is as follows:

| | July 1 to September 30, 2020 | July 1 to September 30, 2019 |
|---|---|---|
| Items affecting current profit and loss | | |
| Interest expenses on lease liabilities | $ 1,715 | $ 2,323 |
| Expenses of short-term lease contracts | 5,729 | 18,632 |

| | January 1 to September 30, 2020 | January 1 to September 30, 2019 |
|---|---|---|
| Items affecting current profit and loss | | |
| Interest expenses on lease liabilities | $ 5,529 | $ 7,033 |
| Expenses of short-term lease contracts | 14,414 | 28,837 |

5. The total cash outflow from the leases of the Group from January 1 to September 30, 2020 and 2019 were NT$60,257 and NT$40,677 respectively.

## (10) Investment property

| | Land | Buildings | Total |
|---|---|---|---|
| January 1, 2020 | | | |
| Cost | $ 92,496 | $ 153,299 | $ 245,795 |
| Cumulative depreciation and impairment | - | ( 94,774 ) | ( 94,774 ) |
| | $ 92,496 | $ 58,525 | $ 151,021 |
| January 1, 2020 | $ 92,496 | $ 58,525 | $ 151,021 |
| Transfer | 23,745 | 69,735 | 93,480 |
| Depreciation expenses | - | ( 4,625 ) | ( 4,625 ) |
| Net exchange difference | ( 5,413 ) | ( 691 ) | ( 6,104 ) |
| September 30 | $ 110,828 | $ 122,944 | $ 233,772 |
| September 30, 2020 | | | |
| Cost | $ 110,828 | $ 219,931 | $ 330,759 |
| Cumulative depreciation and impairment | - | ( 96,987 ) | ( 96,987 ) |
| | $ 110,828 | $ 122,944 | $ 233,772 |

| | Land | Buildings | Total |
|---|---|---|---|
| January 1, 2019 | | | |
| Cost | $ 61,954 | $ 194,789 | $ 256,743 |
| Cumulative depreciation and impairment | - | ( 133,821 ) | ( 133,821 ) |
| | $ 61,954 | $ 60,968 | $ 122,922 |
| January 1, 2020 | $ 61,954 | $ 60,968 | $ 122,922 |
| Re-classification | 31,277 | - | 31,277 |
| Depreciation expenses | - | ( 2,162 ) | ( 2,162 ) |
| Net exchange difference | ( 101 ) | 866 | 765 |
| September 30 | $ 93,130 | $ 59,672 | $ 152,802 |
| September 30, 2019 | | | |
| Cost | $ 93,130 | $ 154,455 | $ 247,585 |
| Cumulative depreciation and impairment | - | ( 94,783 ) | ( 94,783 ) |
| | $ 93,130 | $ 59,672 | $ 152,802 |

1. Rental income and direct operating expenses of investment property:

| | July 1 to September 30, 2020 | July 1 to September 30, 2019 |
|---|---|---|
| Rental income of investment property | $ 8,683 | $ 10,009 |
| Direct operating expenses of investment property that generate rental income in the current period | $ 1,535 | $ 551 |

| | January 1 to September 30, 2020 | January 1 to September 30, 2019 |
|---|---|---|
| Rental income of investment property | $ 25,132 | $ 28,138 |
| Direct operating expenses of investment property that generate rental income in the current period | $ 4,625 | $ 2,162 |

2. The fair value of the investment property held by the Group as of September 30, 2020 and December 31, September 30, 2019 were NT$505,789, NT$402,984, and NT$405,123 respectively, which were obtained from the evaluation of government announcement information, and the results belong to the third level of fair value.

3. Please refer to note 8 for details of the Group's pledged investment property.

4. The Group signed a letter of intent on a property transaction in October 2018, intending to dispose of the land and plant of the Yangmei factory. Therefore, a book value of NT$101,079 was converted into non-current assets to be sold. The assets were sold in March 2019, and a disposal gain of NT$145,112 was recognized.

(11) Intangible assets - Goodwill

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|---|---|---|
| Balance at the beginning of the period | $ 37,142 | $ 38,255 | $ 38,255 |
| Net exchange difference | ( 771 ) | ( 1,113 ) | ( 716 ) |
| Ending balance | $ 36,371 | $ 37,142 | $ 37,539 |

The above-mentioned intangible assets - goodwill was mainly generated by the Group's merger with East Honest Holdings Limited by the acquisition method in 2012, and the indirect acquisition of its reinvested mainland China subsidiary Honghuasheng Precision Electronics (Yantai) Co., Ltd.

(12) Short-term borrowings

| Nature of the borrowings | September 30, 2020 | Interest rate bracket | Collateral |
|---|---|---|---|
| Bank loans - Credit loans | $ 1,309,500 | 0.5%~1.03% | None. |

| Nature of the borrowings | December 31, 2019 | Interest rate bracket | Collateral |
|---|---|---|---|
| Bank loans - Credit loans | $ 1,573,950 | 2.22%~2.7% | None. |

| Nature of the borrowings | September 30, 2019 | Interest rate bracket | Collateral |
|---|---|---|---|
| Bank loans - Credit loans | $ 1,873,998 | 0.87%~2.69% | None. |

As of September 30, 2020, the Group's unused borrowing line was NT$1,563,500.

(13) Other payables

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|---|---|---|
| Salary, bonus, and employee remuneration payable | $ 399,177 | $ 453,383 | $ 463,489 |
| Repair expenses payable | 63,380 | 130,735 | 81,655 |
| Utility fees payable | 43,605 | 24,768 | 32,158 |
| Consumables payable | 55,968 | 58,380 | 59,673 |
| Equipment payment payable | 56,922 | 30,733 | 78,258 |
| Processing fee payable | 21,878 | 17,317 | 18,955 |
| Rent payable | 36,648 | 43,573 | 65,692 |
| Others | 146,004 | 190,249 | 202,816 |
| | $ 823,582 | $ 949,138 | $ 1,002,696 |

(14) Pension

1. Measures for defined retirement benefits

(1) The Company and Tekcon Electronics Corporation (hereinafter referred to as Tekcon) have in place measures for defined benefit retirement in accordance with the provisions of the "Labor Standards Act", which applies to the service years of all regular employees before the implementation of the "Labor Pension Act" on July 1, 2005, and the subsequent service years of employees who choose to continue to apply the Labor Standards Act after the implementation of the "Labor Pension Act." If an employee is eligible for retirement, the pension payment shall be based on the service years and the average monthly salary of the six months before retirement. Two base numbers shall be given for each full year of service within 15 years (inclusive), and one base number shall be given for each full year of service over 15 years, but the cumulative maximum is 45 base numbers. The Company and Tekcon respectively allocate 6% and 2% of the total salary to the retirement fund every month which is deposited with the trust department of the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. In addition, before the end of each year, the Company estimates the balance of the labor retirement reserve account mentioned in the preceding paragraph. If the balance is insufficient to pay the pension amount of the workers who meet the retirement conditions estimated in the next year according to the above calculation, the Company will provide funding to make up of the shortage before the end of March in the following year.

(2) From July 1 to September 30, 2020 and 2019, and from January 1 to September 30, 2020 and 2019, the Group recognized pension costs of NT$552, NT$535, NT$1,658, and NT$1,553 respectively according to the above-mentioned pension measures.

(3) The Group is expected to pay NT$3,932 to the retirement plan in 2021.

2. Measures for defined retirement allocation

(1) Since July 1, 2005, the Company and Tekcon have formulated measures for defined retirement allocation in accordance with the "Labor Pension Act" which applies to employees of Taiwan nationality. For employees of the Company and Tekcon who choose to apply the labor retirement pension system of the "Labor Pension Act," 6% of their monthly salary is allocated as labor pension to the employee's personal account at the Bureau of Labor Insurance. The payment of labor pension shall be based on the balance of the employee's pension account and the number of accumulated benefits and shall be paid in the form of monthly pension or lump sum pension payment.

(2) The subsidiaries listed in the consolidated statements do not have their own retirement measures. PAN-INTERNATIONAL ELECTRONICS INC., P.I.E. Industrial Berhad and its subsidiaries in mainland China shall allocate a certain percentage of their total salary to the mandatory provident fund in accordance with the local government's mandatory regulations, and be deposited in the independent account of each employee, and the pension of each employee is managed and arranged by the government. The companies mentioned above have no further obligations except for the monthly allocation.

(3) From July 1 to September 30, 2020 and 2019, and from January 1 to September 30, 2020 and 2019, the pension costs recognized by the Group in accordance with the pension measures above were NT$30,950, NT$33,795, NT$130,621, and NT$121,118 respectively.

(15) Share capital

As of September 30, 2020, the Company's number of registered shares was 600,000,000 (including 30,000,000 stock option certificates or the number of shares available to corporate bonds with stock option). The number of shares issued and outstanding was 518,346,282, with a par value of NT$10 per share.

(16) Capital surplus

In accordance with the Company Act, the premium from the issuance of shares above par value and the capital reserve from the receipt of gifts may be used to make up for the losses. When the Company has no accumulated loss, new shares or cash shall be issued or paid in proportion to the original shares of the shareholders. In addition, according to the relevant provisions of the Securities and Exchange Act, when the capital reserve above is appropriated to capital, its total amount each year shall not exceed 10% of the paid-in capital. The Company shall not use the capital reserve to make up for the capital loss unless the earnings reserve is still insufficient to make up for the capital loss.

(17) Retained earnings

1. According to the articles of association of the Company, if there is any surplus in the annual final accounts, in addition to paying all taxes according to law, the Company shall first make up for the losses of previous years, and then set aside 10% as the legal reserve. If there is still a surplus, it shall be retained or distributed according to the resolution of the shareholders' meeting.

2. The Company is in a growth stage, and the dividend distribution policy shall be based on the Company's current and future investment environment, capital demand, domestic and foreign competition status, capital budget, and other factors, while taking into account the shareholders' interests and the Company's long-term financial planning. The shareholders' dividend shall be allocated from the cumulative distributable earnings and shall not be less than 15% of the distributable earnings of the current year, and the cash dividend ratio shall not be less than 10% of the total dividend.

3. The legal reserve shall not be used except to make up for the Company's losses and issuing new shares or paying cash in proportion to the original number of shares held by the shareholders. However, if new shares or cash are issued, the amount of such reserve shall exceed 25% of the paid-in capital.

4. When the Company distributes earnings, it is required by laws and regulations to set aside a special reserve for the debit balance of other equity items on the balance sheet date of the current year before distribution. When the debit balance of other equity items is subsequently reversed, the amount of reversal can be included in the earnings available for distribution.

5. The resolution on earnings distribution passed at the Company's shareholders' meeting on June 12, 2020 and June 14, 2019 respectively for 2019 and 2018 are as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Amount | Dividend per share (NT$) | Amount | Dividend per share (NT$) |
| Legal reserve | $ 102,932 | | $ 118,538 | |
| Special reserve | 429,069 | | 386,307 | |
| Cash dividends | 518,346 | $ 1.00 | 570,181 | $ 1.10 |
| | $ 1,050,347 | | $ 1,075,026 | |

(18) Other items of equity

| | Financial assets at FVTOCI | Adjustment for currency | Total |
|---|---|---|---|

| | Financial assets at FVTOCI | Adjustment for currency conversion | Total |
|---|---|---|---|
| January 1, 2020 | ( $ 250,358 ) | ( $ 1,061,916 ) | ( $ 1,312,274 ) |
| Unrealized profit or loss of financial products - Group | 137,425 | - | 137,425 |
| Currency conversion difference - Group | - | ( 173,565 ) | ( 173,565 ) |
| September 30, 2020 | ( $ 112,933 ) | ( $ 1,235,481 ) | ( $ 1,348,414 ) |

| | Financial assets at FVTOCI | Adjustment for currency conversion | Total |
|---|---|---|---|
| January 1, 2019 | ( $ 100,067 ) | ( $ 783,138 ) | ( $ 883,205 ) |
| Unrealized profit or loss of financial products - Group | ( 412,689 ) | - | ( 412,689 ) |
| Currency conversion difference - Group | - | ( 152,984 ) | ( 152,984 ) |
| September 30, 2019 | ( $ 512,756 ) | ( $ 936,122 ) | ( $ 1,448,878 ) |

(19) Non-controlling interests

| | 2020 | 2019 |
|---|---|---|
| January 1, | $ 1,619,122 | $ 1,580,757 |
| Share of non-controlling equity: | | |
| Net income for the period | 12,542 | 89,259 |
| Coversion difference from the coversion of financial statements of a foreign operation | ( 78,752 ) | ( 1,298 ) |
| Cash dividend payment | ( 63,557 ) | ( 65,800 ) |
| September 30 | $ 1,489,355 | $ 1,602,918 |

(20) Operating revenue

| | July 1 to September 30, 2020 | July 1 to September 30, 2019 |
|---|---|---|
| Revenue from customer contracts | $ 5,412,622 | $ 7,188,587 |

| | January 1 to September 30, 2020 | January 1 to September 30, 2019 |
|---|---|---|
| Revenue from customer contracts | $ 15,061,690 | $ 19,344,132 |

The revenue of the Group is derived from goods and services transferred at a certain time point. Please refer to note 14 for details of revenue.

Contractual liabilities

The contractual liabilities related to the contractual income recognized by the Group are as follows:

| | September 30, 2020 | December 31, 2019 | September 30, 2019 | January 1, 2019 |
|---|---|---|---|---|
| Contractual liabilities | $ 431,573 | $ 263,111 | $ 381,616 | $ 399,612 |

Recognized income of contract liabilities at the beginning of the period:

| | January 1 to September 30, 2020 | January 1 to September 30, 2019 |
|---|---|---|
| Opening balance of contract liabilities recognized as income in the current period | $ 240,429 | $ 359,490 |

(21) Other income

| | July 1 to September 30, 2020 | July 1 to September 30, 2019 |
|---|---|---|
| Rental income | 11,604 | 12,980 |
| Dividend income | 10,443 | 6,522 |
| Subsidy income | 7,197 | 5,881 |
| Other income - Other | 10,183 | 4,554 |
| | $ 39,427 | $ 29,937 |

| | January 1 to September 30, 2020 | January 1 to September 30, 2019 |
|---|---|---|
| Rental income | $ 33,125 | $ 35,118 |
| Dividend income | 11,678 | 6,886 |
| Subsidy income | 17,548 | 13,824 |
| Other income - Other | 50,862 | 10,596 |
| | $ 113,213 | $ 66,424 |

(22) Other gains and losses

| | July 1 to September 30, 2020 | July 1 to September 30, 2019 |
|---|---|---|
| Net foreign currency conversion gain (loss) | ( $ 77,289 ) | $ 132,289 |
| Net gains of financial assets and liabilities measured at fair value through the income | 5,148 | 1,312 |
| Gains (losses) from the disposal of property, plant and equipment | 4,266 | ( 8,255 ) |
| Others | 41 | 1,520 |
| | ( $ 67,834 ) | $ 126,866 |

| | January 1 to September 30, 2020 | January 1 to September 30, 2019 |
|---|---|---|
| Gains from the disposal of non-current assets to be sold | $ - | $ 145,112 |
| Net foreign currency conversion gain (loss) | ( 16,739 ) | 160,923 |
| Net gains of financial assets and liabilities measured at fair value through the income | 23,597 | 23,146 |
| Losses from the disposal of property, plant and equipment | ( 453 ) | ( 7,740 ) |
| Others | ( 1,211 ) | 6,742 |
| | $ 5,194 | $ 328,183 |

(23) Employee benefit, depreciation and amortization expenses

| By nature | July 1 to September 30, 2020 | July 1 to September 30, 2019 |
|---|---|---|
| Employee benefits expense | | |
| Salary expenses | $ 534,109 | $ 593,878 |
| Labor and national health insurance expenses | 11,999 | 14,252 |
| Pension expenses | 31,502 | 34,330 |
| Other HR expenses | 49,892 | 48,078 |
| | $ 627,502 | $ 690,538 |
| Depreciation expenses | $ 97,613 | $ 103,106 |
| Amortization expenses | $ 3,252 | $ 3,325 |

| By nature | January 1 to September 30, 2020 | January 1 to September 30, 2019 |
|---|---|---|
| Employee benefits expense | | |
| Salary expenses | $ 1,504,515 | $ 1,687,010 |
| Labor and national health insurance expenses | 40,808 | 52,474 |
| Pension expenses | 132,279 | 122,671 |
| Other HR expenses | 115,430 | 126,849 |
| | $ 1,793,032 | $ 1,989,004 |
| Depreciation expenses | $ 286,387 | $ 317,093 |
| Amortization expenses | $ 9,756 | $ 10,975 |

1. According to the articles of association of the Company, if the Company has any profit in the year (the so-called profit refers to the gains before deducting the distribution of employee remuneration and directors' remuneration), it shall allocate no less than 5% of it as employee remuneration and no more than 0.5% as directors' remuneration, which shall be distributed after the special resolution of the Board of Directors, and shall be reported to the shareholders' meeting. However, if the Company still has a cumulative loss, it shall reserve the amount of compensation in advance.

2. The estimated amounts of employee remuneration of the Company from July 1 to September 30, 2020 and 2019, and from January 1 to September 30, 2020 and 2019 were NT$18,049, NT$30,263, NT$28,427, and NT$56,948 respectively; the estimated amounts of directors' remuneration were NT$2,843, NT$0, NT$2,843 and NT$0 respectively. The amounts above were recorded in the salary expense account.

The period from January 1 to September 30, 2020 is based on the profit status as of the current period and is estimated according to the proportion specified in the articles of association of the Company.

According to the resolution of the Board of Directors, the amount of employee remuneration and director's remuneration in 2019 were NT$60,754 and NT$6,075 respectively, which will be paid in cash. The amount of employee remuneration and director's remuneration recognized in the financial report of 2019 were NT$60,754 and NT$0, respectively. The difference from the amount determined by the Board of Directors was NT$6,075, mainly due to the difference in the proportion estimated, and has been adjusted to the profit and loss in 2020. As of September 30, 2020, the remuneration of employees and directors for the year of 2019 had not yet been paid amounted to NT$60,754 and NT$3,045 respectively, and were listed under "other payables."

The above information on the remuneration of employees and directors approved by the Board of Directors of the Company can be obtained on MOPS.

(24) Financial costs

| | July 1 to September 30, 2020 | July 1 to September 30, 2019 |
|---|---|---|
| Interest expenses on bank loans | $ 3,162 | $ 8,137 |
| Interest expenses on lease liabilities | 1,715 | 2,323 |
| | $ 4,877 | $ 10,460 |

| | January 1 to September 30, 2020 | January 1 to September 30, 2019 |
|---|---|---|
| Interest expenses on bank loans | $ 26,279 | $ 40,098 |
| Interest expenses on lease liabilities | 5,529 | 7,033 |
| | $ 31,808 | $ 47,131 |

(25) Income tax

1. Income tax expense

Components of income tax expenses:

| | July 1 to September 30, 2020 | July 1 to September 30, 2019 |
|---|---|---|
| Income tax for the current period: | | |
| Income tax arising from current income | $ 136,514 | $ 215,074 |
| Extra tax on undistributed earnings | - | 1,826 |
| Adjustment in respect of prior periods | ( 824 ) | ( 6,670 ) |
| Total income tax for the current period | 135,690 | 210,230 |
| Deferred income tax: | | |
| The original value and reversal of temporary differences | ( 10,312 ) | ( 25,802 ) |
| Income tax expense | $ 125,378 | $ 184,428 |

| | January 1 to September 30, 2020 | January 1 to September 30, 2019 |
|---|---|---|
| Income tax for the current period: | | |
| Income tax arising from current income | $ 277,250 | $ 326,540 |
| Extra tax on undistributed earnings | - | 7,434 |
| Income tax (over)estimates of previous years | ( 26,365 ) | 3,110 |
| Total income tax for the current period | 250,885 | 337,084 |
| Deferred income tax: | | |
| The original value and reversal of temporary differences | ( 32,127 ) | ( 10,733 ) |
| Income tax expense | $ 218,758 | $ 326,351 |

2. The Company’s income tax return was approved by the tax collection authority up to 2018.

## (26) Earnings per share (EPS)

| | July 1 to September 30, 2020 | | |
|---|---|---|---|
| | After-tax amount | Weighted average number of outstanding shares (thousand shares) | Earnings per share (EPS) (NT$) |
| Basic earnings per share | | | |
| Net income for the period attributable to the common shareholders of the parent company | $ 294,699 | 518,346 | $ 0.57 |
| Diluted earnings per share | | | |
| Net income for the period attributable to the common shareholders of the parent company | 294,699 | 518,346 | |
| Effect of potentially dilutive common shares: Employee remuneration | - | 1,638 | |
| Net income for the period attributable to the common shareholders of the parent company plus the effect of potential common shares | $ 294,699 | 519,984 | $ 0.57 |

| | July 1 to September 30, 2019 | | |
|---|---|---|---|
| | After-tax amount | Weighted average number of outstanding shares (thousand shares) | Earnings per share (EPS) (NT$) |
| Basic earnings per share | | | |
| Net income for the period attributable to the common shareholders of the parent company | $ 541,831 | 518,346 | $ 1.05 |
| Diluted earnings per share | | | |
| Net income for the period attributable to the common shareholders of the parent company | 541,831 | 518,346 | |
| Effect of potentially dilutive common shares: Employee remuneration | - | 2,428 | |
| Net income for the period attributable to the common shareholders of the parent company plus the effect of potential common shares | $ 541,831 | 520,774 | $ 1.04 |

| | January 1 to September 30, 2020 | | |
|---|---|---|---|
| | After-tax amount | Weighted average number of outstanding shares (thousand shares) | Earnings per share (EPS) (NT$) |
| Basic earnings per share | | | |
| Net income for the period attributable to the common shareholders of the parent company | $ 468,737 | 518,346 | $ 0.90 |
| Diluted earnings per share | | | |
| Net income for the period attributable to the common shareholders of the parent company | 468,737 | 518,346 | |
| Effect of potentially dilutive common shares: Employee remuneration | - | 2,800 | |
| Net income for the period attributable to the common shareholders of the parent company plus the effect of potential common shares | $ 468,737 | 521,146 | $ 0.90 |

| | January 1 to September 30, 2019 | | |
|---|---|---|---|
| | After-tax amount | Weighted average number of outstanding shares (thousand shares) | Earnings per share (EPS) (NT$) |
| Basic earnings per share | | | |
| Net income for the period attributable to the common shareholders of the parent company | $ 984,125 | 518,346 | $ 1.90 |
| Diluted earnings per share | | | |
| Net income for the period attributable to the common shareholders of the parent company | 984,125 | 518,346 | |
| Effect of potentially dilutive common shares: Employee remuneration | - | 3,383 | |
| Net income for the period attributable to the common shareholders of the parent company plus the effect of potential common shares | $ 984,125 | 521,729 | $ 1.89 |

## (27) Supplementary information on cash flow

Investment activities with partial cash payment:

| | January 1 to September 30, 2020 | January 1 to September 30, 2019 |
|---|---|---|
| Purchase of property, plant and equipment | $ 293,375 | $ 245,875 |
| Add: equipment payable at the beginning of the period | 30,733 | 61,037 |
| Less: equipment payable at the end of the period | ( 56,922 ) | ( 78,258 ) |
| Net exchange difference | ( 190 ) | ( 2,401 ) |
| Cash paid during the period | $ 266,996 | $ 226,253 |

## (28) Changes in liabilities from financing activities

| | 2020 | | |
|---|---|---|---|
| | Short-term borrowings | Lease liabilities | Total liabilities from financing activities |
| January 1 | $ 1,573,950 | $ 295,287 | $ 1,869,237 |
| Changes in financing cash flow | ( 223,650 ) | ( 46,339 ) | ( 269,989 ) |
| Net exchange difference | ( 40,800 ) | ( 2,380 ) | ( 43,180 ) |
| Other non-cash changes | - | ( 9,722 ) | ( 9,722 ) |
| September 30 | $ 1,309,500 | $ 236,846 | $ 1,546,346 |

| | 2019 | | |
|---|---|---|---|
| | Short-term borrowings | Lease liabilities | Total liabilities from financing activities |
| January 1 | $ 2,158,910 | $ - | $ 2,158,910 |
| Effect of initial application of IFRS 16 | - | 311,719 | 311,719 |
| Changes in financing cash flow | ( 306,350 ) | ( 30,841 ) | ( 337,191 ) |
| Net exchange difference | 21,438 | ( 9,014 ) | 12,424 |
| Other non-cash changes | - | 46,345 | 46,345 |
| September 30 | $ 1,873,998 | $ 318,209 | $ 2,192,207 |

## VII. Related Party Transactions

### (1) Related party's name and relationship

| Related Party Name | Relationship with the Group |
|---|---|
| Hon Hai Precision Industry Co., Ltd. and subsidiaries (Hon Hai and subsidiaries) | Other groups that impose significant influence on the Group |
| Sharp Corporation and subsidiaries (Sharp and subsidiaries) | Other related parties |
| Foxconn Technology Co., Ltd. and subsidiaries (Foxconn Technology and subsidiaries) | Other related parties |
| General Interface Solution Limited | Other related parties |
| Cyber TAN Technology, Inc and Subsidiaries | Other related parties |

### (2) Major transactions with related parties

1. Operating revenue

| | July 1 to September 30, 2020 | July 1 to September 30, 2019 |
|---|---|---|
| Other groups that impose significant influence on the Group | | |
| - Hon Hai and subsidiaries | $ 1,921,784 | $ 2,999,560 |
| Other related parties | 14,181 | 140,929 |
| | $ 1,935,965 | $ 3,140,489 |

| | January 1 to September 30, 2020 | January 1 to September 30, 2019 |
|---|---|---|
| Other groups that impose significant influence on the Group | | |
| - Hon Hai and subsidiaries | $ 5,983,557 | $ 8,446,473 |
| Other related parties | 496,632 | 290,980 |
| | $ 6,480,189 | $ 8,737,453 |

Except that there is no similar transaction to follow, and the price and credit period are determined by both parties through negotiation, the price sold by the Group to the related parties above is similar to that of general customers; the collection period of the Group to related parties is about 60 ~ 120 days.

2. Purchase

| | July 1 to September 30, 2020 | July 1 to September 30, 2019 |
|---|---|---|
| Other groups that impose significant influence on the Group | | |
| - Hon Hai and subsidiaries | $ 718,734 | $ 895,281 |
| Other related parties | | |
| - Sharp and subsidiaries | ( 11,001 ) | 1,205,827 |
| - Foxconn Technology and subsidiaries | 91,468 | 40 |
| | $ 799,201 | $ 2,101,148 |

| | January 1 to September 30, 2020 | January 1 to September 30, 2019 |
|---|---|---|
| Other groups that impose significant influence on the Group | | |
| - Hon Hai and subsidiaries | $ 1,914,259 | $ 2,200,473 |
| Other related parties | | |
| - Sharp and subsidiaries | 2,332,003 | 3,820,314 |
| - Foxconn Technology and subsidiaries | 783,491 | 313 |
| | $ 5,029,753 | $ 6,021,100 |

The amounts above include procurement, allowances, and returns. The procurement prices and payment terms are determined by both parties through negotiation. The payment period of the Group to related parties is about 30 ~ 90 days.

3. Receivables from related parties

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|---|---|---|
| Accounts receivable: | | | |
| Other groups that impose significant influence on the Group | | | |
| - Hon Hai and subsidiaries | $ 2,149,923 | $ 3,527,505 | $ 4,217,646 |
| Other related parties | 163,938 | 567,104 | 623,108 |
| | 2,313,861 | 4,094,609 | 4,840,754 |
| Less: transfer to other receivables | - | ( 244 ) | ( 275 ) |
| Allowance for loss | ( 885 ) | ( 806 ) | ( 920 ) |
| | $ 2,312,976 | $ 4,093,559 | $ 4,839,559 |

The accounts receivable from related parties mainly come from sales and purchase on behalf of others transactions, which are due 2 ~ 4 months after the sale date. The receivables are not secured and not interest bearing. Part of the accounts receivable are transferred to other accounts receivable due to being overdue for more than three months, and the aging of other receivables is all less than one year.

4. Other receivables

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|---|---|---|
| Other receivables from related parties: | | | |
| Other groups that impose significant influence on the Group | | | |
| - Hon Hai and subsidiaries | $ 5,905 | $ 8,680 | $ 24,572 |
| Other related parties | | | |
| - Foxconn Technology and subsidiaries | - | - | 2,096 |
| - Sharp and subsidiaries | 30,188 | 173 | - |
| | $ 36,093 | $ 8,853 | $ 26,668 |

Other receivables from related parties are mainly due to payment on behalf of others, allowance receivables, and overdue accounts receivable.

5. Accounts payables from related parties

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|---|---|---|
| Accounts payable: | | | |
| Other groups that impose significant influence on the Group | | | |
| - Hon Hai and subsidiaries | $ 1,052,393 | $ 1,508,993 | $ 1,662,587 |
| Other related parties | | | |
| - Sharp and subsidiaries | 1,059 | 679,798 | 276,769 |
| - Foxconn Technology and subsidiaries | 638,328 | 2 | 471 |
| | $ 1,691,780 | $ 2,188,793 | $ 1,939,827 |

Accounts payable from related parties mainly comes from purchasing and purchase on behalf of others, and there is no interest attached to the accounts payable.

6. Lease transaction - Lessee

(1) The Group leases the plant from the Group which has a significant impact on the Group. The lease term is 5 years. The rent is paid at the end of each month.

(2) Acquisition of right-of-use assets:

Due to the application of IFRS 16, the Group increased the right-of-use assets by NT$188,789 on January 1, 2019.

(3) Lease liabilities:

A. Ending balance

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|---|---|---|
| Other groups that impose significant influence on the Group | $ 120,037 | $ 147,387 | $ 157,765 |

B. Interest expense

| | July 1 to September 30, 2020 | July 1 to September 30, 2019 |
|---|---|---|
| Other groups that impose significant influence on the Group | $ 863 | $ 1,169 |

| | January 1 to September 30, 2020 | January 1 to September 30, 2019 |
|---|---|---|
| Other groups that impose significant influence on the Group | $ 2,772 | $ 3,693 |

(3) Compensation of key management personnel

| | July 1 to September 30, 2020 | July 1 to September 30, 2019 |
|---|---|---|
| Short-term employee benefits | $ 7,163 | $ 7,013 |
| Post-employment benefits | 60 | 60 |
| Total | $ 7,223 | $ 7,073 |

| | January 1 to September 30, 2020 | January 1 to September 30, 2019 |
|---|---|---|
| Short-term employee benefits | $ 11,731 | $ 11,463 |
| Post-employment benefits | 180 | 180 |
| Total | $ 11,911 | $ 11,643 |

VIII. Pledged Assets

The details of the guarantees provided with the Group's assets are as follows:

| Asset item | Book value | | | Guarantee purpose |
|---|---|---|---|---|
| | September 30, 2020 | December 31, 2019 | September 30, 2019 | |
| Other current assets - pledged deposit | $ 698 | $ 763 | $ 772 | Issuing of letter of credit and customs deposit |
| Financial assets measured at an after-amortization cost - pledged time deposit | 1,282 | 1,291 | 1,306 | Customs deposit |
| Property, plant, and equipment | 9,949 | 10,472 | 9,777 | Guarantee mortgage for bank line overdraft (note) |
| Investment property | 10,513 | 11,487 | 11,608 | Guarantee mortgage for a bank line |
| | $ 22,442 | $ 24,013 | $ 23,463 | |

Note: As of September 30, 2020, the land, buildings above has been pledged as a guarantee for the overdraft facilities of financial institutions since 2005. The overdraft had been paid off, but the pledge has not been canceled.

IX. Significant Contingent Liabilities and Unrecognized Commitments

(1) Contingent matters

The Group has no contingent liabilities for material legal claims arising from daily business activities.

(2) Commitments

None.

X. Major Disaster Losses

None.

XI. Significant Subsequent Events

None.

XII. Others

(1) The COVID-19 outbreak occurred at the beginning of 2020. Since the end of the first quarter this year, Mainland China and Malaysia have implemented lockdowns and ordered all private enterprises to stop their operations to prevent the spread of the pandemic. However, the restriction on local operations was gradually relaxed as the situation improved, and all the operations resumed in the second quarter. Due to the pandemic, some subsidiaries have been granted various fee reductions or subsidies from the local government, so the overall operation of the Group has not been significantly affected.

(2) Capital management

The Group's capital management objectives are to ensure the Group's sustained operation, maintain the optimal capital structure, reduce the cost of capital, and provide returns to shareholders. In order to maintain or adjust the capital structure, the Group may adjust the number of dividends paid to shareholders, issue new shares, or sell assets to reduce liabilities. To monitor its capital, the Group uses the net debt ratio which is calculated by dividing net debt by total net worth. Net debt is calculated as total borrowings (including the "current and non-current borrowings" reported in the consolidated balance sheet) less cash and cash equivalents. The total net value is calculated as "equity" as shown in the consolidated balance sheet less total intangible assets.

The Group's strategy for 2020 is the same as that in 2019, both of which are committed to maintaining the net debt ratio below 70%.

(3) Financial instrument

1. Types of financial instruments

The book values of the Group's financial assets (including cash and cash equivalents, notes receivable, accounts receivable (including those from related parties), other receivables and financial assets measured at after-amortization cost) according to IFRS 9 as of September 30, 2020 and December 31, September 30, 2019 were NT$11,980,983, NT$13,049,341 and NT$13,629,296 respectively. The book values of financial liabilities (including short-term loans, accounts payable (including those to related parties), and other receivables) measured at after-amortization cost were NT$6,566,627, NT$8,019,707, and NT$7,929,571, respectively. The book value of lease liabilities as of September 30, 2020 and December 31, September 30, 2019 were NT$236,846, NT$295,287, and NT$318,209.

Please refer to notes 6(2) and (5) for the book values of financial assets measured at fair value through the income and financial assets measured at fair value through other comprehensive income.

2. Risk management Policy

(1) Types of risks

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

(2) Management objectives

A. All the risks above can be eliminated by internal control or operation process, except that market risk is controlled by external factors. Therefore, each risk can be reduced to zero through management.

B. In terms of market risk, the objective is to optimize the overall position through rigorous analysis, proposal, implementation, and process, with due consideration of the overall external trend, internal operating conditions, and the actual impact of market fluctuations.

C. The Group's overall risk management policy focuses on the unpredictability of the financial market and seeks to reduce potential adverse effects on the Group's financial position and financial performance.

(3) Management system

A. Risk management shall be carried out by the Finance Department of the Group in accordance with the policies approved by the Board of Directors. It is responsible for identifying, assessing and avoiding financial risks through close cooperation with group operating units.

B. The Board of Directors has written principles for overall risk management, and also provides written policies for specific areas and matters, such as exchange rate risk, interest rate risk, credit risk, use of derivatives and non-derivative financial instruments, and investment of surplus working capital.

3. Nature and extent of significant financial risks

(1) Market risk

<u>Exchange rate risks</u>

A. Nature: The Group is a multinational electronic OEM company, and most of the exchange rate risks in its business activities come from:

a. As the posting times of non-functional foreign currency accounts receivable and accounts payable are different, the exchange rate of the functional currency is different, thus resulting in an exchange rate risk. Because the amount of assets and liabilities after offsetting is not large, the amount of profit or loss is not large. (Note: The Group has offices in many countries around the world, therefore there is an exposure of exchange rate risk to a variety of different currencies, where the main ones are the USD, RMB, and MYR.)

b. In addition to the commercial transactions (business activities) on the above-mentioned income, the assets and liabilities recognized on the balance sheet, and the net investment in foreign operations also have exchange rate risks.

B. Management

a. For such risks, the Group has established a policy that requires companies within the Group to manage the exchange rate risk relative to their functional currencies.

b. The exchange rate risk of each functional currency against the reporting currency of the consolidated statements is managed by the Group’s finance office.

C. Intensity

The Group's business involves several non-functional currencies (NTD is the functional currency of the Company and some subsidiaries, and RMB and MYR are the functional currencies of some subsidiaries). Therefore, the Group is affected by exchange rate fluctuations. The information on foreign currency assets and liabilities with significant exchange rate fluctuations are as follows:

| | September 30, 2020 | | | | |
|---|---|---|---|---|---|
| | | | | Sensitivity analysis | |
| | Foreign currency (thousand) | Exchange rate | Book value (NT$) | Range of change | Impact on profit and loss |
| (Foreign currency: functional currency) | | | | | |
| Financial assets | | | | | |
| Monetary item | | | | | |
| USD: NTD | $ 109,039 | 29.10 | $ 3,173,035 | 1% | $ 31,730 |
| USD: RMB | 78,135 | 6.8101 | 2,273,109 | 1% | 22,731 |
| USD: MYR | 61,681 | 4.1580 | 1,794,917 | 1% | 17,949 |
| Foreign operations | | | | | |
| USD: NTD | 319,026 | 29.10 | 9,283,646 | | |
| Financial liabilities | | | | | |
| Monetary item | | | | | |
| USD: NTD | 115,142 | 29.10 | 3,350,632 | 1% | 33,506 |
| USD: MYR | 41,119 | 4.1580 | 1,196,563 | 1% | 11,966 |
| USD: RMB | 13,181 | 6.8101 | 383,463 | 1% | 3,835 |

| | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | | | | Sensitivity analysis | |
| (Foreign currency: functional currency) | Foreign currency (thousand) | Exchange rate | Book value (NT$) | Range of change | Impact on profit and loss |
| Financial assets | | | | | |
| Monetary item | | | | | |
| USD: NTD | $ 153,855 | 29.98 | $ 4,612,573 | 1% | $ 46,126 |
| USD: RMB | 110,500 | 7.0729 | 3,364,674 | 1% | 33,647 |
| USD: MYR | 49,907 | 4.0866 | 1,496,212 | 1% | 14,962 |
| NTD: RMB | 8,035 | 0.2323 | 8,035 | 1% | 80 |
| Foreign operations | | | | | |
| USD: NTD | 301,059 | 29.98 | 9,025,735 | | |
| Financial liabilities | | | | | |
| Monetary item | | | | | |
| USD: NTD | 177,341 | 29.98 | 5,316,683 | 1% | 53,167 |
| USD: MYR | 11,771 | 4.0866 | 352,895 | 1% | 3,529 |
| USD: RMB | 15,193 | 7.0729 | 462,620 | 1% | 4,626 |

| | September 30, 2019 | | | | |
|---|---|---|---|---|---|
| | | | | Sensitivity analysis | |
| (Foreign currency: functional currency) | Foreign currency (thousand) | Exchange rate | Book value (NT$) | Range of change | Impact on profit and loss |
| Financial assets | | | | | |
| Monetary item | | | | | |
| USD: NTD | $ 183,690 | 31.04 | $ 5,701,738 | 1% | $ 57,017 |
| USD: RMB | 83,923 | 7.0729 | 2,583,137 | 1% | 25,831 |
| USD: MYR | 49,840 | 4.1876 | 1,547,034 | 1% | 15,470 |
| NTD: RMB | 19,870 | 0.2298 | 19,870 | 1% | 199 |
| Foreign operations | | | | | |
| USD: NTD | 294,059 | 31.04 | 9,127,606 | | |
| Financial liabilities | | | | | |
| Monetary item | | | | | |
| USD: NTD | 23,073 | 31.04 | 716,186 | 1% | 7,162 |
| USD: MYR | 20,121 | 4.1876 | 624,556 | 1% | 6,246 |
| USD: RMB | 15,506 | 7.0729 | 477,272 | 1% | 4,773 |
| NTD: USD | 19,870 | 0.0322 | 19,870 | 1% | 199 |

D. Nature

The total amount of exchange gains and losses (including realized and unrealized) recognized in the Group’s monetary items due to exchange rate fluctuations from July 1 to September 30, 2020 and 2019, and from January 1 to September 30, 2020 and 2019 were NT$77,289(loss), NT$132,289(profit), NT$16,739(loss) and NT$160,923(profit), respectively.

Price risk

A. The Group's equity instruments exposed to price risk are financial assets measured at fair value through other comprehensive income and equity investments available for sale. In order to manage the price risk of equity instrument investment, the Group diversifies its portfolio in accordance with the limits set by the Group.

B. The Group mainly invests in equity instruments issued by domestic and foreign companies. The prices of these equity instruments will be affected by the uncertainty of the future values of the investment objects. If the prices of these equity instruments rose or fell by 1%, with all other factors remain unchanged, the impact on other comprehensive income of equity investment classified as fair value through other comprehensive income would increase or decrease by NT$26,941 and NT$24,058 respectively from January 1 to September 30, 2020 and 2019.

Cash flow and fair value interest rate risk

The interest rate risk of the Group comes from short-term borrowings. Borrowings at fixed interest rates expose the Group to an interest rate risk at fair value, but after assessment, the Group has no significant interest rate risk.

(2) Credit risk

A. The credit risk of the Group is the risk of financial loss due to the failure of customers or counterparties of financial instrument transactions to fulfill their contractual obligations, which mainly comes from the inability of the counterparties repaying the accounts receivable in accordance with the collection conditions, and the contractual cash flow classified as debt instrument investment measured at after-amortization cost.

B. In accordance with the internal credit policy, management and credit risk analysis shall be carried out on each operating entity within the Group and each new customer before proposing terms and conditions for payment and delivery. Internal risk control is to evaluate the credit quality of customers by considering their financial status, past experience, and other factors. The limits of individual risks are determined by the Board of Directors based on internal or external ratings, and the use of credit lines is regularly monitored.

C. The basis for the Group to judge whether the credit risk of financial instruments has increased significantly since the original recognition is as follows:

(A) When the contract payment is overdue for more than 60 days according to the agreed payment terms, it is deemed that the credit risk of the financial asset has increased significantly since the original recognition.

(B) If a bond investment traded on the OTC market is rated as investment-grade by any external rating agency on the balance sheet date, the financial asset is considered to have a low credit risk.

D. When the investment target with an independent credit rating is adjusted downward by two levels, the Group judges that the credit risk of the investment subject has increased significantly.

E. When the contract payment is overdue for more than 90 days according to the agreed payment terms, the Group deems it a breach of contract.

F. The Group classifies notes receivable and accounts receivable of customers according to the characteristics of customer rating, and estimates the expected credit loss based on the loss rate method.

G. The indicators used by the Group to determine the credit impairment of debt instrument investment are as follows:

(A) The issuer encounters major financial difficulties, or the possibility of going into bankruptcy or other financial restructuring is greatly increased;

(B) The issuer makes the active market of the financial asset disappear due to its financial difficulties;

(C) The issuer delays or fails to pay the interest or principal;

(D) Adverse changes in national or regional economic conditions leading to issuer default.

H. The aging analysis of notes receivable and accounts receivable (including those of related parties) are as follows:

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|---|---|---|
| Not Past Due | $ 5,051,240 | $ 6,551,220 | $ 7,678,703 |
| Less than 90 days | 29,481 | 145,506 | 209,277 |
| 91 ~ 180 days | 1,167 | 263 | 295 |
| More than 181 days | 2,369 | 5,968 | 6,259 |
| | $ 5,084,257 | $ 6,702,957 | $ 7,894,534 |

The above is an aging analysis based on the number of overdue days.

I. Other receivables (including related parties):

Other receivables of the Group are mainly tax refund receivable, payment receivable, and overdue accounts receivable. There is no doubt of material non-performance or repayment. Therefore, the allowance for loss is measured according to the expected 12 months credit loss amount. The allowance for loss recognized by the Group on September 30, 2020 and December 31, September 30, 2019 all amounted to NT$0.

J. The Group classifies the accounts receivable of customers according to the characteristics of credit rating standards and for future-looking considerations adjusts the loss rate established according to the historical and current information of a specific period to estimate the allowance loss of notes receivable and accounts receivable. The loss rate methodology as of September 30, 2020 and December 31, September 30, 2019 are as follows:

| | Group 1 | Group 2 | Group 3 | Group 4 | Total |
|---|---|---|---|---|---|
| September 30, 2020 | | | | | |
| Expected loss rate | 0.04% | 0.04% | 0.09% | 0.10%~15.7% | |
| Total Book value | $ 3,991,511 | $ 1,076,547 | $ - | $ 11,164 | $ 5,079,222 |
| Allowance for loss | $ 1,597 | $ 431 | $ - | $ 1,752 | $ 3,780 |
| December 31, 2019 | | | | | |
| Expected loss rate | 0.03% | 0.03% | 0.07% | 0.10%~4.65% | |
| Total Book value | $ 5,897,743 | $ 769,776 | $ 51 | $ 34,263 | $ 6,701,833 |
| Allowance for loss | $ 1,769 | $ 231 | $ - | $ 1,596 | $ 3,596 |
| September 30, 2019 | | | | | |
| Expected loss rate | 0.03% | 0.03% | 0.07% | 0.10%~2.00% | |
| Total Book value | $ 7,037,719 | $ 764,378 | $ 485 | $ 86,591 | $ 7,889,173 |
| Allowance for loss | $ 2,111 | $ 230 | $ - | $ 1,464 | $ 3,805 |

In addition, the Group's accounts receivable as of September 30, 2020 and December 31, September 30, 2019 were NT$5,035 and NT$1,124 and NT$5,361, respectively. The impairment losses were recognized as NT$5,035, NT$1,124, and NT$5,361 respectively.

Group 1: Rated A by Standard & Poor's, Fitch or Moody's, or no external agency rating, and rated A according to the Group's credit standards.

Group 2: Rated BBB by Standard & Poor's or Fitch, or Baa by Moody's, or no external agency rating, and rated B or C according to the Group's credit standards.

Group 3: Rated BB+ or below by Standard & Poor's or Fitch, or Ba1 or below by Moody's.

Group 4: No external agency rating, and non-A, B, or C rated customers according to the Group's credit standards.

K. The simplified statement of changes in the allowance for loss of accounts receivable and other receivables (including related parties) of the Group is as follows:

| | 2020 |
|---|---|
| January 1 | $ 4,720 |
| Provision of expected credit loss | 16,931 |
| Write-off | ( 12,644 ) |
| Net exchange difference | ( 192 ) |
| September 30 | $ 8,815 |

| | 2019 |
|---|---|
| January 1 | $ 17,272 |
| Reversal of expected credit loss | ( 8,183 ) |
| Net exchange difference | 77 |
| September 30 | $ 9,166 |

L. All the Group's debt instrument investments measured at after-amortization cost as of September 30, 2020 and December 31, September 30, 2019 had a low credit risk. Therefore, the book value is measured according to the expected credit loss in 12 months after the balance sheet date.

(3) Liquidity risk

A. The cash flow forecast is carried out by each operating entity within the Group and summarized by the Group's finance department. The Group's finance department monitors the forecast of the Group's liquidity funds demand to ensure that it has sufficient funds to meet operational needs, and maintains sufficient unspent loan commitments at all times so that the Group does not exceed the relevant borrowing limits or violate the terms. These forecasts take into account the Group's debt financing plan, compliance with debt terms, and compliance with the financial ratios in the internal balance sheet and external regulatory requirements, such as foreign exchange control.

B. When the remaining cash held by the Group exceeds the requirement for the management of working capital, the finance department will invest the remaining funds in interest-bearing demand deposits, time deposits, money market deposits, and securities. The instruments selected have appropriate maturities or sufficient liquidity to meet the forecast above and provide sufficient liquidity. It is expected that cash flow will be generated immediately for the management of liquidity risk.

C. The following table shows the grouping of the Group's non-derivative financial liabilities according to their maturity dates. The non-derivative financial liabilities are analyzed according to the remaining period from the balance sheet date to the contract maturity date. The amount of contractual cash flow disclosed in the table below is the undiscounted amount.

| September 30, 2020 | Less than 1 year | 1 ~ 2 years | 2 ~ 5 years | Total |
|---|---|---|---|---|
| Non-derivative financial liabilities: | | | | |
| Lease liabilities | $ 80,083 | $ 73,439 | $ 94,191 | $ 247,713 |

| December 31, 2019 | Less than 1 year | 1 ~ 2 years | 2 ~ 5 years | Total |
|---|---|---|---|---|
| Non-derivative financial liabilities: | | | | |
| Lease liabilities | $ 86,512 | $ 76,571 | $ 148,568 | $ 311,651 |

| September 30, 2019 | Less than 1 year | 1 ~ 2 years | 2 ~ 5 years | Total |
|---|---|---|---|---|
| Non-derivative financial liabilities: | | | | |
| Lease liabilities | $ 87,450 | $ 80,751 | $ 168,691 | $ 336,892 |

In addition to the above, the Group's non-derivative financial liabilities are all due within the next year.

(4) Fair value information

1. The levels of evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: The quoted price (unadjusted) is available to the enterprise in an active market for the same assets or liabilities on the measurement date. An active market refers to a market in which assets or liabilities are traded in sufficient frequency and quantity to provide pricing information on an ongoing basis. The fair value of the listed and OTC stocks and beneficiary certificates invested by the Group belongs to this level.

Level 2: The input value of assets or liabilities is directly or indirectly observable, except those in Level 1. The fair value of the derivative instruments invested by the Group belongs to this level.

Level 3: The input value of assets or liabilities is unobservable. The equity instruments invested by the Group without an active market belong to this level.

2. Financial instruments not measured at fair value

The book values of the Group's financial instruments not measured at fair value (including cash and cash equivalents, financial assets measured at after-amortization cost, notes receivable, accounts receivable, other receivables, other current assets, notes payable, accounts payable, other receivables, lease liabilities, and other current liabilities) are reasonable approximations of their fair values.

3. For the Group's financial and non-financial instruments measured at fair value, the Group classifies them according to the nature, characteristics, risk, and fair value level of the assets and liabilities. The relevant information is as follows:

(1) The information about the Group's classification of its assets and liabilities by their nature is as follows:

| September 30, 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Repetitive fair value | | | | |
| Financial assets at FVTPL | | | | |
| -Open-end funds | $ 42,074 | $ - | $ - | $ 42,074 |
| -Currency and interest rate swap contracts | - | 9,210 | - | 9,210 |
| | $ 42,074 | $ 9,210 | $ - | $ 51,284 |
| Financial assets at FVTOCI | | | | |
| - Equity securities | $ 962,361 | $ - | $ 1,731,786 | $ 2,694,147 |

| December 31, 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Repetitive fair value | | | | |
| Financial assets at FVTPL | | | | |
| -Open-end funds | $ 77,272 | $ - | $ - | $ 77,272 |
| -Currency and interest rate swap contracts | - | 4,239 | - | 4,239 |
| | $ 77,272 | $ 4,239 | $ - | $ 81,511 |
| Financial assets at FVTOCI | | | | |
| - Equity securities | $ 855,546 | $ - | $ 1,751,723 | $ 2,607,269 |

| September 30, 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Repetitive fair value | | | | |
| Financial assets at FVTPL | | | | |
| -Open-end funds | $ 70,316 | $ - | $ - | $ 70,316 |
| -Currency and interest rate swap contracts | - | 732 | - | 732 |
| | $ 70,316 | $ 732 | $ - | $ 71,048 |
| Financial assets at FVTOCI | | | | |
| - Equity securities | $ 677,864 | $ - | $ 1,727,897 | $ 2,405,761 |

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

A. If the Group adopts a market quotation as the input value of fair value (i.e. level 1), the characteristics of the instruments are as follows:

| | Listed and OTC stocks | Open-end funds |
|---|---|---|
| Market quotation | Closing price | Net value |

B. Except for the above-mentioned financial instruments with active markets, the fair values of other financial instruments are obtained through evaluation techniques or reference to the quotations of counterparties. The fair value obtained through the evaluation techniques can be calculated by referring to the current fair value of other financial instruments with similar conditions and characteristics, or the value can be obtained through other evaluation techniques, including using models to calculate market information available on the consolidated balance sheet date.

C. When evaluating non-standardized and less complex financial instruments, such as debt instruments and options without an active market, the Group adopts the evaluation techniques widely used by market participants. The parameters used in the evaluation model of such financial instruments are usually market observable information.

D. The evaluation of derivative financial instruments is based on evaluation models widely accepted by market users, such as the discount method and the option pricing model. Currency and interest rate swap contracts are usually evaluated according to the current forward exchange rate. Structured interest rate derivative financial instruments are based on the appropriate option pricing model (such as the Black-Scholes model) or other evaluation methods, such as Monte Carlo Simulation.

E. The output of the evaluation model is the estimated value, and the evaluation technique may not reflect all the factors related to the Group's holding of financial instruments and non-financial instruments. Therefore, the estimated value of the evaluation model will be adjusted according to additional parameters, such as model risk or liquidity risk. According to the Group's fair value evaluation model management policies and related control procedures, the management believes that the evaluation adjustment is appropriate and necessary to properly express the fair value of financial instruments and non-financial instruments in the consolidated balance sheet. The price information and parameters used in the evaluation process have been carefully evaluated and appropriately adjusted according to current market conditions.

4. There was no transfer between levels 1 and 2 between January 1 to September 30, 2020 and 2019.

5. The following table shows the changes in level 3 from January 1 to September 30, 2020 and 2019:

| | Equity securities | |
|---|---|---|
| | 2020 | 2019 |
| January 1 | $ 1,751,723 | $ 1,801,761 |
| Profit(loss) recognized in other comprehensive income | 30,102 | ( 92,192 ) |
| Net exchange difference | ( 50,039 ) | 18,328 |
| September 30 | $ 1,731,786 | $ 1,727,897 |

6. For the fair value of level 3 of the Group, the investment management department is responsible for the independent verification of the fair value of such financial instruments in the evaluation process. The evaluation results are close to the market status through independent sources of information, and the data sources are independent, reliable, consistent with other resources, and represent executable prices. The evaluation model is calibrated regularly, backtracked, and updated for the input values and information required by the evaluation model, and any other necessary fair value adjustments are made to ensure that the evaluation results are reasonable.

In addition, the investment management department formulates the fair value evaluation policies, evaluation procedures, and confirmation of financial instruments in accordance with the relevant international financial reporting standards.

7. The quantitative information about the significant unobservable input value of the evaluation model used for level 3 fair value measurement and the sensitivity analysis of the significant unobservable input value changes are as follows:

| | Fair value on September 30, 2020 | Evaluation techniques | Significant unobservable input value | Range (weighted average) | Relationship between input value and fair value |
|---|---|---|---|---|---|
| Non-derivative equity instruments: | | | | | |
| Non-listed and non-OTC stocks | $ 1,659,532 | Net asset value method | Lack of market liquidity discount | 22% | The higher the market liquidity discount, the lower the fair value. |
| Non-listed and non-OTC stocks | 72,254 | Market method | Price–to-book ratio | 1.37 | The higher the multiplier, the higher the fair value. |
| | | | Lack of market liquidity discount | 20% | The higher the market liquidity discount, the lower the fair value. |

| | Fair value on December 31, 2019 | Evaluation techniques | Significant unobservable input value | Range (weighted average) | Relationship between input value and fair value |
|---|---|---|---|---|---|
| Non-derivative equity instruments: | | | | | |
| Non-listed and non-OTC stocks | $ 1,682,403 | Net asset value method | Lack of market liquidity discount | 25% | The higher the market liquidity discount, the lower the fair value. |
| Non-listed and non-OTC stocks | 69,320 | Market method | Price–to-book ratio | 1.28 | The higher the multiplier, the higher the fair value. |
| | | | Lack of market liquidity discount | 20% | The higher the market liquidity discount, the lower the fair value. |

| | Fair value on September 30, 2019 | Evaluation techniques | Significant unobservable input value | Range (weighted average) | Relationship between input value and fair value |
|---|---|---|---|---|---|
| Non-derivative equity instruments: | | | | | |
| Non-listed and non-OTC stocks | $ 1,664,351 | Net asset value method | Lack of market liquidity discount | 27% | The higher the market liquidity discount, the lower the fair value. |
| Non-listed and non-OTC stocks | 63,546 | Market method | Price–to-book ratio | 1.17 | The higher the multiplier, the higher the fair value. |
| | | | Lack of market liquidity discount | 20% | The higher the market liquidity discount, the lower the fair value. |

8. The Group carefully selects the evaluation model and evaluation parameters; however, different evaluation models or parameters may lead to different evaluation results. For financial assets and financial liabilities classified as level 3, if the evaluation parameters change, the impact on current profit and loss or other comprehensive income is as follows:

| Financial assets | Period | Input value | Change | Recognized in other comprehensive income | |
|---|---|---|---|---|---|
| | | | | Favorable change | Unfavorable change |
| Equity instruments | September 30, 2020 | Lack of market liquidity discount | ±1% | $ 4,825 | ( $ 4,825 ) |
| Equity instruments | September 30, 2020 | Price–to-book ratio | ±1% | $ 526 | ( $ 526 ) |

| Financial assets | Period | Input value | Change | Recognized in other comprehensive income | |
|---|---|---|---|---|---|
| | | | | Favorable change | Unfavorable change |
| Equity instruments | December 31, 2019 | Lack of market liquidity discount | ±1% | $ 5,443 | ( $ 5,443 ) |
| Equity instruments | December 31, 2019 | Price–to-book ratio | ±1% | $ 540 | ( $ 540 ) |

| Financial assets | Period | Input value | Change | Recognized in other comprehensive income | |
|---|---|---|---|---|---|
| | | | | Favorable change | Unfavorable change |
| Equity instruments | September 30, 2019 | Lack of market liquidity discount | ±1% | $ 6,490 | ( $ 6,490 ) |
| Equity instruments | September 30, 2019 | Price–to-book ratio | ±1% | $ 542 | ( $ 542 ) |

XIII. Additional Disclosures

(1) Information about significant transactions

1. Loans to others: Please refer to Table 1.

2. Endorsements/guarantees provided: Please refer to Table 2.

3. Marketable securities held at the end of the period (excluding investment in subsidiaries, affiliated enterprises, and jointly controlled entities): Please refer to Table 3.

4. The cumulative amount of buying or selling the same securities reaches NT$300 million or more, or 20% of the paid-in capital: The Company and the investee companies do not have this situation.

5. The cumulative amount of property purchase reaches NT$300 million or more, or 20% of the paid-in capital: The Company and the investee companies do not have this situation.

6. The cumulative amount of property disposal reaches NT$300 million or more, or 20% of the paid-in capital: The Company and the investee companies do not have this situation.

7. Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital or more: Please refer to Table 4.

8. Total accounts receivable from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Please refer to Table 5.

9. Engagement in derivatives trading: Please refer to note 6(2).

10. Significant Inter-company Transactions during the Reporting Period: Please refer to Table 6.

(2) Information about investees

The name and location of the investee company and other relevant information (excluding mainland China investee companies): Please refer to Table 7.

(3) Information on investments in mainland China

1. Basic information: Please refer to Table 8.

2. Major transactions directly with investee companies in mainland China or indirectly through a third regional enterprise: Please refer to Tables 4, 5, and 6.

(4) Information on major shareholders

Information of major shareholders: Please refer to Table 9.

## XIV. OperatingSegments Information

### (1) General information

The main businesses of the Group are the development, manufacturing and sales of electronic components such as electronic signal cables, connectors, electronic signal cables with connectors, printed circuit boards and precision molds, and computer peripheral products. The operation decision-makers also operate various businesses from the perspective of product categories and develop businesses according to different market attributes and demands. At present, the Group is mainly divided into the "Electronic Components Segment" and "Consumer Electronics and Computer Peripherals Segment," which are also the segments to be reported.

The information of each operating segments is compiled in accordance with the accounting policies of the Group. The main operational decision-makers of the Group mainly use the income and pre-tax profit and loss of each operating segment as indicators for performance evaluation and resource allocation.

### (2) Segments Information

Information on the reportable departments as provided to major operational decision-makers is as follows:

| July 1 to September 30, 2020 | Electronic Components | Consumer Electronics and Computer Peripherals | Total |
|---|---|---|---|
| Segment Revenue | $ 2,891,268 | $ 2,521,354 | $ 5,412,622 |
| Segment profit and loss | $ 302,452 | $ 159,364 | $ 461,816 |

| July 1 to September 30, 2019 | Electronic Components | Consumer Electronics and Computer Peripherals | Total |
|---|---|---|---|
| Segment Revenue | $ 4,889,852 | $ 2,298,735 | $ 7,188,587 |
| Segment profit and loss | $ 611,645 | $ 231,716 | $ 843,361 |

| January 1 to September 30, 2020 | Electronic Components | Consumer Electronics and Computer Peripherals | Total |
|---|---|---|---|
| Segment Revenue | $ 9,918,715 | $ 5,142,975 | $ 15,061,690 |
| Segment profit and loss | $ 571,878 | $ 163,869 | $ 735,747 |

| January 1 to September 30, 2019 | Electronic Components | Consumer Electronics and Computer Peripherals | Total |
|---|---|---|---|
| Segment Revenue | $ 13,068,158 | $ 6,275,974 | $ 19,344,132 |
| Segment profit and loss | $ 996,321 | $ 328,596 | $ 1,324,917 |

Note: Since the measured amount of the assets of the operating segment is not provided to the operation decision-maker, the measured amount of the assets should be disclosed as zero.

(3) Information on the adjustment to the income and profit and loss of the segments to be reported

Since the income of the segments to be reported is the income of the enterprise, there is no need to adjust it. In addition, the adjustments to the profit and loss of the segments to be reported and to the pre-tax profit and loss of continuing operating segments are as follows:

| Income | July 1 to September 30, 2020 | July 1 to September 30, 2019 |
|---|---|---|
| Profit and loss of the segments to be reported | $ 461,816 | $ 843,361 |
| Other profit and loss | ( 1,317 ) | ( 48,522 ) |
| Pre-tax profit and loss of continuing operating segments | $ 460,499 | $ 794,839 |

| Income | January 1 to September 30, 2020 | January 1 to September 30, 2019 |
|---|---|---|
| Profit and loss of the segments to be reported | $ 735,747 | $ 1,324,917 |
| Other profit and loss | ( 35,710 ) | 74,818 |
| Pre-tax profit and loss of continuing operating segments | $ 700,037 | $ 1,399,735 |

Pan-International Industrial Corp. and Subsidiaries

Loans to others

January 1 to September 30, 2020

Table 1

Unit: NTD thousand
(unless otherwise noted)

| Serial No. (Note 1) | Loan extending company | Borrower | Dealing items (Note 2) | Whether a related party | Maximum amount of the period (Note 3) | Ending balance (Note 8) | Transaction Amounts | Interest Rate | Loan nature (Note 4) | Business Transaction Amounts (Note 5) | Reason for short-term financing (Note 6) | Provision for allowance for loss for bad debt | Collateral Name | Collateral Value | Loans limits for individual entities (Note 7) | Total loan limit (Note 7) | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | Pan-International Industrial Corp. | PAN GLOBAL HOLDING CO., LTD | Other receivables - related parties | Yes | $ 333,905 | $ 320,100 | $ 291,000 | 1.00% | Short-term financing | $ - | Operating turnover | None. | None. | None. | $ 1,087,306 | $ 4,349,225 | |
| 0 | Pan-International Industrial Corp. | Tekcon Electronics Corporation | Other receivables - related parties | Yes | 200,000 | - | - | - | Short-term financing | - | Operating turnover | None. | None. | None. | 1,087,306 | 4,349,225 | |

Note 1: The explanation of the number column is as follows:

(1). Fill in 0 for the issuer.

(2). Investee companies are numbered in sequence in each company type starting numerically from 1.

Note 2: Dealing items include receivables from affiliated enterprises, receivables from related parties, transactions with shareholders, prepayments, provisional payments, etc. if the nature is a loan to others.

Note 3: The maximum balance of loans to others in the current year.

Note 4: The loan shall be recognized under this item if the nature of the fund denotes a business transaction or a need for short-term financing.

Note 5: Where the nature of the loan is a business transaction, the amount of the business transaction shall be disclosed. The business transaction amount refers to the total amount of business transactions between the lending company and the borrower in the most recent year.

Note 6: If the nature of the loan denotes a necessity for short-term financing, the reason and the purpose of the loan by the borrower must be specified, such as loan repayment, purchase of equipment, business turnover, etc.

Note 7: Total loan amount: For loans lent out to companies or entities with the need for short-term financing, the total amount of loans shall not exceed 40% of the Company's net worth.

The loan limit for individual entities: For companies or firms with the need for short-term financing, the number of loans to each individual entity shall not exceed 10% of the company's net worth.

Note 8: If a public company submits its lending to the Board of Directors’ meeting for resolution case by case in accordance with paragraph 1, Article 14 of the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies, the amount of the resolution of the Board of Directors’ meeting shall be included in the announced balance to disclose the risks it bears before the funds are lent out; if the funds are repaid later, the balance after repayment shall be disclosed to reflect the adjustment of risks. If the Board of Directors’ meeting of a public company authorizes the chairman of the board to extend loans in several trenches or recycle the loan balance within a certain limit in a year in accordance with paragraph 2, Article 14 of the Regulations, the loan limit approved by the Board of Directors’ meeting shall still be used as the balance for the public announcement and declaration. Although the funds will be repaid later, other loans may still be extended again, so the loan limit approved by the Board of Directors’ meeting shall still be used as the balance for the public announcement and declaration.

Pan-International Industrial Corp. and Subsidiaries

Endorsement/guarantee provided

January 1 to September 30, 2020

Table 2

Unit: NTD thousand
(unless otherwise noted)

| Serial No. (Note 1) | Name of company of the endorsement/guarantee | Guaranteed Party: Company name | Guaranteed Party: Relation (Note 2) | Endorsement/guarantee limit for a single enterprise (Note 3) | Maximum endorsement/guarantee balance of the period (Note 4) | Endorsement/guarantee balance of the period (Note 5) | Transaction Amounts (Note 6) | Amount of endorsement/guarantee backed by assets | Ratio of the cumulative endorsement/guarantee amount to the net value in the latest financial report | Endorsement/guarantee limit (Note 3) | Endorsement/guarantee from the parent company to subsidiary (note 7) | Endorsement/guarantee from subsidiary to parent company (note 7) | Endorsement/guarantee to entities in the Mainland China (Note 7) | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | Pan-International Industrial Corp. | Pan-International Industrial Corp. | 1 | $ 5,436,532 | $ 10,000 | $ 10,000 | $ 10,000 | $ - | 0.09 | $ 10,873,063 | N | N | N | Note 8 |
| 1 | P.I.E INDUSTRIAL BERHAD | PAN-INTERNATIONAL ELECTRONICS(M) SDN.BHD. | 2 | 1,492,347 | 1,175,512 | 1,139,961 | 59,459 | - | 10.48 | 2,984,693 | Y | N | N | |
| 1 | P.I.E INDUSTRIAL BERHAD | PAN-INTERNATIONAL WIRE&CABLE(M) SDN.BHD. | 2 | 1,492,347 | 90,258 | 89,141 | 3,359 | - | 0.82 | 2,984,693 | Y | N | N | |

Note 1: The explanation of the number column is as follows:
(1). Fill in 0 for the issuer.
(2). Investee companies are numbered in sequence in each company type starting numerically from 1.

Note 2: There are 7 types of relations between the endorsement guarantor and the borrower as follows; simply mark the type:
(1). A company with business relations.
(2). A company with more than 50% of its voting shares is directly or indirectly held by the company.
(3). A company directly or indirectly holding more than 50% of the voting shares of the company.
(4). A company with more than 90% of its voting shares is directly or indirectly held by the company.
(5). A company with mutual guarantees in accordance with the contract which is in the same industry or a joint constructor to contract the project.
(6). A company that has been endorsed/guaranteed by all the contributing shareholders in accordance with their shareholding ratios due to a joint investment relationship.
(7). Joint and several guarantees for the performance of a contract for the sale of pre-sold houses among companies in the same industry in accordance with the provisions of the Consumer Protection Act.

Note 3: The total amount of external endorsements/guarantees shall not exceed 100% of the Company's net value, and the limit of endorsements/guarantees for a single enterprise shall not exceed 50% of the Company's net worth.
The total amount of endorsements/guarantees provided by the Company and its subsidiaries to others shall not exceed 100% of the Company’s net value; the total amount of endorsements/guarantees by the Company and its subsidiaries to a single enterprise shall not exceed 50% of the Company's net worth.
The total amount of endorsements/guarantees provided by the Company to a foreign subsidiary that the Company, directly and indirectly, holds 100% of its voting shares shall not exceed 50% of the parent company's net worth, and the limit for an individual entity shall not exceed 20% of the parent company's net worth.

Note 4: The maximum balance of endorsements/guarantees for others in the current year.

Note 5: The amount approved by the Board of Directors’ meeting shall be filled in. However, if the Board of Directors’ meeting authorizes the chairman of the board to decide in accordance with subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies, it refers to the amount decided by the chairman of the board.

Note 6: The actual amount of the Company's disbursement within the range of using the balance of the endorsements/guarantees shall be disclosed.

Note 7: Y is required only for an endorsement/guarantee of a listed parent company to a subsidiary, an endorsement/guarantee of a subsidiary to a listed parent company, and an endorsement/guarantee to entities in Mainland China.

Note 8: The Company’s guarantee for its own tariff guarantee.

Pan-International Industrial Corp. and Subsidiaries

Marketable securities held at period end (excluding investment in subsidiaries, associates, and jointly controlled entities).

September 30, 2020

Table 3

Unit: NTD thousand

(unless otherwise noted)

| Holding Company Name | Type of marketable securities | Name of marketable securities | Relationship with the Holding Company | financial report Account | September 30, 2020 Number of shares/beneficiary certificates | Book value | Shares Ratio | Fair value | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| Pan-International Industrial Corp. | Common share | Innolux Corporation | None. | Financial assets measured at fair value through other comprehensive income - Non-current | 94,385,987 | $ 884,397 | 0.97 | $ 884,397 | |
| Pan-International Industrial Corp. | Common share | WK Technology Fund | None. | Financial assets measured at fair value through other comprehensive income - Non-current | 84,378 | 173 | 0.42 | 173 | |
| Pan-International Industrial Corp. | Common share | Syntrend Creative Park Co., Ltd. | The largest shareholder of this company is the largest shareholder of Hon Hai Precision Co., Ltd. | Financial assets measured at fair value through other comprehensive income - Non-current | 12,831,500 | 72,081 | 5.23 | 72,081 | |
| P.I.E. INDUSTRIAL BERHAD | Open-end funds | EASTSPRING INVESTMENTS ISLAMIC INCOME FUND | None. | Financial assets at FVTPL - Current | 22,798 | 83 | - | 83 | |
| P.I.E. INDUSTRIAL BERHAD | Open-end funds | AFFIN HWANG AIIMAN MONEY MARKET FUND I | None. | Financial assets at FVTPL - Current | 9,202,723 | 34,425 | 0.04 | 34,425 | |
| P.I.E. INDUSTRIAL BERHAD | Open-end funds | AFFIN HWANG USD CASH FUND | None. | Financial assets at FVTPL - Current | 254,494 | 7,566 | 0.72 | 7,566 | |
| Yen Yung International Investment Co., Ltd | Common share | Innolux Corporation | None. | Financial assets measured at fair value through other comprehensive income - Non-current | 8,320,602 | 77,964 | 0.09 | 77,964 | |
| Yen Yung International Investment Co., Ltd | Common share | Lico Technology Corporation | None. | Financial assets measured at fair value through income - Non-current | 3,400,000 | - | 2.73 | - | |
| PAN GLOBAL HOLDING CO., LTD. | Common share | UER HOLDINGS CORPORATION | The investment company is evaluated by the equity method; the same as the Company. | Financial assets measured at fair value through income - Non-current | 1,781,979 | - | 8.22 | - | |
| PAN GLOBAL HOLDING CO., LTD. | Common share | FSK HOLDINGS LIMITED | The investment company is evaluated by the equity method; the same as the Company. | Financial assets measured at fair value through other comprehensive income - Non-current | 1,750 | 58,463 | 17.50 | 58,463 | |
| PAN GLOBAL HOLDING CO., LTD. | Common share | CYBERTAN TECHNOLOGY CORP. | The investment company is evaluated by the equity method; the same as the Company. | Financial assets measured at fair value through other comprehensive income - Non-current | 22,519,097 | 1,601,069 | 16.87 | 1,601,069 | |

Pan-International Industrial Corp. and Subsidiaries
Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital or more.
September 30, 2020

Table 4

Unit: NTD thousand
(unless otherwise noted)

| | | | Transaction Details | | | | Differences in transaction terms from those of general transactions and reasons | | Note/Accounts Receivable (Payable) | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Buyer/Seller | Related Party | Relation | Purchase (Sale) | Amount | Percentage over total purchase (sale) | Credit period | Unit Price | Credit period | Balance | Percentage over total notes and accounts receivable (payable) | |
| Pan-International Industrial Corp. | PAN-INTERNATIONAL ELECTRONICS (USA) INC. | Subsidiary of the Company's indirect reinvestment | Sales | $ 218,028 | 2 | Monthly settlement 120 days T/T | No sale to other customers with no basis for comparison | No significant difference | $ 12,401 | 1 | |
| Pan-International Industrial Corp. | Sharp (Taiwan) Electronics Corporation | Other related parties | Sales | 330,503 | 3 | Monthly settlement 30 days T/T | No sale to other customers with no basis for comparison | No significant difference | 1,626 | - | |
| Pan-International Industrial Corp. | Fu Gui Kong Precision Electronic (Guizhou) Co., Ltd. | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales | 136,472 | 1 | Monthly settlement 90 days T/T | No sale to other customers with no basis for comparison | No significant difference | 103,822 | 5 | |
| Pan-International Industrial Corp. | Hongfujin Precision Electronics (Chongqing) Co., Ltd. | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales | 133,714 | 1 | Monthly settlement 90 days T/T | No sale to other customers with no basis for comparison | No significant difference | 54,095 | 2 | |
| Pan-International Industrial Corp. | Hongfujin Precision Electronics (Yantai) Co., Ltd. | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales | 1,245,034 | 13 | Monthly settlement 90 days T/T | No sale to other customers with no basis for comparison | No significant difference | 327,722 | 15 | |
| Pan-International Industrial Corp. | Hongfujin Precision Industry (Wuhan) Co., Ltd. | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales | 252,539 | 3 | Monthly settlement 90 days T/T | No sale to other customers with no basis for comparison | No significant difference | 115,377 | 5 | |
| Pan-International Industrial Corp. | Hongfutai Precision Electronics (Yantai) Co., Ltd. | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales | 417,840 | 4 | Monthly settlement 90 days T/T | No sale to other customers with no basis for comparison | No significant difference | 307,012 | 14 | |
| Pan-International Industrial Corp. | Futaijing Precision Electronics (Yantai) Co., Ltd. | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales | 1,397,125 | 15 | Monthly settlement 90 days T/T | No sale to other customers with no basis for comparison | No significant difference | 2,846 | - | |
| Pan-International Industrial Corp. | FIH (Hongkong) Mobil Limited | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales | 522,381 | 5 | Monthly settlement 90 days T/T | No sale to other customers with no basis for comparison | No significant difference | 244,537 | 11 | |
| Pan-International Industrial Corp. | Hon Hai Precision Industry Co., Ltd. | A company that evaluates the Company by the equity method | Sales | 141,999 | 1 | Monthly settlement 90 days T/T | No sale to other customers with no basis for comparison | No significant difference | 51,273 | 2 | |
| Pan-International Industrial Corp. | Honghuasheng Precision Electronics (Yantai) Co., Ltd. | Subsidiary of the Company's indirect reinvestment | Purchase | 2,531,726 | 28 | Monthly settlement 90 days | A single supplier with no basis for comparison | No significant difference | ( 340,415 ) | ( 22 ) | |
| Pan-International Industrial Corp. | Dongguan Pan-International Precision Electronics Co., Ltd. | Subsidiary of the Company's indirect reinvestment | Purchase | 727,450 | 8 | Monthly settlement 90 days | A single supplier with no basis for comparison | No significant difference | ( 199,278 ) | ( 13 ) | |
| Pan-International Industrial Corp. | Foxconn Interconnect Technology Limited | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Purchase | 1,233,629 | 14 | Monthly settlement 90 days | A single supplier with no basis for comparison | No significant difference | ( 497,699 ) | ( 33 ) | |
| Pan-International Industrial Corp. | Sharp Corporation | Other related parties | Purchase | 2,330,482 | 26 | 30 days after invoice day | A single supplier with no basis for comparison | No significant difference | ( 782 ) | - | |
| Dongguan Pan-International Precision Electronics Co., Ltd. | Dongguan Pan-International Electronics Co., Ltd. | Subsidiary of the Company's indirect reinvestment | Sales | 122,721 | 11 | 90 days. However, the payment terms will be adjusted according to the working capital needs. | No sale to other customers with no basis for comparison | No significant difference | 76,895 | 18 | |
| New Ocean Precision Component (Jiangxi) Co., Ltd. | Foxconn Interconnect Technology Limited | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales | 1,141,400 | 98 | Monthly settlement 60 days | No sale to other customers with no basis for comparison | No significant difference | 442,363 | 99 | |

Pan-International Industrial Corp. and Subsidiaries

Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital or more.

September 30, 2020

Table 4

Unit: NTD thousand
(unless otherwise noted)

| | | | Transaction Details | | | | Differences in transaction terms from those of general transactions and reasons | | Note/Accounts Receivable (Payable) | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Buyer/Seller | Related Party | Relation | Purchase (Sale) | Amount | Percentage over total purchase (sale) | Credit period | Unit Price | Credit period | Balance | Percentage over total notes and accounts receivable (payable) | |
| P.I.E. INDUSTRIAL BERHAD (PIB) | Foxconn Technology Co., Ltd | Other related parties | Purchase | $ 783,469 | 26 | Monthly settlement 90 days | A single supplier with no basis for comparison | No significant difference | ($ 638,303 ) | ( 43 ) | |
| P.I.E. INDUSTRIAL BERHAD (PIB) | Hon Hai Precision Industry Co., Ltd. | A company that evaluates the Company by the equity method | Purchase | 215,351 | 7 | Monthly settlement 90 days | A single supplier with no basis for comparison | No significant difference | ( 72,608 ) | ( 5 ) | |
| Tekcon Electronics Corporation | Foxconn Interconnect Technology Limited | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Purchase | 224,911 | 68 | Monthly settlement 120 days | A single supplier with no basis for comparison | No significant difference | ( 160,218 ) | ( 68 ) | |
| Tekcon Huizhou Electronics Co., Ltd. | Huaian Fulitong Trade Co., Ltd. | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Purchase | 184,672 | 66 | Monthly settlement 120 days | A single supplier with no basis for comparison | No significant difference | ( 209,051 ) | ( 80 ) | |

Pan-International Industrial Corp. and Subsidiaries

Total accounts receivable from related parties amounting to at least NT$100 million or 20% of the paid-in capital or more.

September 30, 2020

Table 5

Unit: NTD thousand

(unless otherwise noted)

| Company Name | Related Party | Relation | Balance of accounts receivable from related parties | Turnover Rate | Overdue | | Accounts receivable from related parties recovered after the period | Provision for bad debt |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Actions Taken | | |
| Pan-International Industrial Corp. | Hongfujin Precision Electronics (Yantai) Co., Ltd. | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | $ 327,722 | 4.10 | $ - | Payment received after the period | $ - | $ 131 |
| Pan-International Industrial Corp. | Hongfujin Precision Industry (Wuhan) Co., Ltd. | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | 115,377 | 2.77 | - | Payment received after the period | 26,046 | 46 |
| Pan-International Industrial Corp. | FIH (Hongkong) Mobil Limited | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | 244,537 | 1.51 | - | Payment received after the period | 45,514 | 98 |
| Pan-International Industrial Corp. | Fu Gui Kong Precision Electronic (Guizhou) Co., Ltd. | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | 103,822 | 2.87 | 5,858 | Payment received after the period | 18,734 | 42 |
| Pan-International Industrial Corp. | Hongfutai Precision Electronics (Yantai) Co., Ltd. | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | 307,012 | 1.96 | - | Payment received after the period | 404 | 123 |
| Honghuasheng Precision Electronics (Yantai) Co., Ltd. | Pan-International Industrial Corp. | The Company's parent company | 340,415 | 10.46 | - | Payment received after the period | - | 136 |
| Dongguan Pan-International Precision Electronics Co., Ltd. | Pan-International Industrial Corp. | The Company's parent company | 199,278 | 3.14 | - | Payment received after the period | 76,831 | - |
| New Ocean Precision Component (Jiangxi) Co., Ltd. | Foxconn Interconnect Technology Limited | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | 442,363 | 3.46 | - | Payment received after the period | 289,421 | - |
| Dongguan Pan-International Electronics Co., Ltd. | Champ Tech Optical (Foshan) Corporation | Other related parties | 117,261 | 2.70 | - | Payment received after the period | 59,798 | 47 |

Pan-International Industrial Corp. and Subsidiaries
Significant Inter-company Transactions during the Reporting Period
September 30, 2020

Table 6

Unit: NTD thousand
(unless otherwise noted)

| Serial No. (Note 1) | Transaction Company | Counterparty | Relationship with the transaction parties (Note 2) | Description of Transactions (note 4) Account | Amount | | Transaction Terms | Percentage over consolidated total revenue or total assets (note 3) |
|---|---|---|---|---|---|---|---|---|
| 0 | Pan-International Industrial Corp. | PAN-INTERNATIONAL ELECTRONICS (USA) INC. | 1 | Sales | $ | 218,028 | Note 5 | 1 |
| 0 | Pan-International Industrial Corp. | Honghuasheng Precision Electronics (Yantai) Co., Ltd. | 1 | Purchase | | 2,531,726 | Note 7 | 17 |
| 0 | Pan-International Industrial Corp. | Dongguan Pan-International Precision Electronics Co., Ltd. | 1 | Purchase | | 727,450 | Note 7 | 5 |
| 0 | Pan-International Industrial Corp. | PAN GLOBAL HOLDING CO., LTD. | 1 | Other receivables | | 360,321 | Not applicable | 2 |
| 1 | Dongguan Pan-International Precision Electronics Co., Ltd. | Dongguan Pan-International Electronics Co., Ltd. | 3 | Sales | | 122,721 | Note 6 | 1 |
| 1 | Dongguan Pan-International Precision Electronics Co., Ltd. | Pan-International Industrial Corp. | 2 | Accounts receivable | | 199,278 | Note 7 | 1 |
| 2 | Honghuasheng Precision Electronics (Yantai) Co., Ltd. | Pan-International Industrial Corp. | 2 | Accounts receivable | | 340,415 | Note 7 | 2 |

Note 1: The business information between the parent company and the subsidiary shall be indicated in the number column respectively, and the number shall be filled in as follows:
(1) Fill in 0 for the parent company.
(2) 1 to 6 - subsidiaries.

Note 2: There are three types of relationship with the transaction parties; mark the type (there is no need to repeatedly disclose the same transaction between parent and subsidiary companies or between subsidiary companies. For example, if a parent company discloses a transaction with a subsidiary, the subsidiary does not have to repeat the disclosure of the transaction; if a subsidiary discloses a transaction with another subsidiary, the other subsidiary does not have to disclose the transaction again):
(1) Parent company with a subsidiary.
(2) A subsidiary with the parent company.
(3) A subsidiary with a subsidiary.

Note 3: For the calculation of the ratio of the transaction amount to the total consolidated revenue or total assets, if the item is classified as an asset or liability, the ratio is calculated with its ending balance as a percentage over the total consolidated assets; if the item is classified as an income, the ratio is calculated with the income accumulated at the end of the period as a percentage over the total consolidated revenue.

Note 4: The standard for disclosing the transaction information above between the parent company and a subsidiary is that the amount of purchase, sale, and receivables from related parties reaches NT$100 million or 20% of the paid-in capital.

Note 5: The transaction price is similar to that of the general customer, with a collection period of 120 days monthly settlement.

Note 6: Transaction prices are negotiated and the collection period is 90 days monthly settlement. The terms of payment are adjusted according to the demand for working capital.

Note 7: Transaction prices are negotiated and the collection period is 90 days monthly settlement.

Pan-International Industrial Corp. and Subsidiaries

The name and location of the investee company and other relevant information (excluding investee companies in Mainland China)

January 1 to September 30, 2020

Table 7

Unit: NTD thousand

(unless otherwise noted)

| Investor | Investor Company | Location | Main Businesses and Products | Original Investment Amount: March 31, 2020 | Original Investment Amount: End of last year | As of September 30, 2020: Shares | As of September 30, 2020: Ratio | As of September 30, 2020: Book value | Net income (loss) of the Investee for current period | Investment gains and losses recognized in the current period | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Pan-International Industrial Corp. | Pan Global Holding Co., Ltd. | The British Virgin Islands | Holding company | $ 3,472,484 | $ 3,472,484 | $ 12,220 | 100 | $ 9,083,827 | $ 386,116 | $ 386,116 | |
| Pan-International Industrial Corp. | Pan-International Electronics Inc. | USA | Sale of electronic products | 73,142 | 73,142 | 28,000 | 100 | 199,819 | 13,102 | 13,102 | |
| Pan-International Industrial Corp. | Yen Yung International Investment Co., Ltd | Taiwan | Investment company | 473,997 | 473,997 | 44,316,236 | 100 | 279,811 | ( 124,156 ) | ( 124,156 ) | |
| Yen Yung International Investment Co., Ltd | Tekcon Electronics Corporation | Taiwan | Manufacturing and sale of connectors for electronic signal cables | 393,898 | 393,898 | 21,960,504 | 83.58 | 200,506 | ( 149,509 ) | ( 124,959 ) | |
| PAN GLOBAL HOLDING CO., LTD. | P.I.E. INDUSTRIAL BERHAD (PIB) | Malaysia | Holding company | 40,595 | 40,595 | 197,459,985 | 51.42 | 1,534,730 | 76,352 | 39,260 | Note 1 |
| PAN GLOBAL HOLDING CO., LTD. | GREAT HAVEN HOLDINGS LTD. (GHH) | The British Virgin Islands | Holding company | 561,630 | 561,630 | 19,800,000 | 100 | 78,686 | 180 | 180 | Note 2 |
| PAN GLOBAL HOLDING CO., LTD. | BRISTECH INTERNATIONAL LTD. (BIL) | The British Virgin Islands | Holding company | - | - | - | - | - | 5 | 5 | |
| PAN GLOBAL HOLDING CO., LTD. | GREAT SUPPORT INTERNATIONAL LTD. (GSI) | The British Virgin Islands | Processing of electronic products | - | - | - | - | - | (1 ) | (1 ) | |
| PAN GLOBAL HOLDING CO., LTD. | BEYOND ACHIEVE ENTERPRISE LTD. (BAE) | The British Virgin Islands | Holding company | 279,360 | 279,360 | 9,600,000 | 100 | 647,556 | (27,601 ) | (27,601 ) | Note 3 |
| PAN GLOBAL HOLDING CO., LTD. | TEAM UNION INTERNATIONAL LTD. (TUI) | Hong Kong | Holding company | 477,240 | 477,240 | 1 | 100 | 711,604 | 50,673 | 50,673 | Note 4 |
| PAN GLOBAL HOLDING CO., LTD. | EAST HONEST HOLDINGS LIMITED (EHH) | Hong Kong | Holding company | 3,120,026 | 3,120,026 | 665,799,420 | 100 | 4,255,474 | 381,975 | 381,975 | Note 5 |
| PAN GLOBAL HOLDING CO., LTD. | Long Time Tech. Co., Ltd. | Taiwan | Electronic Components | 646,000 | 646,000 | 20,187,500 | 16.82 | 576,629 | (68,630 ) | (27,953 ) | |
| Tekcon Electronics Corporation | Long Time Tech. Co., Ltd. | Taiwan | Electronic Components | 250,000 | 250,000 | 7,812,500 | 5.44 | 223,153 | (68,630 ) | (10,819 ) | |

Note 1: The Company mainly reinvests indirectly through PIB in Pan-International Electronics (Malaysia) Sdn. Bhd. and Pan-International Wire & Cable (Malaysia) Sdn. Bhd. from the production of cable-attached connectors or electronic products and sales in Malaysia.

Note 2: The Company mainly reinvests in NCIH International Holdings Limited indirectly through GHH. It was dissolved in September 2020.

Note 3: The Company mainly reinvests in New Ocean Precision Component (Jiangxi) Co., Ltd. indirectly through BAE. Please refer to Table 8 for details on the disclosure of information about the investment in Mainland China.

Note 4: The Company mainly reinvests in Dongguan Pan-International Precision Electronics Co., Ltd. indirectly through TUI. Please refer to Table 8 for details on the disclosure of information about the investment in Mainland China.

Note 5: The Company mainly reinvests in Honghuasheng Precision Electronics (Yantai) Co., Ltd. indirectly through EHH. Please refer to Table 8 for details on the disclosure of information about the investment in Mainland China.

Note 6: The relevant figures in this table are in NTD. Where foreign currencies are involved, they will be converted into NTD at the exchange rate on the date of financial reporting.

Pan-International Industrial Corp. and Subsidiaries

Mainland China investment information - Basic information

January 1 to September 30, 2020

Table 8

Unit: NTD thousand

(unless otherwise noted)

| Name of the investee in mainland China | Main Businesses and Products | Paid-in Capital | Method of Investments (Note 2) | Cumulative outward remittance of investment amount from Taiwan at the beginning of the period | Investment Flows of current period: Outward | Investment Flows of current period: Inward | Cumulative outward remittance of the investment amount from Taiwan in the period end | Net income (loss) of the Investee for current period | % Ownership of Direct or Indirect Investment | Investment gains and losses recognized in the current period (Note 3) | Book value of the investment at the end of the period | Investment gains repatriated as of the end of the period | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Dongguan Pan-International Precision Electronics Co., Ltd. | Manufacturing and sale of wires, cables, connecting wires, connecting wire connectors, and wire plugs. | $ 477,240 | 2 | $ 363,750 | $ - | $ - | $ 363,750 | $ 50,673 | 100 | $ 50,673 | $ 711,606 | $ - | Note 6 |
| Fuyu Property (Shanghai) Co., Ltd. | Engaging in the e-commerce business of industrial design, other specialized design services, car rental, retail of other commodities, sale of computer and peripheral equipment and software, retail of communication equipment, retail of audio-visual equipment, retail of spare parts and supplies for locomotives, and e-commerce of retail goods and equipment above. | 8,089,800 | 2 | 792,975 | - | - | 792,975 | ( 10,978 ) | 16.87 | - | 1,601,069 | - | |
| New Ocean Precision Component (Jiangxi) Co., Ltd. | Manufacturing and operation of various types of plugs and sockets and telecommunications. | 279,360 | 2 | - | - | - | - | ( 27,601 ) | 100 | ( 27,601 ) | 647,555 | - | |
| Honghuasheng Precision Electronics (Yantai) Co., Ltd. | Production and sale of hard single (double) side printed circuit boards, hard multi-layer printed circuit boards, flexible multi-layer printed circuit boards, and other printed circuit boards | 2,496,780 | 2 | 2,575,350 | - | - | 2,575,350 | 381,975 | 100 | 381,975 | 4,255,463 | - | Note 4 |

| Company name | The cumulative amount of outward remittance of investment from Taiwan to mainland China at the end of the period (notes 5 and 6) | Investment amount approved by the Investment Commission, MOEA | In compliance with the investment limit stipulated by the Investment Commission, MOEA for investment in mainland China. (note 7). |
|---|---|---|---|
| Pan-International Industrial Corp. | $ 4,126,118 | $ 5,890,986 | $ - |

Note 1: The relevant figures in this table are in NTD. Where foreign currencies are involved, they will be converted into NTD at the exchange rate on the date of financial reporting.

Note 2: There are three investment modes:

1. Direct investment in mainland China.
2. Re-investment in mainland China through Pan Global Holding Co., Ltd. of a third region.
3. Other modes.

Note 3: Except for Dongguan Pan-International Precision Electronics Co., Ltd., the figures in the investment profit and loss column recognized in the period are recognized in the financial report which is reviewed by independent auditors.

Note 4: In the first quarter of 2012, the Company acquired 100% of the equity of East Honest Holdings Limited through the subsidiary Pan Global Holding Co., Ltd. and indirectly acquired Honghuasheng Precision Electronics (Yantai) Co., Ltd.; the investment amount approved by the Investment Commission, MOEA was USD 107,217 thousand.

Note 5: The following are the investment withdrawal cases approved by the Investment Commission, MOEA as of September 30, 2020:

| Date | Approval letter No. | Investor Company | Original investment amount remitted from Taiwan | |
|---|---|---|---|---|
| September 5, 2003 | 0920028972 | Dongguan Junwang Technology Co., Ltd. | USD | 91 thousand |
| December 9, 2010 | 09900496780 | Saibo Digital Technology (Guangzhou) Co., Ltd. | | 476 thousand |
| May 30, 2011 | 10000205680 | Yunnan Saibo Digital Technology Co., Ltd. | | 190 thousand |
| May 30, 2011 | 10000205690 | Chongqing Saibotel Digital Square Co., Ltd. | | 454 thousand |
| May 30, 2011 | 10000205700 | Nanchong Saibo Digital Square Co., Ltd. | | 58 thousand |
| March 22, 2017 | 10600038030 | UER Battery Technology (Shenzhen) Co., Ltd. | | 1,100 thousand |
| May 9, 2017 | 10630024870 | Ganchuang International Trade (Shenzhen) Co., Ltd. | | 8,650 thousand |
| | | | USD | 11,019 thousand |

Because these reinvestment companies suffer losses, the amount of investment originally remitted from Taiwan cannot offset the amount of investment in mainland China.

Note 6: In November 2011, the Company was granted a document, IC(II) No. 10000518690 by the Investment Commission, MOEA that approved the rescission of the unexecuted investment amount of US$500 thousand for Dongguan Pan-International Precision Electronics Co., Ltd.

On October 30, 2014, the Company was granted a document, IC(II) No. 10300233110 by the Investment Commission, MOEA that approved the transferring of Cyberport Digital Tech (Qingdao) Co., Ltd, and 41 other companies to Le Zhiwan Ranch Holding Investment Ltd. (Samoa);

In March 2017, the Company was granted a document, IC(II) No. 10600038030 by the Investment Commission, MOEA that approved the rescission of unexecuted investment amount of US$5.2 million for UER Battery Technology (Shenzhen) Co., Ltd..

Note 7: In December 2019, the Company was granted a document, IDB No. 10820432920 by the Industrial Development Bureau, MOEA, certifying the compliance with the operation scope of operation headquarters, and no investment limit is required from December 4, 2019 to December 3, 2022.

Pan-International Industrial Corp. and Subsidiaries

Information on major shareholders

September 30, 2020

Table 9

| Name of major shareholders | Share | |
|---|---|---|
| | Number of shares held | Shares Ratio |
| Hon Hai Precision Industry Co., Ltd. | 107,776,254 | 20.79% |

Note 1: The information of major shareholders in this table is based on the information from the Central Depository on the last business day at the end of each quarter, covering shareholders stake of more than 5% of the Company's common and special shares that have completed scriptless registration (including treasury shares).

The share capital reported in the financial report and the actual number of shares that have completed the scriptless registration may be different due to differences in the basis of compilation and calculation.

Note 2: If the shareholder puts the shares into a trust, the aforementioned information will be disclosed by the trustors' individual account opened by the trustee. As for shareholders' insider declaration of the ownership percentage over 10% according to the Securities and Exchange Act, including the shares on hand and those being put in a trust but with the decision power over the usage of the trust assets, please refer to the insider declaration information on MOPS.

Note 3: The preparation principle of this table is to calculate the distribution of the balance of each credit transaction based on the shareholders' register on the book-close day of the extraordinary shareholders' meeting (short-sale securities are not purchased back).

Note 4: Shareholding ratio (%) = total number of shares held by the shareholder/total number of shares that have completed scriptless registration.

Note 5: The total number of shares (including treasury shares) that have completed scriptless registration is 518,346,282 shares = 518,346,282 (common shares) + 0 (special shares).