

**CHENG UEI PRECISION INDUSTRY CO.,
LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
SEPTEMBER 30, 2019 AND 2018**

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 19000129

To the Board of Directors and Stockholders of Cheng Uei Precision Industry Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Cheng Uei Precision Industry Co., Ltd. and subsidiaries (the “Group”) as at September 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(7), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using equity method were not reviewed by independent accountants. Those statements reflect total assets of NT\$22,335,268 thousand and NT\$16,420,267 thousand, constituting 27.53% and 25.77% of the consolidated total assets, and total liabilities of NT\$5,694,135 thousand and NT\$5,344,675 thousand, constituting 10.72% and 13.30% of the consolidated total liabilities as at September 30, 2019 and 2018, and total comprehensive income (loss)

of NT\$379,930 thousand, NT(\$58,251) thousand, NT\$163,125 and NT(\$438,873) thousand, constituting 135.09%, 63.38%, 25.26% and 35.99% of the consolidated total comprehensive (loss) income for the three months and nine months then ended.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements (please refer to other matter paragraph), if any, as might have been determined to be necessary had the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using equity method been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews and the reports of other independent accountants, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2019 and 2018, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine months then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Emphasis of Matter –significant unresolved litigation involving investments accounted for using equity method

As described in Notes 6(7) and 9(2) to the consolidated financial statements, Central Motion Picture Corporation, an equity-method investment of the Group, was determined to be an affiliate organisation of the Kuomintang by the Ill-gotten Party Assets Settlement Committee in its written disposition issued on October 9, 2018. Under Article 16 of the Act Governing the Settlement of Ill-gotten Properties by Political Parties and Their Affiliate Organisations, Central Motion Picture Corporation may file an administrative litigation in the Taipei High Administrative Court within two months after the aforementioned written disposition was served. In addition, Central Motion Picture Corporation may file for a suspension of execution under Paragraph 2, Article 116 of the Administrative Litigation Act. On December 12, 2018, Central Motion Picture Corporation submitted cause of action to the Taipei High Administrative Court. As of the financial reporting date, the possible result of this litigation cannot be determined. Therefore, our opinion is not modified in respect of this matter.

Other matter- using the work of other auditors

We did not review the financial statements of certain consolidated subsidiaries as at and for the nine months ended September 30, 2018. Those financial statements were reviewed by other independent accountants, whose reports thereon have been furnished to us, and our report expressed herein, insofar as it relates to the amounts included in the financial statements was based solely on the review reports of other independent accountants, which statements reflect total assets of NT\$4,168,076 thousand, constituting 6.54% of the consolidated total assets, and total liabilities of NT\$2,409,507 thousand, constituting 6.00% of the consolidated total liabilities as at September 30, 2018, and total operating revenues of NT\$752,074 thousand and NT\$2,136,275 thousand, constituting 3.31% and 3.42% of the consolidated total operating revenues for the three months and nine months then ended.

Lin, Se-Kai

Liang, Yi-Chang

For and on behalf of PricewaterhouseCoopers, Taiwan

November 8, 2019

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

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CHENG UEI PRECISION INDUSTRY CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2019, DECEMBER 31, 2018 AND SEPTEMBER 30, 2018
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

ASSETS		Notes	September 30, 2019		December 31, 2018		September 30, 2018	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
CURRENT ASSETS								
1100	Cash and cash equivalents	6(1)	\$ 7,747,422	10	\$ 6,122,851	9	\$ 3,800,218	6
1110	Financial assets at fair value	6(2) and 12(3)						
	through profit or loss - current		174,001	-	-	-	9,158	-
1150	Notes receivable, net		23,118	-	24,412	-	16,473	-
1170	Accounts receivable, net	6(4)	19,213,475	24	12,683,440	18	11,302,241	18
1180	Accounts receivable, net -	7						
	related parties		782,517	1	680,017	1	758,741	1
1200	Other receivables	6(5)	337,452	1	704,649	1	807,671	1
1210	Other receivables - related	7						
	parties		88,796	-	68,020	-	79,082	-
1220	Current income tax assets	6(28)	2,507	-	26,968	-	7,038	-
130X	Inventories, net	6(6)	13,917,098	17	13,141,480	18	13,681,517	21
1410	Prepayments		1,653,029	2	1,706,883	2	1,263,480	2
1470	Other current assets	6(1) and 8	1,155,666	1	776,220	1	1,004,381	2
11XX	TOTAL CURRENT ASSETS		<u>45,095,081</u>	<u>56</u>	<u>35,934,940</u>	<u>50</u>	<u>32,730,000</u>	<u>51</u>
1517	Financial assets at fair value	6(3) and 12(3)						
	through other comprehensive							
	income-non-current		1,036,412	1	1,040,342	2	707,518	1
1550	Investments accounted for	6(7)						
	under equity method		4,347,596	5	4,504,413	6	6,042,551	9
1600	Property, plant and equipment,	6(8)						
	net		23,518,638	29	21,962,875	31	19,578,545	31
1755	Right-of-use assets	6(9) and 7	1,729,428	2	-	-	-	-
1760	Investment property, net	6(10)	599,232	1	290,492	-	218,283	-
1780	Intangible assets, net	6(11)	2,882,495	4	2,879,178	4	1,042,312	2
1840	Deferred income tax assets	6(28)	508,526	1	339,023	1	39,046	-
1915	Prepayments for business							
	facilities		992,625	1	2,007,432	3	1,674,471	3
1990	Other non-current assets, others	8	432,763	-	2,210,340	3	1,681,837	3
15XX	TOTAL NON-CURRENT ASSETS		<u>36,047,715</u>	<u>44</u>	<u>35,234,095</u>	<u>50</u>	<u>30,984,563</u>	<u>49</u>
1XXX	TOTAL ASSETS		<u>\$ 81,142,796</u>	<u>100</u>	<u>\$ 71,169,035</u>	<u>100</u>	<u>\$ 63,714,563</u>	<u>100</u>

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CHENG UEI PRECISION INDUSTRY CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2019, DECEMBER 31, 2018 AND SEPTEMBER 30, 2018
(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

LIABILITIES AND EQUITY	Notes	September 30, 2019		December 31, 2018		September 30, 2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
CURRENT LIABILITIES								
2100	Short-term borrowings	6(12)	\$ 3,040,433	4	\$ 1,458,024	2	\$ 628,213	1
2110	Short-term notes and bills payable	6(13)	249,884	-	494,895	1	-	-
2120	Current financial liabilities at fair value through profit or loss	6(2) and 12(3)	-	-	-	-	1,469	-
2130	Current contract liabilities	6(22)	874,422	1	624,287	1	519,216	1
2150	Notes payable		3,326	-	3,814	-	1,565	-
2170	Accounts payable		19,356,693	24	15,418,327	22	16,582,768	26
2180	Accounts payable - related parties	7	285,826	-	326,902	-	533,098	1
2200	Other payables	6(14)	5,584,676	7	6,137,324	9	5,934,129	9
2230	Current income tax liabilities	6(28)	211,313	-	219,284	-	228,328	-
2280	Current lease liabilities		227,705	-	-	-	-	-
2365	Current refund liabilities		30,547	-	19,684	-	19,363	-
2399	Other current liabilities, others	6(16)	1,305,443	2	1,224,087	2	576,256	1
21XX	TOTAL CURRENT LIABILITIES		<u>31,170,268</u>	<u>38</u>	<u>25,926,628</u>	<u>37</u>	<u>25,024,405</u>	<u>39</u>
NON-CURRENT LIABILITIES								
2530	Corporate bonds payable	6(15)	2,987,314	4	-	-	-	-
2540	Long-term borrowings	6(16)	15,236,781	19	14,010,091	20	12,475,713	20
2570	Deferred income tax liabilities	6(28)	949,010	1	848,271	1	311,707	-
2580	Non-current lease liabilities		270,527	-	-	-	-	-
2600	Other non-current liabilities	6(7)(17)	2,506,517	3	2,436,811	3	2,378,720	4
25XX	TOTAL NON-CURRENT LIABILITIES		<u>21,950,149</u>	<u>27</u>	<u>17,295,173</u>	<u>24</u>	<u>15,166,140</u>	<u>24</u>
2XXX	TOTAL LIABILITIES		<u>53,120,417</u>	<u>65</u>	<u>43,221,801</u>	<u>61</u>	<u>40,190,545</u>	<u>63</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT								
Capital stock								
3110	Common stock	6(18)	5,123,269	6	5,123,269	7	5,123,269	8
Capital reserve								
3200	Capital surplus	6(19)	9,471,717	11	9,430,462	13	9,502,696	15
Retained earnings								
3310	Legal reserve	6(20)	2,803,290	3	2,742,480	4	2,742,480	4
3320	Special reserve		1,609,901	2	1,508,296	2	1,508,296	2
3350	Unappropriated earnings		5,405,532	7	4,980,234	7	4,091,259	6
Other equity								
3400	Other equity interest	6(21)	(2,117,274)	(2)	(1,609,901)	(2)	(1,811,359)	(2)
Treasury shares								
3500	Treasury shares	6(18)	(272,066)	-	(272,066)	-	-	-
31XX	Equity attributable to owners of the parent		<u>22,024,369</u>	<u>27</u>	<u>21,902,774</u>	<u>31</u>	<u>21,156,641</u>	<u>33</u>
36XX	Non-controlling interests		<u>5,998,010</u>	<u>8</u>	<u>6,044,460</u>	<u>8</u>	<u>2,367,377</u>	<u>4</u>
3XXX	TOTAL EQUITY		<u>28,022,379</u>	<u>35</u>	<u>27,947,234</u>	<u>39</u>	<u>23,524,018</u>	<u>37</u>
Significant contingent liabilities and unrecognised contract commitments								
Significant events after the balance sheet date								
3X2X	TOTAL LIABILITIES AND EQUITY		<u>\$ 81,142,796</u>	<u>100</u>	<u>\$ 71,169,035</u>	<u>100</u>	<u>\$ 63,714,563</u>	<u>100</u>

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

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings (loss) per share)
(UNAUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2019		2018		2019		2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(22) and 7	\$ 29,075,901	100	\$ 22,700,790	100	\$ 69,322,603	100	\$ 62,449,402	100
5000	Operating costs	6(6)(26)(27) and 7	(25,907,532)	(89)	(20,212,258)	(89)	(62,433,638)	(90)	(57,385,249)	(92)
5900	Gross profit		<u>3,168,369</u>	<u>11</u>	<u>2,488,532</u>	<u>11</u>	<u>6,888,965</u>	<u>10</u>	<u>5,064,153</u>	<u>8</u>
	Operating expenses	6(26)(27)(32)								
6100	Sales and marketing expenses		(497,684)	(2)	(473,378)	(2)	(1,358,113)	(2)	(1,453,016)	(2)
6200	General and administrative expenses		(932,282)	(3)	(871,541)	(4)	(2,572,278)	(4)	(2,680,784)	(4)
6300	Research and development expenses		(703,242)	(2)	(539,467)	(2)	(1,785,801)	(3)	(1,547,954)	(3)
6450	Impairment loss (impairment gain and reversal of impairment loss)	12(2)	(12,711)	-	(15,098)	-	(34,755)	-	(15,412)	-
6000	Total operating expenses		(2,145,919)	(7)	(1,899,484)	(8)	(5,750,947)	(9)	(5,697,166)	(9)
6900	Operating income (loss)		<u>1,022,450</u>	<u>4</u>	<u>589,048</u>	<u>3</u>	<u>1,138,018</u>	<u>1</u>	(633,013)	(1)
	Non-operating income and expenses									
7010	Other income	6(23) and 7	152,878	-	97,764	-	352,627	1	361,780	1
7020	Other gains and losses	6(24)	217,169	1	116,051	1	292,597	-	88,436	-
7050	Finance costs	6(25)	(91,775)	-	(66,963)	-	(258,669)	-	(208,583)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(7)	<u>64,917</u>	-	<u>98,870</u>	-	<u>133,722</u>	-	<u>265,758</u>	-
7000	Total non-operating income and expenses		<u>343,189</u>	<u>1</u>	<u>245,722</u>	<u>1</u>	<u>520,277</u>	<u>1</u>	<u>507,391</u>	<u>1</u>
7900	(Loss) income before income tax		1,365,639	5	834,770	4	1,658,295	2	(125,622)	-
7950	Income tax (expense) benefit	6(28)	(238,545)	(1)	(170,658)	(1)	(399,176)	-	(161,956)	-
8200	Net income (loss)		<u>\$ 1,127,094</u>	<u>4</u>	<u>\$ 664,112</u>	<u>3</u>	<u>\$ 1,259,119</u>	<u>2</u>	<u>(\$ 287,578)</u>	<u>-</u>

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CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings (loss) per share)
(UNAUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2019		2018		2019		2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
Other comprehensive (loss) income, net										
Components of other comprehensive (loss) income that will not be reclassified to profit or loss										
8316	Unrealized gain on equity instrument at fair value through other comprehensive profit or loss	6(3)	\$ -	-	(\$ 1,365)	-	(\$ 25,000)	-	(\$ 87,865)	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		-	-	(56,792)	-	42,448	-	(253,187)	(1)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(28)	-	-	-	-	-	-	1,670	-
8310	Total components of other comprehensive (loss) income that will not be reclassified to profit or loss		-	-	(58,157)	-	17,448	-	(339,382)	(1)
Components of other comprehensive income that will be reclassified to profit or loss										
8361	Exchange differences arising on translation of foreign operations	6(21)	(982,413)	(4)	(788,221)	(4)	(723,516)	(1)	(651,553)	(1)
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		(48,638)	-	(79,024)	-	(43,936)	-	(74,629)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(28)	185,201	1	169,381	1	136,793	-	133,802	-
8360	Total components of other comprehensive loss that will be reclassified to profit or loss		(845,850)	(3)	(697,864)	(3)	(630,659)	(1)	(592,380)	(1)
8300	Other comprehensive loss, net		(\$ 845,850)	(3)	(\$ 756,021)	(3)	(\$ 613,211)	(1)	(\$ 931,762)	(2)
8500	Total comprehensive (loss) income for the period		\$ 281,244	1	(\$ 91,909)	-	\$ 645,908	1	(\$ 1,219,340)	(2)
Net income (loss) attributable to:										
8610	Shareholders of the parent		\$ 1,065,091	4	\$ 638,511	3	\$ 1,356,253	2	(\$ 289,385)	-
8620	Non-controlling interests		62,003	-	25,601	-	(97,134)	-	1,807	-
	Total		\$ 1,127,094	4	\$ 664,112	3	\$ 1,259,119	2	(\$ 287,578)	-
Total comprehensive (loss) income attributable to:										
8710	Shareholders of the parent		\$ 324,289	1	(\$ 97,169)	-	\$ 848,880	1	(\$ 1,179,701)	(2)
8720	Non-controlling interests		(43,045)	-	5,260	-	(202,972)	-	(39,639)	-
	Total		\$ 281,244	1	(\$ 91,909)	-	\$ 645,908	1	(\$ 1,219,340)	(2)
Basic earnings (loss) per share (in dollars)										
9750	Total basic earnings (loss) per share	6(29)	\$ 2.20		\$ 1.25		\$ 2.80		(\$ 0.56)	
Diluted earnings (loss) per share (in dollars)										
9850	Total diluted earnings (loss) per share	6(29)	\$ 2.19		\$ 1.25		\$ 2.78		(\$ 0.56)	

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

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Equity attributable to owners of the parent												
	Retained earnings					Other equity interest						
Notes	Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss from available-for-sale financial assets	Treasury shares	Total equity attributable to shareholders of the parent	Non-controlling interest	Total equity
Nine months ended September 30, 2018												
	\$ 5,123,269	\$ 9,468,665	\$ 2,609,021	\$ 665,206	\$ 6,338,675	(\$ 907,821)	\$ -	\$ 64,731	\$ -	\$ 23,361,746	\$ 2,357,920	\$ 25,719,666
	-	-	-	-	76,271	-	(11,540)	(64,731)	-	-	-	-
	5,123,269	9,468,665	2,609,021	665,206	6,414,946	(907,821)	(11,540)	-	-	23,361,746	2,357,920	25,719,666
	-	-	-	-	(289,385)	-	-	-	-	(289,385)	1,807	(287,578)
6(21)	-	-	-	-	1,682	(600,554)	(291,444)	-	-	(890,316)	(41,446)	(931,762)
	-	-	-	-	(287,703)	(600,554)	(291,444)	-	-	(1,179,701)	(39,639)	(1,219,340)
6(20)												
	-	-	133,459	-	(133,459)	-	-	-	-	-	-	-
	-	-	-	843,090	(843,090)	-	-	-	-	-	-	-
	-	-	-	-	(1,024,654)	-	-	-	-	(1,024,654)	-	(1,024,654)
	-	140	-	-	(11,892)	-	-	-	-	(11,752)	-	(11,752)
	-	-	-	-	(22,148)	-	-	-	-	(22,148)	(24,002)	(46,150)
6(19)												
	-	33,891	-	-	(741)	-	-	-	-	33,150	-	33,150
	-	-	-	-	-	-	-	-	-	-	73,098	73,098
	\$ 5,123,269	\$ 9,502,696	\$ 2,742,480	\$ 1,508,296	\$ 4,091,259	(\$ 1,508,375)	(\$ 302,984)	\$ -	\$ -	\$ 21,156,641	\$ 2,367,377	\$ 23,524,018
Nine months ended September 30, 2019												
	\$ 5,123,269	\$ 9,430,462	\$ 2,742,480	\$ 1,508,296	\$ 4,980,234	(\$ 1,294,410)	(\$ 315,491)	\$ -	(\$ 272,066)	\$ 21,902,774	\$ 6,044,460	\$ 27,947,234
	-	-	-	-	1,356,253	-	-	-	-	1,356,253	(97,134)	1,259,119
6(21)												
	-	-	-	-	-	(540,272)	32,899	-	-	(507,373)	(105,838)	(613,211)
	-	-	-	-	1,356,253	(540,272)	32,899	-	-	848,880	(202,972)	645,908
6(20)												
	-	-	60,810	-	(60,810)	-	-	-	-	-	-	-
	-	-	-	101,605	(101,605)	-	-	-	-	-	-	-
	-	-	-	-	(768,490)	-	-	-	-	(768,490)	-	(768,490)
6(19)												
	-	-	-	-	(50)	-	-	-	-	(50)	(80)	(130)
6(19)												
	-	41,255	-	-	-	-	-	-	-	41,255	-	41,255
	-	-	-	-	-	-	-	-	-	-	156,602	156,602
	\$ 5,123,269	\$ 9,471,717	\$ 2,803,290	\$ 1,609,901	\$ 5,405,532	(\$ 1,834,682)	(\$ 282,592)	\$ -	(\$ 272,066)	\$ 22,024,369	\$ 5,998,010	\$ 28,022,379

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

CHENG UEI PRECISION INDUSTRY CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Nine months ended September 30,	
		2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit (loss) before tax		\$ 1,658,295	(\$ 125,622)
Adjustments			
Adjustments to reconcile profit (loss)			
(Gain) loss on financial assets at fair value through profit or loss	6(2)	(3,475)	1,787
Depreciation (including investment property)	6(8)(9)(10)(26)	2,850,794	2,140,105
Amortisation (including long-term prepaid rent amortisation)	6(11)(26)	79,295	47,143
Expected credit loss	12(2)	34,755	15,412
Interest expense	6(25)	258,669	208,583
Interest income	6(23)	(75,485)	(57,770)
Share of profit of associates accounted for using equity method	6(7)	(133,722)	(265,758)
(Gain) loss on disposal of property, plant and equipment	6(24)	(1,214)	98,193
Gain on disposal of investments	6(24)	(58,899)	(54,139)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss-current		(170,526)	-
Notes receivable, net		1,294	39,775
Accounts receivable		(6,564,623)	3,860,581
Accounts receivable from related parties		(102,500)	(69,429)
Other receivables		367,197	(545,868)
Other receivables from related parties		72,465	4,004
Inventories		(799,013)	(2,294,428)
Prepayments		57,598	330,251
Other current assets		22,030	(37,348)
Other non-current assets		265,129	(453,804)
Changes in operating liabilities			
Contract liabilities		250,135	519,216
Notes payable		168,764	(9,536)
Accounts payable		3,938,366	(1,664,425)
Accounts payables to related parties		(41,076)	112,657
Other payables		(651,652)	(32,913)
Current refund liabilities		10,863	19,363
Other current liabilities		210,643	1,926,891
Other non-current liabilities		69,706	(89,094)
Cash inflow generated from operations		1,713,813	3,623,827
Interest received		75,485	57,770
Dividend received		77,988	324,577
Interest paid		(258,669)	(208,515)
Income tax paid		(339,119)	(315,681)
Net cash flows from operating activities		<u>1,269,498</u>	<u>3,481,978</u>

(Continued)

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Nine months ended September 30,	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial asset at fair value through other comprehensive income	12(3)	\$ -	(\$ 164,896)
Acquisition of investments accounted for under the equity method		-	(158,334)
Disposal of subsidiary (excluding cash)	6(33)	-	(214,843)
Acquisition of subsidiary (excluding cash)	6(31)	(279,811)	-
Acquisition of property, plant and equipment	6(33)	(2,481,634)	(4,044,634)
Proceeds from disposal of property, plant and equipment	6(8)	275,820	100,614
Acquisition of intangible assets	6(11)	(105,614)	(50,843)
Proceeds from disposal of intangible assets	6(11)	794	363
Increase in other current assets		(401,476)	(254,458)
Increase on prepayments for investments	6(7)	(78,235)	(219,718)
Increase in prepayments for business facilities		(627,116)	(862,965)
Net cash flows used in investing activities		(3,697,272)	(5,869,714)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(34)	20,167,454	-
Decrease in short-term borrowings	6(34)	(18,579,433)	(2,568,807)
Decrease in short-term notes payable	6(34)	(245,011)	-
Proceeds from issuance of bonds	6(34)	3,000,000	-
Increase in long-term borrowings	6(34)	8,856,660	5,833,362
Repayment of long-term borrowings	6(34)	(7,759,249)	(3,837,636)
Increase in other payables - related parties	7	-	350,000
Repayment of lease liabilities	6(9)	(243,480)	-
Cash dividends paid	6(19)	(768,490)	(1,024,654)
Net cash flows from (used in) financing activities		4,428,451	(1,247,735)
Effect of change in exchange rates		(376,106)	(195,930)
Net increase (decrease) in cash and cash equivalents		1,624,571	(3,831,401)
Cash and cash equivalents at beginning of period		6,122,851	7,631,619
Cash and cash equivalents at end of period		\$ 7,747,422	\$ 3,800,218

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

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

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

(Unaudited)

1. HISTORY AND ORGANIZATION

Cheng Uei Precision Industry Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on July 14, 1986 and has begun operations on July 31, 1986. The Company and its subsidiaries (collectively referred herein as the “Group”) are engaged in the manufacture of cable assemblies, connectors, battery packs, and power modules. Effective September 1999, the shares of the Company were listed on the Taiwan Stock Exchange.

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

These consolidated financial statements were reported to the Board of Directors on November 8, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, 'Leases'

- (a) IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
- (b) The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by \$1,769,346, increased 'lease liability' by \$568,819 and decreased long-term prepaid rent by \$1,200,527 with respect to the lease contracts of lessees on January 1, 2019.
- (c) The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- Reassessment as to whether a contract is, or contains, a lease is not required, and instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$83,846 was recognised in the third quarter of 2019.
- (d) The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range from 1.12% to 2.3%.
- (e) The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 556,276
Less: Short-term leases	(14,594)
Less: Low-value assets	(1,003)
Add: Lease contracts previously identified as service agreements	<u>41,074</u>
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	581,753
Incremental borrowing interest rate at the date of initial application	<u>1.12%~2.3%</u>
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	<u>\$ 568,819</u>

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the compliance statement, basis of preparation, basis of consolidation and additional descriptions that are set out below, the rest of the principal accounting policies applied in the preparation of these consolidated financial statements are the same as those disclosed in Note 4 to the consolidated financial statements as of and for the year ended December 31, 2018. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards 34, “Interim Financial Reporting”.
- B. The consolidated financial statements as of and for the nine months ended September 30, 2019 should be read together with the consolidated financial statements as of and for the year ended December 31, 2018.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - b) Financial assets at fair value through other comprehensive income.
 - c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligations.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
Basis for preparation for the current period financial statements and the 2018 consolidated financial statements is the same.
- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			September 30, 2019	December 31, 2018	September 30, 2018	
The Company	CU International Ltd. (CU)	Manufacture of electronic telecommunication components and reinvestment business	100	100	100	Note 15,16
The Company	Culink International Ltd. (CULINK)	Reinvestment business	100	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			September 30, 2019	December 31, 2018	September 30, 2018	
The Company	Foxlink International Investment Ltd. (FII)	General investments holding	100	100	100	Note 15,16
The Company	Fu Uei International Investment Ltd. (FUII)	General investments holding	100	100	100	Note 15,16
The Company	Darts Technologies Corporation (Darts)	Manufacture of electronic telecommunication and wireless components	97	97	97	
The Company	Foxlink (Vietnam) Inc.	Manufacture of electronic telecommunication components	100	100	100	
The Company	Du Precision Industry Co., Ltd. (Du Precision)	Manufacture of electronic telecommunication components	100	100	100	
The Company	Foxlink Technology Ltd. (FOXLINK TECH)	Holding company	100	100	100	
The Company	Solteras Inc. (SOLTERAS)	Manufacture of electronic telecommunication components	47.77	47.77	47.77	
The Company	Suntain Co., Ltd. (Suntain)	Electroplating processing services	100	100	100	
The Company	SINOBEST BROTHERS LIMITED (SINOBEST)	Holding company	100	-	-	Note 1
CU	Fugang Electronic (Dong Guan) Co., Ltd. (FGEDG)	Manufacture of electronic telecommunication components	100	100	100	Note 15,16
CU	New Start Industries Ltd. (NEW START)	Reinvestment business	100	100	100	
CU	Fugang Electric (KunShan) Co., Ltd. (FGEKS)	Manufacture of electronic telecommunication components	100	100	100	Note 15,16
CU	Dong Guan Fu Shi Chang Co., Ltd. (FSC)	Manufacture of electronic telecommunication components	100	100	100	
CU	Foxlink Electronics (Dong Guan) Co., Ltd. (FEDG)	Manufacture of electronic telecommunication components	-	100	100	Note 3
CU	Culink (Tian Jin) Co., Ltd. (CTJ)	Manufacture of electronic telecommunication components	25	25	25	
CU	Dongguan Fuqiang Electronics Co., Ltd. (DGFQ)	Manufacture of electronic telecommunication components	83.17	83.17	83.17	Note 15,16
CU	Neosonic Energy Technology (Tianjin) Ltd. (NE)	Manufacture of electronic telecommunication components	100	100	100	
CU	Foxlink Automotive Technology (Kunshan) Co., Ltd. (KAFE)	Manufacture of electronic telecommunication components	44.78	44.78	50	
CU	Solteras Limited	General investments holding	100	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			September 30, 2019	December 31, 2018	September 30, 2018	
CU	Fu Shi Neng Electronics (Kun Shan) Co., Ltd.	Manufacture of electronic telecommunication components	100	100	100	
CU	Fu Shi Xiang Research & Development Center (Kun Shan) Co., Ltd.	Manufacture of electronic telecommunication components	100	100	100	
CU	Fu Gang Electronic (Nan Chang) Co., Ltd. (FENC)	Manufacture of electronic telecommunication components	72	72	72	
CU	Fugang Electric (YANCHENG) Co., Ltd. (FG YANCHENG)	Manufacture of electronic telecommunication components	80	80	80	
CU	Fuqiang Electric (YANCHENG) Co., Ltd. (FQ YANCHENG)	Manufacture of electronic telecommunication components	100	100	100	
CU	Fugang Electric (MAANSHAN) Co., Ltd. (FG MAANSHAN)	Manufacture of electronic telecommunication components	32.86	32.86	32.86	
CU	Kunshan Fugang Investment Co., Ltd. (Kunshan Fugang Investment)	General investments holding	100	100	100	
CU	FOXLINK TECHNICAL INDIA PRIVATE LIMITED (FOXLINK INDIA)	Manufacture of electronic telecommunication components	82	92.59	92.59	Note 8
CU	Fugang Electric (XuZhou) Co., Ltd. (FG XuZhou)	Manufacture of electronic telecommunication components	100	100	100	Note 2
NEW START	Foxlink TianJin Co., Ltd. (FTJ)	Manufacture of electronic telecommunication components	100	100	100	
NEW START	Culink (Tian Jin) Co., Ltd. (CTJ)	Manufacture of electronic telecommunication components	75	75	75	
NEW START	Solteras Inc. (SOLTERAS)	Manufacture of electronic telecommunication components	26.64	26.64	26.64	
NEW START	Changzhou Xinwei Vehicle Energy Venture Capital Co., Ltd.(Xinwei)	Manufacture of electronic telecommunication components	50	-	-	Note 1
FTJ	Shang Hai World Circuit Technology Co., Ltd. (SHWCT)	Manufacture of electronic telecommunication components	46.93	46.93	46.93	
FTJ	Foxlink Automotive Technology (Kunshan) Co., Ltd. (KAFE)	Manufacture of electronic telecommunication components	55.22	55.22	50.00	
FTJ	Fu Gang Electronic (Nan Chang) Co., Ltd. (FENC)	Manufacture of electronic telecommunication components	28	28	28	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			September 30, 2019	December 31, 2018	September 30, 2018	
FTJ	Fugang Electric (MAANSHAN) Co., Ltd. (FG MAANSHAN)	Manufacture of electronic telecommunication components	50.71	50.71	50.71	
FTJ	Changde Fubo Intelligent Technology Co., Ltd (CDFB)	Manufacture and sale of automated equipment	79.55	-	-	Note 1
KAFE	Suzhou Keyu Rui Automobile Technology Co., Ltd. (Keyu Rui)	Manufacture	55.56	55.56	-	Note 2
KAFE	Foxlink Automotive Technology Co., Ltd. (FAT)	Manufacture of electronic telecommunication components	100	-	-	Note 1
CULINK	Pacific Wealth Limited (PACIFIC WEALTH)	Holding company and reinvestment business	100	100	100	
CULINK	FOXLINK TECHNICAL INDIA PRIVATE LIMITED (FOXLINK INDIA)	Manufacture of electronic telecommunication components	18	7.41	7.41	Note 8
CULINK	FOXLINK POWERBANK INTERNATIONAL TECHNOLOGY PRIVATE LIMITED (FOXLINK POWERBANK)	Manufacture of electronic telecommunication components	0.73	0.73	0.73	Note 2
CULINK	GLORYTEK SCIENCE INDIA PRIVATE LIMITED (GLORY SCIENCE INDIA)	Manufacture and sale of the components of communication and consumer electronics	0.73	0.73	-	Note 2,13,15
PACIFIC WEALTH	Foxlink International Inc. (FOXLINK)	Sales agent	100	100	100	Note 15,16
Kunshan Fugang Investment	Dongguan Fuqiang Electronics Co., Ltd. (DGFQ)	Manufacture of electronic telecommunication components	16.83	16.83	16.83	Note 15,16
Kunshan Fugang Investment	Fuqiang Electric (MAANSHAN) Co., Ltd. (FQ MAANSHAN)	Manufacture of electronic telecommunication components	100	100	100	
Kunshan Fugang Investment	Fugang Electric (MAANSHAN) Co., Ltd. (FG MAANSHAN)	Manufacture of electronic telecommunication components	16.43	16.43	16.43	
FII	Link Media Co., Ltd. (LM)	Manufacture of electronic telecommunication components	100	100	100	
FII	World Circuit Technology Co., Ltd. (WCT)	Manufacture of electronic telecommunication components and flexible printed circuit	69.56	69.56	69.56	
FII	Proconn Technology Co., Ltd. (PROCONN)	Manufacture of electronic telecommunication components	50.03	50.03	50.03	
FII	Power Quotient International Co., Ltd. (PQI)	Manufacture of electronic telecommunication components	-	-	9.24	Note 6,11,16

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			September 30, 2019	December 31, 2018	September 30, 2018	
FII	Shin Ke International Co., Ltd. (Shin Ke)	Manufacture of electronic telecommunication components	100	100	100	
FII	FIT Holding Co., Ltd. (FIT Holding)	General investments holding	23.67	23.67	-	Note 2,11,15
WCT	Value Success Limited (VALUE SUCCESS)	Holding company and reinvestment business	100	100	100	
VALUE SUCCESS	Capital Guardian Limited (CAPITAL)	Holding company and reinvestment business	100	100	100	
CAPITAL	World Circuit Technology (Hong Kong) Limited (WCTHK)	Holding company and reinvestment business	100	100	100	
WCTHK	Shanghai World Circuit Technology Co., Ltd. (SHWCT)	Manufacture of electronic telecommunication components	53.07	53.07	53.07	
Darts	Benefit Right Ltd. (BENEFIT)	Reinvestment business	100	100	100	
BENEFIT	Power Channel Limited (POWER)	Reinvestment business	64.25	64.25	64.25	
Du Precision	Ce Link International Ltd. (CELINK)	Manufacture of electronic telecommunication components	100	100	100	
SINOBEST	Foxlink Myanmar Company Limited (FOXLINK MYANMAR)	Manufacture of electronic telecommunication components	100	-	-	Note 1,12
SOLTERAS LIMITED	Solteras Inc. (SOLTERAS)	Manufacture of electronic telecommunication components	25.59	25.59	25.59	
FUII	Studio A Inc. (Studio A)	Manufacture of electronic telecommunication components	51	51	51	
FUII	VA Product Inc. (VA)	Manufacture of electronic telecommunication components	75.63	75.63	75.63	
FUII	Proconn Technology Co., Ltd. (PROCONN)	Manufacture of electronic telecommunication components	1.3	1.3	1.3	
FUII	Zhi De Investment Co., Ltd. (Zhi De Investment)	General investments holding	100	100	100	Note 15,16
FUII	Shinfox Co., Ltd. (Shinfox)	Mechanical installation and piping engineering	57.17	57.17	57.17	
FUII	FIT Holding Co., Ltd. (FIT Holding)	General investments holding	5.97	5.97	-	Note 2, 11,15
Zhi De Investment	Power Quotient International Co., Ltd. (PQI)	Manufacture of electronic telecommunication components	-	-	33.43	Note 6, 11,16
Zhi De Investment	FIT Holding Co., Ltd. (FIT Holding)	General investments holding	8.55	8.55	-	Note 2, 11,15

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			September 30, 2019	December 31, 2018	September 30, 2018	
Shinfox	Foxwell Energy Corporation Ltd. (Foxwell Energy)	Energy service management	10.71	10.71	10.71	
Shinfox	Shinfox Energy International Inc. (SHINFOX ENERGY)	Energy service management	40	40	40	Note 7
Shinfox	Shinfox Natural Gas Co., Ltd. (Shinfox Natural Gas)	Energy service management	100	100	100	Note 17
Shinfox	KUNSHAN JUIWEI INFO TECH CO., LTD. (KUNSHAN JUIWEI)	Supply chain finance energy service management	100	100	100	
Shinfox	Foxwell Power Co., Ltd. (Foxwell Power)	Energy service management	100	-	-	Note 1
PROCONN	Advance Electronic Ltd. (Advance Electronic)	General investments holding	100	100	100	
PROCONN	Byford International Ltd. (BYFORD)	General international trade	-	100	100	Note 3
PROCONN	Media Universe Inc. (MEDIA UNIVERSE)	General international trade	-	100	100	Note 3
ADVANCE ELECTRONIC	Proconn Technology Co., Ltd. (PROCONN)	General investments holding	-	100	100	Note 3
ADVANCE ELECTRONIC	Smart Technology International Ltd. (SMART)	General investments holding	100	100	100	
PROCONN	Proconn Electron Technology (Shenzhen) Co., Ltd. (Proconn ShenZhen)	Manufacture of electronic telecommunication components	-	100	100	Note 3
SMART	SUZHOU YUHANG ELECTRONICS TECH. CO., LTD.	Manufacture of electronic telecommunication components	100	100	100	
Studio A	Jing Sheng Technology Co., Ltd. (Jing Sheng)	Sale of electronic telecommunication components	100	100	100	
Studio A	Studio A Technology Limited (Studio A Hong Kong)	Sale of electronic telecommunication components	51	51	51	
Studio A	Ashop Co., Ltd. (ASHOP)	Sale of electronic telecommunication components	100	100	100	Note 9
Studio A	Jing Jing Technology Co., Ltd. (Jing Jing)	Sale of electronic telecommunication components	100	100	100	
Studio A Hong Kong	Studio A Macau Limited (Studio A Macau)	Sale of electronic telecommunication components	100	100	100	
FGEKS	Kunshan Fugang Electric Trading Co., Ltd. (KFET)	Sale of electronic telecommunication components	51	51	51	
KFET	Shanghai Fugang Electric Trading Co., Ltd.(SFET)	Sale of electronic telecommunication components	100	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			September 30, 2019	December 31, 2018	September 30, 2018	
KFET	Kunshan Fu Shi Yu Trading Co., Ltd. (KFSY)	Sale of electronic telecommunication components	100	100	100	
KFET	Shanghai Standard Information Technology Co., Ltd. (Shanghai Standard)	Sale of electronic telecommunication components	100	-	-	Note 1
FIT Holding	Power Quotient International Co., Ltd. (PQI)	Manufacture of electronic telecommunication components	100	100	-	Note 2, 11,15
FIT Holding	Foxlink Image Technology Co., Ltd. (Foxlink Image)	Manufacture and sale of image scanners and multifunction printers	100	100	-	Note 2, 11,15
FIT Holding	Glory Science Co., Ltd. (Glory Science)	Manufacture and sale of optical lens components and other products	100	100	-	Note 2, 11,15
FIT Holding	Shih Fong Power Co., Ltd. (Shih Fong)	Energy service management	100	-	-	Note 1
PQI	Power Quotient International (H.K.) Co., Ltd. (PQI H.K.)	Sale of electronic telecommunication components	100	100	100	
PQI	Pqi Japan Co., Ltd. (PQI JAPAN)	Sale of electronic telecommunication components	100	100	100	
PQI	Syscom Development Co., Ltd. (SYSCOM)	Specialized investments holding	100	100	100	
PQI	Apix Limited (APIX)	Specialized investments holding	100	100	100	Note 15, 16
PQI	PQI Mobility Inc. (PQI MOBILITY)	Specialized investments holding	100	100	100	
PQI	Power Sufficient International Co., Ltd. (PSI)	Sale of medical instruments	100	100	100	
PQI	Foxwell Energy Corporation Ltd. (Foxwell Energy)	Energy service management	89.29	89.29	89.29	
SYSCOM	Power Quotient International (SHANGHAI) Co., Ltd. (PQI SHANGHAI)	Sale of electronic telecommunication components	-	-	-	Note 4
SYSCOM	Pqi Corporation (PQI USA)	Sale of electronic telecommunication components	100	100	100	
SYSCOM	FOXLINK POWERBANK INTERNATIONAL TECHNOLOGY PRIVATE LIMITED (FOXLINK POWERBANK)	Manufacture of electronic telecommunication components	99.27	99.27	99.27	Note 2
PQI MOBILITY	Power Quotient Technology (YANCHENG) Co., Ltd. (PQI YANCHENG)	Manufacture of electronic telecommunication components	100	100	100	
APIX	Sinocity Industries Limited (Sinocity)	Sale of electronic telecommunication components	100	100	100	Note 5,15,16

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			September 30, 2019	December 31, 2018	September 30, 2018	
APIX	Perennial Ace Limited (Perennial)	Specialized investments holding	100	100	100	
Foxwell Energy	Zhangyuan Wind Power Co., Ltd. (Zhangyuan)	Energy service management	100	100	-	Note 2
Foxwell Energy	Beiyuan Wind Power Co., Ltd. (Beiyuan)	Energy service management	100	100	-	Note 2
Sinocity Industries	DG LIFESTYLE STORE LIMITED (DG)	Sale of 3C products	100	100	100	Note 5,15,16
Perennial	Studio A Technology Limited (Studio A Hong Kong)	Sale of 3C products	24.5	24.5	24.5	
PQI YANCHENG	Jiangsu Foxlink New Energy Technology Co., Ltd. (Jiangsu Foxlink)	Manufacture of electronic telecommunication components	100	100	100	Note 15
Jiangsu Foxlink	Donghai County Cheng Uei Travel Industry Co., Ltd. (Donghai County)	Manufacture of electronic telecommunication components	-	-	-	Note 4,10
Foxlink Image	ACCU-IMAGE TECHNOLOGY LIMITED (AITL)	Manufacture and sale of image scanners and multifunction printers	100	100	-	Note 2, 15
Foxlink Image	GLOBAL IMAGE TECHNOLOGY LIMITED (GITL)	Reinvestment business	100	100	-	Note 2
Foxlink Image	GLOBAL SMART TECHNOLOGY LIMITED (GSTL)	Reinvestment business	100	100	-	Note 2
GSTL	Dong Guan Fu Zhang Precision Industry Co., Ltd. (DGFZ)	Mould development and moulding tool manufacture	100	100	-	Note 2
AITL	GLOBAL OUTLOOK INVESTMENTS LIMITED (GOI)	Reinvestment business	100	100	-	Note 2
AITL	GLOBAL ADVANCE INVESTMENTS CORP. (GAI)	Reinvestment business	100	100	-	Note 2
AITL	POWER CHANNEL LIMITED (POWER)	Reinvestment business	35.75	35.75	-	Note 2
AITL	Dongguan Fu Wei Electronics Co., Ltd. (Dongguan Fu Wei)	Manufacture and sale of image scanners and multifunction printers	100	100	-	Note 2,15
GAI	Kunshan Fushijing Electronics Co., Ltd. (KFE)	Manufacture of key components such as image lens modules	-	-	-	Note 2,4,14
GITL	Wei Hai Fu Kang Electric Co., Ltd. (WHFK)	Manufacture and sale of parts and moulds of photocopiers and scanners	100	100	-	Note 2

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			September 30, 2019	December 31, 2018	September 30, 2018	
GOI	Dong Guan Han Yang Computer Limited (DGHY)	Manufacture of image scanners and multifunction printers and investment of real estate	100	100	-	Note 2
Glory Science	GLORY TEK CO., LTD. (GLORY TEK)	General investments holding	100	100	-	Note 2,15
GLORY TEK	GLORY OPTICS CO., LTD. (GLORY OPTICS)	Sales agent	100	100	-	Note 2,15
GLORY TEK	GLORY TEK (SAMOA) CO., LTD. (GLORY TEK SAMOA)	General investments holding	100	100	-	Note 2,15
GLORY TEK	GLORYTEK SCIENCE INDIA PRIVATE LIMITED (GLORYTEK SCIENCE INDIA)	Manufacture and sale of the components of communication and consumer electronics	99.27	99.27	-	Note 2,13,15
GLORY TEK SAMOA	GLORY Photovoltaic (Suzhou) Co., Ltd. (GLORY Suzhou)	Production and processing and sale of optical lens components and other products	100	100	-	Note 2,15
GLORY TEK SAMOA	Glory Optics (Yancheng) Co., Ltd. (Glory Yanchang)	Production and processing and sale of optical lens components and other products	34.88	47.86	-	Note 2,15
GLORY OPTICS	Yao Wei Photovoltaic (Yancheng) Co., Ltd. (Yao Wei)	Production and processing and sale of optical lens components and other products	100	100	-	Note 2,15
Yao Wei	Yancheng Yao Wei Technology Co., Ltd. (YYWT)	Production and processing and sale of optical lens components and other products	100	100	-	Note 2,15
GLORY Suzhou	Glory Optics (Yancheng) Co.Ltd. (GOYC)	Production and processing and sale of optical lens components and other products	65.12	52.14	-	Note 2,15

Note 1: Investment or incorporation began in 2019.

Note 2: Investment or incorporation began in 2018.

Note 3: Dissolved or liquidated in 2019.

Note 4: Dissolved or liquidated in 2018.

Note 5: Sinocity and DG are subsidiaries of PQI in Hong Kong and Macau, respectively, with balance sheet date of March 31. For the preparation of consolidated financial statements, PQI had required Sinocity and DG as consolidated entities to prepare financial statements with balance sheet date on December 31 to conform to the balance sheet date of the consolidated financial statements.

- Note 6: The Group holds 42.56% of equity shares in PQI. However, the Group has obtained more than half of the seats on the Board of Directors, so the Group is substantively determined as having control over PQI.
- Note 7: The Group holds 40% of shares in SHINFOX ENERGY. However, the Group has obtained more than half of the seats on the Board of Directors, so the Group is substantively determined as having control over SHINFOX ENERGY.
- Note 8: CU has participated in Foxlink India's capital increase on April 16, 2018 and May 25, 2018 and CULINK has participated in Foxlink India's capital increase on September 19, 2018 and September 5, 2019. After the capital increment, Foxlink India became a wholly-owned subsidiary of CU and CULINK with 82% and 18% ownership, respectively.
- Note 9: On August 24, 2018, Studio A acquired an additional 42% ASHOP issued shares for a cash consideration of \$34,389. After the acquisition, Studio A wholly owned ASHOP. For information on transactions with non-controlling interest, please refer to Note 6(30).
- Note 10: On September 3, 2018, the Group lost its control over the subsidiary, Donghai County, as a result of the 100% stock disposal. The Group recognised profit of \$54,139 under 'other gains and losses' in the statement of comprehensive income. For information on cash flows of the subsidiary, please refer to Note 6 (33).
- Note 11: PQI, together with the investees, Foxlink Image and Glory Science, converted its shares in order to support the newly established FIT Holding acquiring a 100% equity share of PQI, Foxlink Image and Glory Science. PQI, Foxlink Image and Glory Science will be delisted based on the regulation starting from October 1, 2018, and FIT Holding will be listed on the same date. The Group has obtained more than half of the seats on the Board of Directors, so the Group is substantively determined as having control over FIT Holding.
- Note 12: FOXLINK MYANMAR is a subsidiary of SINOBEST in Myanmar with balance sheet date on March 31. For the preparation of consolidated financial statements, SINOBEST had required FOXLINK MYANMAR as consolidated entities to prepare financial statements with balance sheet date on December 31 to conform to the balance sheet date of the consolidated financial statements.
- Note 13: CULINK and GLORY TEK invested in GLORYTEK SCIENCE INDIA on January 19, 2018 and GLORY TEK has participated in GLORYTEK SCIENCE INDIA's capital increase on April 16, 2018, May 25, 2018 and September 19, 2018. After the capital increment, GLORYTEK SCIENCE INDIA became a wholly-owned subsidiary of CULINK and GLORY TEK with 0.73% and 99.27% ownership, respectively.
- Note 14: KFE has completed cancellation of registration on October 31, 2018.

Note 15: For the nine months ended September 30, 2019, except for financial statements of CU, FII, FUII, Zhi De Investment, FGEDG, FGEKS, DGFQ, FOXLINK, FIT Holding, PQI, APIX, Sinocity, Jiangsu Foxlink, Glory Science, GLORY TEK, GLORY OPTICS, GLORY TEK (SAMOA), GLORY TEK SCIENCE INDIA, GLORY Suzhou, GOYC, Yao Wei, YYWT, Foxlink Image, AITL, and Dongguan Fu Wei which were reviewed by the independent accountants of the Company, the financial statements of other subsidiaries were not reviewed.

Note 16: For the nine months ended September 30, 2018, except for financial statements of CU, FII, FUII, Zhi De Investment, FGEDG, FGEKS, DGFQ and FOXLINK which were reviewed by the independent accountants of the Company, and PQI, APIX and Sinocity which were reviewed by other independent accountants, the financial statements of other subsidiaries were not reviewed.

Note 17: Kinmen Gas Co., Ltd. was renamed to Shinfox Natural Gas Co., Ltd. on June 10, 2019.

C. Subsidiaries not included in the consolidated financial statements:

Investor	Subsidiary	Main activity	Ownership(%)			Description
			September 30, 2019	December 31, 2018	September 30, 2018	
Foxlink International Investments Ltd. (FII)	World Circuit Technology Co., Ltd. (WCT)	Manufacture of electronic telecommunication components and electronic machinery equipment	75	75	75	Note 1
Studio A INC. (Studio A)	Tayih Digital Technology Co., Ltd. (TAYIH)	Manufacture of electronic telecommunication components	60	60	60	Note 2
CU	KLEINE DEVELOPMENTS LIMITED	Manufacture and sale of Magnesium products	50	50	-	Note 3
Foxlink Image Technology Co.,Ltd.	KLEINE DEVELOPMENTS LIMITED	Manufacture and sale of Magnesium products	50	50	-	Note 3

Note 1: The ratio of total assets to the Company's total assets was insignificant, and it was approved by the Ministry of Economic Affairs on October 5, 2004 to be dissolved and is currently undergoing liquidation procedures. Thus, this subsidiary was not included in the consolidated financial statements.

Note 2: The ratio of total assets to the Company's total assets was insignificant, and it was approved by the Ministry of Economic Affairs on July 7, 2010 to be dissolved and is currently undergoing liquidation procedures. Thus, this subsidiary was not included in the consolidated financial statements.

Note 3: On December 28, 2015, the Board of Directors has resolved the liquidation of the company, KLEINE. The liquidation process is still undergoing. Thus, this subsidiary was not included in the consolidated financial statements.

D. Adjustments for subsidiaries with different balance sheet dates:

Sinocity and DG are subsidiaries of PQI in Hong Kong and Macau, respectively, with balance sheet date of March 31. For the preparation of consolidated financial statements, PQI had required Sinocity and DG as consolidated entities to prepare financial statements with balance sheet date of December 31 to conform with the balance sheet date of the Group.

FOXLINK MYANMAR is a subsidiary of SINOBEST in Myanmar with balance sheet date of March 31. For the preparation of consolidated financial statements, SINOBEST had required FOXLINK MYANMAR as consolidated entities to prepare financial statements with balance sheet date of December 31 to conform to the balance sheet date of the consolidated financial statements.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of September 30, 2019, December 31, 2018 and September 30, 2018, the non-controlling interest amounted to \$5,998,810, \$6,044,460 and \$2,367,377, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest					
		September 30, 2019		December 31, 2018		September 30, 2018	
		Amount	Ownership (%)	Amount	Ownership (%)	Amount	Ownership (%)
PQI	Taiwan	\$ -	-	\$ -	-	\$ 1,597,553	57.33%
FIT Holding	Taiwan	4,891,780	61.81%	5,468,297	61.81%	-	-
		<u>\$ 4,891,780</u>		<u>\$ 5,468,297</u>		<u>\$ 1,597,553</u>	

Summarised financial information of the subsidiaries:

Balance sheets

	FIT Holding		PQI
	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	\$ 6,838,022	\$ 6,730,409	\$ 2,378,372
Non-current assets	10,675,159	8,809,068	3,462,482
Current liabilities	(6,782,046)	(4,999,326)	(2,000,754)
Non-current liabilities	(4,116,936)	(3,298,711)	(1,398,366)
Total net assets	<u>\$ 6,614,199</u>	<u>\$ 7,241,440</u>	<u>\$ 2,441,734</u>

Statements of comprehensive income

	<u>FIT Holding</u>	<u>PQI</u>
	<u>Three months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenue	\$ 2,386,846	\$ 756,272
Profit before income tax	35,706	39,854
Income tax expense	(12,362)	(247)
Profit for the period from continuing operations	21,913	39,607
Profit from non-controlling interest	1,431	563
Profit for the period	23,344	39,044
Other comprehensive loss (net of tax)	(35,183)	(21,608)
Total comprehensive (loss) income for the period	<u>(\$ 11,839)</u>	<u>\$ 17,999</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 1,403</u>	<u>\$ 523</u>
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>

	<u>FIT Holding</u>	<u>PQI</u>
	<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenue	\$ 6,203,097	\$ 2,183,289
(Loss) profit before income tax	(161,414)	9,638
Income tax expense	(58,749)	(5,269)
(Loss) profit for the period from continuing operations	(221,941)	14,907
Profit from non-controlling interest	1,778	1,759
(Loss) profit for the period	(220,163)	13,148
Other comprehensive income (loss) (net of tax)	208,657	(76,975)
Total comprehensive loss for the period	<u>(\$ 11,506)</u>	<u>(\$ 62,068)</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 899</u>	<u>\$ 1,665</u>
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>

Statements of cash flows

	<u>FIT Holding</u>	<u>PQI</u>
	<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Net cash provided by (used in) operating activities	\$ 159,601	(\$ 21,491)
Net cash used in investing activities	(1,705,497)	(430,340)
Net cash provided by (used in) financing activities	1,078,646	(23,706)
Effect of exchange rates on cash and cash equivalents	(59,952)	8,829
Decrease in cash and cash equivalents	(527,202)	(466,708)
Cash and cash equivalents, beginning of period	2,762,182	1,331,072
Cash and cash equivalents, end of period	<u>\$ 2,234,980</u>	<u>\$ 864,364</u>

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

Effective 2019

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

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

Lease payments are comprised of the following:

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

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

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

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

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

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

(c) Any initial direct costs incurred by the lessee; and

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

(5) Bonds payable

Ordinary corporate bonds issued by the Group are initially recognised at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortised to profit or loss over the period of bond circulation using the effective interest method as an adjustment to 'finance costs'.

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

No significant changes during the period, please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2018.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Cash on hand and revolving funds	\$ 136,635	\$ 104,851	\$ 260,704
Checking accounts and demand deposits	5,675,231	4,055,986	2,272,688
Cash equivalents			
Time deposits	2,951,546	2,656,272	2,206,717
Short-term notes and bills	<u>106,507</u>	<u>29,980</u>	<u>29,980</u>
	8,869,919	6,847,089	4,770,089
Less: Shown as "other current assets"			
-time deposits over three months	(751,891)	(350,415)	(770,383)
- restricted assets	<u>(370,606)</u>	<u>(373,823)</u>	<u>(199,488)</u>
Total	<u>\$ 7,747,422</u>	<u>\$ 6,122,851</u>	<u>\$ 3,800,218</u>

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

B. Details of the Group's cash and cash equivalents pledged to others as collateral are provided in Note 8.

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

<u>Assets items</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Current items			
Financial assets mandatorily measured at fair value through profits or loss			
Non-capital guaranteed floating profit financial instruments	\$ 174,001	\$ -	\$ -
Convertible bonds	<u>-</u>	<u>-</u>	<u>9,158</u>
Total	<u>\$ 174,001</u>	<u>\$ -</u>	<u>\$ 9,158</u>
<u>Liabilities items</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Current items:			
Financial liabilities mandatorily measured at fair value through profit or loss			
Forward foreign exchange contracts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,469</u>

- A. Amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	<u>Three months ended September 30, 2019</u>	<u>Three months ended September 30, 2018</u>
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Derivative instruments	<u>\$ 371</u>	<u>(\$ 422)</u>
	<u>Nine months ended September 30, 2019</u>	<u>Nine months ended September 30, 2018</u>
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Derivative instruments	<u>\$ 3,475</u>	<u>\$ 327</u>

- B. The Group entered into contracts relating to derivative financial instruments which were not accounted for under hedge accounting. The information is listed below:

<u>Derivative financial assets</u>	<u>September 30, 2018</u>	
	Contract amount (notional principal) (in thousands)	Contract period
Current items:		
Forward foreign exchange contracts	USD 18,000	2018/04~2018/11

The Group entered into interest swap contracts to sell HKD and buy USD to hedge exchange rate risk of import pricing. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

- C. The Group has no financial assets and liabilities at fair value through profit or loss pledged to others.
- D. Information relating to credit risk of financial assets and liabilities at fair value through profit or loss is provided in Note 12(2).

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

<u>Items</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Non-current items:			
Equity instruments valuation adjustment	\$ 1,239,910	\$ 1,218,840	\$ 795,383
	(203,498)	(178,498)	(87,865)
	<u>\$ 1,036,412</u>	<u>\$ 1,040,342</u>	<u>\$ 707,518</u>

- A. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. As of September 30, 2019, December 31, 2018 and September 30, 2018, the fair value of such investments amounted to \$1,036,412, \$1,040,342 and \$707,518, respectively.
- B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Three months ended September 30, 2019</u>	<u>Three months ended September 30, 2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ -	(\$ 1,365)
	<u>Nine months ended September 30, 2019</u>	<u>Nine months ended September 30, 2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 25,000)	(\$ 87,865)

- C. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.
- D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(4) Accounts receivable

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Accounts receivable	\$ 19,415,181	\$ 12,850,558	\$ 11,417,113
Less: Loss allowance	(201,706)	(167,118)	(114,872)
	<u>\$ 19,213,475</u>	<u>\$ 12,683,440</u>	<u>\$ 11,302,241</u>

- A. The information on the Group's ageing analysis of accounts receivable is provided in Note 12(2).
- B. As of September 30, 2019, December 31, 2018 and September 30, 2018, accounts receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to \$15,331,978.

C. The quality information of accounts receivable is based on customers' credit ranking and recoverable period of receivables in order to calculate the accrual of impairment. The Group's internal credit ranking policy is that the Group's business and management segment assesses periodically whether the credit ranking of existing customers is appropriate and adjusts to obtain the latest information when necessary. Customers' credit ranking assessment is based on industrial operating scale, profitability and ranking assessed by financial insurance institutions.

The Group has insured accounts receivable of certain customers and the Group will receive 80%~90% compensation if bad debts occur.

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

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

(5) Transfer of financial assets

The Group entered into a factoring agreement with Mega International Commercial Bank, Bank of Taiwan and Citibank to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable, and the related information is as follows:

September 30, 2019							
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Amount advanced for advance	Interest rate of amount advanced	Collateral Provided
Bank of Taiwan	\$ 870,433	\$ 870,433	\$ 931,200	\$ 783,390	\$ 147,810	2.79%	None
Citibank	263,457	263,457	263,457	263,457	-	3.5%~3.74%	None
Mega International Commercial Bank	465,910	465,910	1,552,000	419,319	1,132,681	2.70%	None
December 31, 2018							
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Amount advanced for advance	Interest rate of amount advanced	Collateral Provided
Mega International Commercial Bank	\$ 674,280	\$ 674,280	\$ 1,535,750	\$ 606,852	\$ 928,898	3.20%	None
Bank of Taiwan	1,985,246	1,985,246	4,607,250	1,786,720	2,820,530	2.83%~3.65%	None
September 30, 2018							
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Amount advanced for advance	Interest rate of amount advanced	Collateral Provided
Mega International Commercial Bank	\$ 1,434,472	\$ 1,434,472	\$ 1,526,250	\$ 1,291,024	\$ 235,226	2.87%~2.92%	None
Bank of Taiwan	1,409,332	1,409,332	4,578,750	1,268,399	3,310,351	2.82%~2.83%	None

(6) Inventories

	September 30, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 4,619,759	(\$ 215,263)	\$ 4,404,496
Work in process	1,337,442	(67,726)	1,269,716
Finished goods (including merchandise)	8,520,907	(335,910)	8,184,997
Inventory in transit	57,889	-	57,889
	<u>\$ 14,535,997</u>	<u>(\$ 618,899)</u>	<u>\$ 13,917,098</u>

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 4,609,940	(\$ 236,367)	\$ 4,373,573
Work in process	554,205	(13,225)	540,980
Finished goods (including merchandise)	8,647,799	(503,785)	8,144,014
Inventory in transit	82,913	-	82,913
	<u>\$ 13,894,857</u>	<u>(\$ 753,377)</u>	<u>\$ 13,141,480</u>

	September 30, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 4,248,591	(\$ 257,834)	\$ 3,990,757
Work in process	1,258,416	(64,335)	1,194,081
Finished goods (including merchandise)	9,026,132	(529,957)	8,496,175
Inventory in transit	504	-	504
	<u>\$ 14,533,643</u>	<u>(\$ 852,126)</u>	<u>\$ 13,681,517</u>

The cost of inventories recognised as expense for the period:

	Three months ended September 30,	
	2019	2018
Cost of inventories sold	\$ 26,030,621	\$ 20,015,656
(Gain on reversal of) loss on decline in market value	(88,725)	219,443
Others (revenue from sale of scraps)	(34,364)	(22,841)
	<u>\$ 25,907,532</u>	<u>\$ 20,212,258</u>

	Nine months ended September 30,	
	2019	2018
Cost of inventories sold	\$ 62,667,369	\$ 57,181,544
(Gain on reversal of) loss on decline in market value	(134,478)	285,895
Others (revenue from sale of scraps)	(99,253)	(82,190)
	<u>\$ 62,433,638</u>	<u>\$ 57,385,249</u>

The Group reversed from a previous inventory write-down because obsolete and slow-moving inventories and inventories with decline in market value were partially sold by the Group for the three months and nine month periods ended September 30, 2019.

(7) Investments accounted for using equity method

Investee	September 30, 2019		December 31, 2018	
	Amount	Ownership	Amount	Ownership
		percentage		percentage
		(%)		(%)
Central Motion Picture Corporation	\$ 1,846,299	17.60%	\$ 1,850,187	17.60%
Well Shin Technology Co., Ltd.	1,129,820	18.84%	1,143,635	18.84%
Sharetronic Data Technology Co., Ltd.	690,458	26.58%	648,878	26.58%
Castles Technology Co., Ltd.	179,207	16.14%	206,254	16.14%
Dongguan Banrin Robot Technology Co., Ltd.	126,494	31.03%	129,433	31.03%
CMPC Cultural & Creative Co., Ltd.	123,495	42.86%	123,285	42.86%
Kleine Developments Ltd.	133,568	100.00%	132,911	100.00%
Tegna Electronics Private Limited	40,020	30.00%	39,541	30.00%
Wellgen Medical Co., Ltd.	-	-	10,571	20.27%
Microlink Communications Inc.	(22,911)	21.43%	(22,903)	21.43%
	4,246,450		4,261,792	
Add : Current prepayments for investments				
-SINOBEST BROTHERS LIMITED	-		219,718	
Current prepayments for investments				
-JOURN TA BROTHERS LIMITED	78,235		-	
Credit balance of long-term equity investments reclassified to other non-current liabilities				
-others	22,911		22,903	
Total	<u>\$ 4,347,596</u>		<u>\$ 4,504,413</u>	

Investee	September 30, 2018	
	Amount	Ownership
		percentage
		(%)
Central Motion Picture Corporation	\$ 1,768,213	13.60%
Glory Science Co., Ltd.	1,018,048	41.62%
Well Shin Technology Co., Ltd.	1,111,923	18.84%
Foxlink Image Technology Co., Ltd.	682,583	31.20%
Sharetronic Data Technology Co., Ltd.	612,052	26.58%
Castles Technology Co., Ltd.	281,535	19.39%
Dongguan Banrin Robot Technology Co., Ltd.	130,538	31.03%
CMPC Cultural & Creative Co., Ltd.	123,336	42.86%
Kleine Developments Ltd.	69,315	50.00%
Tegna Electronics Private Limited	25,290	20.00%
Microlink Communications Inc.	(22,985)	21.43%
	5,799,848	
Add : Current prepayments for investments-TEGNA	219,718	
Credit balance of long-term equity investments reclassified to other non-current liabilities-others	22,985	
Total	<u>\$ 6,042,551</u>	

A. For the three months and nine months ended September 30, 2019 and 2018, except for Glory Science Co., Ltd., Well Shin Technology Co., Ltd., Foxlink Image Technology Co., Ltd and Castles Technology Co., Ltd, which were recognised based on their financial statements reviewed by independent accountants amounting to \$31,861, \$91,744, \$54,851 and \$203,018, respectively, share of the profit or loss of other associates and joint ventures were recognised based on the financial statements that were not reviewed by independent accountants.

B. Associates

(a) The basic information of the associates that are material to the Group is summarised below:

Company name	Principal place of business	Shareholding ratio			Nature of relationship	Methods of measurement
		September 30, 2019	December 31, 2018	September 30, 2018		
Central Motion Picture Corporation	Taiwan	17.60%	17.60%	13.60%	Note 2	Equity method
Glory Science Co., Ltd.	Taiwan	Note 1	Note 1	41.62%	Hold more than 20% of voting rights	Equity method
Well Shin Technology Co., Ltd.	Taiwan	18.84%	18.84%	18.84%	Note 2	Equity method
Foxlink Image Technology Co., Ltd.	Taiwan	Note 1	Note 1	31.20%	Hold more than 20% of voting rights	Equity method

Note 1: Please refer to Note 6 (31) for detailed information.

Note 2: As the Group's management holds several seats in the Board of Directors of Central Motion Picture Corporation and Well Shin Technology Co., Ltd., the Group is assessed to have significant influence.

(b) Summarised financial information of the associates that are material to the Group is as follows:

Balance sheet

	Central Motion Picture Corporation		
	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	\$ 483,923	\$ 293,856	\$ 2,118,306
Non-current assets	16,864,376	17,044,430	16,223,873
Current liabilities	(147,685)	(1,473,777)	(139,711)
Non-current liabilities	(5,207,049)	(3,873,715)	(5,207,202)
Total net assets	<u>\$ 11,993,565</u>	<u>\$ 11,990,794</u>	<u>\$ 12,995,266</u>
Share in associate's net assets	\$ 1,846,299	\$ 1,850,187	\$ 1,768,213
Goodwill	-	-	-
Carrying amount of the associates	<u>\$ 1,846,299</u>	<u>\$ 1,850,187</u>	<u>\$ 1,768,213</u>

Well Shin Technology Co., Ltd.

	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	\$ 4,836,454	\$ 5,366,776	\$ 5,376,751
Non-current assets	3,031,451	2,945,472	2,895,650
Current liabilities	(1,606,389)	(2,008,768)	(2,155,254)
Non-current liabilities	(459,473)	(439,282)	(421,507)
Total net assets	<u>\$ 5,802,043</u>	<u>\$ 5,864,198</u>	<u>\$ 5,695,640</u>
Share in associate's net assets	\$ 1,093,231	\$ 1,107,046	\$ 1,075,334
Goodwill	<u>36,589</u>	<u>36,589</u>	<u>36,589</u>
Carrying amount of the associates	<u>\$ 1,129,820</u>	<u>\$ 1,143,635</u>	<u>\$ 1,111,923</u>

Statement of comprehensive income

	Central Motion Picture Corporation	
	Three months ended September 30,	
	2019	2018
Revenue	<u>\$ 136,764</u>	<u>\$ 157,529</u>
Profit for the period from continuing operations	\$ 60,694	\$ 98,930
Other comprehensive income, net of tax	-	-
Total comprehensive income	<u>\$ 60,694</u>	<u>\$ 98,930</u>
Dividends received from associates	<u>\$ -</u>	<u>\$ 15,000</u>

	Central Motion Picture Corporation	
	Nine months ended September 30,	
	2019	2018
Revenue	<u>\$ 408,980</u>	<u>\$ 427,744</u>
Profit for the period from continuing operations	\$ 91,009	\$ 141,822
Other comprehensive income, net of tax	-	-
Total comprehensive income	<u>\$ 91,009</u>	<u>\$ 141,822</u>
Dividends received from associates	<u>\$ -</u>	<u>\$ 15,000</u>

	Well Shin Technology Co., Ltd.	
	Three months ended September 30,	
	2019	2018
Revenue	<u>\$ 1,331,967</u>	<u>\$ 1,601,945</u>
Profit for the period from continuing operations	\$ 173,193	\$ 272,176
Other comprehensive loss, net of tax	(130,066)	(118,369)
Total comprehensive income	<u>\$ 43,127</u>	<u>\$ 153,807</u>
Dividends received from associates	<u>\$ 77,988</u>	<u>\$ 71,304</u>

	<u>Well Shin Technology Co., Ltd.</u>	
	<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenue	<u>\$ 3,826,996</u>	<u>\$ 4,077,328</u>
Profit for the period from continuing operations	\$ 444,038	\$ 570,596
Other comprehensive loss, net of tax	(92,292)	(89,878)
Total comprehensive income	<u>\$ 351,746</u>	<u>\$ 480,718</u>
Dividends received from associates	<u>\$ 77,988</u>	<u>\$ 71,304</u>

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

As of September 30, 2019, December 31, 2018 and September 30, 2018, the carrying amount of the Group's individually immaterial associates amounted to \$1,270,331, \$1,267,970 and \$1,219,081, respectively.

	<u>Three months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Profit (loss) for the period from continuing operations	\$ 125,305	(\$ 39,198)
Total comprehensive income (loss)	<u>\$ 125,305</u>	<u>(\$ 39,198)</u>

	<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Profit for the period from continuing operations	\$ 70,489	\$ 144,813
Total comprehensive income	<u>\$ 70,489</u>	<u>\$ 144,813</u>

Note: Sharetronic Data, Castles, CMPC Cultural & Creative, Microlink and Kleine, Banrin, TEGNA.

- (d) The fair value of the Group's material associates with quoted market prices is as follows:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Glory Science Co., Ltd.	\$ -	\$ -	\$ 1,383,949
Well Shin Technology Co., Ltd.	1,102,980	1,140,860	1,123,034
Foxlink Image Technology Co., Ltd.	-	-	885,456
	<u>\$ 1,102,980</u>	<u>\$ 1,140,860</u>	<u>\$ 3,392,439</u>

- C. The Group has signed a stock purchase agreement with an individual on May 15, 2014 to purchase all the Company's shares in CMPC amounting to \$150,000 thousand. As of September 30, 2019, uncollected amount was \$143,000 thousand (shown as 'notes receivable') and accrued impairment loss was \$143,000 thousand.
- D. On December 28, 2015, the Board of Directors has resolved the liquidation of the investee company, KLEINE. The Company had accrued an additional loss amounting to \$170,136 within the scope of legal obligations. As of November 8, 2019, the liquidation process is still ongoing.

- E. Central Motion Picture Corporation is a litigating party contesting the decision No. 107007 rendered by Ill-gotten Party Assets Settlement Committee on October 9, 2018. Please refer to Note 9(2) for details on the lawsuit.
- F. Wellgen Medical Co., Ltd. increased its capital in February 2019. The Group did not acquire shares proportionally to its interest. As a result, the Group lost its significant influence. Subsequently, gains on disposal of the aforementioned investments amounting to \$7,812 were generated from reclassifying the investments to financial assets measured at fair value through other comprehensive income. Details are provided in Notes 6(24) and 12(3).

(8) Property, plant and equipment

	2019						
	Land	Buildings and structures	Machinery and equipment	Office equipment	Others	Construction-in-progress	Total
At January 1							
Cost	\$ 412,428	\$ 15,681,815	\$ 9,383,027	\$ 412,958	\$ 6,549,376	\$ 1,600,789	\$ 34,040,393
Accumulated depreciation and impairment	-	(3,363,878)	(4,467,052)	(239,903)	(4,006,685)	-	(12,077,518)
	<u>\$ 412,428</u>	<u>\$ 12,317,937</u>	<u>\$ 4,915,975</u>	<u>\$ 173,055</u>	<u>\$ 2,542,691</u>	<u>\$ 1,600,789</u>	<u>\$ 21,962,875</u>
Opening net book amount	\$ 412,428	\$ 12,317,937	\$ 4,915,975	\$ 173,055	\$ 2,542,691	\$ 1,600,789	\$ 21,962,875
Additions	-	236,979	1,052,818	38,957	334,642	719,235	2,382,631
Acquired from business combinations	-	-	-	-	-	691,860	691,860
Disposals	-	(80,911)	(119,104)	(18,223)	(56,368)	-	(274,606)
Reclassifications	-	377,538	1,069,132	28,862	182,470	251,579	1,909,581
Depreciation charge	-	(307,264)	(1,474,738)	(56,849)	(743,161)	-	(2,582,012)
Net exchange differences	-	(279,847)	(139,545)	(2,481)	(88,962)	(60,856)	(571,691)
Closing net book amount	<u>\$ 412,428</u>	<u>\$ 12,264,432</u>	<u>\$ 5,304,538</u>	<u>\$ 163,321</u>	<u>\$ 2,171,312</u>	<u>\$ 3,202,607</u>	<u>\$ 23,518,638</u>
At September 30							
Cost	\$ 412,428	\$ 15,825,104	\$ 10,574,076	\$ 428,233	\$ 6,204,321	\$ 3,202,607	\$ 36,646,769
Accumulated depreciation and impairment	-	(3,560,672)	(5,269,538)	(264,912)	(4,033,009)	-	(13,128,131)
	<u>\$ 412,428</u>	<u>\$ 12,264,432</u>	<u>\$ 5,304,538</u>	<u>\$ 163,321</u>	<u>\$ 2,171,312</u>	<u>\$ 3,202,607</u>	<u>\$ 23,518,638</u>

2018

	Land	Buildings and structures	Machinery and equipment	Office equipment	Others	Construction-in-progress	Total
At January 1							
Cost	\$ 412,428	\$ 14,534,259	\$ 6,865,734	\$ 361,552	\$ 5,500,785	\$ 878,873	\$ 28,553,631
Accumulated depreciation and impairment	-	(2,640,474)	(3,240,495)	(227,670)	(2,915,829)	-	(9,024,468)
	<u>\$ 412,428</u>	<u>\$ 11,893,785</u>	<u>\$ 3,625,239</u>	<u>\$ 133,882</u>	<u>\$ 2,584,956</u>	<u>\$ 878,873</u>	<u>\$ 19,529,163</u>
Opening net book amount	\$ 412,428	\$ 11,893,785	\$ 3,625,239	\$ 133,882	\$ 2,584,956	\$ 878,873	\$ 19,529,163
Additions	-	248,231	1,253,917	79,180	490,223	1,854,991	3,926,542
Disposals	-	(27)	(162,416)	(7,099)	(29,265)	-	(198,807)
Disposal of subsidiaries	-	-	-	(434)	(6,055)	(1,101,664)	(1,108,153)
Reclassifications	-	4,698	-	13,239	-	-	17,937
Depreciation charge	-	(269,012)	(1,125,646)	(65,113)	(664,079)	-	(2,123,850)
Net exchange differences	-	(291,338)	(70,703)	(6,021)	(49,255)	(46,970)	(464,287)
Closing net book amount	<u>\$ 412,428</u>	<u>\$ 11,586,337</u>	<u>\$ 3,520,391</u>	<u>\$ 147,634</u>	<u>\$ 2,326,525</u>	<u>\$ 1,585,230</u>	<u>\$ 19,578,545</u>
At September 30							
Cost	\$ 412,428	\$ 14,426,083	\$ 7,089,302	\$ 323,608	\$ 5,266,226	\$ 1,585,230	\$ 29,102,877
Accumulated depreciation and impairment	-	(2,839,746)	(3,568,911)	(175,974)	(2,939,701)	-	(9,524,332)
	<u>\$ 412,428</u>	<u>\$ 11,586,337</u>	<u>\$ 3,520,391</u>	<u>\$ 147,634</u>	<u>\$ 2,326,525</u>	<u>\$ 1,585,230</u>	<u>\$ 19,578,545</u>

The Group's property, plant and equipment were pledged to others as collaterals, please refer to Note 8 for detailed information.

(9) Leasing arrangements-lessee

Effective 2019

A. The Group leases various assets including land, buildings, transportation equipment. Rental contracts are typically made for periods of 2 to 70 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>September 30, 2019</u>	<u>Three months ended September 30, 2019</u>	<u>Nine months ended September 30, 2019</u>
	<u>Carrying amount</u>	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 1,353,562	\$ 14,898	\$ 35,490
Buildings	366,404	63,997	221,546
Transportation equipment (Business vehicles)	2,622	394	2,279
Office equipment (Photocopiers)	11	18	52
	<u>\$ 1,722,599</u>	<u>\$ 79,307</u>	<u>\$ 259,367</u>

C. For the three months and nine months ended September 30, 2019, the additions to right-of-use assets amounted to \$213,302 and \$423,832, respectively.

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

	<u>Three months ended September 30, 2019</u>	<u>Nine months ended September 30, 2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,822	\$ 6,404
Expense on short-term lease contracts	29,415	83,846
Expense on leases of low-value assets	160	521
Expense on variable lease payments	4,636	19,087

E. For the three months and nine months ended September 30, 2019, the Group's total cash outflow for leases amounted to \$108,929 and \$346,934, respectively.

F. Variable lease payments

(a) Some of the Group's lease contracts contain variable lease payment terms that are linked to sales generated from a store or a counter in a department store. For aforementioned contracts, up to 5.5% of lease payments are on the basis of variable payment terms and are accrued based on the sales amount. Variable payment terms are used for a variety of reasons and various lease payments that depend on sales are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

(b) A 1% increase in the aggregate sales amount of all stores with such variable lease contracts would increase total lease payments by approximately \$191.

G. On November 9, 2016, the Board of Directors of PQI’s subsidiary, Jiangsu Foxlink New Energy Technology Co., Ltd. (hereinafter referred to as “Jiangsu Foxlink”), resolved to participate in the bid of Ministry of Land and Resources of the People’s Republic of China. On November 17, 2016, the subsidiary acquired the ownership of land for residential/commercial use and industrial use over the lease terms of 40 to 70 years. As of September 30, 2019, Jiangsu Foxlink received government grants to build the plant amounting to RMB 205,100 thousand (shown as ‘other non-current liabilities’).

(10) Investment property

	2019		
	Land	Buildings and structures	Total
At January 1			
Cost	\$ 183,076	\$ 212,948	\$ 396,024
Accumulated depreciation and impairment	-	(105,532)	(105,532)
	<u>\$ 183,076</u>	<u>\$ 107,416</u>	<u>\$ 290,492</u>
Opening net book amount	\$ 183,076	\$ 107,416	\$ 290,492
Reclassifications	-	326,468	326,468
Depreciation charge	-	(5,082)	(5,082)
Net exchange differences	-	(12,646)	(12,646)
Closing net book amount	<u>\$ 183,076</u>	<u>\$ 416,156</u>	<u>\$ 599,232</u>
At September 30			
Cost	\$ 183,076	\$ 522,742	\$ 705,818
Accumulated depreciation and impairment	-	(106,586)	(106,586)
	<u>\$ 183,076</u>	<u>\$ 416,156</u>	<u>\$ 599,232</u>

	2018		
	Land	Buildings and structures	Total
At January 1			
Cost	\$ 65,923	\$ 512,762	\$ 578,685
Accumulated depreciation and impairment	-	(340,892)	(340,892)
	<u>\$ 65,923</u>	<u>\$ 171,870</u>	<u>\$ 237,793</u>
Opening net book amount	\$ 65,923	\$ 171,870	\$ 237,793
Reclassifications	-	(4,698)	(4,698)
Depreciation charge	-	(16,255)	(16,255)
Net exchange differences	-	1,443	1,443
Closing net book amount	<u>\$ 65,923</u>	<u>\$ 152,360</u>	<u>\$ 218,283</u>
At September 30			
Cost	\$ 65,923	\$ 515,969	\$ 581,892
Accumulated depreciation and impairment	-	(363,609)	(363,609)
	<u>\$ 65,923</u>	<u>\$ 152,360</u>	<u>\$ 218,283</u>

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

	Three months ended September 30,	
	2019	2018
Rental income from the lease of the investment property	<u>\$ 3,093</u>	<u>\$ 7,958</u>
Direct operating expenses arising from the investment property that generated rental income in the period	<u>\$ 3,176</u>	<u>\$ 5,537</u>
	Nine months ended September 30,	
	2019	2018
Rental income from the lease of the investment property	<u>\$ 11,861</u>	<u>\$ 23,879</u>
Direct operating expenses arising from the investment property that generated rental income in the period	<u>\$ 5,082</u>	<u>\$ 16,255</u>

B. Investment property is stated initially at its cost and is depreciated on a straight-line basis over its estimated useful life. The fair value of the investment property held by the Group as at September 30, 2019, December 31, 2018 and September 30, 2018 was \$1,019,949, \$560,350 and \$828,554, respectively, which was evaluated based on the market prices of similar real estate in the areas nearby, as Level 2 fair value, market prices did not change significantly.

C. There was no impairment loss on investment property.

D. The investment property was not pledged to others as collaterals.

B. Goodwill is allocated to the Group's cash-generating units identified according to operating segments as follows:

September 30, 2019						
	3C component	System and peripheral products	3C product retail	Memory module	Others	Total
Taiwan	\$ 708,591	\$ 715,197	\$ -	\$ 334,167	\$ -	\$ 1,757,955
Hong Kong	-	-	485,203	-	-	485,203
All other segments	-	-	-	-	11,607	11,607
	<u>\$ 708,591</u>	<u>\$ 715,197</u>	<u>\$ 485,203</u>	<u>\$ 334,167</u>	<u>\$ 11,607</u>	<u>\$ 2,254,765</u>
December 31, 2018						
	3C component	System and peripheral products	3C product retail	Memory module	Others	Total
Taiwan	\$ 708,591	\$ 715,197	\$ -	\$ 334,167	\$ -	\$ 1,757,955
Hong Kong	-	-	504,336	-	-	504,336
All other segments	-	-	-	-	11,607	11,607
	<u>\$ 708,591</u>	<u>\$ 715,197</u>	<u>\$ 504,336</u>	<u>\$ 334,167</u>	<u>\$ 11,607</u>	<u>\$ 2,273,898</u>
September 30, 2018						
	3C component	System and peripheral products	3C product retail	Memory module	Others	Total
Taiwan	\$ -	\$ -	\$ -	\$ 419,858	\$ -	\$ 419,858
Hong Kong	-	-	500,243	-	-	500,243
All other segments	-	-	-	-	11,607	11,607
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,243</u>	<u>\$ 419,858</u>	<u>\$ 11,607</u>	<u>\$ 931,708</u>

C. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections and decisions assisted by independent valuation institutions based on financial budgets approved by the management covering a five-year period. There was no impairment loss for the nine month periods ended September 30, 2019 and 2018.

D. On September 30, 2018, the Group assesses recoverable amount based on net fair value for impairment assessment on recoverable amount of memory module. The fair value is assessed to be higher than the carrying amount, thus, goodwill is not impaired.

E. The intangible assets were not pledged to others as collaterals.

(12) Short-term borrowings

Type of borrowings	September 30, 2019	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	<u>\$ 3,040,433</u>	0.79%~2.00%	-

<u>Type of borrowings</u>	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Credit borrowings	\$ 1,458,024	0.88%~2.1%	-
<u>Type of borrowings</u>	<u>September 30, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Credit borrowings	\$ 628,213	0.90%~5.22%	-

(13) Short-term notes and bills payable

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Commercial paper	\$ 250,000	\$ 495,000	\$ -
Discount amortisation	(116)	(105)	-
	<u>\$ 249,884</u>	<u>\$ 494,895</u>	<u>\$ -</u>
Annual interest rate range	<u>1.08%~1.76%</u>	<u>0.91%~1.038%</u>	<u>-</u>

(14) Other payables

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Payables on salary and bonus	\$ 1,748,061	\$ 1,941,837	\$ 1,482,531
Employees' compensation and remuneration for supervisors and directors	167,951	98,544	123,739
Payables on equipment	702,382	801,385	772,661
Others	2,966,282	3,295,558	3,555,198
	<u>\$ 5,584,676</u>	<u>\$ 6,137,324</u>	<u>\$ 5,934,129</u>

(15) Bonds payable

	<u>September 30, 2019</u>
Secured corporate bonds	\$ 3,000,000
Less: Discount on bonds payable	(12,686)
	<u>\$ 2,987,314</u>

The main terms of the \$3,000,000 1st secured corporate bonds issued by the Company on June 26, 2019 are as follows:

- A. Total initial issue amount: \$3,000,000.
- B. Issue price: Issue at par value, \$1,000 each.
- C. Issue period: 5 years, from June 26, 2019 to June 26, 2024.
- D. Coupon rate: 0.80% fixed per annum.
- E. Interest payment method: Interest is calculated from the date of issuance at the coupon rate, is a simple interest and is paid yearly.

F. Principal repayment method: Pay entire amount at the maturity date.

G. Guarantee method:

The joint guarantor banks including CTBC Bank Co., Ltd. Taiwan Cooperative Bank Co., Ltd., Mega International Commercial Bank Co., Ltd. and Chang Hwa Commercial Bank, Ltd. provide guarantees based on a joint engagement guarantee contract and bond-fulfilling guarantee obligation contract.

H. Commitment:

The company should maintain the following financial ratios during the contract duration for semi-annual consolidated and annual consolidated financial statements:

- a. Current assets to current liabilities ratio of at least 1:1;
- b. Liabilities not exceeding 200% of tangible net equity;
- c. Interest coverage of at least 400%; and
- d. Tangible net equity of at least NT\$15,000,000 thousand.

(16) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Unused credit line	September 30, 2019
Long-term loan borrowings				
Bank 's unsecured borrowings				
Cheng Uei				
- including covenants	Borrowing period is from September 2017 to May 2021 pay entire amount when due	1.20%~1.55%	\$ 500,000	\$ 3,500,000
- without covenants	Borrowing period is from December 2017 to November 2023 pay entire amount when due	1.16%~1.30%	2,536,400	3,030,000
FIT Holding	Borrowing period is from June 2019 to June 2021 pay entire amount of principle when due, interest is repayable monthly	1.1205%~1.15%	1,184,000	766,000
Foxlink Image	Borrowing period is from September 2018 to September 2021 pay entire amount of principle when due, interest is repayable monthly	1.12%~1.16%	150,000	1,350,000
PQI	Borrowing period is from April 2015 to December 2020 pay principal based on each bank's regulations, interest is repayable monthly	1.48%~1.6%	350,667	563,333
Glory Science	Borrowing period is from December 2018 to July 2024 pay principle when due, interest is calculated monthly	1.14%~1.26%	-	300,000
Shinfox	Borrowing period is from January 2015 to February 2023 pay entire amount in installments	1.97%~2.01%	14,729	39,599
Foxwell Energy	Borrowing period is from February 2019 to September 2033 pay principle monthly	1.75%~1.91%	573,374	325,595
Bank 's secured borrowings				
Foxwell Energy	Borrowing period is from May 2018 to September 2033 pay principle monthly, interest is repayable monthly in the first 18 months	1.75%~1.85%	564,352	80,160
Medium-term and long-term syndicated loans				
Cheng Uei	Borrowing period is from March 2017 to March 2022. The Company may issue a drawing application before the maturity date of borrowing to directly repay the loan principal that was originally expired.	1.79%	2,000,000	<u>6,000,000</u>
				15,954,687
Less: Current portion				<u>(717,906)</u>
				<u>\$ 15,236,781</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Unused credit line	December 31, 2018
Long-term loan borrowings				
Bank 's unsecured borrowings				
Cheng Uei				
- including covenants	Borrowing period is from September 2017 to December 2020 pay entire amount when due	1.20%~1.55%	\$ 1,000,000	\$ 2,500,000
- without covenants	Borrowing period is from December 2017 to December 2020 pay entire amount when due	1.20%~1.50%	1,015,025	3,300,000
Foxlink Image	Borrowing period is from June 2018 to December 2020 pay entire amount in installments	1.12%~1.25%	245,000	1,755,000
PQI	Borrowing period is from January 2016 to November 2019 pay entire amount in installments	1.48%~1.797%	2,556	836,917
Glory Science	Borrowing period is from November 2018 to December 2020 pay entire amount in installments	1.04%~1.25%	50,000	242,365
Shinfox	Borrowing period is from January 2015 to March 2022 pay entire amount when due	1.97%~2.095%	14,729	30,357
Foxwell Energy	Borrowing period is from December 2018 to December 2023 pay entire amount in installments	1.6702%~1.8%	-	58,086
Bank 's secured borrowings				
Shinfox	Borrowing period is from July 2014 to July 2024 pay entire amount in installments	1.85%~1.95%	-	1,190
Foxwell Energy	Borrowing period is from May 2018 to November 2019 pay entire amount monthly	1.797%~1.85%	-	33,361
Medium-term and long-term syndicated loans				
Cheng Uei	Borrowing period is from March 2017 to March 2022. The Company may issue a drawing application before the maturity date of borrowing to directly repay the loan principal that was originally expired.	1.79%	1,900,000	<u>6,100,000</u>
				14,857,276
Less: Current portion				<u>(847,185)</u>
				<u>\$ 14,010,091</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Unused credit line	September 30, 2018
Long-term loan borrowings				
Bank 's unsecured borrowings				
Cheng Uei				
- including covenants	Borrowing period is from September 2017 to December 2020 pay entire amount when due	1.20%~1.55%	\$ 700,000	\$ 2,800,000
- without covenants	Borrowing period is from December 2017 to December 2020 pay entire amount when due	1.20%~1.50%	568,375	3,000,000
PQI	Borrowing period is from January 2016 to November 2019 pay entire amount in installments	1.48%~1.797%	2,556	888,527
Shinfox	Borrowing period is from January 2015 to March 2022 pay entire amount in installments	1.97%~2.095%	14,729	37,247
Bank 's secured borrowings				
Shinfox	Borrowing period is from July 2014 to July 2024 pay entire amount in installments	1.85%~1.95%	-	1,867
Medium-term and long-term syndicated loans				
Cheng Uei	Borrowing period is from March 2017 to March 2022. The Company may issue a drawing application before the maturity date of borrowing to directly repay the loan principal that was originally expired.	1.79%	1,900,000	<u>6,100,000</u>
				12,827,641
Less: Current portion				(<u>351,928</u>)
				<u>\$ 12,475,713</u>

A. In March 2017, the Group signed a medium-term syndicated revolving NTD credit facility agreement with the Bank of Taiwan as the lead bank. The terms of agreement are summarised below:

- (a) Duration of loan: The loan period of the agreement was 5 years from the agreement signing date.
- (b) Credit line and draw-down: The credit line was NT\$8,000,000 thousand, which can be drawn down in installments of at least NT\$100,000 thousand per draw-down.
- (c) Principal repayment: The duration of each loan drawn down is either 90 days or 180 days at the Company's option. The Company, if without any default, may submit an application to the banks to draw down a new loan with principal equal to the old one before its maturity, and the new loan is directly used to repay the original loan. The banks and the Company are not required to make remittances for such draw-down and repayment, which is viewed that the Company has received the new loan on the maturity of original loan.
- (d) Commitment: The Company should maintain the following financial ratios during the contract duration for semi-annual consolidated and annual consolidated financial statements:
 - i. Current assets to current liabilities ratio of at least 1:1;
 - ii. Liabilities not exceeding 200% of tangible net equity;
 - iii. Interest coverage of at least 400%; and

- iv. Tangible net equity of at least NT\$15,000,000 thousand.
- (e) The loan period is decided by the borrower. The borrower may choose to early repay the loans during the contract period according to the syndicated loan contract.
- B. The Company entered into the borrowing contracts with O-bank, Bank SinoPac, Taipei Fubon and Far Eastern International Bank, and the total credit line is \$4,000,000 thousand. As of September 30, 2019, the borrowings that have been used amounted to \$3,500,000 thousand. In the duration period of these contracts, the financial ratios in the semi-annual consolidated and annual consolidated financial statements shall be as follows:
- (a) Current assets to current liabilities ratio of at least 1:1;
- (b) Liabilities not exceeding 200% of tangible net equity;
- (c) Interest coverage of at least 400%; and
- (d) Tangible net equity of at least NT\$15,000,000 thousand.
- C. As of September 30, 2019, the borrowings that have been used amounted to as follows:

Company	Bank	Credit line	Amount of borrowings used
The Company	Cathay Bank	\$ 500,000	\$ 500,000
The Company	Mizuho Bank	800,000	800,000
The Company	E.Sun Bank	500,000	-
The Company	DBS Bank	USD 35,000,000	1,000,000
The Company	ANZ Bank	1,200,000	-
The Company	First Bank	500,000	300,000
The Company	Export-Import Bank of Republic of China	480,000	230,000
The Company	Jih Sun International Bank	500,000	200,000
FIT Holding	Bank SinoPac	1,650,000	744,000
FIT Holding	Yuanta Commercial Bank	300,000	166,000
Foxlink Image	Hua Nan Commercial Bank	200,000	200,000
Foxlink Image	E.Sun Bank	400,000	250,000
Foxlink Image	Jih Sun International Bank	300,000	300,000
Foxlink Image	KGI Bank	400,000	400,000
Foxlink Image	Bank of Taiwan	300,000	300,000
Foxlink Image	Export-Import Bank of Republic of China	500,000	450,000
Foxlink Image	Cathay Bank	300,000	200,000
PQI	Chang Hwa Commercial Bank	130,000	65,417
PQI	E.Sun Bank	264,000	146,667
PQI	O-Bank	150,000	18,750
PQI	Yuanta Commercial Bank	300,000	300,000
PQI	Hua Nan Commercial Bank	135,400	97,900

Company	Bank	Credit line	Amount of borrowings used
PQI	Mega Commercial Bank	38,000	38,000
PQI	Bank SinoPac	200,000	200,000
Glory Science	KGI Bank	\$ 200,000	\$ 194,000
Glory Science	Hua Nan Commercial Bank	100,000	100,000
Glory Science	Jih Sun International Bank	100,000	100,000
Glory Science	TSBank	250,000	220,000
Glory Science	Bank SinoPac	300,000	200,000
Glory Science	Mega Commercial Bank	100,000	80,000
Glory Science	E.Sun Bank	300,000	70,000
Glory Science	Chang Hwa Commercial Bank	200,000	100,000
Glory Science	Taipei Fubon	250,000	250,000
Glory Science	First Bank	90,000	90,000
Shinfox	Mega Commercial Bank	7,616	6,987
Shinfox	Shanghai Commercial & Savings Bank, Ltd.	25,770	25,770
Shinfox	Chang Hwa Commercial Bank	20,942	6,842
Foxwell Energy	TSBank	10,865	10,865
Foxwell Energy	Mega Commercial Bank	500,000	259,942
Foxwell Energy	Bank SinoPac	600,000	75,706
Zhangyuan	Bank SinoPac	530,000	62,731

(17) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labour Standards Act, covering all regular employees' service years prior to the enforcement of the Labour Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labour standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labour pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company and its domestic subsidiaries will make contributions to cover the deficit by next March.

- (b) The pension costs under the abovementioned defined contribution plan for the three months and nine months ended September 30, 2019 and 2018 were \$1,861, \$1,359, \$4,366 and \$4,122, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amounts to \$30,000.
- B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a funded defined contribution pension plan (the “New Plan”) under the Labour Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labour Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s Mainland China subsidiaries have a funded defined contribution plan. Monthly contributions are based on the employees' monthly salaries (the contribution ratio for the nine months ended September 30, 2019 and 2018 is between 10.2%~21%) and wages to an independent fund administered by the government in accordance with the pension regulations. Other than the monthly contributions, the Group has no further obligations.
- (c) The pension costs under the abovementioned defined contribution pension plan for the three months and nine months ended September 30, 2019 and 2018 were \$249,418, \$241,160, \$674,499 and \$702,816, respectively.

(18) Share capital

A. As of September 30, 2019, the Company’s authorised common stock was \$7,000,000 (including 50,000,000 shares reserved for the issuance of employees’ warrants), and the issued and outstanding shares were both 484,823,940 shares, with a par value of \$10 (in dollars) per share.

B. Treasury shares

Before becoming a subsidiary, Foxlink Image Technology Co.,Ltd. held parent’s capital stock for general investment purpose. The company did not purchase more equity instruments after acquiring control over Foxlink Image on October 1, 2018. As of September 30, 2019 and December 31, 2018, the detailed information of Foxlink Image’s parent equity shares is as follows:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Thousand shares	<u>27,503</u>	<u>27,503</u>
Book value	<u>\$ 272,066</u>	<u>\$ 272,066</u>

(19) Capital surplus

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

	2019					
	Share premium	Treasury share transactions	Difference between proceeds from disposal of subsidiary and book value	Changes in ownership interests in subsidiaries	Change in net equity of associates accounted for under the equity method	Total
At January 1	\$ 9,337,850	\$ 3,065	\$ 7,313	\$ 3,374	\$ 78,860	\$ 9,430,462
Cash dividends distributed to subsidiaries	-	41,255	-	-	-	41,255
Adjustments due to not participating in the capital increase of investees proportionately	-	-	-	-	-	-
At September 30	<u>\$ 9,337,850</u>	<u>\$ 44,320</u>	<u>\$ 7,313</u>	<u>\$ 3,374</u>	<u>\$ 78,860</u>	<u>\$ 9,471,717</u>
	2018					
	Share premium	Treasury share transactions	Difference between proceeds from disposal of subsidiary and book value	Changes in ownership interests in subsidiaries	Change in net equity of associates accounted for under the equity method	Total
At January 1	\$ 9,337,850	\$ 3,065	\$ 7,313	\$ 3,234	\$ 117,203	\$ 9,468,665
Adjustments due to not participating in the capital increase of investees proportionately	-	-	-	140	33,891	34,031
At September 30	<u>\$ 9,337,850</u>	<u>\$ 3,065</u>	<u>\$ 7,313</u>	<u>\$ 3,374</u>	<u>\$ 151,094</u>	<u>\$ 9,502,696</u>

(20) Retained earnings

A. Based on the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The appropriation of remainder shall be proposed by the Board of Directors and be resolved by the shareholders.

- B. According to the Company's Articles of Incorporation, no more than 90% of the distributable retained earnings shall be distributed as stockholders' bonus and cash dividend distributed in any calendar year shall be at least 20% of the total distributable earnings in that year based on future capital expenditures budget and capital requirements.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- (c) As of January 1, 2018, the amounts previously set aside by the Company as special reserve for the initial application of IFRSs amounted to \$665,206. Furthermore, the Company did not reverse special reserve to retained earnings for the nine months ended September 30, 2019 and 2018 as a result of the use, disposal or reclassification of related assets. As of September 30, 2019, December 31, 2018 and September 30, 2018, the amount of special reserve set aside for the initial application of IFRSs all amounted to \$665,206.
- E. The Company recognised dividends distributed to owners amounting to \$768,490 and \$1,024,654 for the years ended December 31, 2019 and 2018, respectively. Details of the appropriation of 2018's and 2017's net income which was resolved at the stockholders' meeting on June 12, 2019 and June 8, 2018 are as follows:

	<u>Year ended December 31, 2018</u>		<u>Year ended December 31, 2017</u>	
	<u>Amount</u>	<u>Dividend per share (NTD)</u>	<u>Amount</u>	<u>Dividend per share (NTD)</u>
Legal reserve	\$ 60,810	\$ -	\$ 133,459	\$ -
Special reverse	101,605	-	843,090	-
Cash dividend	<u>768,490</u>	<u>1.5</u>	<u>1,024,654</u>	<u>2.0</u>
Total	<u>\$ 930,905</u>	<u>\$ 1.5</u>	<u>\$ 2,001,203</u>	<u>\$ 2.0</u>

- F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(27).

(21) Other equity items

	2019		
	Financial assets at fair value through other comprehensive income	Translation of foreign financial statements	Total
At January 1	(\$ 315,491)	(\$ 1,294,410)	(\$ 1,609,901)
Valuation adjustment	32,899	-	32,899
Currency translation differences:			
- Group	-	(505,124)	(505,124)
- Associates	-	(35,148)	(35,148)
At September 30	<u>(\$ 282,592)</u>	<u>(\$ 1,834,682)</u>	<u>(\$ 2,117,274)</u>

	2018			
	Financial assets at fair value through other comprehensive income	Available-for- sale financial assets	Translation of foreign financial statements	Total
At January 1	\$ -	\$ 64,731	(\$ 907,821)	(\$ 843,090)
Adjustments under new standards	(11,540)	(64,731)	-	(76,271)
Balance at January 1 after adjustments investments	(11,540)	-	(907,821)	(919,361)
Valuation adjustment	(291,444)	-	-	(291,444)
Currency translation differences:				
- Group	-	-	(540,850)	(540,850)
- Associates	-	-	(59,704)	(59,704)
At September 30	<u>(\$ 302,984)</u>	<u>\$ -</u>	<u>(\$ 1,508,375)</u>	<u>(\$ 1,811,359)</u>

(22) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods over time and at a point in time in the following major product lines and generates related revenue in each reportable segment:

	Three months ended September 30,	
	2019	2018
3C component	\$ 11,082,957	\$ 9,243,879
Systems and peripheral products	14,656,008	10,212,023
3C product retail	3,220,732	3,148,101
Others	116,204	96,787
Total	<u>\$ 29,075,901</u>	<u>\$ 22,700,790</u>

	<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
3C component	\$ 29,428,117	\$ 28,045,149
Systems and peripheral products	31,592,715	25,641,077
3C product retail	8,078,712	8,498,633
Others	223,059	264,543
Total	<u>\$ 69,322,603</u>	<u>\$ 62,449,402</u>

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>	<u>January 1, 2018</u>
Contract liabilities:				
Contract liabilities - advance sales receipts	<u>\$ 874,422</u>	<u>\$ 624,287</u>	<u>\$ 519,216</u>	<u>\$ 397,749</u>

Revenue recognised that was included in the contract liability balance at the beginning of the period:

	<u>Three months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sales revenue received in advance	<u>\$ 13,580</u>	<u>\$ 88,190</u>

	<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sales revenue received in advance	<u>\$ 292,291</u>	<u>\$ 502,499</u>

(23) Other income

	<u>Three months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest income	\$ 22,265	\$ 21,609
Rental revenue	3,093	7,958
Other revenue - other	127,520	68,197
	<u>\$ 152,878</u>	<u>\$ 97,764</u>

	<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest income	\$ 75,485	\$ 57,770
Rental revenue	11,861	23,879
Other revenue - other	265,281	280,131
	<u>\$ 352,627</u>	<u>\$ 361,780</u>

(24) Other gains and losses

	<u>Three months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Gain (loss) on disposal of property, plant and equipment	\$ 4,351	(\$ 13,349)
Gain on disposal of investments	51,087	54,139
Net currency exchange gains	154,736	105,181
Other gains and losses	6,995	(29,920)
	<u>\$ 217,169</u>	<u>\$ 116,051</u>

	<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Gain (loss) on disposal of property, plant and equipment	\$ 1,214	(\$ 98,193)
Gain on disposal of investments	58,899	54,139
Net currency exchange gains	254,136	204,206
Other gains and losses	(21,652)	(71,716)
	<u>\$ 292,597</u>	<u>\$ 88,436</u>

(25) Finance costs

	<u>Three months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest expense:		
Bank borrowings	\$ 89,934	\$ 66,963
Lease liabilities	1,841	-
	<u>\$ 91,775</u>	<u>\$ 66,963</u>

	<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest expense:		
Bank borrowings	\$ 252,193	\$ 208,583
Lease liabilities	6,476	-
	<u>\$ 258,669</u>	<u>\$ 208,583</u>

(26) Expenses by nature

	<u>Three months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Employee benefit expense	\$ 3,896,942	\$ 3,604,617
Depreciation expense	939,419	720,308
Amortisation charges on intangible assets	27,377	16,495
Transportation expenses	264,173	194,544
Advertising costs	20,208	35,037
Operating lease payments	34,211	171,327
Manufacture costs and operating expenses	<u>\$ 5,182,330</u>	<u>\$ 4,742,328</u>

	<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Employee benefit expense	\$ 10,351,176	\$ 10,393,968
Depreciation expense	2,850,794	2,140,105
Amortisation charges on intangible assets	79,295	47,143
Transportation expenses	609,827	555,525
Advertising costs	53,813	99,122
Operating lease payments	103,454	506,550
Manufacture costs and operating expenses	<u>\$ 14,048,359</u>	<u>\$ 13,742,413</u>

(27) Employee benefit expense

	<u>Three months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Wages and salaries	\$ 3,410,261	\$ 3,153,793
Labour and health insurance fees	141,533	129,522
Pension costs	251,279	242,519
Other personnel expenses	93,869	78,783
	<u>\$ 3,896,942</u>	<u>\$ 3,604,617</u>

	<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Wages and salaries	\$ 9,007,792	\$ 9,073,149
Labour and health insurance fees	397,551	377,949
Pension costs	678,865	706,938
Other personnel expenses	266,968	235,932
	<u>\$ 10,351,176</u>	<u>\$ 10,393,968</u>

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 6% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

- B. For the three months and nine months ended September 30, 2019 and 2018, employees' compensation was accrued at \$72,779, \$0, \$91,890 and \$0, respectively; directors' and supervisors' remuneration was accrued at \$6,225, \$0, \$7,551 and \$0, respectively. The aforementioned amounts were recognised in salary expenses.
- C. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on the distributable profit of current year for the nine months ended September 30, 2019 and percentage as prescribed by the Company's Articles of Incorporation.
- D. Employees' compensation and directors' and supervisors' remuneration of 2018 as resolved at the Board of Directors were in agreement with those amounts recognised in the profit or loss of 2018.
- E. Information about employees' compensation and directors' and supervisors' remuneration of the Company as approved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Three months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Current tax:		
Tax payable incurred in current period	\$ 188,706	\$ 170,593
Prior year income tax under (over) estimation	<u>8,722</u>	<u>(85)</u>
Total current tax	<u>197,428</u>	<u>170,508</u>
Deferred tax:		
Origination and reversal of temporary differences	41,117	150
Impact of change in tax rate	<u>-</u>	<u>-</u>
Total deferred tax	<u>41,117</u>	<u>150</u>
Income tax expense	<u>\$ 238,545</u>	<u>\$ 170,658</u>
	<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Current tax:		
Tax payable incurred in current period	\$ 316,400	\$ 226,768
Prior year income tax underestimation	<u>14,748</u>	<u>8,338</u>
Total current tax	<u>331,148</u>	<u>235,106</u>
Deferred tax:		
Origination and reversal of temporary differences	68,028	(146,932)
Impact of change in tax rate	<u>-</u>	<u>73,782</u>
Total deferred tax	<u>68,028</u>	<u>(73,150)</u>
Income tax expense	<u>\$ 399,176</u>	<u>\$ 161,956</u>

(b) The income tax relating to components of other comprehensive income is as follows:

	<u>Three months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Currency translation differences	(\$ 185,201)	(\$ 169,381)
Impact of change in tax rate	-	-
	<u>(\$ 185,201)</u>	<u>(\$ 169,381)</u>
	<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Currency translation differences	(\$ 136,793)	(\$ 146,871)
Impact of change in tax rate	-	11,399
	<u>(\$ 136,793)</u>	<u>(\$ 135,472)</u>

B. The latest year of the Company's and its domestic subsidiaries' income tax returns that have been assessed and approved by the Tax Authority is as follows:

	<u>Status of Assessment</u>
FUII, Zhi De Investment, FII, Shin Ke, Shinfox Natural Gas, WCT, DuPrecision, Proconn, Link Media, Studio A, Jing Sheng, Jing Jing, Darts, Foxwell Energy, Suntain, Foxlink Image, Shinfox, Power Sufficient International, Glorly Science, Foxlink Automotive Technology	Assessed and approved up to 2017
The Company, VA product, PQI,	Assessed and approved up to 2016

C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(29) Earnings (loss) per share

	<u>Three months ended September 30, 2019</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,065,091	484,824	\$ 2.20
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,065,091	484,824	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	2,091	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,065,091	486,915	\$ 2.19
	<u>Three months ended September 30, 2018</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 638,511	512,327	\$ 1.25
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 638,511	512,327	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	-	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 638,511	512,327	\$ 1.25

Nine months ended September 30, 2019			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,356,253	484,824	\$ 2.80
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,356,253	484,824	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	2,641	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,356,253	487,465	\$ 2.78
Nine months ended September 30, 2018			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 289,385)	512,327	(\$ 0.56)
<u>Diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 289,385)	512,327	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	-	
Loss attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	(\$ 289,385)	512,327	(\$ 0.56)

(30) Transactions with non-controlling interest

A. On August 24, 2018, the Group acquired an additional 42% shares of ASHOP CO., LTD. (the “ASHOP”) at total cash consideration of \$34,389. The carrying amount of non-controlling interest in the ASHOP was \$12,241 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by \$12,241 and a decrease in the equity attributable to owners of the parent by \$22,148. The effect of changes in interests in the ASHOP on the equity attributable to owners of the parent for the year ended December 31, 2018 is shown below:

	<u>Year ended</u> <u>December 31, 2018</u>
Carrying amount of non-controlling interest acquired	\$ 12,241
Consideration paid to non-controlling interest	<u>(34,389)</u>
Capital surplus - difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	<u>(\$ 22,148)</u>

B. The Group did not conduct any transaction with non-controlling interest for the nine months ended September 30, 2019.

(31) Business combination

A. On June 14, 2019, the Group acquired 100% of the share capital of Shih Fong Power Co., Ltd. for \$280,000 and obtained the control over Shih Fong Power Co., Ltd., whose main business is hydroelectric power plant development.

The fair values at the acquisition date of the paid consideration, assets acquired and liabilities assumed for acquiring Shih Fong Power Co., Ltd. are as follows:

	<u>June 14, 2019</u>
Purchase consideration	
Cash	\$ 280,000
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	189
Prepayments	3,744
Property, plant and equipment	691,860
Other non-current assets	13,442
Notes payable	<u>(169,252)</u>
Other accounts payable	<u>(167,748)</u>
Total identifiable net assets	<u>372,235</u>
Gain recognised in bargain purchase transaction	<u>(\$ 92,235)</u>

B. Had Shih Fong Power Co., Ltd. been consolidated starting from January 1, 2019, the 2019 consolidated statement of comprehensive income would show operating revenue of \$0 and loss before income tax of (\$608).

- C. The subsidiary, PQI, converted its stock with the investees, which are accounted for under the equity method, Foxlink Image and Glory Science, in order to support the newly established FIT Holding acquiring a 100% equity share of PQI, Foxlink Image and Glory Science. PQI, Foxlink Image and Glory Science will be delisted based on the regulation starting from October 1, 2018, and FIT Holding will be listed on the same date.

The Group holds more than half of the seats in the Board of Directors of FIT Holding after the abovementioned stock conversion, therefore, FIT Holding is substantively determined as controlled by the Group.

Except that the stock conversion of subsidiary, PQI was a reorganisation within the Group, the stock conversion of Foxlink Image and Glory Science resulted in the two companies becoming the subsidiaries of FIT Holding on October 1, 2018 and controlled by the Group.

- D. The following table summarises the consideration paid for the above subsidiaries and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the information on non-controlling interest at the acquisition date:

	October 1, 2018	
	Glory Science	Foxlink Image
Purchase consideration		
Equity instruments	\$ -	\$ -
Fair value of equity interest in acquired company held before the business combination	1,377,958	939,536
Fair value of the non-controlling interest	<u>1,934,013</u>	<u>2,071,604</u>
	<u>3,311,971</u>	<u>3,011,140</u>
Fair value of the identifiable assets acquired and liabilities assumed		
Cash	842,123	1,731,002
Notes and accounts receivable	442,571	879,283
Other receivables	-	465,719
Inventories	326,294	632,997
Other current assets	137,570	94,785
Investment property	-	131,838
Financial assets at fair value through other comprehensive income	-	1,340,483
Investments accounted for under equity method	12,634	316,902
Property, plant and equipment	1,612,031	106,683
Intangible assets	425,509	69,616
Other non-current assets	656,870	246,645
Short-term borrowings	(864,000)	(1,050,000)
Accounts payable	(117,815)	(866,493)
Other current liabilities	(644,424)	(588,686)
Long-term borrowings	(91,773)	(1,000,000)
Deferred tax liabilities	(117,057)	(213,062)
Other non-current liabilities	(17,153)	(1,769)
Total identifiable net assets	<u>2,603,380</u>	<u>2,295,943</u>
Goodwill	<u>\$ 708,591</u>	<u>\$ 715,197</u>

- E. The Group created minority share interest of \$4,005,617 after the business combination. Due to the Group holding Power Channel equity share of 64.25% before the combination, the remaining equity share of 35.75% belongs to Foxlink Image. The business combination decreased Power Channel's non-controlling interest by \$218,808. Due to the above, the business combination increased non-controlling interest by \$3,786,809.
- F. Before the business combination, the Group held Glory Science and Foxlink Image equity share of 41.62% and 31.20% respectively. The Group recognised remeasurement at fair value through profit and loss of \$418,679 in other profit and loss.

G. Glory Science and Foxlink Image contributed revenue and profit and loss before tax of \$1,301,242 and (\$73,917), respectively, separately since the business combination at October 1, 2018. Under the assumption that the business combination occurred on January 1, 2018, their contribution to the Group's revenue and net profit before tax would be \$5,658,048 and \$ 317,935, respectively.

(32) Operating leases

Prior to 2019

The Group leases offices, warehouses, branch locations and the land for settlement of solar photovoltaic equipment under non-cancellable operating lease agreements. The lease terms are between 1 to 20 years, and all the lease agreements are renewable at the end of the lease period. The Group recognised rental expenses of \$166,114 and \$491,966 and contingent rent of \$5,213 and \$14,584 for these leases in profit or loss for the three months and nine months ended September 30, 2018.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>	<u>September 30, 2018</u>
No later than one year	\$ 235,382	\$ 224,982
Later than one year but not later than five years	267,917	158,979
Over five years	<u>52,977</u>	<u>4,378</u>
	<u>\$ 556,276</u>	<u>\$ 388,339</u>

(33) Supplemental cash flow information

A. Investment activities with partial cash payments:

	<u>Nine months ended Septmeber 30,</u>	
	<u>2019</u>	<u>2018</u>
Purchase of property, plant and equipment	\$ 2,382,631	\$ 3,926,542
Add: opening balance of payable on equipment	801,385	890,753
Less: ending balance of payable on equipment	<u>(702,382)</u>	<u>(772,661)</u>
Cash paid during the period	<u>\$ 2,481,634</u>	<u>\$ 4,044,634</u>

B. The Group sold 100% of shares in the subsidiary, Donghai County Cheng Uei Travel Industry Co., Ltd. on September 3, 2018 and therefore lost control over the subsidiary (please refer to Note 4(3) B, Note 10). The details of the consideration received from the transaction and assets and liabilities relating to the subsidiary are as follows:

September 3, 2018

Carrying amount of assets and liabilities of Donghai County Cheng Uei Travel Industry Co.,Ltd.	
Cash and cash equivalents	\$ 457,615
Other receivables	76
Prepayments	184,621
Property, plant and equipment	1,107,275
Guarantee deposits paid	3,718
Prepayment for equipment	5,752
Long-term prepaid rent	1,209,558
Other payables	(479,206)
Receipt in advance	(2,300,776)
Carrying amount of disposal of subsidiaries	188,633
Gain on disposal of subsidiaries	54,139
Total consolidation received from disposal of subsidiaries	242,772
Cash and cash equivalents from disposal of subsidiaries	(457,615)
Net cash charged due to disposal of subsidiaries	<u>(\$ 214,843)</u>

(34) Changes in liabilities from financing activities

	2019					
	Short-term borrowings	Short-term notes and bills payable	Corporate bonds payable	Long-term borrowings	Lease liabilities	Liabilities from financing activities - gross
At January 1	\$ 1,458,024	\$ 494,895	\$ -	\$ 14,857,276	\$ 568,819	\$ 17,379,014
Changes in cash flow from financing activities	1,588,021	(245,011)	3,000,000	1,097,411	(243,480)	5,196,941
Impact of changes in foreign exchange rate	(5,612)	-	-	-	(24,975)	(30,587)
Changes in other non-cash items	-	-	(12,686)	-	197,868	185,182
At September 30	<u>\$ 3,040,433</u>	<u>\$ 249,884</u>	<u>\$ 2,987,314</u>	<u>\$ 15,954,687</u>	<u>\$ 498,232</u>	<u>\$ 22,730,550</u>

	2018		
	Short-term borrowings	Long-term borrowings	Liabilities from financing activities - gross
At January 1	\$ 3,194,456	\$ 10,831,915	\$ 14,026,371
Changes in cash flow from financing activities	(2,568,807)	1,995,726	(573,081)
Impact of changes in foreign exchange rate	2,564	-	2,564
At September 30	<u>\$ 628,213</u>	<u>\$ 12,827,641</u>	<u>\$ 13,455,854</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Well Shin Technology Co., Ltd. (Well Shin)	Associates
Glory Science Co., Ltd. (Glory)	Associates (Note)
Yao Wei Photovoltaic (Yancheng) Co., Ltd. (Yao Wei)	Associates (Note)
Yancheng Yaowei Technology Co., Ltd. (Yancheng Yaowei)	Associates (Note)
Foxlink Image Technology Co., Ltd. (Foxlink Image)	Associates (Note)
Sharetronic Data Technology Co., Ltd. (Sharetronic)	Associates
Microlink Communications Inc. (Microlink)	Associates
Central Motion Picture Corporation (Central Motion)	Associates
Deepwaters Digital Support Inc. (Deepwaters)	Associates
HSIN HUNG International Investment Co.,Ltd. (HSIN HONG)	Other related parties
Hon Hai Precision Industry Co., Ltd. (Hon Hai)	Other related parties

Note: PQI, together with the investees, Foxlink Image and Glory Science, converted its shares in order to support the newly established FIT Holding Co., Ltd. on October 1, 2018, which acquired a 100% equity share of PQI, Foxlink Image and Glory Science. The Group has control over FIT Holding Co., Ltd. so that Foxlink Image, Glory Science and their subsidiaries became the Group's subsidiaries on October 1, 2018.

(2) Significant related party transactions

A. Operating revenue

	<u>Three months ended Septmeber 30,</u>	
	<u>2019</u>	<u>2018</u>
Sales of goods:		
- Associates	\$ 3,660	\$ 3,657
- Other related parties	<u>569,514</u>	<u>344,338</u>
	<u>\$ 573,174</u>	<u>\$ 347,995</u>
	<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Sales of goods:		
- Associates	\$ 20,628	\$ 10,634
- Other related parties	<u>1,220,039</u>	<u>1,008,232</u>
	<u>\$ 1,240,667</u>	<u>\$ 1,018,866</u>

All the credit terms on sales to related parties were 120 to 180 days after monthly billings. The credit terms on sales to third parties were 30 to 120 days after monthly billing or upon shipment of goods, except for receivables arising from the sales of tooling that are collectible upon acceptance by customers.

B. Purchases of goods

	<u>Three months ended Septmeber 30,</u>	
	<u>2019</u>	<u>2018</u>
Purchases of goods:		
- Associates	\$ 100,595	\$ 275,712
- Other related parties	194,240	197,824
	<u>\$ 294,835</u>	<u>\$ 473,536</u>
	<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Purchases of goods:		
- Associates	\$ 316,294	\$ 644,813
- Other related parties	396,602	432,463
	<u>\$ 712,896</u>	<u>\$ 1,077,276</u>

The purchase price in relation to the transaction made with related parties is based on mutual agreement. All purchases from related parties are at arm's-length. Payment period was 60 to 120 days after receipt of goods from suppliers.

C. Non-operating income - Other Income

	<u>Three months ended Septmeber 30,</u>	
	<u>2019</u>	<u>2018</u>
Other income:		
- Associates	\$ 76	\$ 6,068
	<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Other income:		
- Associates	\$ 262	\$ 18,367

The Group charged technical service compensation, management service fees and rental income from related parties, and collected the net balance after offsetting with payables to related parties and considering the financial situation.

D. Research and development expense - Technical Service Compensation

	<u>Three months ended Septmeber 30,</u>	
	<u>2019</u>	<u>2018</u>
Technical service compensation:		
- Associates	\$ 10,318	\$ 22,667
	<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Technical service compensation:		
- Associates	\$ 28,499	\$ 48,134

The Group entered into technical service contracts with related parties for providing the Company with research and development services. The payment terms are based on mutual agreement.

E. Receivables from related parties

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Accounts receivable:			
- Associates	\$ 75,447	\$ 105,137	\$ 122,401
- Other related parties	<u>707,070</u>	<u>574,880</u>	<u>636,340</u>
	<u>\$ 782,517</u>	<u>\$ 680,017</u>	<u>\$ 758,741</u>
Other receivables (Financing):			
- Associates			
Microlink	\$ 67,000	\$ 66,654	\$ 66,241
Other receivables (Others):			
- Associates	<u>21,796</u>	<u>1,366</u>	<u>12,841</u>
	<u>\$ 88,796</u>	<u>\$ 68,020</u>	<u>\$ 79,082</u>

Other receivables mainly refer to the rental income received from related parties, and the collection terms are based on mutual agreement.

F. Payables to related parties:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Accounts payable:			
- Associates	\$ 201,064	\$ 264,013	\$ 406,719
- Other related parties	<u>84,762</u>	<u>62,889</u>	<u>126,379</u>
	<u>\$ 285,826</u>	<u>\$ 326,902</u>	<u>\$ 533,098</u>
Other payables-Receipts under custody:			
- Associates	\$ 38,047	\$ 34,108	\$ 350,000
- Other related parties	<u>840</u>	<u>811</u>	<u>-</u>
	<u>\$ 38,887</u>	<u>\$ 34,919</u>	<u>\$ 350,000</u>

G. Lease transactions - lessee

(a) The Group leases buildings from associates. Rental contracts are typically made for periods of 3 years. Rents are paid at the end of month.

(b) Acquisition of right-of-use assets

	<u>September 30, 2019</u>
Associates	<u>\$ 6,829</u>

On January 1, 2019 (the date of initial application of IFRS 16), the Group increased right-of-use assets by \$11,870.

(c) Lease liability

i. Outstanding balance:

Associates	<u>September 30, 2019</u>
	<u>\$ 6,855</u>

ii. Interest expense

	<u>Three months ended</u>	<u>Nine months ended</u>
	<u>September 30, 2019</u>	<u>September 30, 2019</u>
Associates	<u>\$ 19</u>	<u>\$ 72</u>

(3) Key management compensation

	<u>Three months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	\$ 36,944	\$ 11,885
Post-employment benefits	438	333
Total	<u>\$ 37,382</u>	<u>\$ 12,218</u>

	<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	\$ 75,898	\$ 37,578
Post-employment benefits	1,310	1,122
Total	<u>\$ 77,208</u>	<u>\$ 38,700</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>			<u>Purpose</u>
	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>	
Restricted assets-current (Shown as other current assets)	\$ 356,336	\$ 373,823	\$ 199,488	Customs deposit, guarantee for L/C issued for purchases of materials and government grants and coupon trust
Refundable deposits (Shown as other non-current assets)	198,693	189,362	179,149	Customs deposit and plant deposit
Property, plant and equipment	494,976	397,758	-	Long-term secured borrowings
Other assets-others (Shown as other non-current assets)	14,832	8,416	3,161	Litigation deposit and collaterals for long-term borrowings
	<u>\$ 1,064,837</u>	<u>\$ 969,359</u>	<u>\$ 381,798</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Property, plant and equipment	<u>\$ 1,535,033</u>	<u>\$ 1,190,153</u>	<u>\$ 1,232,259</u>

(2) Central Motion Picture Corporation, an equity-method investment of the Group (the “Central Motion Picture”, please refer to Note 6(7)), was determined to be an affiliate organisation of the Kuomintang by the Ill-gotten Party Assets Settlement Committee (the “Ill-gotten Party”) in its written disposition, Dang-Chan-Chu-Zi No. 107007, issued on October 9, 2018. Under paragraph 1, Article 5 and Article 9 of the Act Governing the Settlement of Ill-gotten Properties by Political Parties and Their Affiliate Organisations, properties were held by the Central Motion Picture when the Act was released on August 10, 2016 are considered as an unjustly received properties. The presumed ill-gotten party assets as prescribed in the preceding paragraph 1 of Article 5 are prohibited from being transferred or disposed since from the date of promulgation of this Act. However, this limit is not applicable if it is necessary to perform its legal duties or other justifiable reasons. If the Central Motion Picture’s shareholders meet the conditions described in the Article 7, their rights are not affected. Under Article 16, the Central Motion Picture may file an administrative litigation in the Taipei High Administrative Court within two months after the aforementioned written disposition was served. In addition, the Central Motion Picture may file for a suspension of execution under Paragraph 2, Article 116 of the Administrative Litigation Act. On December 12, 2018, Central Motion Picture Corporation submitted cause of action to the Taipei High Administrative Court. As of the financial reporting date, the possible result of this litigation cannot be determined.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the actual financial condition.

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 174,001	\$ -	\$ 9,158
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	1,036,412	1,040,342	707,518
Financial assets at amortised cost/loans and receivables			
Cash and cash equivalents	7,747,422	6,122,851	3,800,218
Notes receivable	23,118	24,412	16,473
Accounts receivable	19,995,992	13,363,457	12,060,982
Other receivables	426,248	772,669	886,753
Other current assets (over 3 months deposits)	751,891	350,415	-
Guarantee deposits paid	198,693	189,362	179,149
	<u>\$ 30,353,777</u>	<u>\$ 21,863,508</u>	<u>\$ 17,660,251</u>
	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities mandatorily measured at fair value through profit or loss	\$ -	\$ -	\$ 1,469
Financial liabilities at amortised cost			
Short-term borrowings	3,040,433	1,458,024	628,213
Short-term notes and bills payable	249,884	494,895	-
Notes payable	3,326	3,814	1,565
Accounts payable	19,642,519	15,745,229	17,115,866
Other accounts payable	5,584,676	6,137,324	5,934,129
Corporate bonds payables	2,987,314	-	-
Lease liability	498,232	-	-
Long-term borrowings (including current portion)	15,954,687	14,857,276	12,827,641
Guarantee deposits received	31,894	30,531	27,578
	<u>\$ 47,992,965</u>	<u>\$ 38,727,093</u>	<u>\$ 36,536,461</u>

B. Risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures, please refer to Note 6(2).
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets at fair value through profit or loss are provided in Note 6(2).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB and HKD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

September 30, 2019

	Foreign currency		
	amount		Book value
	(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 594,927	31.04	\$ 18,466,534
RMB : NTD	320,535	4.35	1,394,327
HKD : NTD	8,433	3.96	33,395
EUR : NTD	577	33.95	19,589
JPY : NTD	585,528	0.29	169,803
USD : RMB	5,902	7.13	183,198
<u>Non-monetary items</u>			
RMB : HKD	\$ 187,805	1.10	\$ 816,952
INR : NTD	91,332	0.44	40,020
USD : NTD	4,303	31.04	133,568
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 310,744	31.04	\$ 9,645,494
HKD : NTD	33,391	3.96	132,228
JPY : NTD	157,107	0.29	45,561
USD : HKD	6,527	7.84	202,598
RMB : HKD	159,256	1.10	692,764
USD : RMB	66,641	7.13	2,068,537

December 31, 2018

	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 414,232	30.72	\$ 12,725,207
RMB : NTD	66,400	4.47	296,808
HKD : NTD	6,160	3.92	24,147
EUR : NTD	1,436	35.20	50,547
JPY : NTD	36,191	0.28	10,133
USD : HKD	2,344	7.83	72,008
RMB : HKD	145,412	1.14	649,992
USD : RMB	3,966	6.87	121,836
<u>Non-monetary items</u>			
RMB : HKD	\$ 145,613	1.14	\$ 648,878
USD : HKD	2,268	7.83	69,675
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 303,965	30.72	\$ 9,337,805
HKD : NTD	3,614	3.92	14,167
EUR : NTD	83	35.20	2,922
JPY : NTD	168,863	0.28	47,282
USD : HKD	5,469	7.83	168,008
RMB : HKD	213,349	1.14	953,670
USD : RMB	65,428	6.87	2,009,948

September 30, 2018

	Foreign currency		
	amount		Book value
	(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 402,024	30.53	\$ 12,273,793
RMB : NTD	72,593	4.44	322,313
HKD : NTD	5,238	3.90	20,428
JPY : NTD	190,529	0.27	51,443
USD : HKD	3,308	7.82	100,993
RMB : HKD	813	1.14	3,610
USD : RMB	5,577	6.89	170,266
<u>Non-monetary items</u>			
RMB : HKD	\$ 15,611	1.14	\$ 69,315
USD : HKD	19,204	7.82	612,052
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 280,369	30.53	\$ 8,559,666
HKD : NTD	9,437	3.90	36,804
JPY : NTD	484,323	0.27	130,767
USD : HKD	14,205	7.82	433,679
RMB : HKD	153,866	1.14	683,254
USD : RMB	67,728	6.89	2,067,736

- v. The total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for three months and nine months ended September 30, 2019 and 2018 amounted to \$154,736, \$105,181, \$254,136 and \$204,206, respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Nine months ended September 30, 2019				
Sensitivity Analysis				
	Degree of variation		Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	184,665	\$ -
RMB : NTD	1%		13,943	-
HKD : NTD	1%		334	-
EUR : NTD	1%		196	-
JPY : NTD	1%		1,698	-
USD : RMB	1%		1,832	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	96,455	\$ -
HKD : NTD	1%		1,322	-
JPY : NTD	1%		456	-
USD : HKD	1%		2,026	-
RMB : HKD	1%		6,928	-
USD : RMB	1%		20,685	-

Nine months ended September 30, 2018

Sensitivity Analysis

	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 122,738	\$ -
RMB : NTD	1%	3,223	-
HKD : NTD	1%	204	-
JPY : NTD	1%	514	-
USD : HKD	1%	1,010	-
RMB : HKD	1%	36	-
USD : RMB	1%	1,703	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 85,597	\$ -
HKD : NTD	1%	368	-
JPY : NTD	1%	1,308	-
USD : HKD	1%	4,337	-
RMB : HKD	1%	6,833	-
USD : RMB	1%	20,677	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise domestic or foreign listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant. Other components of equity for the nine months September 30, 2019 and 2018 would have increased (decreased) by \$8,291 and \$5,660, respectively, as a result of gains/losses on equity securities other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. The Group's interest rates of borrowings are fixed and floating rate. For the nine months ended September 30, 2019 and 2018, the Group's borrowings issued by floating rate are priced in New Taiwan dollars.

- ii. As of September 30, 2019 and 2018, if interest rates on borrowings at that date had been 1% lower/higher with all other variables held constant, post-tax profit for the nine months ended September 30, 2019 and 2018 would have been \$127,637, and \$102,621 lower/higher, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. Group treasury manages credit risk of cash in banks and other financial instruments based on the Group's credit policy. Because the Group's counterparties are determined based on the Group's internal control, only rated banks with an optimal rating and financial institutes with investment grade are accepted.
- iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 120 days.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) A breach of contract.
- vi. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

vii. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. On September 30, 2019, December 31, 2018 and September 30, 2018, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~120 days past due	Over 120 days	Total
<u>At September 30, 2019</u>					
Expected loss rate	0.02%	2.08%	11.57%	100%	
Total book value	\$ 17,531,257	\$ 1,437,294	\$ 315,363	\$ 131,267	\$ 19,415,181
Loss allowance	\$ 4,090	\$ 29,857	\$ 36,492	\$ 131,267	\$ 201,706

	Not past due	Up to 30 days past due	31~120 days past due	Over 120 days	Total
<u>At December 31, 2018</u>					
Expected loss rate	0.14%	2.68%	32.1%	100%	
Total book value	\$ 11,868,383	\$ 799,013	\$ 78,887	\$ 104,275	\$ 12,850,558
Loss allowance	\$ 16,130	\$ 21,389	\$ 25,324	\$ 104,275	\$ 167,118

	Not past due	Up to 30 days past due	31~120 days past due	Over 120 days	Total
<u>At September 30, 2018</u>					
Expected loss rate	0.08%	2.03%	15.58%	90.01%	
Total book value	\$ 10,765,097	\$ 483,954	\$ 73,695	\$ 94,367	\$ 11,417,113
Loss allowance	\$ 8,613	\$ 9,833	\$ 11,485	\$ 84,941	\$ 114,872

viii. Movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2019	2018
	Accounts receivable	Accounts receivable
At January 1	\$ 167,118	\$ 99,177
Provision for impairment	34,755	15,412
Effect of foreign exchange	(167)	283
At September 30	\$ 201,706	\$ 114,872

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

- ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. Except that the carrying amounts of notes payable, accounts payable and other payables are approximate to the amounts of contractual undiscounted cash flows and those accounts will expire within a year, the amounts of financial liabilities disclosed in the table are the contractual undiscounted cash flows:

Non-derivative financial liabilities:

	Less than <u>1 year</u>	Between <u>1 and 2 years</u>	Between <u>2 and 3 years</u>	Between <u>3 and 5 years</u>	<u>Over 5 years</u>
September 30, 2019					
Short-term borrowings	\$ 3,082,847	\$ -	\$ -	\$ -	\$ -
Short-term notes and bills payable	252,923	-	-	-	-
Lease liabilities	258,928	119,648	49,028	50,940	46,980
Long-term borrowings (including current portion)	786,727	8,189,855	6,656,146	349,742	210,019

Non-derivative financial liabilities:

	Less than <u>1 year</u>	Between <u>1 and 2 years</u>	Between <u>2 and 3 years</u>	Between <u>3 and 5 years</u>	<u>Over 5 years</u>
December 31, 2018					
Short-term borrowings	\$ 1,474,065	\$ -	\$ -	\$ -	\$ -
Short-term notes and bills payable	499,715	-	-	-	-
Long-term borrowings (including current portion)	867,350	8,072,943	13,371	6,235,902	60,081

Non-derivative financial liabilities:

	Less than <u>1 year</u>	Between <u>1 and 2 years</u>	Between <u>2 and 3 years</u>	Between <u>3 and 5 years</u>	<u>Over 5 years</u>
September 30, 2018					
Short-term borrowings	\$ 647,636	\$ -	\$ -	\$ -	\$ -
Long-term borrowings (including current portion)	351,928	2,794,010	3,652,698	6,210,654	-

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

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in non-hedging derivatives is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

B. Fair value information of investment property at cost is provided in Note 6(10).

C. Financial instruments not measured at fair value

Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

	September 30, 2019			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 3,000,000	\$ -	\$ 2,978,314	\$ -

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

September 30, 2019	Level 1	Level 2	Level 3	Total
Assets :				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Non-capital guaranteed floating profit financial instruments	\$ -	\$ 174,001	\$ -	\$ 174,001
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	1,036,412	1,036,412
	<u>\$ -</u>	<u>\$ 174,001</u>	<u>\$ 1,036,412</u>	<u>\$ 1,210,413</u>
December 31, 2018	Level 1	Level 2	Level 3	Total
Assets :				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ -	\$ -	\$ 1,040,342	\$ 1,040,342

September 30, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets :				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Convertible bonds	\$ -	\$ -	\$ 9,158	\$ 9,158
Forward foreign exchange contracts	-	-	-	-
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	707,518	707,518
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 716,676</u>	<u>\$ 716,676</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward foreign currency contract	\$ -	\$ 1,469	\$ -	\$ 1,469

E. The methods and assumptions the Group used to measure fair value are as follows:

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

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

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.
- (c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (d) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
- (e) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

- (f) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.
- F. For the nine months ended September 30, 2019 and 2018, there was no transfer between Level 1 and Level 2.
- G. The following chart is the movement of Level 3 for the nine months ended September 30, 2019 and 2018:

	2019		
	Convertible bonds	Equity securities	Total
January 1,	\$ -	\$ 1,040,342	\$ 1,040,342
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	-	(25,000)	(25,000)
Transfers during the current period	-	18,375	18,375
Effect of exchange rate changes	-	2,695	2,695
September 30,	\$ -	\$ 1,036,412	\$ 1,036,412
	2018		
	Convertible bonds	Equity securities	Total
January 1, unadjusted balance	\$ 8,928	\$ 628,114	\$ 637,042
Impact of IFRS 9 adoption	-	-	-
January 1, adjusted balance	8,928	628,114	637,042
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	-	(87,865)	(87,865)
Acquired in the period	-	164,896	164,896
Effect of exchange rate changes	230	2,373	2,603
September 30,	\$ 9,158	\$ 707,518	\$ 716,676

- H. For the nine months ended September 30, 2019, there was transfer into from Level 3, please refer to Note 6 (7). For the nine months ended September 30, 2018, there was no transfer into or out from Level 3.

- I. Group treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- J. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at September 30, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument: Unlisted shares	\$ 1,036,412	Market comparable companies	Discount for lack of marketability	20%~30%	The higher the discount for lack of marketability, the lower the fair value
	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument: Unlisted shares	\$ 1,040,342	Market comparable companies	Discount for lack of marketability	18.7%~55.1%	The higher the discount for lack of marketability, the lower the fair value

	Fair value at September 30, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 707,518	Market comparable companies	Discount for lack of marketability	-	The higher the discount for lack of marketability, the lower the fair value
Hybrid instrument:					
Convertible bonds	\$ 9,158	Market comparable companies	Discount for lack of marketability	-	The higher the discount for lack of marketability, the lower the fair value

K. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. For financial assets and liabilities categorised within Level 3, there is no significant impact to other comprehensive income on September 30, 2019, December 31, 2018 and September 30, 2018 if the net asset value increase or decrease by 1%.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

For the investees' information, except for financial statements of CU, FII, FUII, Zhi De Investment, FGEDG, FGEKS, DGFQ, FOXLINK, FIT Holding, PQI, APIX, Sinocity, Jiangsu Foxlink, Glory Science, GLORY TEK, GLORY OPTICS, GLORY TEK (SAMOA), GLORY TEK SCIENCE INDIA, GLORY Suzhou, GOYC, Yao Wei, YYWT, Foxlink Image, AITL, and Dongguan Fu Wei which were reviewed by independent accountants, the financial statements of other subsidiaries were not reviewed. The following transactions with subsidiaries are disclosed when preparing consolidated financial statements. The detailed information is available for reference as follows:

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

14. SEGMENT INFORMATION

(1) General information

The Group has classified the reportable operating segments based on product types. The Company's operations and segmentation are both developed according to the product types. The current main product types are: 3C component, systems and peripheral products, 3C product retail and others.

(2) Measurement of segment information

The Board of Directors of the Group uses operating profit to measure the operating segments and as evaluation basis of the segments' performance.

(3) Segment information

The financial information of reportable segments provided to Chief Operating Decision-Maker is as follows:

Nine months ended September 30, 2019

	3C component department	Systems and peripheral products department	3C product retail department	Other Operations	Adjustments	Total
External Revenue	\$ 29,428,117	\$ 31,592,715	\$ 8,078,712	\$ 223,059	\$ -	\$ 69,322,603
Revenue from Internal Customers	1,530,594	1,453,194	-	160	(2,983,948)	-
Segment Revenue	<u>\$ 30,958,711</u>	<u>\$ 33,045,909</u>	<u>\$ 8,078,712</u>	<u>\$ 223,219</u>	<u>(\$ 2,983,948)</u>	<u>\$ 69,322,603</u>
Segment Profit (Loss)	<u>\$ 487,753</u>	<u>\$ 612,039</u>	<u>\$ 84,822</u>	<u>(\$ 46,596)</u>	<u>\$ -</u>	<u>\$ 1,138,018</u>

Nine months ended September 30, 2018

	3C component department	Systems and peripheral products department	3C product retail department	Other Operations	Adjustments	Total
External Revenue	\$ 28,045,149	\$ 25,641,077	\$ 8,498,633	\$ 264,543	\$ -	\$ 62,449,402
Revenue from Internal Customers	1,188,547	1,850,344	-	1,129	(3,040,020)	-
Segment Revenue	<u>\$ 29,233,696</u>	<u>\$ 27,491,421</u>	<u>\$ 8,498,633</u>	<u>\$ 265,672</u>	<u>(\$ 3,040,020)</u>	<u>\$ 62,449,402</u>
Segment (Loss) Profit	<u>(\$ 875,082)</u>	<u>\$ 241,608</u>	<u>(\$ 7,537)</u>	<u>\$ 7,998</u>	<u>\$ -</u>	<u>(\$ 633,013)</u>

(4) Reconciliation for segment profit (loss)

The external revenue and segment profit (loss) reported to the chief operating decision-maker are measured in a manner consistent with revenue and profit (loss) before tax in the financial statements. Therefore, no reconciliation was needed.

Cheng Uei Precision Industry Co., Ltd.
Loans to others
Nine months ended September 30, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine months ended September 30, 2019	Balance at September 30, 2019	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
1	Fugang Electric (Kunshan) Co., Ltd.	Fuqiang Electric (YANCHENG) Co., Ltd.	Other receivables -related parties	Yes	\$ 36,808	\$ 34,800	\$ 34,800	-	2	\$ -	Operations	\$ -	-	\$ -	\$ 3,755,403	\$ 3,755,403	
1	Fugang Electric (Kunshan) Co., Ltd.	Kunshan Fugang Electric Trading Co., Ltd.	"	"	133,429	104,400	104,400	-	2	-	"	-	-	-	3,755,403	3,755,403	
1	Fugang Electric (Kunshan) Co., Ltd.	Fu Shi Xiang Research & Development Center (Kunshan) Co., Ltd.	"	"	24,794	23,925	23,925	-	2	-	"	-	-	-	3,755,403	3,755,403	
2	World Circuit Technology Co., Ltd.	Cheng Uei Precision Industry Co., Ltd.	"	"	111,822	-	-	-	2	-	"	-	-	-	115,391	115,391	
2	World Circuit Technology Co., Ltd.	Proconn Technology Co., Ltd.	"	"	91,669	90,016	90,016	-	2	-	"	-	-	-	115,391	115,391	
3	Culink (Tian Jin) Co., Ltd.	Fugang Electric (Kunshan) Co., Ltd.	"	"	230,050	217,500	217,500	-	2	-	"	-	-	-	229,737	229,737	
4	Neosonic Energy Technology (Tianjin) Ltd.	Dongguan Fuqiang Electronics Co., Ltd.	"	"	181,740	169,650	169,650	-	2	-	"	-	-	-	171,799	171,799	
5	Kunshan Fugang Electric Trading Co., Ltd.	Kunshan Fu Shi Yu Trading Co., Ltd.	"	"	2,301	-	-	-	2	-	"	-	-	-	-	-	
6	Foxlink International Investment Ltd. (FII)	Cheng Uei Precision Industry Co., Ltd.	"	"	230,000	-	-	-	2	-	"	-	-	-	1,456,492	1,456,492	
6	Foxlink International Investment Ltd. (FII)	Microlink Communications Inc.	"	"	67,000	67,000	67,000	-	2	-	"	-	-	-	1,456,492	1,456,492	
7	Fu Uei International Investment Ltd.	Cheng Uei Precision Industry Co., Ltd.	"	"	200,000	200,000	200,000	-	2	-	"	-	-	-	785,846	785,846	
8	FOXLINK TECHNOLOGY LIMITED	Microlink Communications Inc.	"	"	67,958	-	-	-	2	-	"	-	-	-	908,503	908,503	
8	FOXLINK TECHNOLOGY LIMITED	Proconn Technology Co., Ltd.	"	"	92,670	-	-	-	2	-	"	-	-	-	908,503	908,503	
8	FOXLINK TECHNOLOGY LIMITED	CU INTERNATIONAL LTD.	"	"	108,124	102,225	102,225	-	2	-	"	-	-	-	908,503	908,503	
8	FOXLINK TECHNOLOGY LIMITED	Cheng Uei Precision Industry Co., Ltd.	"	"	755,479	741,856	741,856	-	2	-	"	-	-	-	908,503	908,503	
9	Foxlink TianJin Co., Ltd.	Fuqiang Electric (MAANSHAN) CO., LTD.	"	"	86,944	-	-	-	2	-	"	-	-	-	2,485,425	2,485,425	
9	Foxlink TianJin Co., Ltd.	Fugang Electronic (Dongguan) Co., Ltd.	"	"	274,560	-	-	-	2	-	"	-	-	-	2,485,425	2,485,425	
9	Foxlink TianJin Co., Ltd.	Fugang Electric (Kunshan) Co., Ltd.	"	"	357,760	95,700	95,700	-	2	-	"	-	-	-	2,485,425	2,485,425	

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine months ended September 30, 2019	Balance at September 30, 2019	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
9	Foxlink TianJin Co., Ltd.	FUGANG ELECTRIC (XUZHOU) CO., LTD.	Other receivables -related parties	Yes	\$ 276,060	\$ 261,000	\$ 195,750	-	2	\$ -	Operations	\$ -	-	\$ -	\$ 2,485,425	\$ 2,485,425	
9	Foxlink TianJin Co., Ltd.	Dongguan Fuqiang Electronics Co., Ltd.	"	"	368,080	348,000	348,000	-	2	-	"	-	-	-	2,485,425	2,485,425	
10	Studio A Inc.	AShop Co., Ltd.	"	"	158,050	139,680	114,848	2%	2	-	"	-	-	-	197,216	197,216	
11	Studio A Technology Limited	Studio A Inc.	"	"	94,830	93,120	-	-	2	-	"	-	-	-	756,057	756,057	
12	Foxlink Image Technology., Ltd.	Power Quotient International Co., Ltd.	Other receivables	"	423,000	423,000	423,000	0.81~0.98%	2	-	Operations	-	-	-	677,131	902,841	
13	Glory Science Co., Ltd.	GLORY OPTICS(BVI) CO., LTD.	"	"	306,750	-	-	3%	2	-	"	-	-	-	464,681	619,852	
13	GLORY OPTICS (BVI) CO., LTD.	Yao Wei Photovoltaic (Yancheng) Co.,Ltd.	"	"	95,130	93,060	93,060	3%	2	-	"	-	-	-	1,963,114	2,617,485	
13	GLORY OPTICS (BVI) CO., LTD.	Glory Photovoltaic (Yancheng) Co., Ltd.	"	"	306,750	186,120	-	3%	2	-	"	-	-	-	1,963,114	2,617,485	
14	GLORY OPTICS(BVI) CO., LTD.	GLORY Photovoltaic (Suzhou) Co., Ltd.	"	"	19,941	-	-	0%~3%	2	-	"	-	-	-	1,963,114	2,617,485	
15	GLORY OPTICS (BVI) CO., LTD.	Glory Science Co., Ltd.	"	"	153,950	153,950	92,370	-	2	-	"	-	-	-	1,963,114	2,617,485	
16	Glory Photovoltaic (Suzhou) Co., Ltd.	Yao Wei Photovoltaic (Yancheng) Co., Ltd.	"	"	318,010	318,010	227,150	5%	2	-	"	-	-	-	1,963,114	2,617,485	
16	Yao Wei Photovoltaic (Yancheng) Co., Ltd.	Glory Optics (Yancheng) Co., Ltd.	"	"	306,750	-	-	5%	2	-	"	-	-	-	1,963,114	2,617,485	
16	Power Quotient Technology (YANCHENG) Co., Ltd.	Jiangsu Foxlink New Energy Technology Co., Ltd.	"	"	457,600	457,600	457,600	-	2	-	Group's capital management	-	-	-	1,963,114	2,617,485	
16	FOXWELL ENERGY CORPORATION LTD.	Zhangyuan Wind Power Co., Ltd.	"	"	61,730	49,520	34,045	Over 1 month, 1.5%	2	-	"	-	-	-	210,620	280,826	
17	FOXWELL ENERGY CORPORATION LTD.	Beiyuan Wind Power Co., Ltd.	"	"	62,860	62,860	62,860	Over 1 month, 1.5%	2	-	"	-	-	-	210,620	280,826	
18	FOXWELL ENERGY CORPORATION LTD.	Shinfox Co., Ltd.	"	"	134,000	-	-	Over 1 month, 1.5%	2	-	"	-	-	-	210,620	280,826	
19	GLOBAL ADVANCE INVESTMENTS CORP.	ACCU-IMAGE TECHNOLOGY LTD.	"	"	74,483	74,483	74,483	-	2	-	"	-	-	-	1,963,114	2,617,485	
20	Zhi De Investment Co., Ltd.	Cheng Uei Precision Industry Co., Ltd.	Other receivables -related parties	"	100,000	100,000	100,000	-	2	-	"	-	-	-	194,858	194,858	
21	CU INTERNATIONAL LTD.	Cheng Uei Precision Industry Co., Ltd.	"	"	68,288	68,288	66,115	-	2	-	Operations	-	-	-	21,499,298	21,499,298	

Note 1: The numbers as follows represent the nature of loan:

- (1) Business transaction is labelled as “1”.
- (2) Short-term financing is labelled as “2”.

Note 2: (1) Limit on loans granted to a single party is 20% of the Company’s net asset value.

- (2) Limit on loans granted to domestic subsidiaries is 40% of their net asset value.
- (3) Limit on loans granted to direct or indirect holding foreign subsidiaries is 100% of their net asset value.
- (4) Limit on loans granted between foreign companies whose voting shares are 100% held by the Company directly or indirectly, or on loans granted to the Company by such foreign companies is 100% of their net asset value.
- (5) Limit on loans granted to FIT Holding Co., Ltd. and its subsidiaries is 30% of FIT Holding Co., Ltd.’s net asset value on recent financial report.
- (6) Limit on loans granted to a single party by Foxlink Image, Glory Science Co., Ltd. and Foxwell Energy is 30% of its net asset value.

Note 3: (1) Ceiling on total loans granted to the company is 40% of the Company’s net asset value.

- (2) Ceiling on total loans granted to the company’s domestic subsidiaries is 40% of their net asset value.
- (3) Ceiling on total loans granted to the direct or indirect holding subsidiaries is 100% of their net asset value.
- (4) Ceiling on total loans granted between foreign companies whose voting shares are 100% held by the Company directly or indirectly, or on loans granted to the Company by such foreign companies is 100% of their net asset value.
- (5) Ceiling on total loans granted to FIT Holding Co., Ltd. and its direct or indirect holding foreign subsidiaries is 40% of their net asset value on recent financial report.
- (6) Ceiling on total loans granted by Foxlink Image, Glory Science Co., Ltd. and Foxwell Energy is 40% of its net asset value.

Cheng Uei Precision Industry Co., Ltd.
Provision of endorsements and guarantees to others
Nine months ended September 30, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 1)	Maximum outstanding endorsement/ guarantee amount as of September 30, 2019	Outstanding endorsement/ guarantee amount at September 30, 2019	Actual amount drawn down	Amount of endorsements /guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements /guarantees provided (Note 2)	Provision of endorsements /guarantees by parent company to subsidiary	Provision of endorsements /guarantees by subsidiary to parent company	Provision of endorsements /guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/guarantor											
0	Cheng Uei Precision Industry Co., Ltd.	Dongguan Fuqiang Electronics Co., Ltd.	The Company's third-tier subsidiary	\$ 11,012,185	\$ 1,380,300	\$ 1,305,000	\$ 1,305,000	\$ -	5.92	\$ 22,024,369	Y	N	Y	
0	Cheng Uei Precision Industry Co., Ltd.	Jing Sheng Technology Co., Ltd.	"	8,809,748	474,150	465,600	111,782	-	2.11	22,024,369	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	ASHOP CO., LTD.	"	8,809,748	217,280	217,280	155,200	-	0.99	22,024,369	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Studio A Inc.	The Company's third-tier subsidiary	8,809,748	1,264,400	1,241,600	615,903	-	5.63	22,024,369	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Studio A Technology Limited	The Company's third-tier subsidiary	8,809,748	1,580,500	1,489,920	500,054	-	6.76	22,024,369	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Kunshan Fugang Electric Trading Co., Ltd.	"	8,809,748	1,264,400	1,241,600	143,715	-	5.63	22,024,369	Y	N	Y	
0	Cheng Uei Precision Industry Co., Ltd.	FOXLINK INTERNATIONAL INCORPORATION	"	11,012,185	1,024,164	1,005,696	783,388	-	4.56	22,024,369	Y	N	N	
1	Studio A Inc.	ASHOP CO., LTD.	Studio A Inc.'s subsidiary	8,809,748	217,280	217,280	155,200	-	0.86	22,024,369	Y	N	N	
2	Fugang Electric (Kunshan) Co., Ltd.	FUGANG ELECTRIC (MAANSHAN) CO., LTD.	Fugang Electric (Kunshan) Co., Ltd.'s other related party	11,012,185	1,262,744	1,193,858	1,193,858	-	5.72	22,024,369	Y	N	Y	
2	Fugang Electric (Kunshan) Co., Ltd.	KUNSHAN FUGANG ELECTRIC TRADING CO., LTD.	"	8,809,748	78,217	-	-	-	0.25	22,024,369	Y	N	Y	
3	FIT Holding Co.,Ltd.	Foxwell Energy Coporation Ltd. (Foxwell Energy)	FIT Holding Co., Ltd.'s subsidiary	9,161,198	531,698	531,698	531,698	-	8.13	9,815,570	Y	N	N	
4	Glory Science Co.,Ltd.	Glory Optics (Yancheng) Co., Ltd.	Glory Science Co., Ltd.'s subsidiary	9,815,570	185,070	185,070	-	-	2.83	9,815,570	Y	N	Y	
4	Glory Science Co.,Ltd.	Yao Wei Photovoltaic (Yancheng) Co., Ltd.	"	9,815,570	460,500	185,070	-	-	2.83	9,815,570	Y	N	Y	
5	Power Quotient International Co., Ltd.	SINOCITY INDUSTRIES LIMITED	Power Quotient International Co., Ltd.'s second-tier subsidiary	9,815,570	307,350	-	-	-	-	9,815,570	Y	N	N	

Note 1: Calculation for limit on endorsements/guarantees provided for a single party is as follows:

- (1) For subsidiaries whose shares are 90% or above held by the Company, ceiling on total amount of endorsements and guarantees provided by the Company is 50% of the Company's net asset value; limit on endorsements and guarantees provided by the Company for a single party is 40% of the Company's net asset value.
- (2) For FIT Holding Co.,Ltd., limit on endorsements and guarantees for a single party is 140% of FIT Holding Co.,Ltd.'s current net asset value and for subsidiary whose equity is no less than 90% held by FIT Holding Co.,Ltd., is 150% of FIT Holding Co.,Ltd.'s net asset value.
- (3) Endorsements and guarantees are available between companies whose voting shares are more than 90% held by FIT Holding Co.,Ltd. directly or indirectly. And the limit on endorsements and guarantees is 10% of FIT Holding Co.,Ltd.'s net asset value except that endorsements and guarantees are between companies whose voting shares are 100% held by FIT Holding Co.,Ltd. directly or indirectly.

Note 2: Calculation for limit on endorsements/guarantees provided is as follows:

- (1) The Company's and subsidiaries' endorsements and guarantees to others should not exceed 100% of the Company's net asset value.
- (2) FIT Holding Co.,Ltd.'s endorsements and guarantees to others and subsidiaries should not exceed 150% of FIT Holding Co.,Ltd.'s net asset value in the latest financial statements.
- (3) Endorsements and guarantees are available between companies whose voting shares are more than 90% held by FIT Holding Co.,Ltd. directly or indirectly. And the limit on endorsements and guarantees is 10% of FIT Holding Co.,Ltd.'s net asset value except that endorsements and guarantees are between companies whose voting shares are 100% held by FIT Holding Co.,Ltd. directly or indirectly.