

**Tongtai Machine & Tool Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2020 and 2019 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Tongtai Machine & Tool Co., Ltd.

The Board of Directors and Shareholders

Introduction

We have reviewed the accompanying consolidated balance sheets of Tongtai Machine & Tool Co., Ltd. (the "Company") and its subsidiaries as of September 30, 2020 and 2019, the consolidated statements of comprehensive income for the three months and nine months ended September 30, 2020 and 2019, and the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2020 and 2019, and related notes, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Modified Conclusion

As disclosed in Note 11 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated statements were not reviewed. As of September 30, 2020 and 2019, the combined total assets of these non-significant subsidiaries were NT\$6,583,650 thousand and NT\$7,504,907 thousand, representing 39% and 42%, respectively, of the consolidated total assets; the combined total liabilities of these non-significant subsidiaries were NT\$4,181,422 thousand and NT\$4,770,741 thousand, representing 38% and 40%, respectively, of the consolidated total liabilities. For the three months and nine months ended September 30, 2020 and 2019, the amounts of the combined comprehensive income (loss) of these non-significant subsidiaries were NT\$(14,051) thousand, NT\$39,245 thousand, NT\$(37,476) thousand and NT\$54,406 thousand, representing 38%, 113%, 31% and 38%, respectively, of the consolidated total comprehensive income.

In addition, as disclosed in Note 12 to the consolidated financial statements, the total carrying amounts of the investments accounted for using the equity method were NT\$17,282 thousand and NT\$19,911 thousand as of September 30, 2020 and 2019, respectively; the share of loss of associates accounted for using the equity method were NT\$395 thousand, NT\$998 thousand, NT\$2,223 thousand and NT\$1,747 thousand for the three months and nine months ended September 30, 2020 and 2019, respectively. The amounts of the related equity-method investments were based on the equity-method investees' unreviewed financial statements for the same reporting periods.

Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and other equity-method investees' as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the Company and its subsidiaries as of September 30, 2020 and 2019, its consolidated financial performance for the three months and nine months ended September 30, 2020 and 2019, and its consolidated cash flows for nine months ended September 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews result in this independent auditor's review report are Yu-Shiang Liu and Jui-Hsuan Hsu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 5, 2020

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.

The English version of independent auditors' review report and consolidated financial statements are not reviewed nor audited by independent auditors.

For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 1,528,356	9	\$ 1,089,689	6	\$ 1,219,202	7
Financial assets at fair value through profit or loss - current (Note 7)	98,741	1	18,456	-	20,568	-
Notes receivable, net (Note 9)	442,045	3	187,605	1	210,609	1
Accounts receivable, net (Note 9)	3,210,151	19	3,687,639	22	3,827,984	21
Accounts receivable - related parties (Notes 9 and 32)	7,237	-	5,503	-	10,263	-
Other receivables (Note 32)	159,785	1	82,851	1	78,324	1
Current tax assets	1,784	-	19,811	-	25,374	-
Inventories (Note 10)	5,345,911	32	5,607,161	33	6,234,434	35
Other financial assets - current (Notes 13 and 33)	570,214	3	799,366	5	915,543	5
Other current assets	<u>325,248</u>	<u>2</u>	<u>350,438</u>	<u>2</u>	<u>355,242</u>	<u>2</u>
Total current assets	<u>11,689,472</u>	<u>70</u>	<u>11,848,519</u>	<u>70</u>	<u>12,897,543</u>	<u>72</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	133,862	1	180,264	1	175,100	1
Investments accounted for using the equity method (Note 12)	17,282	-	19,505	-	19,911	-
Property, plant and equipment (Notes 14 and 33)	3,280,911	20	3,341,106	20	3,353,401	19
Right-of-use assets (Note 15)	625,887	4	644,667	4	652,154	4
Investment properties (Notes 16 and 33)	234,217	1	236,501	1	240,270	1
Intangible assets (Note 17)	78,389	-	89,775	1	94,220	1
Deferred tax assets	449,781	3	362,302	2	367,803	2
Refundable deposits	36,879	-	33,693	-	27,673	-
Long-term notes and accounts receivable (Note 9)	3,765	-	8,546	-	8,831	-
Net defined benefit assets (Note 4)	1,465	-	1,465	-	1,408	-
Other financial assets - non-current (Notes 13 and 33)	154,553	1	99,930	1	41,325	-
Other non-current assets (Note 9)	<u>77,180</u>	<u>-</u>	<u>55,579</u>	<u>-</u>	<u>66,497</u>	<u>-</u>
Total non-current assets	<u>5,094,171</u>	<u>30</u>	<u>5,073,333</u>	<u>30</u>	<u>5,048,593</u>	<u>28</u>
TOTAL	<u>\$ 16,783,643</u>	<u>100</u>	<u>\$ 16,921,852</u>	<u>100</u>	<u>\$ 17,946,136</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 18 and 33)	\$ 3,100,136	19	\$ 2,999,533	18	\$ 3,289,883	18
Short-term bills payable (Note 18)	334,880	2	241,682	1	221,827	1
Financial liabilities at fair value through profit or loss - current (Note 7)	6,189	-	8,257	-	2,027	-
Contract liabilities - current (Note 24)	1,309,225	8	1,001,236	6	1,509,701	8
Notes payable (Notes 19 and 32)	113,884	1	118,877	1	162,774	1
Accounts payable (Note 19)	1,150,872	7	1,474,197	9	1,433,610	8
Accounts payable - related parties (Notes 19 and 32)	51,533	-	73,348	-	77,626	1
Other payables (Notes 20 and 32)	748,639	5	721,381	4	678,783	4
Current tax liabilities	21,934	-	34,732	-	74,105	-
Provisions - current (Note 21)	113,900	1	111,884	1	100,993	1
Lease liabilities - current (Note 15)	45,774	-	39,812	-	39,090	-
Current portion of long-term bank borrowings (Notes 18 and 33)	1,917,756	11	1,041,152	6	1,083,907	6
Other current liabilities	<u>52,778</u>	<u>-</u>	<u>87,543</u>	<u>1</u>	<u>95,802</u>	<u>1</u>
Total current liabilities	<u>8,967,500</u>	<u>54</u>	<u>7,953,634</u>	<u>47</u>	<u>8,770,128</u>	<u>49</u>
NON-CURRENT LIABILITIES						
Long-term bank borrowings (Notes 18 and 33)	1,327,590	8	2,214,265	13	2,296,203	13
Provisions - non-current (Note 21)	-	-	-	-	2,954	-
Deferred tax liabilities	71,068	-	69,624	-	74,903	-
Lease liabilities - noncurrent (Note 15)	582,420	3	600,817	4	606,337	3
Net defined benefit liabilities (Note 4)	86,928	1	89,674	1	75,895	1
Guarantee deposits received	1,839	-	1,791	-	435	-
Total non-current liabilities	<u>2,069,845</u>	<u>12</u>	<u>2,976,171</u>	<u>18</u>	<u>3,056,727</u>	<u>17</u>
Total liabilities	<u>11,037,345</u>	<u>66</u>	<u>10,929,805</u>	<u>65</u>	<u>11,826,855</u>	<u>66</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 23)						
Ordinary shares	<u>2,548,265</u>	<u>15</u>	<u>2,548,265</u>	<u>15</u>	<u>2,548,265</u>	<u>14</u>
Capital surplus	<u>1,194,096</u>	<u>7</u>	<u>1,190,258</u>	<u>7</u>	<u>1,200,880</u>	<u>7</u>
Retained earnings						
Legal reserve	731,144	4	725,249	4	725,249	4
Special reserve	89,749	-	133,443	1	133,443	1
Unappropriated earnings	<u>614,261</u>	<u>4</u>	<u>775,619</u>	<u>5</u>	<u>860,109</u>	<u>5</u>
Total retained earnings	<u>1,435,154</u>	<u>8</u>	<u>1,634,311</u>	<u>10</u>	<u>1,718,801</u>	<u>10</u>
Other equity	(<u>73,525</u>)	<u>-</u>	(<u>88,270</u>)	(<u>1</u>)	(<u>78,169</u>)	(<u>1</u>)
Total equity attributable to owners of the Company	<u>5,103,990</u>	<u>30</u>	<u>5,284,564</u>	<u>31</u>	<u>5,389,777</u>	<u>30</u>
NON-CONTROLLING INTERESTS (Note 23)	<u>642,308</u>	<u>4</u>	<u>707,483</u>	<u>4</u>	<u>729,504</u>	<u>4</u>
Total equity	<u>5,746,298</u>	<u>34</u>	<u>5,992,047</u>	<u>35</u>	<u>6,119,281</u>	<u>34</u>
TOTAL	<u>\$ 16,783,643</u>	<u>100</u>	<u>\$ 16,921,852</u>	<u>100</u>	<u>\$ 17,946,136</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' reviewed report dated November 5, 2020)

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 24 and 32)	\$1,828,992	100	\$2,569,713	100	\$5,748,912	100	\$8,132,921	100
OPERATING COSTS (Notes 10, 25 and 32)	<u>1,496,007</u>	<u>82</u>	<u>1,958,758</u>	<u>76</u>	<u>4,675,072</u>	<u>81</u>	<u>6,208,651</u>	<u>76</u>
GROSS PROFIT	<u>332,985</u>	<u>18</u>	<u>610,955</u>	<u>24</u>	<u>1,073,840</u>	<u>19</u>	<u>1,924,270</u>	<u>24</u>
OPERATING EXPENSES (Notes 9, 25 and 32)								
Selling and marketing expenses	167,598	9	237,857	9	544,419	9	758,584	9
General and administrative expenses	158,655	9	154,142	6	457,568	8	521,696	7
Research and development expenses	65,476	3	76,904	3	232,218	4	250,725	3
Expected credit loss (gain)	(<u>81</u>)	<u>-</u>	<u>14,215</u>	<u>1</u>	<u>51,148</u>	<u>1</u>	<u>92,045</u>	<u>1</u>
Total operating expenses	<u>391,648</u>	<u>21</u>	<u>483,118</u>	<u>19</u>	<u>1,285,353</u>	<u>22</u>	<u>1,623,050</u>	<u>20</u>
PROFIT (LOSS) FROM OPERATIONS	(<u>58,663</u>)	(<u>3</u>)	<u>127,837</u>	<u>5</u>	(<u>211,513</u>)	(<u>3</u>)	<u>301,220</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES (Notes 12, 25 and 32)								
Interest income	3,854	-	8,607	-	18,329	-	25,108	-
Other income	81,646	4	17,866	1	205,076	3	77,478	1
Other gains and losses	15,507	1	(100,116)	(4)	(73,180)	(1)	(65,664)	(1)
Finance costs	(24,511)	(1)	(32,226)	(1)	(78,202)	(1)	(97,998)	(1)
Share of loss of associates	(<u>395</u>)	<u>-</u>	(<u>998</u>)	<u>-</u>	(<u>2,223</u>)	<u>-</u>	(<u>1,747</u>)	<u>-</u>
Total non-operating income and expenses	<u>76,101</u>	<u>4</u>	(<u>106,867</u>)	(<u>4</u>)	<u>69,800</u>	<u>1</u>	(<u>62,823</u>)	(<u>1</u>)
PROFIT (LOSS) BEFORE INCOME TAX	17,438	1	20,970	1	(141,713)	(2)	238,397	3
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 26)	(<u>10,082</u>)	<u>-</u>	(<u>6,763</u>)	<u>-</u>	(<u>61,209</u>)	(<u>1</u>)	<u>61,921</u>	<u>1</u>
NET PROFIT (LOSS) FOR THE PERIOD	<u>27,520</u>	<u>1</u>	<u>27,733</u>	<u>1</u>	(<u>80,504</u>)	(<u>1</u>)	<u>176,476</u>	<u>2</u>

(Continued)

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 23 and 26)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(\$ 14,604)	(1)	(\$ 7,567)	-	(\$ 28,077)	(1)	\$ 4,029	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	29,947	2	(68,458)	(3)	(14,051)	-	(48,461)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	(5,955)	-	13,583	1	2,732	-	9,619	-
Other comprehensive loss for the period, net of income tax	9,388	1	(62,442)	(2)	(39,396)	(1)	(34,813)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 36,908</u>	<u>2</u>	<u>(\$ 34,709)</u>	<u>(1)</u>	<u>(\$ 119,900)</u>	<u>(2)</u>	<u>\$ 141,663</u>	<u>2</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 21,688		\$ 1,499		(\$ 94,441)		\$ 123,804	
Non-controlling interests	<u>5,832</u>		<u>26,234</u>		<u>13,937</u>		<u>52,672</u>	
	<u>\$ 27,520</u>		<u>\$ 27,733</u>		<u>(\$ 80,504)</u>		<u>\$ 176,476</u>	
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 30,902		(\$ 60,406)		(\$ 133,447)		\$ 89,329	
Non-controlling interests	<u>6,006</u>		<u>25,697</u>		<u>13,547</u>		<u>52,334</u>	
	<u>\$ 36,908</u>		<u>(\$ 34,709)</u>		<u>(\$ 119,900)</u>		<u>\$ 141,663</u>	
EARNINGS (LOSS) PER SHARE (Note 27)								
Basic	\$ 0.09		\$ 0.01		(\$ 0.37)		\$ 0.49	
Diluted	0.09		0.01		(0.37)		0.48	

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

(Concluded)

(With Deloitte & Touche auditors' reviewed report dated November 5, 2020)

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Equity Attributable to Owners of the Company										
	Retained Earnings					Other Equity			Total Equity Attributable to Owners of the Company	Non-controlling Interests	Total Equity
						Unrealized Valuation					
						Gain/(Loss) on Financial Assets at Fair Value Through Unappropriated Other Comprehensive Income	Total Other Equity				
Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations						
BALANCE AT JANUARY 1, 2020	\$ 2,548,265	\$ 1,190,258	\$ 725,249	\$ 133,443	\$ 775,619	(\$ 137,912)	\$ 49,642	(\$ 88,270)	\$ 5,284,564	\$ 707,483	\$ 5,992,047
Appropriation of 2019 earnings (Note 23)											
Legal reserve	-	-	5,895	-	(5,895)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(50,965)	-	-	-	(50,965)	-	(50,965)
Reversal of special reserve	-	-	-	(43,694)	43,694	-	-	-	-	-	-
	-	-	5,895	(43,694)	(13,166)	-	-	-	(50,965)	-	(50,965)
Net profit (loss) for the nine months ended September 30, 2020	-	-	-	-	(94,441)	-	-	-	(94,441)	13,937	(80,504)
Other comprehensive income (loss) for the nine months ended September 30, 2020, net of income tax	-	-	-	-	-	(10,929)	(28,077)	(39,006)	(39,006)	(390)	(39,396)
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	(94,441)	(10,929)	(28,077)	(39,006)	(133,447)	13,547	(119,900)
Changes in percentage of ownership interests in subsidiaries (Note 28)	-	3,838	-	-	-	-	-	-	3,838	-	3,838
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	(78,722)	(78,722)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(53,751)	-	53,751	53,751	-	-	-
BALANCE AT SEPTEMBER 30, 2020	\$ 2,548,265	\$ 1,194,096	\$ 731,144	\$ 89,749	\$ 614,261	(\$ 148,841)	\$ 75,316	(\$ 73,525)	\$ 5,103,990	\$ 642,308	\$ 5,746,298
BALANCE AT JANUARY 1, 2019	\$ 2,548,265	\$ 1,201,104	\$ 694,026	\$ 89,749	\$ 887,670	(\$ 84,143)	\$ 40,449	(\$ 43,694)	\$ 5,377,120	\$ 744,237	\$ 6,121,357
Appropriation of 2018 earnings (Note 23)											
Legal reserve	-	-	31,223	-	(31,223)	-	-	-	-	-	-
Special reserve	-	-	-	43,694	(43,694)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(76,448)	-	-	-	(76,448)	-	(76,448)
	-	-	31,223	43,694	(151,365)	-	-	-	(76,448)	-	(76,448)
Net profit for the nine months ended September 30, 2019	-	-	-	-	123,804	-	-	-	123,804	52,672	176,476
Other comprehensive income for the nine months ended September 30, 2019, net of income tax	-	-	-	-	-	(38,504)	4,029	(34,475)	(34,475)	(338)	(34,813)
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	123,804	(38,504)	4,029	(34,475)	89,329	52,334	141,663
Changes in percentage of ownership interests in subsidiaries (Note 28)	-	(224)	-	-	-	-	-	-	(224)	-	(224)
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	(67,067)	(67,067)
BALANCE AT SEPTEMBER 30, 2019	\$ 2,548,265	\$ 1,200,880	\$ 725,249	\$ 133,443	\$ 860,109	(\$ 122,647)	\$ 44,478	(\$ 78,169)	\$ 5,389,777	\$ 729,504	\$ 6,119,281

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	(\$ 141,713)	\$ 238,397
Adjustments for:		
Depreciation expense	235,051	244,766
Amortization expense	40,045	45,070
Expected credit loss	51,148	92,045
Net loss (gain) on fair value change of financial assets at fair value through profit or loss	4,597	(8,619)
Interest expense	78,202	97,998
Interest income	(18,329)	(25,108)
Dividend income	(9,432)	(8,008)
Share of the profit of associates	2,223	1,747
Loss on disposal of property, plant and equipment	(1,077)	(1,794)
Impairment loss recognized on nonfinancial assets	71,978	126,850
Recognition of provisions	122,487	113,801
Others	-	63
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(86,950)	43,173
Notes receivable and long-term notes and accounts receivable	(256,452)	91,785
Accounts receivable	433,009	60,990
Accounts receivable - related parties	(1,734)	(1,062)
Other receivables	(61,176)	77,017
Inventories	192,142	420,553
Other current assets	25,190	(60,538)
Contract liabilities	307,989	(111,071)
Notes payable	(4,993)	(84,197)
Accounts payable	(323,325)	(570,061)
Accounts payable - related parties	(21,815)	(67,957)
Other payables	31,877	(87,164)
Provisions	(120,867)	(107,218)
Advance received	(34,765)	34,397
Net defined benefit liabilities	(2,746)	(2,735)
Cash generated from operations	510,564	553,120
Interest received	22,047	28,374
Dividend received	8,281	8,008
Interest paid	(81,979)	(97,357)

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TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
Income taxes paid	(\$ 16,865)	(\$ 131,534)
Net cash generated from operating activities	<u>442,048</u>	<u>360,611</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(173,922)	(97,116)
Proceeds from disposal of property, plant and equipment	2,247	4,150
Increase in refundable deposits	(3,186)	(2,616)
Acquisition of intangible assets	(9,266)	(3,040)
Acquisition of investment properties	(299)	-
Decrease in other financial assets	174,529	16,709
Increase in other non-current assets	(7,430)	(20,343)
Net cash used in investing activities	<u>(17,327)</u>	<u>(102,256)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,802,069	2,412,792
Repayments of short-term borrowings	(1,905,977)	(2,364,455)
Increase (decrease) in short-term bills payable	93,198	(108,080)
Proceeds from long-term bank borrowings	1,409,936	1,635,110
Repayments of long-term bank borrowings	(1,232,994)	(1,448,507)
Proceeds from (refund of) guarantee deposits received	48	57
Repayment of principle of lease liabilities	(36,039)	(36,520)
Dividends paid	(50,965)	(76,448)
Decrease in non-controlling interests	(74,884)	(67,291)
Net cash generated from (used in) financing activities	<u>4,392</u>	<u>(53,342)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>9,554</u>	<u>(58,375)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	438,667	146,638
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,089,689</u>	<u>1,072,564</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$1,528,356</u>	<u>\$1,219,202</u>
The accompanying notes are an integral part of the consolidated financial statements. (With Deloitte & Touche auditors' reviewed report dated November 5, 2020)		(Concluded)

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED September 30, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Tongtai Machine & Tool Co., Ltd. (the “Company”) was incorporated in January 1969. It is mainly engaged in the manufacturing and selling of machine tools, computer components, computer numerical control lathes and cutting centers.

The Company’s shares have been listed on the Taiwan Stock Exchange since September 15, 2003.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Company’s board of directors and approved for issue on November 5, 2020.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Corporation and its subsidiaries’ accounting policies:

1) Amendment to IFRS 16 “Covid-19-Related Rent Concessions”

The Group elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. Related accounting policies are stated in Note 4. Before the application of the amendment, the Group was required to determine whether the abovementioned rent concessions are lease modifications and thus have to be accounted for as lease modifications.

The Group applied the amendment from January 1, 2020. Retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018–2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were reported to the board of directors for issue, the Company and its subsidiaries are in the process of assessing the impact of the impending initial application of the aforementioned and other standards and the amendments to interpretations on their financial position and results of operations. Disclosures will be provided after a detailed review of the impact has been completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. The consolidated financial statements do not present full disclosures required for a complete set of IFRSs annual financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of consolidation

Refer to Note 11, Table 7 and Table 8 for the detail information of subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

Except for the following, refer to the summary of significant accounting policy and basis of preparation in the consolidated financial statements for the year ended December 31, 2019.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated on an interim period's pre-tax income by applying to the tax rate that would be applicable to expected total annual earnings.

The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

3) Government grants

Government grants are not recognized until there is reasonable assurance that the Company

and its subsidiaries will comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company and its subsidiaries with no future related costs are recognized in profit or loss in the period in which they are received.

4) Leases

The Company negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Company elects to apply the practical expedient to all of these rent concessions, and therefore, does not assess whether the rent concessions are lease modifications. Instead, the Company recognizes the reduction in lease payment in profit or loss (included in other income) in the period in which the events or conditions that trigger the concession occurs, and makes a corresponding adjustment to the lease liability.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Company and its subsidiaries consider the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2019.

6. CASH AND CASH EQUIVALENTS

	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand	\$ 6,184	\$ 6,303	\$ 5,304
Checking accounts and demand deposits	1,497,369	1,083,386	1,213,898
Cash equivalents			
Time deposits with original maturities of less than three months	24,803	-	-
	<u>\$ 1,528,356</u>	<u>\$ 1,089,689</u>	<u>\$ 1,219,202</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2020	December 31, 2019	September 30, 2019
Financial assets at FVTPL - current			
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets			
Swap contracts	\$ 1,344	\$ -	\$ -
Cross-currency swap contracts	-	-	1,524
Non-derivative financial assets			
Mutual funds	15,061	-	-
CNY floating rate financial products	82,336	18,456	19,044
	<u>\$ 98,741</u>	<u>\$ 18,456</u>	<u>\$ 20,568</u>
Financial liabilities at FVTPL - current			
Financial liabilities held for trading			
Derivative financial liabilities			
Cross-currency swap contracts	\$ 6,017	\$ 6,357	\$ -
Foreign exchange forward contracts	127	-	-
Swap contracts	45	1,900	2,027
	<u>\$ 6,189</u>	<u>\$ 8,257</u>	<u>\$ 2,027</u>

- a. At the balance sheet date, outstanding cross-currency swap contracts not accounted for by hedge accounting were as follows:

Notional Amounts (In Thousands)	Maturity Date	Range of interest Rates Paid (%)	Range of Interest Rates Received
September 30, 2020			
USD2,000/NTD60,140	2021.02	0.92	1M Libor+0.48
USD2,000/NTD60,000	2021.05	0.8	1M Libor+1
USD2,000/NTD59,600	2021.05	0.8	1M Libor+0.95
December 31, 2019			
USD6,000/NTD185,200	2020.02~2020.05	0.8~0.9	3M Libor+0.5
USD2,000/NTD61,680	2020.01	0.78	1M Libor+0.93
September 30, 2019			
USD6,000/NTD185,200	2020.02~2020.05	0.8~0.9	USD Libor 3M+ 0.5
USD2,000/NTD61,680	2020.01	0.78	USD Libor 1M+ 0.93

- b. At the balance sheet date, outstanding swap contracts and foreign exchange forward contracts not accounted for by hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>September 30, 2020</u>			
Swap	CNY/NTD	2020.12~2021.06	CNY26,000/NTD107,663
Foreign exchange forward	MYR / USD	2020.10	MYR441/USD100
<u>December 31, 2019</u>			
Swap	CNY/NTD	2020.02~2020.06	CNY39,000/NTD168,123
<u>September 30, 2019</u>			
Swap	CNY/NTD	2019.12~2020.06	CNY39,000/NTD169,559

The Company and its subsidiaries entered into cross-currency swap contracts, swap contracts and foreign exchange forward contracts to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities. For the three months and nine months ended September 30, 2020 and 2019, the Company and its subsidiaries recognized gain (loss) on cross-currency swap contracts, swap contracts and foreign exchange forward contracts not accounted for by hedge accounting in the amounts of NT\$(413) thousand, NT\$(2,420) thousand, NT\$(5,852) thousand and NT\$7,333 thousand, respectively, included in gain (loss) on financial instruments at fair value through profit or loss.

For the three months and nine months ended September 30, 2020 and 2019, the Company entered into mutual funds financial products and recognized gain in the amounts of NT\$416 thousand and NT\$416 thousand, respectively, included in gain (loss) on financial instruments at fair value through profit or loss.

For the three months and nine months ended September 30, 2020 and 2019, the subsidiaries entered into CNY floating rate financial products and recognized gain (loss) in the amounts of NT\$456 thousand, NT\$(11) thousand, NT\$839 thousand and NT\$1,286 thousand, respectively, included in gain (loss) on financial instruments at fair value through profit or loss.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Investment in equity instruments</u>			
Domestic investments			
Listed shares	\$ 102,964	\$ 121,572	\$ 117,121
Unlisted shares	<u>30,898</u>	<u>58,692</u>	<u>57,979</u>
	<u>\$ 133,862</u>	<u>\$ 180,264</u>	<u>\$ 175,100</u>

9. NOTES AND ACCOUNTS RECEIVABLE, LONG-TERM NOTES AND ACCOUNTS RECEIVABLE, AND OVERDUE RECEIVABLE, NET

	September 30, 2020	December 31, 2019	September 30, 2019
Notes receivable (operating)			
Gross carrying amount at amortized cost	\$ 447,298	\$ 197,456	\$ 220,929
Less: Unrealized interest revenue	<u>5,253</u>	<u>9,851</u>	<u>10,320</u>
	<u>\$ 442,045</u>	<u>\$ 187,605</u>	<u>\$ 210,609</u>
Accounts receivable			
Gross carrying amount at amortized cost	\$ 3,613,953	\$ 4,057,385	\$ 4,158,661
Less: Allowance for impairment loss	<u>403,802</u>	<u>369,746</u>	<u>330,677</u>
	<u>\$ 3,210,151</u>	<u>\$ 3,687,639</u>	<u>\$ 3,827,984</u>
Accounts receivable - related parties			
Gross carrying amount at amortized cost	<u>\$ 7,237</u>	<u>\$ 5,503</u>	<u>\$ 10,263</u>
Long-term notes and accounts receivable (operating)			
Gross carrying amount at amortized cost	\$ 16,943	\$ 14,076	\$ 14,556
Less: Allowance for impairment loss	<u>13,178</u>	<u>5,530</u>	<u>5,725</u>
	<u>\$ 3,765</u>	<u>\$ 8,546</u>	<u>\$ 8,831</u>
Overdue receivable (included in other noncurrent assets)			
Gross carrying amount at amortized cost	\$ 72,552	\$ 81,442	\$ 81,532
Less: Allowance for impairment loss	<u>72,552</u>	<u>81,442</u>	<u>81,532</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Accounts receivable

The credit period of the Company and its subsidiaries' receivables depends on customer classification and product category. The Company and its subsidiaries make prudent assessment of all their customers. The counterparties are creditworthy companies; as a result, the significant credit risk is unexpected. In order to minimize credit risk, the management of the Company and its subsidiaries have delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company and its subsidiaries review the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company and its subsidiaries' credit risk were significantly reduced.

The Company and its subsidiaries apply the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all notes and accounts receivables. The expected credit losses on notes and accounts receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company and its subsidiaries' historical credit loss experience do not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company and its subsidiaries' different customer base.

The Company and its subsidiaries write off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery after the recourse procedures. For accounts receivable that have been written off, the Company and its subsidiaries continue to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes and accounts receivables based on the Company and its subsidiaries' provision matrix:

September 30, 2020

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	366 to 720 Days	Over 721 Days	Individual Identification	Total
Gross carrying amount	\$ 2,563,120	\$ 460,743	\$ 183,271	\$ 156,593	\$ 124,371	\$ 266,932	\$ 211,961	\$ 185,739	\$ 4,152,730
Loss allowance (Lifetime ECL)	(13,090)	(30,801)	(16,811)	(14,612)	(9,181)	(100,576)	(136,551)	(167,910)	(489,532)
Amortized cost	<u>\$ 2,550,030</u>	<u>\$ 429,942</u>	<u>\$ 166,460</u>	<u>\$ 141,981</u>	<u>\$ 115,190</u>	<u>\$ 166,356</u>	<u>\$ 75,410</u>	<u>\$ 17,829</u>	<u>\$ 3,663,198</u>

December 31, 2019

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	366 to 720 Days	Over 721 Days	Individual Identification	Total
Gross carrying amount	\$ 2,463,905	\$ 622,330	\$ 252,863	\$ 137,722	\$ 101,781	\$ 261,860	\$ 180,451	\$ 325,099	\$ 4,346,011
Loss allowance (Lifetime ECL)	(14,580)	(42,879)	(17,741)	(14,040)	(13,011)	(71,681)	(108,634)	(174,152)	(456,718)
Amortized cost	<u>\$ 2,449,325</u>	<u>\$ 579,451</u>	<u>\$ 235,122</u>	<u>\$ 123,682</u>	<u>\$ 88,770</u>	<u>\$ 190,179</u>	<u>\$ 71,817</u>	<u>\$ 150,947</u>	<u>\$ 3,889,293</u>

September 30, 2019

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	366 to 720 Days	Over 721 Days	Individual Identification	Total
Gross carrying amount	\$ 2,722,324	\$ 467,527	\$ 221,139	\$ 239,036	\$ 127,341	\$ 205,524	\$ 238,961	\$ 253,769	\$ 4,475,621
Loss allowance (Lifetime ECL)	(17,928)	(39,833)	(27,210)	(25,676)	(15,973)	(53,750)	(115,737)	(121,827)	(417,934)
Amortized cost	<u>\$ 2,704,396</u>	<u>\$ 427,694</u>	<u>\$ 193,929</u>	<u>\$ 213,360</u>	<u>\$ 111,368</u>	<u>\$ 151,774</u>	<u>\$ 123,224</u>	<u>\$ 131,942</u>	<u>\$ 4,057,687</u>

The movements of the loss allowance of notes and accounts receivable were as follows:

	<u>For the Nine Months Ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Balance, beginning of period	\$ 456,718	\$ 343,152
Recognition	51,148	92,045
Written off	(18,457)	(14,096)
Effects of foreign currency exchange differences	123	(3,167)
Balance, end of period	<u>\$ 489,532</u>	<u>\$ 417,934</u>

10. INVENTORIES

	<u>September 30,</u>	<u>December 31,</u>	<u>September 30,</u>
	<u>2020</u>	<u>2019</u>	<u>2019</u>
Raw materials	\$ 1,960,864	\$ 1,969,284	\$ 2,047,750
Supplies	194,360	191,607	240,340
Work-in-progress	2,406,300	2,525,369	2,971,605
Finished goods	714,663	897,136	869,001
Merchandise	54,959	16,444	101,408
Inventory in transit	14,765	7,321	4,330
	<u>\$ 5,345,911</u>	<u>\$ 5,607,161</u>	<u>\$ 6,234,434</u>

The cost of inventories recognized as operating costs for the three months and nine months ended September 30, 2020 and 2019 was NT\$1,496,007 thousand, NT\$1,958,758 thousand, NT\$4,675,072 thousand and NT\$6,208,651 thousand, respectively, which included write-downs of inventories and unallocated manufacturing overhead as follows.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Inventory write-downs	\$ 10,881	\$ 153,819	\$ 71,978	\$ 115,385
Unallocated manufacturing overhead	-	-	2,787	-

Unallocated production overhead included the related expenses incurred during the shutdown period due to the impact of COVID-19.

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			September 30, 2020	December 31, 2019	September 30, 2019	
Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited (Union Top)	General investment	100	100	100	Important subsidiary Note 1
	Honor Seiki Co., Ltd. (Honor Seiki)	Sales and manufacturing of equipment	54	51	51	
	Quick-Tech Machinery Co., Ltd. (Quick-Tech)	Sales and manufacturing of equipment	52	52	52	
	Chin-Jig Technology Co., Ltd. (Chin-Jig)	Sales of mold and equipment	70	70	70	
	Tongfong Auto Tech Co., Ltd. (Tongfong)	Sales of electric automation equipment	99	99	99	
	Asia Pacific Elite Corp. (APEC)	Sales and manufacturing of equipment	99	99	99	
	Tongtai Europe B.V. (TTE)	Sales of merchandise	100	100	100	
	Tong-Yeh Precision Co., Ltd. (Tong-Yeh)	Manufacturing and processing of metal part	60	60	60	
	Tong-Tai Seiki USA, Inc. (TSU)	Sales of equipment	100	100	100	
	Tongtai Machine Tool (MFG) Sdn. Bhd. (TMM)	Sales and manufacturing of equipment	100	100	100	
	Tong Tai Machinery Co., Ltd. (TTM)	Sales of customized machine	100	100	100	
	Tongtai Seiki Vietnam Co., Ltd. (TTVN)	Sales of customized machine	100	100	100	
	Tongtai Machine Tool (SEA) Sdn. Bhd. (TTS)	Sales of customized machine	52	52	52	
	Tongtai Machine & Tool Japan Co., Ltd. (TTJP)	Sales and manufacturing of equipment	100	100	100	
	Process Conception Ingenierie-Societe de Construction D'equipments, De Mecanisations Et De Machines (PCI-SCEMM)	Sales, manufacturing and maintenance of equipment	100	100	100	
	Tongan GmbH (Tongan)	General investment	100	100	100	
	Tongtai Mexico S.A.DE C.V (TIGMX)	Sales and maintenance of machine tools	100	100	100	
Union Top	Suzhou Tongyu Machine Tool Co., Ltd. (Suzhou Tongyu)	Manufacturing of digital control machine and system	100	100	100	Important subsidiary
	Shanghai Tong-Tai-Shin Trading Co., Ltd. (Shanghai Tong-Tai-Shin)	International trade	100	100	100	
	Tong-Yu Machine Tool (Shanghai) Co., Ltd. (Shanghai Tong-Yu)	Sales and maintenance of machine tools	100	100	100	
	Great Pursuit Limited	General investment	55	55	55	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			September 30, 2020	December 31, 2019	September 30, 2019	
Great Pursuit Limited	Hao-Tern-Shin Electronics (Shenzhen) Co., Ltd. (Hao-Tern-Shin)	Sales and manufacturing of printed circuit board	100	100	100	
Honor Seiki	Honor Seiki International Co., Ltd. (HSI)	Sales of machine tools	-	-	-	Note 2
	Honor Seiki USA Corporation (HSU)	Sales of machine tools	-	-	100	Note 2
Chin-Jig	Time Trade International Limited (Time Trade)	General investment	100	100	100	
Time Trade	Chin-Jig Precision Machine (Shanghai) Co., Ltd. (Shanghai Chin-Jig)	Sales and manufacturing of mold and equipment	100	100	100	
TTE	Tongtai East Europe S.R.L. (TEE)	Sales of merchandise	-	-	-	Note 3
PCI-SCHEMM	TTGroup France	Sales of merchandise	100	100	100	
Tongan	Mbi-group Beteiligung GmbH (MBI)	General investment	100	100	99.97	Note 4
MBI	HPC Produktions GmbH (HPC)	Sales, manufacturing and maintenance of machine tools	100	100	100	
	Anger Machining GmbH (Anger)	Sales, manufacturing and maintenance of equipment	100	100	100	
Anger	Anger Machining Inc. (Anger - US)	Sales and maintenance of machine tools	100	100	100	
	Anger Service Deutschland GmbH (Anger - DE)	Sales and maintenance of machine tools	100	100	100	
TTJP	SKTD Co., Ltd. (SKTD)	Sales and maintenance of machine tools	98.73	98.73	98.73	

(Concluded)

Note 1: In March 2020, Honor Seiki purchased treasury shares which resulted in the changes in the Company's percentage of ownership interests in Honor Seiki. (Refer to Note 28)

Note 2: The subsidiaries HSI and HSU were liquidated in May and November 2019, respectively.

Note 3: The subsidiary TEE was liquidated in July 2019.

Note 4: In December 2019, the subsidiary Tongan acquired all of MBI's shares from non-controlling interest. (Refer to Note 28)

The financial statements of the non-significant subsidiaries were based on the subsidiaries' financial statements which have not been reviewed for the same periods.

b. Details of subsidiaries that have material non-controlling interests

Name of subsidiary	Percentage of Ownership and Voting Rights of Non-controlling Interests		
	September 30, 2020	December 31, 2019	September 30, 2019
Honor Seiki	46%	49%	49%

Names, locations, and related information of investees Honor Seiki please refer to Table 7.

Name of subsidiary	Profit Allocated to Non-controlling Interests				Accumulated, Non-controlling Interests		
	For the Three Months Ended September 30		For the Nine Months Ended September 30		September 30, 2020	December 31, 2019	September 30, 2019
	2020	2019	2020	2019	2020	2019	2019
Honor Seiki	\$ 9,807	\$ 24,335	\$ 22,013	\$ 44,817	\$ 549,306	\$ 602,994	\$ 591,742

Honor Seiki's financial information below represents amounts before intragroup eliminations.

	September 30, 2020	December 31, 2019	September 30, 2019	
Current assets	\$ 1,724,347	\$ 1,859,299	\$ 2,133,161	
Non-current assets	831,908	721,253	721,576	
Current liabilities	(1,048,000)	(1,062,491)	(1,349,196)	
Non-current liabilities	(315,048)	(280,720)	(291,289)	
Equity	<u>\$ 1,193,207</u>	<u>\$ 1,237,341</u>	<u>\$ 1,214,252</u>	
Equity attributable to				
Owner of the Company	\$ 643,901	\$ 634,347	\$ 622,510	
Non-controlling interests of Honor Seiki	<u>549,306</u>	<u>602,994</u>	<u>591,742</u>	
	<u>\$ 1,193,207</u>	<u>\$ 1,237,341</u>	<u>\$ 1,214,252</u>	
	For the Three Months Ended September 30 2020	For the Three Months Ended September 30 2019	For the Nine Months Ended September 30 2020	For the Nine Months Ended September 30 2019
Revenue	<u>\$ 336,430</u>	<u>\$ 430,901</u>	<u>\$ 786,682</u>	<u>\$ 879,877</u>
Profit for the period	\$ 21,302	\$ 49,934	\$ 45,984	\$ 91,963
Other comprehensive income for the period	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>23</u>
Total comprehensive income for the period	<u>\$ 21,302</u>	<u>\$ 49,932</u>	<u>\$ 45,984</u>	<u>\$ 91,986</u>
Profit attributable to				
Owners of the Company	\$ 11,495	\$ 25,599	\$ 23,971	\$ 47,146
Non-controlling interests of Honor Seiki	<u>9,807</u>	<u>24,335</u>	<u>22,013</u>	<u>44,817</u>
	<u>\$ 21,302</u>	<u>\$ 49,934</u>	<u>\$ 45,984</u>	<u>\$ 91,963</u>
Total comprehensive income attributable to				
Owners of the Company	\$ 11,495	\$ 25,598	\$ 23,971	\$ 47,158
Non-controlling interests of Honor Seiki	<u>9,807</u>	<u>24,334</u>	<u>22,013</u>	<u>44,828</u>
	<u>\$ 21,302</u>	<u>\$ 49,932</u>	<u>\$ 45,984</u>	<u>\$ 91,986</u>
	For the Nine Months Ended September 30 2020	For the Nine Months Ended September 30 2019		
Net cash inflow (outflow) from				
Operating activities	\$ 79,689	\$ 78,661		
Investing activities	(129,023)	(303,485)		
Financing activities	5,907	95,533		
Effect of exchange rate	<u>-</u>	<u>23</u>		
Net cash outflow	<u>(\$ 43,427)</u>	<u>(\$ 129,268)</u>		
Dividends paid to non-controlling interests	<u>(\$ 15,572)</u>	<u>(\$ 58,994)</u>		

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	September 30, 2020	December 31, 2019	September 30, 2019
Associates that are not individually material			
Cyber Laser Taiwan Co., Ltd.	\$ 8,239	\$ 9,397	\$ 9,699
Printin3d DigiTech Co., Ltd.	8,102	9,100	9,145
SOLIDCAMTAIWAN CO., LTD.	<u>941</u>	<u>1,008</u>	<u>1,067</u>
	<u>\$ 17,282</u>	<u>\$ 19,505</u>	<u>\$ 19,911</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
The Company and its subsidiaries' share of				
Net loss for the period	(\$ 395)	(\$ 998)	(\$ 2,223)	(\$ 1,747)
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income	<u>(\$ 395)</u>	<u>(\$ 998)</u>	<u>(\$ 2,223)</u>	<u>(\$ 1,747)</u>

Names, locations, and related information of associates please refer to Table 7.

The investments accounted for using the equity method and the share of loss and other comprehensive income of those investments for the three months and nine months ended September 30, 2020 and 2019 were based on the associates' financial statements which have not been reviewed for the same periods.

13. OTHER FINANCIAL ASSETS

	September 30, 2020	December 31, 2019	September 30, 2019
Current			
Pledged deposits and time deposits	\$ 550,408	\$ 790,419	\$ 714,890
Restricted time deposits	724	7,063	133,556
Restricted deposits	<u>19,082</u>	<u>1,884</u>	<u>67,097</u>
	<u>\$ 570,214</u>	<u>\$ 799,366</u>	<u>\$ 915,543</u>
Non-current			
Deposits for projects	\$ 19,025	\$ 20,862	\$ 20,672
Pledged deposits and time deposits	<u>135,528</u>	<u>79,068</u>	<u>20,653</u>
	<u>\$ 154,553</u>	<u>\$ 99,930</u>	<u>\$ 41,325</u>

Refer to Note 33 for information relating to other financial assets pledged as collateral.

14. PROPERTY, PLANT AND EQUIPMENT

For the Nine Months Ended September 30, 2020

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Cost								
Balance at January 1, 2020	\$ 908,875	\$ 2,966,157	\$ 1,190,170	\$ 170,291	\$ 174,592	\$ 514,216	\$ 2,758	\$ 5,927,059
Additions	84,643	8,735	31,893	2,078	4,394	7,406	-	139,149
Disposals	-	(38,690)	(8,336)	(1,151)	(617)	(10,146)	-	(58,940)
Reclassifications	-	(7,913)	(3,535)	-	577	-	-	(10,871)
Effects of foreign currency exchange difference	(343)	(4,761)	4,259	(639)	1,425	16	17	(26)
Balance at September 30, 2020	<u>993,175</u>	<u>2,923,528</u>	<u>1,214,451</u>	<u>170,579</u>	<u>180,371</u>	<u>511,492</u>	<u>2,775</u>	<u>5,996,371</u>
Accumulated depreciation and impairment								
Balance at January 1, 2020	-	1,143,956	861,612	124,870	137,185	318,330	-	2,585,953
Depreciation	-	86,859	43,647	7,467	11,983	34,174	-	184,130
Disposals	-	(38,625)	(7,880)	(798)	(590)	(9,877)	-	(57,770)
Reclassifications	-	(1,116)	(413)	-	332	-	-	(1,197)
Effects of foreign currency exchange difference	-	(928)	3,908	(298)	1,162	500	-	4,344
Balance at September 30, 2020	-	<u>1,190,146</u>	<u>900,874</u>	<u>131,241</u>	<u>150,072</u>	<u>343,127</u>	-	<u>2,715,460</u>
Carrying amount at December 31, 2019	<u>\$ 908,875</u>	<u>\$ 1,822,201</u>	<u>\$ 328,558</u>	<u>\$ 45,421</u>	<u>\$ 37,407</u>	<u>\$ 195,886</u>	<u>\$ 2,758</u>	<u>\$ 3,341,106</u>
Carrying amount at September 30, 2020	<u>\$ 993,175</u>	<u>\$ 1,733,382</u>	<u>\$ 313,577</u>	<u>\$ 39,338</u>	<u>\$ 30,299</u>	<u>\$ 168,365</u>	<u>\$ 2,775</u>	<u>\$ 3,280,911</u>

For the Nine Months Ended September 30, 2019

	Land	Building	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Cost								
Balance at January 1, 2019	\$ 929,998	\$ 2,948,790	\$ 1,192,233	\$ 168,008	\$ 192,228	\$ 494,175	\$ 3,876	\$ 5,929,308
Additions	65	20,276	27,550	5,115	4,415	21,209	842	79,472
Disposals	-	(2,121)	(7,960)	(3,973)	(9,832)	(16,144)	-	(40,030)
Reclassifications	(19,791)	20,944	(1,660)	1,752	(3,802)	(8,666)	(1,906)	(13,129)
Effects of foreign currency exchange difference	(828)	(15,738)	(20,682)	(863)	(2,109)	(8,613)	(29)	(48,862)
Balance at September 30, 2019	<u>909,444</u>	<u>2,972,151</u>	<u>1,189,481</u>	<u>170,039</u>	<u>180,900</u>	<u>481,961</u>	<u>2,783</u>	<u>5,906,759</u>
Accumulated depreciation and impairment								
Balance at January 1, 2019	-	1,034,055	828,170	115,431	145,671	313,325	-	2,436,652
Depreciation	-	90,331	46,018	10,241	12,546	32,519	-	191,655
Disposals	-	(1,451)	(7,258)	(3,766)	(9,814)	(15,385)	-	(37,674)
Reclassifications	-	788	4,093	1,566	(4,105)	(7,268)	-	(4,926)
Effects of foreign currency exchange difference	-	(5,864)	(14,054)	(436)	(2,366)	(9,629)	-	(32,349)
Balance at September 30, 2019	-	<u>1,117,859</u>	<u>856,969</u>	<u>123,036</u>	<u>141,932</u>	<u>313,562</u>	-	<u>2,553,358</u>
Carrying amount at September 30, 2019	<u>\$ 909,444</u>	<u>\$ 1,854,292</u>	<u>\$ 332,512</u>	<u>\$ 47,003</u>	<u>\$ 38,968</u>	<u>\$ 168,399</u>	<u>\$ 2,783</u>	<u>\$ 3,353,401</u>

The subsidiary Anger evaluated that the estimated future cash inflows from machinery and equipment had declined due to unsatisfactory operating conditions, and the estimated recoverable amount was lower than the carrying amount. As a result, the subsidiary Anger has been recognized impairment loss in previous years. The accumulated impairment as of September 30, 2020, December 31, 2019 and September 30, 2019 was NT\$29,072 thousand, NT\$28,595 thousand and NT\$28,902 thousand, respectively.

The following items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

Buildings

Main structure	35-60 years
Mechanical and electrical facilities	5-35 years
Engineering system	2-35 years
Air conditioning system	2-35 years
Decoration	2-35 years

Machinery and equipment

Transportation equipment	2-13 years
Office equipment	2-15 years
Other equipment	3-10 years
	2-15 years

Property, plant and equipment pledged by the Company and its subsidiaries as collateral for bank borrowings are described in Note 33.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2020	December 31, 2019	September 30, 2019
Carrying amounts			
Land	\$ 493,963	\$ 487,426	\$ 492,090
Buildings	96,924	108,292	113,885
Machinery	19,815	25,048	27,659
Transportation equipment	15,185	23,901	18,520
	<u>\$ 625,887</u>	<u>\$ 644,667</u>	<u>\$ 652,154</u>

	For the Nine Months Ended September 30 2020	2019
Additions to right-of-use assets	<u>\$ 951</u>	<u>\$ 17,477</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Depreciation charge for right-of-use assets				
Land	\$ 2,886	\$ 4,566	\$ 12,281	\$ 15,171
Buildings	4,380	4,418	12,849	13,153
Machinery	1,444	2,234	5,546	6,739
Transportation equipment	4,847	3,227	11,578	9,142
	<u>\$ 13,557</u>	<u>\$ 14,445</u>	<u>\$ 42,254</u>	<u>\$ 44,205</u>

Except for the aforementioned addition and recognized depreciation, the Company and its subsidiaries did not have significant sublease or impairment of right-of-use assets during the nine months ended September 30, 2020 and 2019.

b. Lease liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
Carrying amounts			
Current	<u>\$ 45,774</u>	<u>\$ 39,812</u>	<u>\$ 39,090</u>
Non-current	<u>\$ 582,420</u>	<u>\$ 600,817</u>	<u>\$ 606,337</u>

Range of discount rate for lease liabilities (%) was as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Land	2.16~2.48	2.16~2.48	2.16~2.48
Buildings	1.42~2.88	1.42~2.88	1.42~2.88
Machinery	1.45~2.88	1.45~2.88	1.45~2.88
Transportation equipment	1.05~5.65	1.05~5.65	1.05~5.65

c. Material lease activities and terms

The Company is leasing the land of Kaohsiung Luke plant from the management of Southern Taiwan Science Park. The lease period will expire in June 2039. The Company does not have a bargain purchase option to acquire the leased land at the expiration of the lease period.

The subsidiary Suzhou Tong-Yu is leasing land from the China government. The lease is recorded as land use rights with useful life of 50 years until July 2059.

The subsidiary Shanghai Chin-Jig is leasing its location from non-related parties. The lease period will expire in December 2020.

The subsidiary PCI-SCHEM is leasing its location from non-related parties. The lease period will expire in December 2027.

The Company and its subsidiaries did not enter into significant lease contracts during the nine months ended September 30, 2020 and 2019. Because of the market conditions severely affected by COVID-19 in 2020, the Company negotiated with the lessor, the management of Southern Taiwan Science Park, for rent concessions for land lease. The lessor agreed to provide unconditional 20% rent reduction from January 1, 2020 to September 30, 2020. The Company recognized in profit or loss the impact of rent concessions of NT\$1,535 thousand (presented in other income for the nine months ended September 30, 2020).

d. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Expenses relating to short-term leases and low-value asset leases	<u>\$ 6,055</u>	<u>\$ 5,621</u>	<u>\$ 23,206</u>	<u>\$ 22,120</u>
Total cash outflow for leases			<u>(\$ 70,371)</u>	<u>(\$ 71,917)</u>

16. INVESTMENT PROPERTIES

For the Nine Months Ended September 30, 2020

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ 81,840	\$ 217,045	\$ 298,885
Additions	-	299	299
Reclassification	-	7,913	7,913
Effects of foreign currency exchange differences	-	(835)	(835)
Balance at September 30, 2020	<u>81,840</u>	<u>224,422</u>	<u>306,262</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2020	-	62,384	62,384
Depreciation	-	8,667	8,667
Reclassification	-	1,116	1,116
Effects of foreign currency exchange differences	-	(122)	(122)
Balance at September 30, 2020	-	<u>72,045</u>	<u>72,045</u>
Balance at December 31, 2019	<u>\$ 81,840</u>	<u>\$ 154,661</u>	<u>\$ 236,501</u>
Carrying amount at September 30, 2020	<u>\$ 81,840</u>	<u>\$ 152,377</u>	<u>\$ 234,217</u>

For the Nine Months Ended September 30, 2019

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 81,840	\$ 220,918	\$ 302,758
Effects of foreign currency exchange differences	<u>-</u>	<u>(2,829)</u>	<u>(2,829)</u>
Balance at September 30, 2019	<u>81,840</u>	<u>218,089</u>	<u>299,929</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2019	-	51,202	51,202
Depreciation	-	8,906	8,906
Effects of foreign currency exchange differences	<u>-</u>	<u>(449)</u>	<u>(449)</u>
Balance at September 30, 2019	<u>-</u>	<u>59,659</u>	<u>59,659</u>
Carrying amount at September 30, 2019	<u>\$ 81,840</u>	<u>\$ 158,430</u>	<u>\$ 240,270</u>

The abovementioned investment properties were leased out for 2 to 15 years. The leases do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Year 1	\$ 9,943	\$ 6,440	\$ 6,547
Year 2	9,566	6,038	6,213
Year 3	5,540	5,797	5,876
Year 4	5,490	5,400	5,422
Year 5	5,610	5,520	5,490
Year 6 onwards	<u>50,850</u>	<u>55,080</u>	<u>56,460</u>
	<u>\$ 86,999</u>	<u>\$ 84,275</u>	<u>\$ 86,008</u>

The above items of investment properties are depreciated on a straight-line basis over the following estimated useful lives:

Buildings

Main structure	10-35 years
Engineering system	10 years

The investment properties of the Company and its subsidiaries are located at Hunei District in Kaohsiung City and Shanghai City in China. The fair value of the investment properties was assessed by the management of the Company and its subsidiaries based on the actual price registration information of nearby area or market evidence of transaction prices categorized as Level 3 input. Professional independent valuers were not involved in the fair value assessment. The fair value as of September 30, 2020, December 31, 2019 and September 30, 2019 was NT\$427,659 thousand, NT\$412,254 thousand and NT\$412,254 thousand.

All of the Company and its subsidiaries' investment properties are held under freehold interests.

Investment properties pledged by the Company and its subsidiaries as collateral for bank borrowings are described in Note 33.

17. INTANGIBLE ASSETS

For the Nine Months Ended September 30, 2020

	Computer Software	Goodwill	Patents	Others	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 259,768	\$ 13,731	\$ 3,748	\$ 8,278	\$ 285,525
Additions	9,266	-	-	-	9,266
Reclassification	(577)	-	-	-	(577)
Disposals	(1,156)	-	-	-	(1,156)
Effects of foreign currency exchange differences	1,554	-	62	(8)	1,608
Balance at September 30, 2020	<u>268,855</u>	<u>13,731</u>	<u>3,810</u>	<u>8,270</u>	<u>294,666</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2020	187,335	-	2,672	5,743	195,750
Amortization expenses	18,671	-	560	1,270	20,501
Reclassification	(332)	-	-	-	(332)
Disposals	(1,156)	-	-	-	(1,156)
Effects of foreign currency exchange differences	1,472	-	55	(13)	1,514
Balance at September 30, 2020	<u>205,990</u>	<u>-</u>	<u>3,287</u>	<u>7,000</u>	<u>216,277</u>
Balance at December 31, 2019	<u>\$ 72,433</u>	<u>\$ 13,731</u>	<u>\$ 1,076</u>	<u>\$ 2,535</u>	<u>\$ 89,775</u>
Carrying amount at September 30, 2020	<u>\$ 62,865</u>	<u>\$ 13,731</u>	<u>\$ 523</u>	<u>\$ 1,270</u>	<u>\$ 78,389</u>

For the Nine Months Ended September 30, 2019

	Computer Software	Goodwill	Patents	Others	Total
<u>Cost</u>					
Balance at January 1, 2019	\$ 276,734	\$ 13,731	\$ 3,927	\$ 8,507	\$ 302,899
Additions	3,040	-	-	-	3,040
Disposals	(2,076)	-	-	(153)	(2,229)
Effects of foreign currency exchange differences	(4,196)	-	(139)	270	(4,065)
Balance at September 30, 2019	<u>273,502</u>	<u>13,731</u>	<u>3,788</u>	<u>8,624</u>	<u>299,645</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2019	181,340	-	2,014	4,229	187,583
Amortization expenses	21,892	-	583	1,320	23,795
Disposals	(2,076)	-	-	(153)	(2,229)
Effects of foreign currency exchange differences	(3,787)	-	(87)	150	(3,724)
Balance at September 30, 2019	<u>197,369</u>	<u>-</u>	<u>2,510</u>	<u>5,546</u>	<u>205,425</u>
Carrying amount at September 30, 2019	<u>\$ 76,133</u>	<u>\$ 13,731</u>	<u>\$ 1,278</u>	<u>\$ 3,078</u>	<u>\$ 94,220</u>

The above items of intangible assets are amortized on a straight-line basis over the following estimated useful lives:

Computer software	1-10 years
Patents	3-8 years
Others	5-8 years

18. BORROWINGS

a. Short-term borrowings

	September 30, 2020	December 31, 2019	September 30, 2019
Bank loans	\$ 2,747,053	\$ 2,264,437	\$ 2,426,078
Secured borrowings	313,000	691,619	814,970
Letters of credit	40,083	43,477	48,835
	<u>\$ 3,100,136</u>	<u>\$ 2,999,533</u>	<u>\$ 3,289,883</u>
Annual interest rate (%)	0.55~4.79	0.85~5.00	0.85~5.00

b. Short-term bills payable

	September 30, 2020	December 31, 2019	September 30, 2019
Commercial paper	\$ 335,000	\$ 242,000	\$ 222,000
Less: Unamortized discounts	120	318	173
	<u>\$ 334,880</u>	<u>\$ 241,682</u>	<u>\$ 221,827</u>
Annual interest rate (%)	0.90~1.11	1.10~1.24	1.00~1.19

The above commercial paper was secured by Mega Bills Finance Corporation, International Bills Finance Corporation, Taching Bill Finance Ltd., Dah Chung Bills Finance Corp. and China Bills Finance Corporation.

c. Long-term borrowings

	September 30, 2020	December 31, 2019	September 30, 2019
Bank loans - Due on various dates through September 2024	\$ 1,376,215	\$ 1,554,163	\$ 1,718,170
Mortgage loans - Due on various dates through July 2039	1,869,131	1,701,254	1,661,940
	3,245,346	3,255,417	3,380,110
Less: Current portion	1,917,756	1,041,152	1,083,907
	<u>\$ 1,327,590</u>	<u>\$ 2,214,265</u>	<u>\$ 2,296,203</u>
Annual interest rate (%)	0.45~2.75	0.99~2.88	0.99~2.88

1) The subsidiaries MBI and Anger entered into a loan agreement with CTBC Bank as below. If the subsidiaries do not meet the financial ratios and amounts, they should take remedial measures within a specified period; otherwise, the bank management could cancel or adjust the amounts, periods and interests in accordance with the agreement.

i. Before June, 2020, the loan agreement stipulated that specified financial ratios and amounts should be met based on the Company and its subsidiaries' reviewed consolidated financial statements for six months ended June 30 and audited annual consolidated financial statements. The subsidiaries Tongan, MBI and Anger should meet certain amount of net worth based on unreviewed financial statements for six months ended June 30. The subsidiaries Tongan and Anger should meet certain amount of net worth based on the audited annual financial statements. The bank will check compliance with the loan agreement every six months.

- ii. After June 30, 2020, the net worth of subsidiaries, Tongan, MBI and Anger included in the reviewed consolidated financial statements for six months ended June 30 and audited annual consolidated financial statements for the year ended December 31 should meet certain amount. The bank will check compliance with the loan agreement every six months.

The above-mentioned consolidated financial statements have breached the contract; therefore, the long-term borrowings were all classified as current portion of long-term bank borrowings.

- 2) The subsidiaries MBI and Anger entered into a loan agreement with Taipei Fubon Bank. The loan agreement stipulated that specified financial ratios and amounts should be met based on the Company and the subsidiaries audited annual consolidated financial statements. The subsidiaries MBI and Anger should meet certain amount of net worth based on the audited annual consolidated financial statements. The bank will check compliance with the loan agreement annually. If the subsidiaries breach the contract, the bank management could increase the interest rate by 0.25% on the first time of breach, and immediately terminate the credit line on the second time of breach in accordance with the agreement.

The above-mentioned consolidated financial statements have breached the contract; therefore, the long-term borrowings were all classified as current portion of long-term bank borrowings.

- 3) The Company entered into a facility agreement of NT\$1 billion with O-Bank for medium and long-term loans and guarantee the issuance of commercial paper until July 2023. The Company might not change the chairman during the contract period and the facility agreement stipulated that specified financial ratios and amounts should be met based on the Company and its subsidiaries' reviewed consolidated financial statements for six months ended June 30 and audited annual consolidated financial statements.

The consolidated financial statements for six months ended June 30, 2020 breached the contract; therefore, the long-term borrowings were all classified as current portion of long-term bank borrowings while the consolidated financial statements for six months ended June 30, 2019 didn't breach the contract.

19. NOTES PAYABLE AND ACCOUNTS PAYABLE

All of the Company and its subsidiaries' notes payable and accounts payable (including related parties) are generated from operating and unsecured to the creditors.

The Company and its subsidiaries have financial risk management policies to ensure that all payables are paid within the agreed credit terms.

20. OTHER PAYABLES

	September 30, 2020	December 31, 2019	September 30, 2019
Salaries and incentive bonus	\$ 241,704	\$ 259,076	\$ 248,540
Commission and service fee	136,004	175,263	142,318
Employee compensation and remuneration of directors	73,478	83,606	96,409
Insurance	73,449	39,361	31,222
VAT payable	45,913	17,407	38,019
Purchases of equipment	32,624	33,466	32,135
Pension	29,495	30,325	27,608
Others	115,972	82,877	62,532
	<u>\$ 748,639</u>	<u>\$ 721,381</u>	<u>\$ 678,783</u>

21. PROVISIONS

	September 30, 2020	December 31, 2019	September 30, 2019
Current			
Warranties	<u>\$ 113,900</u>	<u>\$ 111,884</u>	<u>\$ 100,993</u>
Noncurrent			
Others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,954</u>
	Warranties	Others	Total
Balance at January 1, 2020	\$ 111,884	\$ -	\$ 111,884
Recognized	122,487	-	122,487
Paid	(120,867)	-	(120,867)
Effects of foreign currency exchange differences	396	-	396
Balance at September 30, 2020	<u>\$ 113,900</u>	<u>\$ -</u>	<u>\$ 113,900</u>
Balance at January 1, 2019	\$ 95,854	\$ 3,332	\$ 99,186
Recognized	113,801	-	113,801
Paid	(106,951)	(267)	(107,218)
Effects of foreign currency exchange differences	(1,711)	(111)	(1,822)
Balance at September 30, 2019	<u>\$ 100,993</u>	<u>\$ 2,954</u>	<u>\$ 103,947</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company and its subsidiaries' obligations for warranties under local sale of goods legislation. The estimate was made on the basis of historical warranty trends and may vary with actual as a result of new materials, altered manufacturing processes or other events affecting product quality.

22. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Company and its subsidiaries' defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2019 and 2018, the amounts were NT\$740 thousand, NT\$1,116 thousand, NT\$2,263 thousand and NT\$3,093 thousand for the three months and nine months ended September 30, 2020 and 2019, respectively.

23. EQUITY

a. Ordinary Shares

	September 30, 2020	December 31, 2019	September 30, 2019
Numbers of shares authorized (in thousands)	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>
Amount of shares authorized	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
Numbers of shares issued and fully paid (in thousands)	<u>254,827</u>	<u>254,827</u>	<u>254,827</u>
Amount of shares issued	<u>\$ 2,548,265</u>	<u>\$ 2,548,265</u>	<u>\$ 2,548,265</u>

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and the right to dividends.

b. Capital surplus

	September 30, 2020	December 31, 2019	September 30, 2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)			
Additional paid-in capital	\$ 960,854	\$ 960,854	\$ 960,854
Conversion of bonds	222,593	222,593	222,593
Interest compensation	5,577	5,577	5,577
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	9,336
	<u>1,189,024</u>	<u>1,189,024</u>	<u>1,198,360</u>
May be used to offset a deficit only			
Expired employee stock warrants	1,234	1,234	1,234
Changes in percentage of ownership interests in subsidiaries	<u>3,838</u>	<u>-</u>	<u>1,286</u>
	<u>5,072</u>	<u>1,234</u>	<u>2,520</u>
	<u>\$ 1,194,096</u>	<u>\$ 1,190,258</u>	<u>\$ 1,200,880</u>

Note: The capital surplus could be used to offset a deficit and distributed as cash dividends or transferred to capital when the Company has no deficit (limited to a certain percentage of the Company's paid-in capital and once a year).

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

The Company's dividend policy takes into consideration the entire corporate environment, the growth of industry, long-term financial planning for sustainable development, and stable business development. In the planning of dividend distribution, the Company performs the following steps:

- 1) Determine the best capital budget.
- 2) Determine the need for capital loan to satisfy the best capital budget.
- 3) Determine how much capital could be raised from retained earnings.
- 4) Determine the funds needed to maintain the profitable operations of the Company. After the operations are funded, dividends could be distributed to shareholders. In principle, cash dividends should not be less than 50% of the total dividends distributed.

Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 and Rule No.1010047490 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs”, the Company should appropriate or reverse special reserve.

The appropriation of earnings for 2019 and 2018 had been approved in the shareholder’s meeting in June 2020 and 2019, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Legal reserve	\$ 5,895	\$ 31,223		
Recognized (reversed) of special reserve	(43,694)	43,694		
Cash dividends	<u>50,965</u>	<u>76,448</u>	<u>\$ 0.2</u>	<u>\$ 0.3</u>
	<u>\$ 13,166</u>	<u>\$ 151,365</u>		

d. Special reserve

On the first-time adoption of IFRSs, the Company transferred retained earnings to special reserve due to IFRSs adjustments. The Company reversed special reserve to retained earnings of NT\$89,749 thousand.

e. Other equity

1) Exchange differences on translating the financial statements of foreign operations:

	For the Nine Months Ended September 30	
	2020	2019
Balance, beginning of period	(\$ 137,912)	(\$ 84,143)
Recognized for the period:		
Exchange differences on translating foreign operations	(13,661)	(48,126)
Income tax	<u>2,732</u>	<u>9,622</u>
Balance, end of period	<u>(\$ 148,841)</u>	<u>(\$ 122,647)</u>

2) Unrealized gain and loss on financial assets at FVTOCI:

	For the Nine Months Ended September 30	
	2020	2019
Balance, beginning of period	\$ 49,642	\$ 40,449
Recognized for the period:		
Unrealized gain and loss - equity instruments	(28,077)	4,029
Disposal of investments in equity instruments	<u>53,751</u>	<u>-</u>
Balance, end of period	<u>\$ 75,316</u>	<u>\$ 44,478</u>

f. Non-controlling interests

	For the Nine Months Ended September 30	
	2020	2019
Balance, beginning of period	\$ 707,483	\$ 744,237
Attributable to non-controlling interests:		
Share in profit for the period	13,937	52,672
Exchange difference on translating foreign operations	(390)	(335)
Purchase of treasury stock by subsidiary	(56,291)	-
Dividend distributed by subsidiaries	(18,593)	(69,781)
Income Tax for exchange difference on translating foreign operations	-	(3)
Effect of change in subsidiaries' ownership percentage in investees	-	224
Decrease (increase) in non-controlling interests	(3,838)	2,490
Balance, end of period	<u>\$ 642,308</u>	<u>\$ 729,504</u>

24. OPERATING REVENUE

a. Contract balances

	September 30, 2020	December 31, 2019	September 30, 2019	January 1, 2019
Notes and accounts receivable, long-term notes and accounts receivables	<u>\$ 3,663,198</u>	<u>\$ 3,889,293</u>	<u>\$ 4,057,687</u>	<u>\$4,298,278</u>
Contract liabilities				
Sales of goods	<u>\$ 1,309,225</u>	<u>\$ 1,001,236</u>	<u>\$ 1,509,701</u>	<u>\$1,620,772</u>

b. Disaggregation of revenue

	Reportable Segments			
	Machine Manufacturer	Component Manufacturer	Others	Total
<u>For the Nine Months Ended September 30, 2020</u>				
Revenue from sale of goods	\$4,824,469	\$ 302,737	\$ 56,229	\$5,183,435
Revenue from maintenance and rebuilding services	<u>535,346</u>	<u>-</u>	<u>30,131</u>	<u>565,477</u>
	<u>\$5,359,815</u>	<u>\$ 302,737</u>	<u>\$ 86,360</u>	<u>\$5,748,912</u>
<u>For the Nine Months Ended September 30, 2019</u>				
Revenue from sale of goods	\$6,969,843	\$ 334,158	\$ 218,355	\$7,522,356
Revenue from maintenance and rebuilding services	<u>581,642</u>	<u>-</u>	<u>28,923</u>	<u>610,565</u>
	<u>\$7,551,485</u>	<u>\$ 334,158</u>	<u>\$ 247,278</u>	<u>\$8,132,921</u>

25. PROFIT (LOSS) BEFORE INCOME TAX

The following items were included in profit (loss) before income tax:

a. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Government subsidy income	\$ 74,083	\$ 8,283	\$ 156,369	\$ 35,280
Rental income	4,878	4,824	17,300	14,704
Dividend income	-	-	9,432	8,008
Others	<u>2,685</u>	<u>4,759</u>	<u>21,975</u>	<u>19,486</u>
	<u>\$ 81,646</u>	<u>\$ 17,866</u>	<u>\$ 205,076</u>	<u>\$ 77,478</u>

Government subsidy income was mainly from the subsidy due to the COVID-19.

b. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Net foreign exchange gain (loss)	\$ 26,478	(\$ 87,868)	(\$ 28,767)	(\$ 53,941)
Gain (loss) on financial instruments at fair value through profit or loss	459	(2,431)	(4,597)	8,619
Depreciation expense	(3,453)	(3,412)	(10,307)	(9,840)
Gain on disposal of property, plant and equipment	140	215	1,077	1,794
Compensation expense	(3,522)	-	(24,537)	-
Others	<u>(4,595)</u>	<u>(6,620)</u>	<u>(6,049)</u>	<u>(12,296)</u>
	<u>\$ 15,507</u>	<u>(\$ 100,116)</u>	<u>(\$ 73,180)</u>	<u>(\$ 65,664)</u>

The components of net foreign exchange loss were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Foreign exchange gain	\$ 36,862	\$ 16,111	\$ 96,661	\$ 78,708
Foreign exchange loss	<u>(10,384)</u>	<u>(103,979)</u>	<u>(125,428)</u>	<u>(132,649)</u>
Net foreign exchange gain (loss)	<u>\$ 26,478</u>	<u>(\$ 87,868)</u>	<u>(\$ 28,767)</u>	<u>(\$ 53,941)</u>

c. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Interest on bank loans	\$ 20,535	\$ 28,449	\$ 66,079	\$ 84,721
Interest on lease liabilities	3,664	3,777	11,126	13,277
Interest on short-term bills	<u>312</u>	<u>-</u>	<u>997</u>	<u>-</u>
	<u>\$ 24,511</u>	<u>\$ 32,226</u>	<u>\$ 78,202</u>	<u>\$ 97,998</u>

d. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Depreciation and amortization expenses				
Property, plant and equipment	\$ 61,799	\$ 63,208	\$ 184,130	\$ 191,655
Right-of-use assets	13,557	14,445	42,254	44,205
Investment properties	2,900	2,914	8,667	8,906
Intangible assets	6,296	7,711	20,501	23,795
Others	<u>6,427</u>	<u>5,449</u>	<u>19,544</u>	<u>21,275</u>
	<u>\$ 90,979</u>	<u>\$ 93,727</u>	<u>\$ 275,096</u>	<u>\$ 289,836</u>
An analysis of depreciation by function				
Operating costs	\$ 41,867	\$ 44,693	\$ 126,929	\$ 139,409
Operating expenses	32,936	32,462	97,815	95,517
Non-operating expenses	<u>3,453</u>	<u>3,412</u>	<u>10,307</u>	<u>9,840</u>
	<u>\$ 78,256</u>	<u>\$ 80,567</u>	<u>\$ 235,051</u>	<u>\$ 244,766</u>
An analysis of amortization by function				
Operating costs	\$ 10,502	\$ 9,198	\$ 24,707	\$ 27,053
Operating expenses	<u>2,221</u>	<u>3,962</u>	<u>15,338</u>	<u>18,017</u>
	<u>\$ 12,723</u>	<u>\$ 13,160</u>	<u>\$ 40,045</u>	<u>\$ 45,070</u>

e. Operating expenses directly related to investment properties

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Direct operating expenses of investment properties that generated rental income	<u>\$ 2,901</u>	<u>\$ 2,453</u>	<u>\$ 9,105</u>	<u>\$ 9,297</u>

f. Employee benefits

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Short-term employee benefits	<u>\$ 398,764</u>	<u>\$ 429,617</u>	<u>\$1,186,100</u>	<u>\$1,405,279</u>
Post-employment benefits				
Defined contribution plans	30,303	30,019	85,362	97,873
Defined benefit plans (Note 22)	<u>740</u>	<u>1,116</u>	<u>2,263</u>	<u>3,093</u>
	<u>31,043</u>	<u>31,135</u>	<u>87,625</u>	<u>100,966</u>
	<u>\$ 429,807</u>	<u>\$ 460,752</u>	<u>\$1,273,725</u>	<u>\$1,506,245</u>
Analysis of employee benefits by function				
Operating costs	\$ 245,306	\$ 286,271	\$ 807,769	\$ 944,952
Operating expenses	<u>184,501</u>	<u>174,481</u>	<u>465,956</u>	<u>561,293</u>
	<u>\$ 429,807</u>	<u>\$ 460,752</u>	<u>\$1,273,725</u>	<u>\$1,506,245</u>

g. Employees' compensation and remuneration of directors and supervisors

The Articles of Incorporation of the Corporation stipulated the Corporation to distribute employees' compensation and remuneration of directors and supervisors at the rates no less than 1% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors.

Because of the net operating loss for the nine months ended September 30, 2020, employees' compensation and remuneration of directors were not accrued. The employees' compensation and remuneration of directors and supervisors for the three months and nine months ended September 30, 2019 were as follows:

	For the Three Months Ended September 30	For the Nine Months Ended September 30
Employees' compensation	\$ 9	\$ 10,300
Remuneration of directors	2	2,497

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the difference is recorded as a change in accounting estimate.

The employees' compensation and remuneration of directors (all in cash) for the year ended December 31, 2019 and 2018 which have been approved by the Company's board of directors were as follows:

	For the Year Ended December 31	
	2019	2018
Employees' compensation	\$ 3,894	\$ 20,963
Remuneration of directors	944	5,082

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018, respectively.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors are available at the Market Observation Post System website of the Taiwan Stock Exchange.

26. INCOME TAX

- a. Major components of income tax expense (benefit) recognized in profit or loss are as follows:

	For the Three Months Ended September 30	For the Three Months Ended September 30	For the Nine Months Ended September 30	For the Nine Months Ended September 30
	2020	2019	2020	2019
Current tax				
In respect of the current year	\$ 16,677	\$ 45,583	\$ 18,437	\$ 102,479
Income tax on unappropriated earnings	-	-	-	11,937
Adjustments for prior years	(3,433)	1,244	3,657	(527)
	<u>13,244</u>	<u>46,827</u>	<u>22,094</u>	<u>113,889</u>
Deferred tax				
In respect of the current year	(25,376)	(40,186)	(75,082)	(38,564)
Adjustments for prior years	<u>2,050</u>	<u>(13,404)</u>	<u>(8,221)</u>	<u>(13,404)</u>
	<u>(23,326)</u>	<u>(53,590)</u>	<u>(83,303)</u>	<u>(51,968)</u>
	(<u>\$ 10,082</u>)	(<u>\$ 6,763</u>)	(<u>\$ 61,209</u>)	<u>\$ 61,921</u>

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Company and its subsidiaries only deducted the amount of the unappropriated earnings that has been reinvested in capital expenditure when calculating the tax on unappropriated earnings.

In accordance with Rule No. 10904550440 issued by the Ministry of Finance of Taiwan (MOF), the Company used the losses incurred in the first quarter of 2020 to estimate losses for the first six months of 2020 and this amount is deducted from the Company's unappropriated earnings for 2018.

b. Income tax recognized directly in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Deferred tax				
In respect of the current period				
Translation of foreign operations	\$ 5,955	(\$ 13,583)	(\$ 2,732)	(\$ 9,619)

c. Income tax assessments

The income tax returns of the Company and the subsidiaries (including Tongfong, Tong-Yeh, APEC, Chin-Jig, Quick-Tech and Honor Seiki) through 2018 have been assessed by the tax authorities.

27. EARNINGS (LOSS) PER SHARE

The net profit (loss) and weighted average number of ordinary shares outstanding in the computation of earnings (loss) per share were as follows:

Net profit (loss) for the period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Attributable to owners of the Company	\$ 21,688	\$ 1,499	(\$ 94,441)	\$ 123,804

Weighted average number of ordinary shares outstanding (in thousands of shares)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Weighted average number of ordinary shares in computation of basic earnings (loss) per share	254,827	254,827	254,827	254,827
Effect of potentially dilutive potential ordinary shares:				
Employees' compensation	-	608	-	936
Weighted average number of ordinary shares used in the computation of diluted earnings (loss) per share	254,827	255,435	254,827	255,763

The dilutive loss per share for the nine months ended September 30, 2020 was the same as the basic loss per share because the result was net loss and, therefore, no earnings distribution and no potential dilutive shares from earnings distribution.

Since the Company offered to settle the compensation paid to employees by cash or shares, the Company assumed that the entire amount of the compensation would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

28. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In March, 2020, the subsidiary Honor Seiki acquired its outstanding common shares and accounted for as treasury shares and the Company's percentage of ownership of Honor Seiki increased from 51% to 54%. The transaction was accounted for as equity transaction since the Company did not cease to have control over the subsidiary, and increased capital surplus by NT\$3,838 thousand.

In December 2019, the subsidiary Tongan acquired residual shares of MBI. The transaction was accounted for as equity transaction since the Company did not cease to have control over the subsidiary, reduced the capital surplus by NT\$10,622 thousand and the retained earnings by NT\$3,207 thousand (net of income tax of NT\$3,457 thousand).

In September 2019, the Company subscribed for additional new shares of Tong-Yeh at a percentage different from its existing ownership percentage. The transaction was accounted for as equity transaction since the Company did not cease to have control over the subsidiary, and reduced the capital surplus by NT\$224 thousand.

29. NON-CASH TRANSACTIONS

For the nine months ended September 30, 2020 and 2019, the Company and its subsidiaries entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows:

	For the Nine Months Ended September 30	
	2020	2019
Investing activities affecting both cash and non-cash items		
Acquisition of property, plant and equipment	\$ 139,149	\$ 79,472
Decrease of payable for equipment	842	10,724
Increase of prepayment for equipment	<u>33,931</u>	<u>6,920</u>
Cash paid	<u>\$ 173,922</u>	<u>\$ 97,116</u>

30. CAPITAL MANAGEMENT

The Company and its subsidiaries manage their capital to ensure that, as a whole, they will be able to continue as going concerns; they use operating capital effectively and optimize debt and equity balance.

The key management personnel of the Company and its subsidiaries reviews the capital structure periodically. As part of the review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company and its subsidiaries may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

The capital structure of the Company and its subsidiaries consists of net debt and equity. It is the policy of the Company and its subsidiaries to monitor and comply with the terms of loan agreements (refer to Note 18).

31. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

Except as detailed in the following table, the Company and its subsidiaries believe the carrying amounts of financial asset and liabilities recognized in the consolidated financial statements approximate their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
September 30, 2020				
Financial assets at fair value through profit or loss - current				
Swap contracts	\$ -	\$ 1,344	\$ -	\$ 1,344
CNY floating rate financial products	-	-	82,336	82,336
Mutual funds	15,061	-	-	15,061
	<u>\$ 15,061</u>	<u>\$ 1,344</u>	<u>\$ 82,336</u>	<u>\$ 98,741</u>
Financial assets at FVTOCI - non-current				
Domestic listed shares	\$ 102,964	\$ -	\$ -	\$ 102,964
Domestic unlisted shares	-	-	30,898	30,898
	<u>\$ 102,964</u>	<u>\$ -</u>	<u>\$ 30,898</u>	<u>\$ 133,862</u>
Financial liabilities at fair value through profit or loss - current				
Swap contracts	\$ -	\$ 45	\$ -	\$ 45
Cross-currency swap contract	-	6,017	-	6,017
Foreign exchange forward contracts	-	127	-	127
	<u>\$ -</u>	<u>\$ 6,189</u>	<u>\$ -</u>	<u>\$ 6,189</u>
December 31, 2019				
Financial assets at fair value through profit or loss - current				
CNY floating rate financial products	\$ -	\$ -	\$ 18,456	\$ 18,456
Financial assets at FVTOCI - non-current				
Domestic listed shares	\$ 121,572	\$ -	\$ -	\$ 121,572
Domestic unlisted shares	-	-	58,692	58,692
	<u>\$ 121,572</u>	<u>\$ -</u>	<u>\$ 58,692</u>	<u>\$ 180,264</u>

(Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities at fair value through profit or loss - current				
Cross-currency swap contract	\$ -	\$ 6,357	\$ -	\$ 6,357
Swap contracts	-	1,900	-	1,900
	<u>\$ -</u>	<u>\$ 8,257</u>	<u>\$ -</u>	<u>\$ 8,257</u>
September 30, 2019				
Financial assets at fair value through profit or loss - current				
Cross-currency swap contract	\$ -	\$ 1,524	\$ -	\$ 1,524
CNY floating rate financial products	-	-	19,044	19,044
	<u>\$ -</u>	<u>\$ 1,524</u>	<u>\$ 19,044</u>	<u>\$ 20,568</u>
Financial assets at FVTOCI - non-current				
Domestic listed shares	\$ 117,121	\$ -	\$ -	\$ 117,121
Domestic unlisted shares	-	-	57,979	57,979
	<u>\$ 117,121</u>	<u>\$ -</u>	<u>\$ 57,979</u>	<u>\$ 175,100</u>
Financial liabilities at fair value through profit or loss - current				
Swap contracts	<u>\$ -</u>	<u>\$ 2,027</u>	<u>\$ -</u>	<u>\$ 2,027</u>

(Concluded)

There was no transfer between Level 1 and Level 2 for the nine months ended September 30, 2020 and 2019.

2) Reconciliation of Level 3 fair value measurements of financial assets

For the nine months ended September 30, 2020

	<u>Non-derivatives</u>	<u>Equity Instruments</u>	
	<u>Financial Assets at FVTPL</u>	<u>Financial Assets at FVTOCI</u>	<u>Total</u>
Financial assets			
Balance, beginning of period	\$ 18,456	\$ 58,692	\$ 77,148
Purchase	72,403	-	72,403
Disposal	(9,357)	(18,502)	(27,859)
Change in fair value recognized in profit or loss	839	-	839
Reclassification	-	(7,170)	(7,170)
Change in fair value recognized in other comprehensive income	-	(2,122)	(2,122)
Effect of foreign currency exchange difference	(5)	-	(5)
Balance, end of period	<u>\$ 82,336</u>	<u>\$ 30,898</u>	<u>\$113,234</u>

For the nine months ended September 30, 2019

	Non-derivatives	Equity Instruments	
	Financial Assets at FVTPL	Financial Assets at FVTOCI	Total
Financial assets			
Balance, beginning of period	\$ 46,411	\$ 56,005	\$ 102,416
Purchase	18,080	-	18,080
Disposal	(46,486)	-	(46,486)
Change in fair value recognized in profit or loss	1,286	-	1,286
Change in fair value recognized in other comprehensive income	-	1,974	1,974
Effect of foreign currency exchange difference	(247)	-	(247)
Balance, end of period	<u>\$ 19,044</u>	<u>\$ 57,979</u>	<u>\$ 77,023</u>

- 3) Valuation techniques and input applied for the purpose of measuring Level 2 fair value measurement.

Derivative instruments used the quoted price of bank as the basis of the fair values.

- 4) Valuation techniques and assumptions applied for the purpose of measuring Level 3 fair value measurement.

If there are no market price for reference, fair values were estimated by assessment approach.

For unlisted shares, fair values were determined based on the net worth of companies. For CNY floating rate financial products, fair values were estimated on the basis of expected rate of return.

c. Categories of financial instruments

	September 30, 2020	December 31, 2019	September 30, 2019
Financial assets			
Financial assets at FVTPL	\$ 98,741	\$ 18,456	\$ 20,568
Financial assets at amortized cost (1)	6,112,985	5,994,822	6,399,754
Financial assets at FVTOCI			
Equity instruments	133,862	180,264	175,100
Financial liabilities			
Financial liabilities at FVTPL	6,189	8,257	2,027
Financial liabilities at amortized cost (2)	8,747,129	8,886,226	9,245,048

- 1) The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, other financial assets (current and non-current), refundable deposits, and long-term notes and accounts receivable.

- 2) The balances included financial liabilities at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable (including related parties), other payables, long-term borrowings (including those due in one year) and deposits received.

d. Financial risk management objectives and policies

The Company and its subsidiaries' major financial instruments include equity investments, notes and accounts receivable, notes and accounts payable, short-term and long-term borrowings, short-term bills payable and lease liabilities. The Finance Department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company and its subsidiaries through internal risk reports which analyze exposures by degree and magnitude of risks. These risks are market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company and its subsidiaries minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company and its subsidiaries' policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company and its subsidiaries do not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company and its subsidiaries' activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (refer to (a) below), interest rates (refer to (b) below) and other price (refer to (c) below).

There has been no change to the Company and its subsidiaries' exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company and its subsidiaries are exposed to foreign currency risk due to sales, purchases, capital expenditures and equity investments denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilizing swap contract, cross-currency swap contract, and foreign exchange forward contracts.

The carrying amounts of significant foreign currency monetary assets and liabilities at the balance sheet date are disclosed in Note 35.

The Company and its subsidiaries are mainly exposed to the USD, CNY and EUR. The following table details the Company and its subsidiaries' sensitivity to a 3% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 3%. The sensitivity analysis included only outstanding foreign currency denominated monetary items.

USD Impact	CNY Impact	EUR Impact
For the Nine Months	For the Nine Months	For the Nine Months
Ended September 30	Ended September 30	Ended September 30

	2020	2019	2020	2019	2020	2019
Pre-tax profit or loss (Note)	(\$ 31,293)	(\$ 47,430)	(\$ 50,938)	(\$ 58,153)	(\$ 11,997)	(\$ 8,123)

Note: These were mainly attributable to the exposure of the USD, CNY and EUR (including cash and cash equivalent, accounts receivable and payable (including related parties), other receivable, other payable and short-term and long-term borrowings), which were not hedged at the balance sheet date.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the balance sheet date did not reflect the exposure during the period. Foreign currency sales change according to customer order and business cycle.

b) Interest rate risk

The Company and its subsidiaries are exposed to interest rate risk because the Company and its subsidiaries borrowed funds at both fixed and floating interest rates. The risk is managed by the Company and its subsidiaries by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Company and its subsidiaries' financial liabilities with exposure to interest rates at the balance sheet date were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Fair value interest rate risk			
Financial assets	\$ 3,765	\$ 8,546	\$ 8,831
Financial liabilities	1,145,993	1,566,822	1,545,705
Cash flow interest rate risk			
Financial liabilities	3,464,386	3,692,051	3,997,558

The sensitivity analysis below was determined based on the Company and its subsidiaries' exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. The interest rates change of 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates of financial liabilities had been 1% higher/lower and all other variables were held constant, the Company and its subsidiaries' pre-tax profit would have been lower/higher by NT\$25,983 thousand and NT\$29,982 thousand for the nine months ended September 30, 2020 and 2019, respectively.

c) Other price risk

The Company and its subsidiaries are exposed to equity price risk through their investments in mutual funds, and domestic listed shares.

If equity prices had been 1% higher/lower, the pre-tax other comprehensive income for the nine months ended September 30, 2020 and 2019 would have been

higher/lower by NT\$1,030 thousand and NT\$1,171 thousand, as a result of the changes in fair value of financial assets at FVTOCI respectively ; the pre-tax profit for the nine months ended September 30, 2020 would have been lower/higher by NT\$151 thousand as a result of the changes in fair value of financial assets at FVTPL.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company and its subsidiaries. As of the balance sheet date, the Company and its subsidiaries' maximum exposure to credit risk is the carrying amount of the financial assets on the consolidated balance sheets.

The Company and its subsidiaries adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company and its subsidiaries' exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Except for the following customer, the Company and its subsidiaries did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company and its subsidiaries' concentration of credit risk in receivables (including notes and accounts receivable, long-term notes and accounts receivable, overdue receivables and other receivables) by customer was as follows:

Customer	September 30, 2020	December 31, 2019	September 30, 2019
Company A	<u>\$ 693,477</u>	<u>\$ 863,211</u>	<u>\$ 914,613</u>

3) Liquidity risk

The Company and its subsidiaries manage liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company and its subsidiaries' operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The following table details the Company and its subsidiaries' remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company and its subsidiaries can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate at the end of the balance sheet date.

September 30, 2020

	1 Year	1-5 Years	5+ Years	Total
Non-interest-bearing liabilities	\$2,064,928	\$ -	\$ -	\$2,064,928
Interest bearing liabilities	5,404,625	1,173,342	238,498	6,816,465

Finance lease liabilities	<u>55,684</u>	<u>167,930</u>	<u>637,532</u>	<u>861,146</u>
	<u>\$7,525,237</u>	<u>\$1,341,272</u>	<u>\$ 876,030</u>	<u>\$9,742,539</u>

Further information for maturity analysis of lease liabilities was as follows:

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>10-15 Years</u>	<u>15-20 Years</u>	<u>20+ Years</u>
Lease liabilities	<u>\$ 55,684</u>	<u>\$167,930</u>	<u>\$140,666</u>	<u>\$117,969</u>	<u>\$115,951</u>	<u>\$262,946</u>

December 31, 2019

	<u>1 Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>	<u>Total</u>
Non-interest-bearing liabilities	\$2,387,803	\$ 1,791	\$ -	\$2,389,594
Interest bearing liabilities	4,341,830	1,995,227	284,038	6,621,095
Finance lease liabilities	<u>53,912</u>	<u>167,060</u>	<u>660,688</u>	<u>881,660</u>
	<u>\$6,783,545</u>	<u>\$2,164,078</u>	<u>\$ 944,726</u>	<u>\$9,892,349</u>

Further information for maturity analysis of lease liabilities was as follows:

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>10-15 Years</u>	<u>15-20 Years</u>	<u>20+ Years</u>
Lease liabilities	<u>\$ 53,912</u>	<u>\$ 167,060</u>	<u>\$ 166,159</u>	<u>\$ 113,434</u>	<u>\$ 112,552</u>	<u>\$ 268,543</u>

September 30, 2019

	<u>1 Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>	<u>Total</u>
Non-interest-bearing liabilities	\$ 2,352,793	\$ -	\$ -	\$ 2,352,793
Interest bearing liabilities	4,654,472	2,080,658	283,679	7,018,809
Finance lease liabilities	<u>54,890</u>	<u>180,521</u>	<u>651,385</u>	<u>886,796</u>
	<u>\$ 7,062,155</u>	<u>\$ 2,261,179</u>	<u>\$ 935,064</u>	<u>\$10,258,398</u>

Further information for maturity analysis of lease liabilities was as follows:

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>10-15 Years</u>	<u>15-20 Years</u>	<u>20+ Years</u>
Lease liabilities	<u>\$ 54,890</u>	<u>\$ 180,521</u>	<u>\$ 150,877</u>	<u>\$ 113,828</u>	<u>\$ 112,654</u>	<u>\$ 274,026</u>

32. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and its subsidiaries and other related parties are disclosed below:

- The name of the related parties and their relationships with the Company and its subsidiaries

<u>Related Party Name</u>	<u>Relationship</u>
Control Technology Co., Ltd.	Other related parties
F.S.E Corporation	Other related parties
Ever Lumin Incorporation	Other related parties
Shiang Jen Co., Ltd. (Shiang Jen)	Other related parties
Hao Shiang Co., Ltd.(Hao Shiang)	Other related parties (was liquidated in August 2020)
San Shin Co., Ltd. (San Shin)	Other related parties
Sysco Machinery Corporation	Other related parties
Dong Ying Investment Co., Ltd.	Other related parties
Sheng Li Machine Industry Co., Ltd.	Other related parties
Pt Tong - Tai Seikindo Utama	Substantial related party

b. Sales of goods

Account Item	Related Party Type	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2020	2019	2020	2019
Revenues from sales	Other related parties	<u>\$ 3,882</u>	<u>\$ 5,521</u>	<u>\$ 12,594</u>	<u>\$ 20,805</u>

Sales to related parties are made at arm's length and the collection terms have no material difference with unrelated parties.

c. Purchase of goods

Related Party Type	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Other related parties	<u>\$ 27,660</u>	<u>\$ 35,564</u>	<u>\$113,573</u>	<u>\$149,454</u>

The purchase prices and payment term have no material difference with unrelated parties.

d. Receivables from related parties

Account Item	Related Party Type	September 30, 2020	December 31, 2019	September 30, 2019
Accounts receivable - related parties	Other related parties	<u>\$ 7,237</u>	<u>\$ 5,503</u>	<u>\$ 10,263</u>
Other accounts receivable	Other related parties			
	Hao Shiang	\$ 18,325	\$ -	\$ -
	Others	<u>1,594</u>	<u>786</u>	<u>431</u>
		<u>\$ 19,919</u>	<u>\$ 786</u>	<u>\$ 431</u>

e. Payables to related parties

Account Item	Related Party Type	September 30, 2020	December 31, 2019	September 30, 2019
Notes payable	Other related parties	<u>\$ 182</u>	<u>\$ 38</u>	<u>\$ 3,812</u>
Accounts payable - related parties	Other related parties	<u>\$ 51,533</u>	<u>\$ 73,348</u>	<u>\$ 77,626</u>
Other accounts payable	Other related parties	<u>\$ 1,170</u>	<u>\$ 4,031</u>	<u>\$ 3,716</u>

f. Other transactions with related parties

1) Commission expense (recognized as selling and marketing expenses)

Related Party Type	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Other related parties	<u>\$ -</u>	<u>\$ 2,435</u>	<u>\$ 1,411</u>	<u>\$ 4,094</u>

2) Rental income

Related Party Type	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Other related parties				
Shiang Jen	\$ 1,260	\$ 1,230	\$ 3,780	\$ 3,690
Others	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>
	<u>\$ 1,261</u>	<u>\$ 1,231</u>	<u>\$ 3,784</u>	<u>\$ 3,694</u>

The above rent was determined by negotiation and collected according to the contract. The contract price is comparable to the prices of similar contracts in the area.

g. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 3,809	\$ 3,119	\$ 12,007	\$ 9,318
Post-employment benefits	<u>100</u>	<u>58</u>	<u>301</u>	<u>175</u>
	<u>\$ 3,909</u>	<u>\$ 3,177</u>	<u>\$ 12,308</u>	<u>\$ 9,493</u>

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Company and its subsidiaries' assets mortgaged or pledged as collateral for short-term and long-term borrowings, lease of land at Southern Science Industrial Park, and banker's guarantee were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Property, plant and equipment	\$ 2,084,072	\$ 1,755,738	\$ 1,775,076
Investment properties	154,244	152,290	153,978
Pledged deposits (including in other financial assets)	<u>705,742</u>	<u>878,434</u>	<u>936,196</u>
	<u>\$ 2,944,058</u>	<u>\$ 2,786,462</u>	<u>\$ 2,865,250</u>

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 15, significant commitments and contingencies of the Company and its subsidiaries as of September 30, 2020 were as follows:

- Unused letters of credit in the amount of NT\$40,769 thousand.
- For sales bidding, export tariff and commodity tax, the Company and its subsidiaries entered into credit facility agreements with banks for commitment amount of NT\$291,045 thousand.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and its subsidiaries and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currency (In Thousands)		Exchange Rate	Carrying Amount (In Thousands of New Taiwan Dollars)
September 30, 2020				
Monetary foreign currency assets				
USD	\$ 62,275	29.1	(USD:NTD)	\$ 1,812,203
USD	258	0.852	(USD: EUR)	7,508
CNY	408,292	4.269	(CNY:NTD)	1,742,999
EUR	11,975	34.15	(EUR:NTD)	408,946
Non-monetary foreign currency assets				
Investment accounted for using the equity method				
USD	181	29.1	(USD:NTD)	5,267
EUR	7,619	34.15	(EUR:NTD)	260,189
MRY	7,036	6.704	(MRY:NTD)	47,166
JPY	85,774	0.2756	(JPY:NTD)	23,639
Monetary foreign currency liabilities				
USD	23,368	29.1	(USD:NTD)	680,009
USD	3,320	0.852	(USD: EUR)	96,612
CNY	10,560	4.269	(CNY:NTD)	45,081
EUR	265	34.15	(EUR:NTD)	9,050
December 31, 2019				
Monetary foreign currency assets				
USD	64,357	29.98	(USD:NTD)	1,929,423
USD	1,112	0.893	(USD:EUR)	33,338
CNY	443,536	4.305	(CNY:NTD)	1,909,422
EUR	7,364	33.59	(EUR:NTD)	247,357
Non-monetary foreign currency assets				
Investment accounted for using the equity method				
USD	457	29.98	(USD:NTD)	13,709
EUR	10,088	33.59	(EUR:NTD)	338,856
MRY	6,927	7.033	(MRY:NTD)	48,716
JPY	90,967	0.276	(JPY:NTD)	25,107
Monetary foreign currency liabilities				
USD	20,333	29.98	(USD:NTD)	609,583
USD	5,347	0.893	(USD: MRY)	160,303
CNY	11,345	4.305	(CNY:NTD)	48,840
EUR	364	33.59	(EUR:NTD)	12,227

September 30, 2019	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
Monetary foreign currency assets				
USD	\$ 73,898	31.04	(USD:NTD)	\$ 2,293,794
USD	467	0.914	(USD: EUR)	14,496
CNY	451,254	4.35	(CNY:NTD)	1,962,955
EUR	8,441	33.95	(EUR:NTD)	286,572
Non-monetary foreign currency assets				
Investment accounted for using the equity method				
USD	459	31.04	(USD:NTD)	14,249
EUR	10,752	33.95	(EUR:NTD)	365,039
MRY	7,324	7.122	(MRY:NTD)	52,160
JPY	96,088	0.2878	(JPY:NTD)	27,654
Monetary foreign currency liabilities				
USD	20,030	31.04	(USD:NTD)	621,731
USD	3,401	0.914	(USD: EUR)	105,567
CNY	5,640	4.35	(CNY:NTD)	24,534
EUR	466	33.95	(EUR:NTD)	15,821

For the three months and nine months ended September 30, 2020 and 2019, net foreign exchange gains and losses were gain of NT\$26,478 thousand, loss of NT\$87,868 thousand, loss of NT\$28,767 thousand and loss of NT\$53,941 thousand, respectively. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the variety of the foreign currency transaction and functional currencies.

36. ADDITIONAL DISCLOSURES

- a. Following are the additional disclosures required by the Securities and Futures Bureau for the Company:
 - 1) Financial provided: Please see Table 1 attached;
 - 2) Endorsement/guarantee provided: Please see Table 2 attached;
 - 3) Marketable securities held (excluding investments in subsidiaries, associates and joint venture): Please see Table 3 attached;
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
 - 5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None;

- 6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None;
 - 7) Total purchase from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
 - 9) Information about the derivative financial instruments transaction: Please see Note 7;
 - 10) Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Please see Table 6 attached;
- b. Names, locations, and related information of investees over which the Company and its subsidiaries exercises significant influence (excluding information on investment in Mainland China): Please see Table 7 attached;
- c. Information on investment in Mainland China
- 1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 8 attached;
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Please see Table 6 attached;
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Please see Table 4 and 5 attached;
 - c) The amount of property transactions and the amount of the resultant gains or losses: None;
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None;
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Please see Table 1 attached;
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.
- d. Information of major shareholders: Please see Table 9 attached.

37. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Reported segments of the Company and its subsidiaries were as follows:

- Machine Manufacturer Segment—Including the Company, Suzhou Tongyu, Honor Seiki、APEC, Quick-Tech., PCI-SCHEM and Anger, which are engaging in the manufacturing and selling of machine tools and after-sales service.
- Component Manufacturer Segment—Including Tongfong, Tong-Yeh, Shanghai Chin-Jig, HPC and SKTD, mainly engage in sales and manufacturing of parts, mold and maintenance of machine tool.
- Others—Apart from the aforementioned segments, mainly engage in sales of machines, and holding investment and so on.

a. Segment revenues and operating results

	Machine Manufacturer	Component Manufacturer	Others	Adjustment and Elimination	Total
For the nine months ended September 30, 2020					
Revenues from external customers	\$ 5,359,815	\$ 302,737	\$ 86,360	\$ -	\$ 5,748,912
Inter-segment revenues	<u>590,245</u>	<u>161,361</u>	<u>52,600</u>	<u>(804,206)</u>	<u>-</u>
Segment revenues	<u>\$ 5,950,060</u>	<u>\$ 464,098</u>	<u>\$ 138,960</u>	<u>(\$ 804,206)</u>	<u>\$ 5,748,912</u>
Segment profit (loss)	(\$ 189,735)	\$ 1,959	(\$ 34,648)	\$ 10,911	(\$211,513)
Interest income	24,810	56	371	(6,908)	18,329
Financial costs	(77,724)	(1,455)	(5,931)	6,908	(78,202)
Share of the profit (loss) of associates and subsidiaries	(59,820)	-	(190,015)	247,612	(2,223)
Other non-operating income and expenses	<u>110,705</u>	<u>29,253</u>	<u>9,795</u>	<u>(17,857)</u>	<u>131,896</u>
Profit (loss) before income tax	(191,764)	29,813	(220,428)	240,666	(141,713)
Income tax expense (benefit)	<u>(65,504)</u>	<u>3,855</u>	<u>440</u>	<u>-</u>	<u>(61,209)</u>
Net profit (loss) for the period	<u>(\$ 126,260)</u>	<u>\$ 25,958</u>	<u>(\$ 220,868)</u>	<u>\$ 240,666</u>	<u>(\$ 80,504)</u>
For the nine months ended September 30, 2019					
Revenues from external customers	\$ 7,551,485	\$ 334,158	\$ 247,278	\$ -	\$ 8,132,921
Inter-segment revenues	<u>714,235</u>	<u>201,471</u>	<u>64,876</u>	<u>(980,582)</u>	<u>-</u>
Segment revenues	<u>\$ 8,265,720</u>	<u>\$ 535,629</u>	<u>\$ 312,154</u>	<u>(\$ 980,582)</u>	<u>\$ 8,132,921</u>
Segment profit (loss)	\$ 259,475	\$ 27,979	\$ 2,500	\$ 11,266	\$ 301,220
Interest income	27,681	304	869	(3,746)	25,108
Financial costs	(90,637)	(1,796)	(9,311)	3,746	(97,998)
Share of the profit (loss) of associates and subsidiaries	24,179	-	(106,228)	80,302	(1,747)
Other non-operating income and expenses	<u>18,924</u>	<u>5,103</u>	<u>(3,090)</u>	<u>(9,123)</u>	<u>11,814</u>
Profit (loss) before income tax	239,622	31,590	(115,260)	82,445	238,397
Income tax expense (benefit)	<u>54,902</u>	<u>6,564</u>	<u>455</u>	<u>-</u>	<u>61,921</u>
Net profit (loss) for the period	<u>\$ 184,720</u>	<u>\$ 25,026</u>	<u>(\$ 115,715)</u>	<u>\$ 82,445</u>	<u>\$ 176,476</u>

Segment profit represented the profit from operations earned by each segment and was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
Segment assets			
Machine Manufacturer	\$ 19,332,972	\$ 19,233,910	\$ 20,380,796
Component Manufacturer	490,934	545,700	527,106
Others	1,736,531	2,116,433	2,175,379
Adjustment and Elimination	(4,776,794)	(4,974,191)	(5,137,145)
	<u>\$ 16,783,643</u>	<u>\$ 16,921,852</u>	<u>\$ 17,946,136</u>
Segment liabilities			
Machine Manufacturer	\$ 11,366,475	\$ 10,960,885	\$ 11,962,095
Component Manufacturer	247,210	301,587	275,267
Others	622,872	734,752	719,725
Adjustment and Elimination	(1,199,212)	(1,067,419)	(1,130,232)
	<u>\$ 11,037,345</u>	<u>\$ 10,929,805</u>	<u>\$ 11,826,855</u>

TABLE 1**TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES****FINANCING PROVIDED TO OTHERS****FOR THE NINE MONTHS ENDED September 30, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn (Note 4)	Interest Rate (%)	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits	Note
													Item	Value			
0	Tongtai Machine & Tool Co., Ltd.	Tongtai Machinery Co., Ltd.	Other receivables - related party	Yes	\$ 77,074	\$ 36,375	\$ 36,375	1.7-2.7	Note 1	\$ -	Acquiring Building	\$ -		\$ -	\$ 510,399	\$ 1,020,798	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Anger Machining GmbH	Other receivables - related party	Yes	398,880	204,900	204,900	1.7	Note 1	-	Operating capital	-		-	510,399	1,020,798	Note 2
0	Tongtai Machine & Tool Co., Ltd.	SKTD Co., Ltd.	Other receivables - related party	Yes	11,152	5,512	5,512	1.7	Note 1	-	Operating capital	-		-	510,399	1,020,798	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited	Other receivables - related party	Yes	225,150	218,250	84,991	1.19-1.7	Note 1	-	Operating capital	-		-	510,399	1,020,798	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Tongtai Europe B.V.	Other receivables - related party	Yes	129,968	66,930	66,930	1.7	Note 1	-	Operating capital	-		-	510,399	1,020,798	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Other receivables - related party	Yes	129,720	128,070	128,070	1.7	Note 1	-	Operating capital	-		-	510,399	1,020,798	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Quick-Tech Machinery Co., Ltd.	Other receivables - related party	Yes	60,000	60,000	54,500	1.5	Note 1	-	Operating capital	-		-	510,399	1,020,798	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Asia Pacific Elite Corp.	Other receivables - related party	Yes	30,000	30,000	-	-	Note 1	-	Operating capital	-		-	510,399	1,020,798	Note 2
1	Union Top	Tongtai Machine Tool (Sea) Sdn. Bhd.	Other receivables - related party	Yes	6,912	-	-	3	Note 1	-	Operating capital	-		-	95,366	190,732	Note 3
1	Union Top	Quick-Tech Machinery Co., Ltd.	Other receivables - related party	Yes	19,963	19,606	9,803	1.19-2.7	Note 1	-	Operating capital	-		-	95,366	190,732	Note 3
1	Union Top	TongTai Europe B.V.	Other receivables - related party	Yes	14,079	14,079	14,079	1.2	Note 1	-	Operating capital	-		-	95,366	190,732	Note 3
2	PCI-SCEMM	TTGroup France	Other receivables - related party	Yes	7,016	6,830	5,237	1.5	Note 1	-	Operating capital	-		-	38,469	76,939	Note 3
3	Honor Seiki Co., Ltd.	Quick-Tech Machinery Co., Ltd.	Other receivables - related party	Yes	10,000	10,000	-	1.7	Note 1	-	Operating capital	-		-	123,734	247,468	Note 3

Note 1: The need for short-term financing.

Note 2: According to the “Procedures for Lending Funds to Other Parties” established by the Company, the aggregate lending amount and the amount lending to any individual entity having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of 12 months prior to the time of lending and shall not exceed 20% of the net worth of the Company. The aggregate lending amount and the amount lending to any individual entity for short-term financing shall not exceed 20% and 10% of the net worth of the Company.

Note 3: According to the “Procedures for Lending Funds to Other Parties” established by the subsidiaries, the aggregate lending amount and the amount lending to any individual entity having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of 12 months prior to the time of lending and shall not exceed 20% of the net worth of the Company. The aggregate lending amount and the amount lending to any individual entity for short-term financing shall not exceed 20% and 10% of the net worth of the Company.

Note 4: All the transactions had been eliminated when preparing consolidated financial statements.

TABLE 2

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES
ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED September 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/Guarantee Provider	Endorsee/Guarantee		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement /Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	Tongtai Machine & Tool Co., Ltd.	Tongtai Machine Tool (SEA) Sdn. Bhd.	The Company owns directly or indirectly over 50% ownership of the investee company	\$ 1,531,197	\$ 30,250	\$ 29,100	\$ -	\$ -	0.57	\$ 2,551,995	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	PCI-SCEMM	The Company owns directly or indirectly over 50% ownership of the investee company	1,531,197	31,572	30,735	18,389	-	0.60	2,551,995	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited	The Company owns directly or indirectly over 50% ownership of the investee company	1,531,197	527,258	507,213	200,499	-	9.94	2,551,995	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Mbi-group Beteilung GmbH	The Company owns directly or indirectly over 50% ownership of the investee company	1,531,197	70,160	68,300	65,660	-	1.34	2,551,995	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Anger Machining GmbH	The Company owns directly or indirectly over 50% ownership of the investee company	1,531,197	942,038	645,435	587,380	-	12.65	2,551,995	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Asia Pacific Elite Corp.	The Company owns directly or indirectly over 50% ownership of the investee company	1,531,197	275,000	245,000	185,190	-	4.80	2,551,995	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Tongan GmbH	The Company owns directly or indirectly over 50% ownership of the investee company	1,531,197	19,974	17,075	17,075	-	0.33	2,551,995	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Tong-Yeh Precision Co., Ltd.	The Company owns directly or indirectly over 50% ownership of the investee company	1,531,197	10,000	10,000	1,700	-	0.20	2,551,995	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Quick-Tech Machinery Co., Ltd.	The Company owns directly or indirectly over 50% ownership of the investee company	1,531,197	144,490	144,100	38,356	-	2.82	2,551,995	Y	-	-	

Note: According to the “Procedures for Making Endorsements and Guarantees” established by the Company, the ceilings on the amounts to make endorsements/guarantees are as follows,

1. For Tongtai Machine & Tool Co., Ltd.,

- (1) The ceilings on the amounts for the aggregate amounts to the entities shall not exceed 50% of the net worth of the Company.
- (2) The ceilings on the amounts for any individual entity to the entities shall not exceed 30% of the net worth of the Company.

2. For Tongtai Machine & Tool Co., Ltd. and subsidiaries,

- (1) The ceilings on the amounts for the aggregate amounts to the entities shall not exceed 50% of the net worth of the Company.
- (2) The ceilings on the amounts for any individual entity to the entities shall not exceed 30% of the net worth of the Company.
- (3) Except for (1) and (2), the total amount of endorsement/guarantee provided by the Company to any individual entity deriving from business relations shall not exceed the total business amount between such party and the Company for the twelve-month period immediately before the extension of endorsement/guarantee (the business amount refers to purchase amount or sales amount of the goods between the parties, whichever is higher).

TABLE 3**TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****September 30, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Held Company Name	Type and Name of Marketable Securities	Relationship with The Company	Financial Statement Account	September 30, 2020				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Tongtai Machine & Tool Co., Ltd.	Common stock Contrel Technology Co., Ltd.	Same president	Financial assets at fair value through other comprehensive income - non current	6,849,178	\$ 92,464	4	\$ 92,464	
	SHIANG JEN CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - non current	1,520,000	14,845	19	14,845	
	World Known MFG (Cayman) Limited	-	Financial assets at fair value through other comprehensive income - non current	280,000	10,500	1	10,500	
	USYNC INC.	-	Financial assets at fair value through other comprehensive income - non current	295,371	10,208	4	10,208	
	WORLD KNOWN MFG. CO., LTD.	-	Financial assets at fair value through other comprehensive income - non current	229,729	5,845	1	5,845	
					<u>\$ 133,862</u>		<u>\$ 133,862</u>	
	Common stock YI XIANG Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - non current	75,000	\$ -	14	\$ -	
Suzhou Tongyu Machine Tool Co., Ltd.	Mutual funds Allianz Global Investors Preferred Securities and Income Fund	-	Financial assets at fair value through profit or loss - current	35,000	\$ 15,061		\$ 15,061	
	Closed fund No. 13108	-	Financial assets at fair value through profit or loss - current		\$ 68,304		\$ 68,304	
CHIN-JIG CO., LTD (SHANGHAI)	QIAN YUAN - MAN-YI 180 days open-end wealth management products	-	Financial assets at fair value through profit or loss - current		\$ 9,355		\$ 9,355	
	QIAN YUAN - HUI XIANG open-end wealth management products	-	Financial assets at fair value through profit or loss - current		4,677		4,677	
					<u>\$ 14,032</u>		<u>\$ 14,032</u>	

TABLE 4

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE PERIOD ENDED SEPTEMBER 30, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

[illegible]

Note: All the transactions had been eliminated when preparing consolidated financial statements.

TABLE 5**TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****September 30, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance (Note 3)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Subsidiary	\$ 337,361 (Note 1)	1.32	\$ -	-	\$ 51,547	\$ -
	Anger Machining GmbH	Subsidiary	208,143 (Note 2)	0.77	-	-	-	-

Note 1: Including accounts receivable amounted of NT\$207,343 thousand and other receivable amounted of NT\$130,018 thousand. Other receivable was excluded in the calculation turnover rate.

Note 2: Including accounts receivable amounted of NT\$1,678 thousand and other receivable amounted of NT\$206,465 thousand. Other receivable was excluded in the calculation turnover rate.

Note 3: All the transactions had been eliminated when preparing consolidated financial statements.

TABLE 6**TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS****FOR THE SIX MONTHS ENDED September 30, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Operating Revenues or Assets
0	Tongtai Machine & Tool Co., Ltd.	Tongfong Auto Tech Co., Ltd.	Parent to subsidiary	Sales	\$ 54,000	Based on contracts	1.00
0	Tongtai Machine & Tool Co., Ltd.	Asia Pacific Elite Corp.	Parent to subsidiary	Sales	119,723	Based on contracts	2.00
0	Tongtai Machine & Tool Co., Ltd.	Honor Seiki Co., Ltd.	Parent to subsidiary	Sales	67,461	Based on contracts	1.00
0	Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Parent to subsidiary	Sales	113,389	Based on contracts	2.00
0	Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Parent to subsidiary	Sales	122,222	Based on contracts	2.00
0	Tongtai Machine & Tool Co., Ltd.	Quick-Tech Machinery Co., Ltd.	Parent to subsidiary	Other receivable	54,553	Based on contracts and BOD resolution	-
0	Tongtai Machine & Tool Co., Ltd	Suzhou Tongyu Machine Tool Co., Ltd.	Parent to subsidiary	Accounts receivable	207,343	Based on contracts	1.00
0	Tongtai Machine & Tool Co., Ltd	Suzhou Tongyu Machine Tool Co., Ltd.	Parent to subsidiary	Other receivable	130,018	Based on contracts and BOD resolution	1.00
0	Tongtai Machine & Tool Co., Ltd	Tong Tai Machinery Co., Ltd.	Parent to subsidiary	Other receivable	36,653	Based on contracts and BOD resolution	-
0	Tongtai Machine & Tool Co., Ltd	Anger Machining GmbH	Parent to subsidiary	Other receivable	206,465	Based on contracts and BOD resolution	1.00
0	Tongtai Machine & Tool Co., Ltd	Union Top Industrial (Samoa) Limited	Parent to subsidiary	Other receivable	85,600	Based on contracts and BOD resolution	1.00
0	Tongtai Machine & Tool Co., Ltd	Tongtai Europe B.V.	Parent to subsidiary	Other receivable	67,544	Based on contracts and BOD resolution	-
1	Tongfong Auto Tech Co., Ltd.	Tongtai Machine & Tool Co., Ltd.	Subsidiary to Parent	Sales	92,146	Based on contracts	2.00
1	Tongfong Auto Tech Co., Ltd.	Tongtai Machine & Tool Co., Ltd.	Subsidiary to Parent	Accounts receivable	37,153	Based on contracts	-
2	HPC Produktions GmbH	Anger Machining GmbH	Subsidiary to Subsidiary	Sales	36,864	Based on contracts	1.00

TABLE 7

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
Tongtai Machine & Tool Co., Ltd.	Tongfong Auto Tech Co., Ltd.	Kaohsiung City	Sales of electric automation equipment	\$ 13,974	\$ 13,974	1,499,000	99.00	\$ 44,772	\$ 13,386	\$ 13,378	Note
Tongtai Machine & Tool Co., Ltd.	Asia Pacific Elite Corp.	Taichung City	Sales and manufacturing of equipment	409,238	409,238	14,515,414	99.00	105,784	25,737	26,471	Note
Tongtai Machine & Tool Co., Ltd.	Quick-Tech Machinery Co., Ltd.	Tainan City	Sales and manufacturing of equipment	80,582	80,582	6,238,800	52.00	75,431	(10,271)	(10,037)	Note
Tongtai Machine & Tool Co., Ltd.	Honor Seiki Co., Ltd.	Kaohsiung City	Sales and manufacturing of equipment	100,731	100,731	18,253,424	54.00	530,138	45,984	23,971	Note
Tongtai Machine & Tool Co., Ltd.	Tong-Yeh Precision Co., Ltd.	Kaohsiung City	Sales of electric automation equipment	14,476	14,476	1,052,898	60.00	29,441	3,193	1,916	Note
Tongtai Machine & Tool Co., Ltd.	Chin-Jig Technology Co., Ltd.	Taipei City	Sales of mold and equipment	27,971	27,971	2,799,000	70.00	48,895	(4,429)	(3,099)	Note
Tongtai Machine & Tool Co., Ltd.	Tongtai Machine & Tool Japan Co., Ltd.	Japan	Sales and manufacturing of equipment	31,561	31,561	889	100.00	23,639	(1,440)	(1,440)	Note
Tongtai Machine & Tool Co., Ltd.	Tong Tai Machinery Co., Ltd.	Thailand	Sales of customized machine	5,854	5,854	999,998	100.00	25,115	(4,693)	(4,693)	Note
Tongtai Machine & Tool Co., Ltd.	Tongtai Seiki Vietnam Co.,Ltd.	Vietnam	Sales of customized machine	9,054	9,054	631,080	100.00	17,693	(965)	(965)	Note
Tongtai Machine & Tool Co., Ltd.	Tongtai Machine Tool (SEA) Sdn. Bhd.	Malaysia	Sales of customized machine	5,107	5,107	520,000	52.00	9,096	2,639	1,373	Note
Tongtai Machine & Tool Co., Ltd.	Tongtai Machine Tool (MFG) Sdn. Bhd.	Malaysia	Sales and manufacturing of equipment	71,952	71,952	8,500,000	100.00	38,067	(638)	(638)	Note
Tongtai Machine & Tool Co., Ltd.	Tong-Tai Seiki USA, Inc.	USA	Sales of merchandise	71,667	71,667	100	100.00	5,256	(8,249)	(8,249)	Note
Tongtai Machine & Tool Co., Ltd.	Tongtai Mexico ,S.A. DE C.V.	Mexico	Sales and maintenance of machine tools	10,155	10,155	65,999	100.00	7,555	502	502	Note
Tongtai Machine & Tool Co., Ltd.	PCI-SCEMM	France	Sales, manufacturing and maintenance of machine tools	182,200	182,200	1,000,000	100.00	405,901	14,520	14,520	Note
Tongtai Machine & Tool Co., Ltd.	Tongtai Europe B.V.	Netherlands	Sales of merchandise	96,221	96,221	9,000	100.00	(26,293)	(16,873)	(16,873)	Note
Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited	Samoa	General investment	560,867	560,867	16,465,400	100.00	942,857	(9,612)	(9,612)	Note
Tongtai Machine & Tool Co., Ltd.	Tongan GmbH	Austrian	General investment	597,771	597,771	35,000	100.00	(126,209)	(87,225)	(87,225)	Note
Tongtai Machine & Tool Co., Ltd.	Cyber Laser Taiwan Co., Ltd.	Tainan City	Machine and manufacturing of electronic component	20,000	20,000	2,000,000	33.00	8,239	(3,264)	(1,158)	
Tongtai Machine & Tool Co., Ltd.	Printin3d DigiTech Co., Ltd.	Taoyuan City	Development of 3D printer of digital Implantology	10,000	10,000	1,000,000	40.00	8,102	(2,495)	(998)	
Union Top Industrial (Samoa) Limited	Great Pursuit Limited	Samoa	General investment	40,054	40,054	-	55.00	-	-	-	Note
Chin-Jig Technology Co., Ltd.	Time Trade Internation Limited	Samoa	General investment	32,771	32,771	-	100.00	64,088	(1,841)	(1,841)	Note
PCI-SCEMM	TTGroup France	France	Sales of merchandise	1,076	1,076	30,000	100.00	5,381	3,915	3,915	Note
Tongan GmbH	Mbi-group Beteiligung GmbH	Austrian	General investment	611,202	611,202	-	100.00	(112,266)	(88,308)	(86,998)	Note
Mbi-group Beteiligung GmbH	HPC Produktions GmbH	Austrian	Sales, manufacturing and maintenance of machine tools	1,215	1,215	-	100.00	69,982	11,918	11,918	Note
Mbi-group Beteiligung GmbH	Anger Machining GmbH	Austrian	Sales, manufacturing and maintenance of machine tools	595,855	595,855	-	100.00	(78,237)	(100,312)	(100,312)	Note
Anger Machining GmbH	Anger Machining Inc.	USA	Sales and maintenance of machine tools	122	122	60,000	100.00	(3,083)	(1,098)	(1,098)	Note
Anger Machining GmbH	Anger Service Deutschland GmbH	Germany	Sales and maintenance of machine tools	868	868	-	100.00	1,147	288	288	Note
Tongtai Machine & Tool Japan Co., Ltd.	SKTD Co., Ltd.	Japan	Design and development of machine tools	23,203	23,203	780	98.73	15,584	(4,467)	(4,410)	Note
Quick-Tech Machinery Co., Ltd.	SCTW. Co., Ltd.	Tainan City	Software related service	1,000	1,000	100,000	40.00	941	(226)	(67)	

Note: All the transactions had been eliminated when preparing consolidated financial statements.

TABLE 8

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2020 (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2020	Accumulated Repatriation of Investment Income as of September 30, 2020	Note
					Outward	Inward							
Tong-Yu Machine Tool (Shanghai) Co., Ltd.	Sales and maintenance of machine tools	\$ 70,073	Investments through a holding company registered in a third region	\$ 70,073	\$ -	\$ -	\$ 70,073	(\$ 2,743)	100.00	(\$ 2,743)	\$ 97,956	\$ -	Note 4
Suzhou Tongyu Machine Tool Co., Ltd.	Manufacturing of digital control machine and system	727,500	Investments through a holding company registered in a third region	727,500	-	-	727,500	(7,476)	100.00	(7,476)	1,099,422	53,223	Note 4
Shanghai Tong-Tai-Shin Trading Co., Ltd.	International trade	5,820	Investments through a holding company registered in a third region	5,820	-	-	5,820	(80)	100.00	(80)	9,537	8,972	Note 4
Hao-Tern-Shin Electronics (Shenzhen) Co., Ltd.	Sales and manufacturing of printed circuit board	72,750	Investments through a holding company registered in a third region	40,012	-	-	40,012	-	55.00	-	-	-	Note 4
Chin-Jig Precision Machine (Shanghai) Co., Ltd.	Sales and manufacturing of mold and equipment	16,005	Investments through a holding company registered in a third region	16,005	-	-	16,005	1,928	70.00	1,349	44,861	47,997	Note 4

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2020 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
Tongtai Machine & Tool Co., Ltd.	\$ 843,405	\$ 843,405	\$ 3,062,394
Chin-Jig Technology Co., Ltd.	16,005	16,005	29,337

Note 1: The amounts were calculated based on the foreign exchange rate as of September 30, 2020.

Note 2: The basis for recognition of investment income (loss) of Suzhou Tongyu Machine Tool Co., Ltd. was based on the financial statements reviewed and attested by R.O.C. parent company's CPA while the others were based on the financial statements which have not been reviewed for the same periods.

Note 3: The limit on investment in Mainland China pursuant to "Principle of investment or Technical Cooperation in Mainland China" shall not exceed 60% of their net worth.

Note 4: All the transactions had been eliminated when preparing consolidated financial statements.

TABLE 9

TONGTAI MACHINE & TOOL CO., LTD.
INFORMATION OF MAJOR SHAREHOLDERS
September 30, 2020

Name of The Major Shareholder	Shares	
	Number of Shares Owned	Percentage of Ownership (%)
San Shin Investment Co., Ltd.	20,776,889	8.15

Note 1: Major shareholders in the Table above are shareholders owning 5% or more of the Company's common shares (only ones that have completed dematerialized registration and delivery) based on calculations performed by the Taiwan Depository & Clearing Corporation using data as of the last business date at the end of each quarter. The amount of capital in the financial statements may differ from the Company's actual number of stocks that have completed dematerialized registration and delivery due to different calculation bases.

Note 2: Where the stocks are entrusted by shareholders, information is disclosed by the individual account of settlor who has segregated trust accounts opened by trustees. As for shareholders filing shareholdings of insiders with 10% or more of the Company's stocks pursuant to the securities and exchange laws and regulations, the number of stocks owned shall be ones owned by the persons plus ones entrusted where the shareholders have the power to decide how to utilize the trust property. Please access the Market Observation Post System website for information on insiders' shareholding filings.