

**Powertech Technology Inc. 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  
Powertech Technology Inc.

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Powertech Technology Inc. and its subsidiaries (the "Corporation") as of September 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, 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 Qualified Conclusion**

As stated in Note 12 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed, as of and for the nine months ended September 30, 2020 and 2019, which represented total assets of 6.87% \$7,460,515 thousand and 14.53% \$14,942,632 thousand of the consolidated assets, respectively; and total liabilities of 8.20% \$4,277,795 thousand and 12.51% \$6,230,129 thousand of the consolidated liabilities, respectively. These statements also reflected these subsidiaries' comprehensive income of (7.09)% \$(146,053) thousand, (5.84)% \$(109,257) thousand, (10.04)% \$(605,562) thousand and (13.46)% \$(623,882) thousand of the consolidated comprehensive income for the three months ended September 30, 2020 and 2019 and nine months ended September 30, 2020 and 2019, respectively. These investment amounts, as well as related information disclosed in Note 31 to the consolidated financial statements, were based on unreviewed financial statements of the investees for the same reporting periods as those of the Corporation and subsidiaries.

## Qualified Conclusion

Based on our reviews, except for the consolidated financial statements of subsidiaries as well as related information disclosed referred to in preceding paragraph, were based on unreviewed financial statements of the investees for the same reporting periods as those of the Corporation and subsidiaries, if those consolidated financial statements had been reviewed and any adjustments were determined to be necessary, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the financial position of the Corporation as of September 30, 2020 and 2019, its consolidated financial performance for the three months ended September 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the 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 resulting in this independent auditors’ review report are Yu-Feng Huang and Cheng Chih Lin.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

November 6, 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.*

*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.*

**POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)		LIABILITIES AND EQUITY	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>							<b>CURRENT LIABILITIES</b>						
Cash and cash equivalents (Note 6)	\$ 18,323,911	17	\$ 21,800,048	20	\$ 19,311,146	19	Short-term bank loans (Note 17)	\$ 1,607,477	1	\$ 1,182,283	1	\$ 1,171,628	1
Financial assets at fair value through profit or loss - current (Note 7)	147,404	-	71,207	-	57,474	-	Financial liabilities at fair value through profit or loss - current (Note 7)	980	-	3,953	-	6,825	-
Financial assets at amortized cost - current (Notes 9 and 28)	515,850	1	549,732	-	499,077	1	Contract liabilities - current (Note 21)	54,192	-	62,458	-	74,939	-
Contract assets - current (Notes 21 and 27)	2,328,667	2	2,170,456	2	2,135,027	2	Notes and accounts payable	4,891,840	5	5,785,178	5	4,944,163	5
Notes and accounts receivable (Notes 10 and 21)	9,327,808	9	9,518,972	9	8,920,538	9	Accounts payable to related parties (Note 27)	124,451	-	120,603	-	76,684	-
Receivables from related parties (Notes 21 and 27)	5,719,606	5	4,252,488	4	4,396,722	4	Bonus to employees and remuneration to directors (Note 22)	862,701	1	792,121	1	953,977	1
Other receivables	475,301	-	312,508	-	521,682	1	Payables to equipment suppliers	2,044,712	2	4,252,127	4	1,965,258	2
Other receivables from related parties (Note 27)	140,682	-	6,525	-	15,272	-	Other payables - related parties (Note 27)	873	-	17,447	-	565	-
Inventories (Note 11)	5,194,450	5	3,879,025	4	3,220,490	3	Current income tax liabilities (Notes 4 and 23)	762,086	1	778,495	1	930,313	1
Prepaid expenses	247,150	-	227,082	-	243,901	-	Lease liabilities - current (Note 14)	139,042	-	211,549	-	235,372	-
Other current assets (Note 16)	547,937	1	554,790	1	480,283	-	Accrued expenses and other current liabilities (Note 18)	6,821,268	6	7,015,882	7	6,470,776	6
Total current assets	42,968,766	40	43,342,833	40	39,801,612	39	Current portion of long-term debts (Notes 17 and 28)	1,059,879	1	182,305	-	293,664	-
<b>NON-CURRENT ASSETS</b>							Total current liabilities	18,369,501	17	20,404,401	19	17,124,164	16
Financial assets at fair value through other comprehensive income - non-current (Note 8)	15,771	-	26,093	-	31,064	-	<b>NON-CURRENT LIABILITIES</b>						
Financial assets at amortized cost - noncurrent (Notes 9 and 28)	942,256	1	1,501,145	2	2,095,545	2	Long-term debt (Notes 17 and 28)	31,647,524	29	29,456,112	28	30,201,715	30
Property, plant and equipment (Notes 13 and 28)	61,436,290	56	58,779,789	55	57,325,824	56	Deferred income tax liabilities (Notes 4 and 23)	125,034	-	114,476	-	108,103	-
Right-of-use assets (Note 14)	1,751,698	2	1,925,903	2	2,004,087	2	Lease liabilities - non-current (Note 14)	1,449,289	2	1,546,096	2	1,601,826	2
Intangible assets (Note 15)	991,036	1	1,059,626	1	1,088,792	1	Net defined benefit liability - noncurrent (Notes 4 and 19)	356,450	-	395,785	-	376,433	-
Deferred income tax assets (Notes 4 and 23)	326,438	-	384,507	-	388,853	-	Other noncurrent liabilities (Note 18)	193,023	-	331,148	-	381,100	-
Other noncurrent assets (Note 16)	108,461	-	126,085	-	69,055	-	Total non-current liabilities	33,771,320	31	31,843,617	30	32,669,177	32
Total non-current assets	65,571,950	60	63,803,148	60	63,003,220	61	Total liabilities	52,140,821	48	52,248,018	49	49,793,341	48
<b>TOTAL</b>	<b>\$ 108,540,716</b>	<b>100</b>	<b>\$ 107,145,981</b>	<b>100</b>	<b>\$ 102,804,832</b>	<b>100</b>	<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE CORPORATION (Note 20)</b>						
							Capital stock						
							Common stock	7,791,466	7	7,791,466	7	7,791,466	8
							Capital surplus	231,227	-	209,852	-	209,795	-
							Retained earnings						
							Legal reserve	7,628,495	7	7,045,884	7	7,045,884	7
							Special reserve	324,741	-	195,070	-	195,070	-
							Unappropriated earnings	28,989,246	27	28,206,664	26	26,137,018	25
							Total retained earnings	36,942,482	34	35,447,618	33	33,377,972	32
							Other equity	(398,581)	-	(324,741)	-	(144,763)	-
							Treasury stock	(223,182)	-	(96,467)	-	(96,467)	-
							Total equity attributable to shareholders of the Corporation	44,343,412	41	43,027,728	40	41,138,003	40
							<b>NON-CONTROLLING INTERESTS (Notes 12 and 20)</b>	12,056,483	11	11,870,235	11	11,873,488	12
							Total stockholders' equity	56,399,895	52	54,897,963	51	53,011,491	52
							<b>TOTAL</b>	<b>\$ 108,540,716</b>	<b>100</b>	<b>\$ 107,145,981</b>	<b>100</b>	<b>\$ 102,804,832</b>	<b>100</b>

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

(With Deloitte & Touche review report dated November 6, 2020)

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings 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	%
NET SALES (Notes 21 and 27)	\$ 18,935,701	100	\$ 17,705,327	100	\$ 57,157,505	100	\$ 47,217,135	100
OPERATING COSTS (Notes 11, 22 and 27)	<u>15,266,825</u>	<u>81</u>	<u>14,140,121</u>	<u>80</u>	<u>45,993,487</u>	<u>80</u>	<u>38,716,290</u>	<u>82</u>
GROSS PROFIT	<u>3,668,876</u>	<u>19</u>	<u>3,565,206</u>	<u>20</u>	<u>11,164,018</u>	<u>20</u>	<u>8,500,845</u>	<u>18</u>
OPERATING EXPENSES (Note 22)								
Marketing	83,488	-	81,933	-	266,038	1	238,742	-
General and administrative	447,262	2	485,859	3	1,284,864	2	1,230,374	3
Research and development	510,237	3	487,556	3	1,653,441	3	1,386,550	3
Expected credit loss (Note 10)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,722</u>	<u>-</u>	<u>21,400</u>	<u>-</u>
Total operating expenses	<u>1,040,987</u>	<u>5</u>	<u>1,055,348</u>	<u>6</u>	<u>3,215,065</u>	<u>6</u>	<u>2,877,066</u>	<u>6</u>
OPERATING INCOME	<u>2,627,889</u>	<u>14</u>	<u>2,509,858</u>	<u>14</u>	<u>7,948,953</u>	<u>14</u>	<u>5,623,779</u>	<u>12</u>
NONOPERATING INCOME AND EXPENSES								
Interest income (Note 22)	10,658	-	28,500	-	54,354	-	83,691	-
Other gains and losses (Notes 22 and 27)	196,379	1	(103,788)	-	204,181	-	(12,987)	-
Miscellaneous income (Note 22)	21,676	-	32,496	-	69,011	-	97,597	-
Financial costs (Note 22)	(64,380)	-	(90,917)	-	(211,183)	-	(258,567)	-
Foreign exchange (losses) and gains, net (Notes 22 and 30)	<u>(205,395)</u>	<u>(1)</u>	<u>6,569</u>	<u>-</u>	<u>(260,741)</u>	<u>-</u>	<u>133,941</u>	<u>-</u>
Total nonoperating income and expenses	<u>(41,062)</u>	<u>-</u>	<u>(127,140)</u>	<u>-</u>	<u>(144,378)</u>	<u>-</u>	<u>43,675</u>	<u>-</u>
INCOME BEFORE INCOME TAX	2,586,827	14	2,382,718	14	7,804,575	14	5,667,454	12
INCOME TAX EXPENSE (Notes 4 and 23)	<u>545,186</u>	<u>3</u>	<u>450,948</u>	<u>3</u>	<u>1,679,882</u>	<u>3</u>	<u>1,162,697</u>	<u>2</u>
NET INCOME	<u>2,041,641</u>	<u>11</u>	<u>1,931,770</u>	<u>11</u>	<u>6,124,693</u>	<u>11</u>	<u>4,504,757</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (Note 20)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	828	-	17,117	-	(10,322)	-	34,338	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	<u>16,651</u>	<u>-</u>	<u>(78,709)</u>	<u>-</u>	<u>(85,351)</u>	<u>-</u>	<u>96,584</u>	<u>-</u>
Total other comprehensive income	<u>17,479</u>	<u>-</u>	<u>(61,592)</u>	<u>-</u>	<u>(95,673)</u>	<u>-</u>	<u>130,922</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 2,059,120</u>	<u>11</u>	<u>\$ 1,870,178</u>	<u>11</u>	<u>\$ 6,029,020</u>	<u>11</u>	<u>\$ 4,635,679</u>	<u>10</u>
NET INCOME ATTRIBUTABLE TO								
Owners of the Corporation	\$ 1,621,804	9	\$ 1,600,010	9	\$ 5,001,024	9	\$ 3,756,465	8
Non-controlling interests	<u>419,837</u>	<u>2</u>	<u>331,760</u>	<u>2</u>	<u>1,123,669</u>	<u>2</u>	<u>748,292</u>	<u>2</u>
	<u>\$ 2,041,641</u>	<u>11</u>	<u>\$ 1,931,770</u>	<u>11</u>	<u>\$ 6,124,693</u>	<u>11</u>	<u>\$ 4,504,757</u>	<u>10</u>

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## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings 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	%
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO								
Owners of the Corporation	\$ 1,636,439	9	\$ 1,549,396	9	\$ 4,927,184	9	\$ 3,806,772	8
Non-controlling interests	<u>422,681</u>	<u>2</u>	<u>320,782</u>	<u>2</u>	<u>1,101,836</u>	<u>2</u>	<u>828,907</u>	<u>2</u>
	<u>\$ 2,059,120</u>	<u>11</u>	<u>\$ 1,870,178</u>	<u>11</u>	<u>\$ 6,029,020</u>	<u>11</u>	<u>\$ 4,635,679</u>	<u>10</u>
EARNINGS PER SHARE (Note 24)								
Basic	<u>\$ 2.10</u>		<u>\$ 2.06</u>		<u>\$ 6.46</u>		<u>\$ 4.84</u>	
Diluted	<u>\$ 2.08</u>		<u>\$ 2.05</u>		<u>\$ 6.41</u>		<u>\$ 4.81</u>	

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

(With Deloitte & Touche review report dated November 6, 2020)

(Concluded)

**POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES**

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

	Equity Attributable to Shareholders of the Corporation											
	Share Capital Issued and Outstanding		Capital Surplus	Retained Earnings			Other Equity		Treasury Share	Total	Non-controlling Interests	Total Equity
	Share (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Investments in Equity Instruments Designated Through Other Comprehensive Income				
BALANCE, JANUARY 1, 2019	779,147	\$ 7,791,466	\$ 127,734	\$ 6,422,456	\$ 337,628	\$ 26,601,327	\$ (170,725)	\$ (24,345)	\$ (82,315)	\$ 41,003,226	\$ 12,074,141	\$ 53,077,367
Appropriation of 2018 earnings												
Legal reserve	-	-	-	623,428	-	(623,428)	-	-	-	-	-	-
Special reserve	-	-	-	-	(142,558)	142,558	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(3,739,904)	-	-	-	(3,739,904)	-	(3,739,904)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(939,230)	(939,230)
Other changes in capital surplus changes in percentage of ownership interests in subsidiaries	-	-	71,501	-	-	-	-	-	-	71,501	(71,501)	-
Net income for the nine months ended September 30, 2019	-	-	-	-	-	3,756,465	-	-	-	3,756,465	748,292	4,504,757
Other comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	-	46,046	4,261	-	50,307	80,615	130,922
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	3,756,465	46,046	4,261	-	3,806,772	828,907	4,635,679
The Corporation's share held by its subsidiary treated as treasury share	-	-	-	-	-	-	-	-	(14,152)	(14,152)	(18,829)	(32,981)
Adjustment of capital surplus due to dividends distributed to subsidiaries	-	-	10,560	-	-	-	-	-	-	10,560	-	10,560
BALANCE, SEPTEMBER 30, 2019	<u>779,147</u>	<u>\$ 7,791,466</u>	<u>\$ 209,795</u>	<u>\$ 7,045,884</u>	<u>\$ 195,070</u>	<u>\$ 26,137,018</u>	<u>\$ (124,679)</u>	<u>\$ (20,084)</u>	<u>\$ (96,467)</u>	<u>\$ 41,138,003</u>	<u>\$ 11,873,488</u>	<u>\$ 53,011,491</u>
BALANCE, JANUARY 1, 2020	779,147	\$ 7,791,466	\$ 209,852	\$ 7,045,884	\$ 195,070	\$ 28,206,664	\$ (299,686)	\$ (25,055)	\$ (96,467)	\$ 43,027,728	\$ 11,870,235	\$ 54,897,963
Appropriation of 2019 earnings												
Legal reserve	-	-	-	582,611	-	(582,611)	-	-	-	-	-	-
Special reserve	-	-	-	-	129,671	(129,671)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(3,506,160)	-	-	-	(3,506,160)	-	(3,506,160)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(746,998)	(746,998)
Net income for the nine months ended September 30, 2020	-	-	-	-	-	5,001,024	-	-	-	5,001,024	1,123,669	6,124,693
Other comprehensive income for the nine months ended September 30, 2020	-	-	-	-	-	-	(63,518)	(10,322)	-	(73,840)	(21,833)	(95,673)
Total comprehensive income for the nine months ended September 30, 2020	-	-	-	-	-	5,001,024	(63,518)	(10,322)	-	4,927,184	1,101,836	6,029,020
The Corporation's share held by its subsidiary treated as treasury share	-	-	-	-	-	-	-	-	(126,715)	(126,715)	(168,590)	(295,305)
Adjustment of capital surplus due to dividends distributed to subsidiaries	-	-	21,375	-	-	-	-	-	-	21,375	-	21,375
BALANCE, SEPTEMBER 30, 2020	<u>779,147</u>	<u>\$ 7,791,466</u>	<u>\$ 231,227</u>	<u>\$ 7,628,495</u>	<u>\$ 324,741</u>	<u>\$ 28,989,246</u>	<u>\$ (363,204)</u>	<u>\$ (35,377)</u>	<u>\$ (223,182)</u>	<u>\$ 44,343,412</u>	<u>\$ 12,056,483</u>	<u>\$ 56,399,895</u>

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

(With Deloitte & Touche review report dated November 6, 2020)

# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	<b>Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Current income before income tax	\$ 7,804,575	\$ 5,667,454
Adjustments for:		
Depreciation	10,098,976	9,456,168
Amortization	78,585	103,714
Expected credit loss recognized on accounts receivable	10,722	21,400
Net gain on fair value change of financial assets designated as at fair value through profit or loss	(26,908)	(1,257)
Financial costs	211,183	258,567
Premium amortization of financial assets at amortized cost	389	861
Interest revenue	(54,354)	(83,691)
Gain on disposal of property, plant and equipment	(247,856)	(55,447)
Loss on disposal of intangible assets	2,595	-
Property, plant and equipment transfer to expenses	2,362	6,760
Impairment losses recognized on non-financial assets	-	527,327
Loss (gain) of foreign currency exchange, net	288,935	(55,661)
Changes in operating assets and liabilities:		
Increase in financial assets mandatorily classified as at fair value through profit or loss	(49,289)	-
Increase in contract assets	(158,211)	(463,813)
(Decrease) increase in notes and accounts receivable	107,541	(4,834)
Increase in accounts receivable from related parties	(1,527,615)	(1,543,475)
Increase in other receivables	(175,317)	(211,041)
Increase in other receivables from related parties	(141,294)	(1,473)
(Increase) decrease in inventories	(1,315,425)	602,470
(Increase) decrease in prepayments	(20,068)	18,014
Decrease other current assets	6,853	432,565
(Decrease) increase in financial liabilities held for trading	(2,973)	4,602
(Decrease) increase in contract liabilities	(8,266)	35,616
Decrease in notes and accounts payable	(855,282)	(1,975)
Increase in accounts payable to related parties	5,566	77,416
Increase (decrease) in bonus to employees and remuneration of directors	70,580	(6,001)
Decrease in other payables to related parties	(16,574)	(4)
Decrease in accrued expenses and other current liabilities	(189,729)	(750,334)
Decrease in net defined benefit liabilities	(39,335)	(28,097)
(Decrease) increase in other payables	(138,121)	2,669
Cash generated from operations	13,722,245	14,008,500
Interest received	57,215	80,720
Interest paid	(270,923)	(362,593)
Income tax paid	(1,627,664)	(1,875,110)
Net cash generated from operating activities	<u>11,880,873</u>	<u>11,851,517</u>

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# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	<b>Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at amortized cost	\$ (5,038)	\$ (187,794)
Proceeds from sale of financial assets at amortized cost	590,855	120,482
Acquisition of property, plant and equipment	(14,929,701)	(5,883,075)
Disposal of property, plant and equipment	359,479	133,030
Decrease (increase) in refundable deposits	10,788	(10,200)
Increase in intangible assets	(8,245)	(25,323)
Decrease in prepayments for equipment	<u>7,075</u>	<u>14,796</u>
Net cash used in investing activities	<u>(13,974,787)</u>	<u>(5,838,084)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term bank loans	429,132	327,675
Increase in long-term debts	10,407,863	16,498,302
Decrease in long-term debts	(7,334,112)	(17,250,392)
Decrease in guarantee deposits	(4)	(2,818)
Repayment of the principal portion of lease liabilities	(169,314)	(185,312)
Dividends paid to shareholders of the Corporation	(3,484,785)	(3,729,344)
Payment for buy-back of treasury share	(295,305)	(32,981)
Dividends paid to non-controlling interests	<u>(746,998)</u>	<u>(939,230)</u>
Net cash used in financing activities	<u>(1,193,523)</u>	<u>(5,314,100)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>(188,700)</u>	<u>67,671</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,476,137)</b>	<b>767,004</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u><b>21,800,048</b></u>	<u><b>18,544,142</b></u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u><b>\$ 18,323,911</b></u>	<u><b>\$ 19,311,146</b></u>

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

(With Deloitte & Touche review report dated November 6, 2020)

(Concluded)

# POWERTECH TECHNOLOGY INC. 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)

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### 1. GENERAL INFORMATION

Powertech Technology Inc. (the “PTI”) was incorporated in the Republic of China (“ROC”) on May 15, 1997 and commenced business on September 3, 1997. The PTI is mainly engaged in the manufacturing, packaging, testing, researching and developing, designing, assembling and sale of various integrated circuit products. The PTI also provides semiconductor testing and assembly services on a turnkey basis, in which the PTI buys fabricated wafers and sells tested and assembled semiconductors. The PTI’s registered office and principal place of business is in Hsin-chu Industrial Park, Hukou, Hsin-chu.

The PTI’s share was initially listed and started trading on the Taipei Exchange (“TPEX”) since April 3, 2003, after which the PTI’s share was transferred for listing and started trading on the Taiwan Stock Exchange (“TWSE”) since November 8, 2004. The PTI also issued Global Depositary Shares (“GDS”), which are listed on the Luxembourg Stock Exchange and trading on the Euro MTF Market. The GDS was accepted for quotation on the International Order Book of the London Stock Exchange.

The consolidated financial statements are presented in the PTI’s functional currency, the New Taiwan dollar. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the PTI’s share is listed on the Taiwan Share Exchange.

### 2. APPROVAL OF FINANCIAL STATEMENTS

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

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Corporation’s accounting policies.

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
“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

(Continued)

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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)

(Concluded)

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.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY**

##### **a. Statement of compliance**

These interim 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. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated 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

The consolidated financial statements incorporate the financial statements of the PTI and the entities controlled by the PTI (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the PTI.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the PTI and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interest of the Corporation and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

See Notes 12 and 31k for the detailed information of subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

Except for the following, please refer to 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 by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Corporation considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Except for the above mentioned, the critical accounting judgments and key sources of estimation uncertainty followed in these consolidated financial statements refer to 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
Checking accounts and demand deposits	\$ 18,146,413	\$ 21,798,976	\$ 19,310,353
Cash on hand	498	1,072	793
Cash equivalents			
Repurchase agreements collateralized by bonds	<u>177,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 18,323,911</u>	<u>\$ 21,800,048</u>	<u>\$ 19,311,146</u>

The market rate intervals of cash in bank and cash equivalents at the end of the reporting period were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Bank deposits	0%-2.3%	0%-2.92%	0%-2.92%
Repurchase agreements collateralized by bonds	0.42%	-	-

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial assets at FVTPL - current</u>			
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	\$ 36,004	\$ 20,555	\$ 6,890
Non-derivative financial assets			
Mutual funds	<u>111,400</u>	<u>50,652</u>	<u>50,584</u>
	<u>\$ 147,404</u>	<u>\$ 71,207</u>	<u>\$ 57,474</u>

(Continued)

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial liabilities at FVTPL - current</u>			
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	\$ 980	\$ 3,953	\$ 6,825 (Concluded)

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Contract Amounts (In Thousands)
<u>September 30, 2020</u>			
Sell forward exchange contracts	USD to NTD	2020.10.05-2021.01.04	USD 126,863
	USD to JPY	2020.10.05-2021.01.15	USD 17,184
	USD to CNY	2020.10.12	USD 8,526
<u>December 31, 2019</u>			
Sell forward exchange contracts	USD to NTD	2020.01.02-2020.03.17	USD 64,491
	USD to JPY	2020.01.06-2020.05.11	USD 22,037
<u>September 30, 2019</u>			
Sell forward exchange contracts	USD to NTD	2019.10.01-2020.01.02	USD 71,190
	USD to JPY	2019.10.04-2020.02.07	USD 15,389

The Corporation entered into foreign exchange forward contracts to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in equity instruments at fair value through other comprehensive income (FVTOCI)

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Non-current</u>			
Domestic investments			
Listed shares			
Ordinary shares - Solid State System Co., Ltd.	\$ 15,771	\$ 26,093	\$ 31,064

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Corporation's strategy of holding these investments for long-term purposes.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Current</u>			
Domestic investments			
Corporate bonds - P07 Taiwan Power Company 1A Bond	\$ 200,000	\$ -	\$ -
Corporate bonds - P04 FENC 4 Bond	100,000	100,000	-
Corporate bonds - P06 FPC 1A Bond	50,000	-	-
Corporate bonds - 02 Taiwan Power Company 1B Bond	-	150,388	150,673
Time deposits with original maturity of more than 3 months	8,155	8,429	8,692
Pledged time deposits	25,803	21,712	21,581
Restricted deposit	<u>131,892</u>	<u>269,203</u>	<u>318,131</u>
	<u>\$ 515,850</u>	<u>\$ 549,732</u>	<u>\$ 499,077</u>
<u>Non-current</u>			
Domestic investments			
Corporate bonds - P06 Taiwan Power Company 1A Bond	\$ 300,001	\$ 300,001	\$ 300,001
Corporate bonds - P08 Taiwan Power Company 3A Bond	100,001	100,001	100,001
Corporate bonds - P06 Taiwan Power Company 3A Bond	100,000	100,000	100,000
Corporate bonds - P06 FPC 1A Bond	50,000	100,000	100,000
Corporate bonds - P07 Taiwan Power Company 1A Bond	-	200,001	200,001
Corporate bonds - P04 FENC 4 Bond	-	-	100,000
Time deposits with original maturity of more than 3 months	303,380	612,268	1,115,368
Pledged time deposits	<u>88,874</u>	<u>88,874</u>	<u>80,174</u>
	<u>\$ 942,256</u>	<u>\$ 1,501,145</u>	<u>\$ 2,095,545</u>

On November 16, 2015, the Corporation bought corporate bonds issued by Far Eastern New Century Corporation, which have an effective interest rate of 1.25%; a premium value of \$100,001 thousand (par value \$100,000 thousand); and maturity date on November 16, 2020.

On September 26, 2016, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.63% at premium value \$154,054 thousand (par value \$150,000 thousand), and a maturity date of May 6, 2020.

On April 21, 2017, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 1.13% at premium value \$300,002 thousand (par value \$300,000 thousand), and a maturity date of April 21, 2022.

On May 19, 2017, the Corporation bought corporate bonds issued by Formosa Plastics Corporation with an effective interest rate of 1.09% at par value \$100,000 thousand, and maturity dates of May 19, 2021 and 2022, at par value of \$50,000 thousand, respectively.

On December 15, 2017, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.88% at par value \$100,000 thousand, and maturity dates of December 15, 2021 and 2022, at par value of \$50,000 thousand, respectively.

On May 14, 2018, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.70% at premium value \$200,001 thousand (par value \$200,000 thousand), and a maturity date of May 14, 2021.

On September 12, 2019, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.72% at par value \$100,000 thousand, and maturity dates of September 12, 2023 and 2024, at par value of \$50,000 thousand, respectively.

The ranges of interest rates for time deposits with original maturity of more than 3 months were approximately 0.001%-0.46%, 0.001%-2.42% and 0.001%-2.45% per annum as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

Refer to Note 26 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.

Refer to Note 28 for information relating to investments in financial assets at amortized cost pledged as security.

## 10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Notes receivable</u>			
Notes receivable - operating	\$ 106,564	\$ 63,517	\$ 65,945
<u>Accounts receivables</u>			
At amortized cost			
Gross carrying amount	9,291,447	9,514,936	8,914,074
Less: Allowance for impairment loss	<u>(70,203)</u>	<u>(59,481)</u>	<u>(59,481)</u>
	<u>9,221,244</u>	<u>9,455,455</u>	<u>8,854,593</u>
	<u>\$ 9,327,808</u>	<u>\$ 9,518,972</u>	<u>\$ 8,920,538</u>

### At amortized cost

The average credit period of sales of goods was 30 days to 150 days. No interest was charged on accounts receivable. In order to minimize credit risk, the management of the Corporation has 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 Corporation reviews 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 Corporation's credit risk was significantly reduced.

The Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable 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 forecasted direction of economic conditions at the reporting date. As the Corporation's historical credit loss experience does 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 Corporation's different customer base.

The Corporation writes off an accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Corporation continues 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 accounts receivable based on the Corporation's provision matrix.

September 30, 2020

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>Over 120 Days</b>	<b>Total</b>
Gross carrying amount	\$ 9,136,904	\$ 35,103	\$ 5,794	\$ 2,790	\$ 110,856	\$ 9,291,447
Loss allowance (Lifetime ECLs)	<u>(3,796)</u>	<u>(7,831)</u>	<u>(2,663)</u>	<u>(1,929)</u>	<u>(53,984)</u>	<u>(70,203)</u>
Amortized cost	<u>\$ 9,133,108</u>	<u>\$ 27,272</u>	<u>\$ 3,131</u>	<u>\$ 861</u>	<u>\$ 56,872</u>	<u>\$ 9,221,244</u>

December 31, 2019

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>Over 120 Days</b>	<b>Total</b>
Gross carrying amount	\$ 9,369,105	\$ 110,544	\$ 2,473	\$ 2,934	\$ 29,880	\$ 9,514,936
Loss allowance (Lifetime ECLs)	<u>(6,820)</u>	<u>(17,525)</u>	<u>(2,322)</u>	<u>(2,934)</u>	<u>(29,880)</u>	<u>(59,481)</u>
Amortized cost	<u>\$ 9,362,285</u>	<u>\$ 93,019</u>	<u>\$ 151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,455,455</u>

September 30, 2019

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>Over 120 Days</b>	<b>Total</b>
Gross carrying amount	\$ 8,819,920	\$ 22,255	\$ 6,497	\$ 8,706	\$ 56,696	\$ 8,914,074
Loss allowance (Lifetime ECLs)	<u>(14,600)</u>	<u>(12,421)</u>	<u>(5,518)</u>	<u>(6,216)</u>	<u>(20,726)</u>	<u>(59,481)</u>
Amortized cost	<u>\$ 8,805,320</u>	<u>\$ 9,834</u>	<u>\$ 979</u>	<u>\$ 2,490</u>	<u>\$ 35,970</u>	<u>\$ 8,854,593</u>

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 59,481	\$ 38,081
Add: Impairment loss	<u>10,722</u>	<u>21,400</u>
Balance at September 30	<u>\$ 70,203</u>	<u>\$ 59,481</u>

## 11. INVENTORIES

	September 30, 2020	December 31, 2019	September 30, 2019
Raw materials	\$ 4,675,393	\$ 3,458,332	\$ 2,843,429
Supplies	<u>519,057</u>	<u>420,693</u>	<u>377,061</u>
	<u>\$ 5,194,450</u>	<u>\$ 3,879,025</u>	<u>\$ 3,220,490</u>

The nature of the cost of goods sold is as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Cost of inventories sold	<u>\$ 15,266,825</u>	<u>\$ 14,140,121</u>	<u>\$ 45,993,487</u>	<u>\$ 38,716,290</u>
Write-downs (reversal) of inventories	<u>\$ 51,280</u>	<u>\$ 15,137</u>	<u>\$ 74,160</u>	<u>\$ (33,864)</u>
Unallocated production overhead	<u>\$ 951,072</u>	<u>\$ 768,685</u>	<u>\$ 2,730,545</u>	<u>\$ 2,811,699</u>
Sales of scrap	<u>\$ 39,308</u>	<u>\$ 33,685</u>	<u>\$ 114,955</u>	<u>\$ 88,488</u>

## 12. SUBSIDIARY

### a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Main Business	Proportion of Ownership			Remark
			September 30, 2020	December 31, 2019	September 30, 2019	
Powertech Technology Inc.	Powertech Holding (BVI) Inc.	Investment business	100%	100%	100%	Note 2
	Greatek Electronics Inc. ("GEI")	Semiconductor assembly and testing service	43%	43%	43%	Notes 1 and 4
	Powertech Technology (Singapore) Pte. Ltd.	Integrated circuit testing and assembly service	100%	100%	100%	Notes 2 and 6
	Powertech Technology (Xian) Ltd.	Semiconductor testing design, manufacturing, sales business and assembly services	36%	36%	36%	Note 3
	Powertech Technology (Suzhou) Ltd.	Semiconductor testing design, manufacturing, sales business and assembly services	9%	-	-	Notes 3 and 5
	Powertech Technology Japan Ltd.	Investment business	100%	100%	100%	Note 2
	Tera Probe, Inc.	Wafer probing test services	12%	12%	12%	Notes 2 and 4
	TeraPower Technology Inc.	Wafer probing test services	49%	49%	49%	-
Powertech Holding (BVI) Inc.	PTI Technology (Singapore) Pte. Ltd.	Investment business	100%	100%	100%	Note 2
PTI Technology (Singapore) Pte. Ltd.	Powertech Technology (Suzhou) Ltd.	Semiconductor testing design, manufacturing, sales business and assembly services	72%	100%	100%	Notes 3 and 5
Powertech Technology (Singapore) Pte. Ltd.	Powertech Technology (Xian) Ltd.	Semiconductor testing design, manufacturing, sales business and assembly services	64%	64%	64%	Note 3
	Powertech Technology (Suzhou) Ltd.	Semiconductor testing design, manufacturing, sales business and assembly services	19%	-	-	Notes 3 and 5
Powertech Technology Japan Ltd.	Tera Probe, Inc.	Wafer probing test services	49%	49%	49%	Notes 2 and 4
	Powertech Technology Akita Inc.	Semiconductor assembly and testing service	100%	100%	100%	Notes 2 and 6
Tera Probe, Inc.	TeraPower Technology Inc.	Wafer probing test services	51%	51%	51%	-
	Tera Probe Aizu, Inc.	Wafer probing test services	100%	100%	100%	Note 2

- Note 1: On the reelection of the directors and supervisors of Greatek Electronics Inc., the PTI obtained the a majority of the board seats and Greatek Electronics Inc. became a subsidiary of the PTI even though the PTI has only 43% ownership of Greatek Electronics Inc.
- Note 2: It is a non-significant subsidiary, its financial statements for nine months ended September 30, 2020 and 2019 have not been reviewed.
- Note 3: It is a non-significant subsidiary, its financial statements for nine months ended September 30, 2019 have not been reviewed.
- Note 4: Subsidiaries that have material non-controlling interests.
- Note 5: PTI Technology (Singapore) Pte. Ltd. shareholding in Powertech Technology (Suzhou) Ltd. changed to 72% after Powertech Technology Inc. and Powertech Technology (Singapore) Pte. Ltd. invested Powertech Technology (Suzhou) 9% and 19% ownership in June 2020, respectively.
- Note 6: Due to the adjustment of operating requirements, the Corporation plans to stop the operation of Powertech Technology Akita Inc. and scale down the operation of POWERTECH TECHNOLOGY (SINGAPORE) PTE. LTD.

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

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
		September 30, 2020	December 31, 2019	September 30, 2019
Greatek Electronics Inc.	Zhunan Township, Miaoli County	57%	57%	57%
Tera Probe, Inc.	Japan	39%	39%	39%

Name of Subsidiary	Profit or Loss 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			
Greatek Electronics Inc.	\$ 404,211	\$ 327,245	\$ 1,080,198	\$ 787,874	\$ 9,650,480	\$ 9,485,870	\$ 9,218,699
Tera Probe, Inc.	\$ 15,626	\$ 4,515	\$ 43,471	\$ (39,582)	\$ 2,406,003	\$ 2,384,365	\$ 2,654,789

Summarized financial information in respect of each of the Corporation's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Greatek Electronics Inc.

	September 30, 2020	December 31, 2019	September 30, 2019
Current assets	\$ 8,612,947	\$ 8,177,381	\$ 7,647,910
Non-current assets	11,737,589	11,338,830	11,189,949
Current liabilities	(2,878,334)	(2,610,535)	(2,452,501)
Non-current liabilities	(247,834)	(251,046)	(241,435)
Equity	\$ 17,224,368	\$ 16,654,630	\$ 16,143,923

(Continued)

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Equity attributable to:			
Owners of the Corporation	\$ 7,390,146	\$ 7,145,699	\$ 6,926,580
Non-controlling interests	<u>9,834,222</u>	<u>9,508,931</u>	<u>9,217,343</u>
	<u>\$ 17,224,368</u>	<u>\$ 16,654,630</u>	<u>\$ 16,143,923</u>

(Concluded)

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Operating revenue	<u>\$ 3,780,032</u>	<u>\$ 3,295,778</u>	<u>\$10,641,584</u>	<u>\$ 8,798,119</u>
Net income for the period	\$ 717,338	\$ 582,535	\$ 1,920,059	\$ 1,408,063
Other comprehensive income for the period	<u>(100,455)</u>	<u>30,900</u>	<u>(41,975)</u>	<u>52,680</u>
Total comprehensive income for the period	<u>\$ 616,883</u>	<u>\$ 613,435</u>	<u>\$ 1,878,084</u>	<u>\$ 1,460,743</u>
Net income attributable to:				
Owners of the Corporation	\$ 307,776	\$ 249,938	\$ 823,805	\$ 604,132
Non-controlling interests	<u>409,562</u>	<u>332,597</u>	<u>1,096,254</u>	<u>803,931</u>
	<u>\$ 717,338</u>	<u>\$ 582,535</u>	<u>\$ 1,920,059</u>	<u>\$ 1,408,063</u>
Total comprehensive income attributable to:				
Owners of the Corporation	\$ 264,676	\$ 263,196	\$ 805,796	\$ 626,735
Non-controlling interests	<u>352,207</u>	<u>350,239</u>	<u>1,072,288</u>	<u>834,008</u>
	<u>\$ 616,883</u>	<u>\$ 613,435</u>	<u>\$ 1,878,084</u>	<u>\$ 1,460,743</u>
Net cash inflow (outflow) from:				
Operating activities	\$ 1,233,580	\$ 1,047,446	\$ 3,515,140	\$ 2,962,994
Investing activities	(935,644)	(599,227)	(2,618,188)	(1,426,599)
Financing activities	<u>(1,308,649)</u>	<u>(1,536,182)</u>	<u>(1,309,250)</u>	<u>(1,536,847)</u>
Net cash outflow	<u>\$(1,010,713)</u>	<u>\$(1,087,963)</u>	<u>\$ (412,298)</u>	<u>\$ (452)</u>

Tera Probe, Inc.

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Current assets	\$ 2,743,554	\$ 2,423,564	\$ 2,034,135
Non-current assets	4,426,885	4,954,776	5,643,023
Current liabilities	(772,023)	(973,622)	(1,056,562)
Non-current liabilities	<u>(620,476)</u>	<u>(662,624)</u>	<u>(745,604)</u>
Equity	<u>\$ 5,777,940</u>	<u>\$ 5,742,094</u>	<u>\$ 5,874,992</u>

(Continued)

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>	
Equity attributable to:				
Owners of the Corporation	\$ 3,504,321	\$ 3,482,580	\$ 3,563,089	
Non-controlling interests	<u>2,273,619</u>	<u>2,259,514</u>	<u>2,311,903</u>	
	<u>\$ 5,777,940</u>	<u>\$ 5,742,094</u>	<u>\$ 5,874,992</u> (Concluded)	
	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Operating revenue for the period	<u>\$ 318,612</u>	<u>\$ 467,301</u>	<u>\$ 1,078,546</u>	<u>\$ 1,434,188</u>
Net income (loss) for the period	\$ 20,442	\$ (7,796)	\$ 52,667	\$ (171,379)
Other comprehensive (loss) income for the period	<u>(3,840)</u>	<u>(8,423)</u>	<u>19,948</u>	<u>(106,262)</u>
Total comprehensive income (loss) for the period	<u>\$ 16,602</u>	<u>\$ (16,219)</u>	<u>\$ 72,615</u>	<u>\$ (277,641)</u>
Net income (loss) attributable to:				
Owners of the Corporation	\$ 12,398	\$ (4,728)	\$ 31,942	\$ (103,699)
Non-controlling interests	<u>8,044</u>	<u>(3,068)</u>	<u>20,725</u>	<u>(67,680)</u>
	<u>\$ 20,442</u>	<u>\$ (7,796)</u>	<u>\$ 52,667</u>	<u>\$ (171,379)</u>
Total comprehensive income (loss) attributable to:				
Owners of the Corporation	\$ 10,069	\$ (9,837)	\$ 44,006	\$ (168,004)
Non-controlling interests	<u>6,533</u>	<u>(6,382)</u>	<u>28,609</u>	<u>(109,637)</u>
	<u>\$ 16,602</u>	<u>\$ (16,219)</u>	<u>\$ 72,615</u>	<u>\$ (277,641)</u>
Net cash inflow (outflow) from:				
Operating activities	\$ 63,095	\$ (422,713)	\$ (509,707)	\$ (737,745)
Investing activities	187,402	938,334	1,803,784	1,517,049
Financing activities	<u>(328,063)</u>	<u>(83,405)</u>	<u>(1,273,571)</u>	<u>(938,378)</u>
Net cash (outflow) inflow	<u>\$ (77,566)</u>	<u>\$ 432,216</u>	<u>\$ 20,506</u>	<u>\$ (159,074)</u>

### 13. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2020					December 31, 2019			September 30, 2019	
Assets used by the Corporation	<u>\$ 61,436,290</u>					<u>\$ 58,779,789</u>			<u>\$ 57,325,824</u>	
	Land	Building	Machinery and Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Advance Payments	Spare parts	Total
<b>Cost</b>										
Balance at January 1, 2020	\$ 3,443,310	\$ 27,220,089	\$ 96,574,165	\$ 2,365,767	\$ 426,189	\$ 3,705,720	\$ 1,413,214	\$ 5,274,732	\$ 161,417	\$ 140,584,603
Additions	-	16,049	1,316,813	18,102	899	10,855	1,022,080	10,046,837	369,922	12,801,557
Disposals	-	(52,327)	(1,703,717)	(11,832)	-	(53,913)	-	(22,336)	(337,776)	(2,181,901)
Reclassified	-	401,617	10,236,905	111,305	928	73,059	(449,332)	(10,381,524)	-	(7,042)
Effect of foreign currency exchange differences	(431)	(32,745)	(273,116)	(15,474)	(11,382)	(9,440)	(608)	(9,512)	(489)	(353,197)
Balance at September 30, 2020	<u>3,442,879</u>	<u>27,552,683</u>	<u>106,151,050</u>	<u>2,467,868</u>	<u>416,634</u>	<u>3,726,281</u>	<u>1,985,354</u>	<u>4,908,197</u>	<u>193,074</u>	<u>150,844,020</u>
<b>Accumulated depreciation</b>										
Balance at January 1, 2020	-	11,052,939	64,195,405	1,728,157	238,577	3,246,752	-	-	15,589	80,477,419
Depreciation expense	-	1,125,563	8,117,117	187,445	15,288	154,439	-	-	336,763	9,936,675
Disposals	-	(49,323)	(1,626,156)	(3,406)	-	(51,925)	-	-	(337,737)	(2,068,547)
Reclassified	-	6,841	19	-	(6,841)	(19)	-	-	-	-
Effect of foreign currency exchange differences	-	(15,817)	(189,582)	(11,838)	(7,737)	(8,360)	-	-	(484)	(233,818)
Balance at September 30, 2020	<u>-</u>	<u>12,120,203</u>	<u>70,496,863</u>	<u>1,900,358</u>	<u>239,287</u>	<u>3,340,887</u>	<u>-</u>	<u>-</u>	<u>14,131</u>	<u>88,111,729</u>
<b>Accumulated impairment</b>										
Balance at January 1, 2020	1,753	434,093	666,461	101,000	78,663	-	45,425	-	-	1,327,395
Disposals	-	-	(1,731)	-	-	-	-	-	-	(1,731)
Reclassified	-	-	-	-	-	-	(45,523)	45,523	-	-
Effect of foreign currency exchange differences	(8)	(8,384)	(17,161)	(1,341)	(2,556)	-	98	(311)	-	(29,663)
Balance at September 30, 2020	<u>1,745</u>	<u>425,709</u>	<u>647,569</u>	<u>99,659</u>	<u>76,107</u>	<u>-</u>	<u>-</u>	<u>45,212</u>	<u>-</u>	<u>1,296,001</u>
Carrying amounts at September 30, 2020	<u>\$ 3,441,134</u>	<u>\$ 15,006,771</u>	<u>\$ 35,006,618</u>	<u>\$ 467,851</u>	<u>\$ 101,240</u>	<u>\$ 385,394</u>	<u>\$ 1,985,354</u>	<u>\$ 4,862,985</u>	<u>\$ 178,943</u>	<u>\$ 61,439,290</u>
Carrying amounts at December 31, 2019 and January 1, 2020	<u>\$ 3,441,557</u>	<u>\$ 15,733,057</u>	<u>\$ 31,712,299</u>	<u>\$ 536,610</u>	<u>\$ 108,949</u>	<u>\$ 458,968</u>	<u>\$ 1,367,789</u>	<u>\$ 5,274,732</u>	<u>\$ 145,828</u>	<u>\$ 58,779,789</u>
<b>Cost</b>										
Balance at January 1, 2019	\$ 3,322,250	\$ 26,944,810	\$ 91,234,066	\$ 2,343,814	\$ 362,214	\$ 3,650,775	\$ 907,019	\$ 6,016,130	\$ 147,694	\$ 134,928,772
Additions	121,366	35,084	613,572	8,088	7,292	17,026	1,084,395	3,347,609	286,090	5,520,522
Disposals	-	(5,116)	(597,371)	(73,646)	(314)	(26,766)	(4,953)	(1,465)	(273,019)	(982,650)
Reclassified	-	346,591	5,449,836	167,152	64,046	62,176	(715,990)	(6,138,458)	-	(764,647)
Effect of foreign currency exchange differences	726	(17,523)	310,275	9,361	5,092	2,895	10,275	5,445	165	326,711
Balance at September 30, 2019	<u>3,444,342</u>	<u>27,303,846</u>	<u>97,010,378</u>	<u>2,454,769</u>	<u>438,330</u>	<u>3,706,106</u>	<u>1,280,746</u>	<u>3,229,261</u>	<u>160,930</u>	<u>139,028,708</u>
<b>Accumulated depreciation</b>										
Balance at January 1, 2019	-	9,698,433	57,403,617	1,658,423	228,673	3,091,424	-	-	13,277	72,093,847
Depreciation expense	-	1,127,629	7,477,420	208,750	16,584	171,484	-	-	275,192	9,277,059
Disposals	-	(5,116)	(523,889)	(72,319)	(314)	(25,701)	-	-	(273,019)	(900,358)
Reclassified	-	6,841	(350,777)	-	(6,841)	(10,777)	-	-	-	(361,554)
Effect of foreign currency exchange differences	-	(15,792)	237,786	2,824	2,682	1,779	-	-	131	229,410
Balance at September 30, 2019	<u>-</u>	<u>10,811,995</u>	<u>64,244,157</u>	<u>1,797,678</u>	<u>240,784</u>	<u>3,228,209</u>	<u>-</u>	<u>-</u>	<u>15,581</u>	<u>80,338,404</u>
<b>Accumulated impairment</b>										
Balance at January 1, 2019	1,762	260,090	353,465	112,819	80,298	-	45,638	-	-	854,072
Recognition (revolution) of Impairment loss	-	186,737	327,828	(8,024)	-	-	-	-	-	506,541
Disposals	-	-	(1)	(1,314)	-	-	-	-	-	(1,315)
Effect of foreign currency exchange differences	60	(3,177)	6,349	(419)	812	-	1,557	-	-	5,182
Balance at September 30, 2019	<u>1,822</u>	<u>443,650</u>	<u>687,641</u>	<u>103,062</u>	<u>81,110</u>	<u>-</u>	<u>47,195</u>	<u>-</u>	<u>-</u>	<u>1,364,480</u>
Carrying amounts at September 30, 2019	<u>\$ 3,442,520</u>	<u>\$ 16,048,201</u>	<u>\$ 32,078,580</u>	<u>\$ 554,029</u>	<u>\$ 116,436</u>	<u>\$ 477,897</u>	<u>\$ 1,233,551</u>	<u>\$ 3,229,261</u>	<u>\$ 145,349</u>	<u>\$ 57,325,824</u>

Powertech Technology Akita Inc. and Tera Probe, Inc. expects a decrease in the future cash flows of buildings, machinery and equipment and office equipment. Therefore, impairment losses of \$0 thousand and \$506,541 thousand were recognized in other gains and losses for the three months ended September 30, 2019 and nine months ended September 30, 2019, respectively. Powertech Technology Akita Inc. and Tera Probe, Inc. evaluated that the carrying amount of some machinery and equipment cannot be recovered.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main plants	3-51 years
Mechanical and electrical power equipment	1-26 years
Wafer Fab	6-16 years
Fire control equipment	2-26 years
Others	2-56 years
Machinery and equipment	1-20 years
Office equipment	1-15 years
Leasehold improvements	4-50 years
Other equipment	1-16 years
Spare parts	0.5-2 years

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 28.

#### 14. LEASE ARRANGEMENTS

##### a. Right-of-use assets

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
<u>Carrying amounts</u>			
Land	\$ 1,418,853	\$ 1,449,085	\$ 1,459,511
Buildings	50,093	121,589	151,975
Machinery and equipment	282,649	354,892	392,186
Transportation equipment	<u>103</u>	<u>337</u>	<u>415</u>
	<u>\$ 1,751,698</u>	<u>\$ 1,925,903</u>	<u>\$ 2,004,087</u>
	<b>For the Three Months Ended September 30</b>	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>
			<b>2019</b>
Additions to right-of-use assets			<u>\$ -</u>
Depreciation charge for right-of-use assets			<u>\$ 69,231</u>
Land	\$ 9,029	\$ 9,278	\$ 27,502
Buildings	17,742	26,496	64,074
Machinery and equipment	24,141	24,266	70,491
Transportation equipment	<u>78</u>	<u>78</u>	<u>234</u>
	<u>\$ 50,990</u>	<u>\$ 60,118</u>	<u>\$ 162,301</u>
			<u>\$ 179,109</u>

Except for the aforementioned addition and recognized depreciation, the Corporation 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

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
<u>Carrying amounts</u>			
Current	\$ 139,042	\$ 211,549	\$ 235,372
Non-current	\$ 1,449,289	\$ 1,546,096	\$ 1,601,826

Range of discount rate for lease liabilities was as follows:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Land	1.10%-1.69%	1.10%-1.69%	1.10%-1.69%
Buildings	0.69%-3.77%	0.69%-3.77%	0.69%-3.77%
Machinery and equipment	0.80%-2.32%	0.80%-2.32%	0.80%-2.32%
Transportation equipment	1.13%	1.13%	1.13%

c. Other lease information

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases	\$ 6,396	\$ 11,170	\$ 14,635	\$ 28,398
Total cash (outflow) for leases			\$ (183,949)	\$ (213,710)

The Corporation leases certain land, office, machines, vehicles and office equipment which qualify as short-term leases. The Corporation has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 15. INTANGIBLE ASSETS

	<b>Computer Software</b>	<b>Goodwill</b>	<b>Core Technique</b>	<b>Client Relationship</b>	<b>Royalty</b>	<b>Technique Service</b>	<b>Total</b>
<u>Cost</u>							
Balance at January 1, 2020	\$ 637,338	\$ 979,819	\$ 249,359	\$ 220,775	\$ 10,088	\$ 88,894	\$ 2,186,273
Additions	8,245	-	-	-	-	-	8,245
Disposals	(15,636)	-	-	-	(500)	-	(16,136)
Reclassified	4,680	-	-	-	-	-	4,680
Effect of foreign currency exchange differences	(2,948)	-	(1,162)	-	(5)	-	(4,115)
Balance at September 30, 2020	<u>631,679</u>	<u>979,819</u>	<u>248,197</u>	<u>220,775</u>	<u>9,583</u>	<u>88,894</u>	<u>2,178,947</u>
<u>Accumulated amortization</u>							
Balance at January 1, 2020	562,741	-	249,359	197,396	3,551	88,894	1,101,941
Amortization expense	57,488	-	-	18,924	2,173	-	78,585
Disposals	(13,015)	-	-	-	(500)	-	(13,515)
Effect of foreign currency exchange differences	(2,051)	-	(1,162)	-	(4)	-	(3,217)
Balance at September 30, 2020	<u>605,163</u>	<u>-</u>	<u>248,197</u>	<u>216,320</u>	<u>5,220</u>	<u>88,894</u>	<u>1,163,794</u>

(Continued)



	Computer Software	Goodwill	Core Technique	Client Relationship	Royalty	Technique Service	Total
<u>Accumulated impairment</u>							
Balance at January 1, 2020	\$ 24,706	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,706
Disposals	(26)	-	-	-	-	-	(26)
Effect of foreign currency exchange differences	(563)	-	-	-	-	-	(563)
Balance at September 30, 2020	<u>24,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,117</u>
Carrying amounts at September 30, 2020	<u>\$ 2,399</u>	<u>\$ 979,819</u>	<u>\$ -</u>	<u>\$ 4,455</u>	<u>\$ 4,363</u>	<u>\$ -</u>	<u>\$ 991,036</u>
Carrying amounts at December 31, 2019 and January 1, 2020	<u>\$ 49,891</u>	<u>\$ 979,819</u>	<u>\$ -</u>	<u>\$ 23,379</u>	<u>\$ 6,537</u>	<u>\$ -</u>	<u>\$ 1,059,626</u>
<u>Cost</u>							
Balance at January 1, 2019	\$ 661,534	\$ 979,819	\$ 250,103	\$ 220,775	\$ 1,765	\$ 88,894	\$ 2,202,890
Additions	16,992	-	-	-	8,331	-	25,323
Disposals	(63,771)	-	-	-	-	-	(63,771)
Reclassified	24,000	-	-	-	-	-	24,000
Effect of foreign currency exchange differences	9,443	-	(36,448)	-	60	-	(26,945)
Balance at September 30, 2019	<u>648,198</u>	<u>979,819</u>	<u>213,655</u>	<u>220,775</u>	<u>10,156</u>	<u>88,894</u>	<u>2,161,497</u>
<u>Accumulated amortization</u>							
Balance at January 1, 2019	523,810	-	250,103	172,165	1,354	88,894	1,036,326
Amortization expense	83,309	-	-	18,924	1,481	-	103,714
Disposals	(63,771)	-	-	-	-	-	(63,771)
Effect of foreign currency exchange differences	7,295	-	(36,448)	-	47	-	(29,106)
Balance at September 30, 2019	<u>550,643</u>	<u>-</u>	<u>213,655</u>	<u>191,089</u>	<u>2,882</u>	<u>88,894</u>	<u>1,047,163</u>
<u>Accumulated impairment</u>							
Balance at January 1, 2019	4,360	-	-	-	-	-	4,360
Recognition of Impairment loss	20,786	-	-	-	-	-	20,786
Effect of foreign currency exchange differences	396	-	-	-	-	-	396
Balance at September 30, 2019	<u>25,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,542</u>
Carrying amounts at September 30, 2019	<u>\$ 72,013</u>	<u>\$ 979,819</u>	<u>\$ -</u>	<u>\$ 29,686</u>	<u>\$ 7,274</u>	<u>\$ -</u>	<u>\$ 1,088,792</u>

(Concluded)

Powertech Technology Akita Inc. and Tera Probe, Inc. expects a decrease in the future cash flows of computer software. Therefore, impairment losses of \$0 thousand and \$20,786 thousand were recognized in other gains and losses for the three months ended September 30, 2019 and nine months ended September 30, 2019, respectively. Powertech Technology Akita Inc. and Tera Probe, Inc. evaluated that the carrying amount of some machinery and equipment cannot be recovered.

The above items of intangible assets were amortized on a straight-line basis over the estimated useful lives as follows:

Computer software	2-10 years
Core technique	5 years
Client relationship	9 years
Royalty	1-10 years
Technique service	2-4 years

## 16. OTHER ASSETS

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Current</u>			
Tax refund receivables	\$ 407,352	\$ 400,846	\$ 344,267
Payment on behalf of others	104,519	77,934	54,418
Others	<u>36,066</u>	<u>76,010</u>	<u>81,598</u>
	<u>\$ 547,937</u>	<u>\$ 554,790</u>	<u>\$ 480,283</u>
<u>Non-current</u>			
Refundable deposits	\$ 54,307	\$ 65,095	\$ 55,835
Prepayment for equipment	52,768	59,843	12,020
Other	<u>1,386</u>	<u>1,147</u>	<u>1,200</u>
	<u>\$ 108,461</u>	<u>\$ 126,085</u>	<u>\$ 69,055</u>

## 17. BORROWINGS

### a. Short-term bank loans

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Unsecured borrowings</u>			
Working capital loan	<u>\$ 1,607,477</u>	<u>\$ 1,182,283</u>	<u>\$ 1,171,628</u>

The effective interest rates on the working capital loan were 0.60%-1.50%, 0.68%-5.00% and 0.68%-4.79% as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

### b. Long-term debts

	September 30, 2020	December 31, 2019	September 30, 2019
1) Secured Borrowings (Note 28)	\$ 12,561,586	\$ 12,948,198	\$ 12,074,680
2) Unsecured Borrowings	<u>20,145,817</u>	<u>16,690,219</u>	<u>18,420,699</u>
	32,707,403	29,638,417	30,495,379
Current portion	<u>(1,059,879)</u>	<u>(182,305)</u>	<u>(293,664)</u>
	<u>\$ 31,647,524</u>	<u>\$ 29,456,112</u>	<u>\$ 30,201,715</u>

1. Repayable continually from November 2021 to December 2038; interest rates at 0.83%-1.05% on September 30, 2020, 1.11%-1.21% on December 31, 2019 and 1.16%-1.25% on September 30, 2019.

2. Repayable continually from January 2021 to June 2025; interest rates at 0.69%-3.05% on September 30, 2020, 0.69%-3.90% on December 31, 2019 and 0.69%-3.90% on September 30, 2019.

For PTI's long-term debt, the financing banks required PTI to show compliance with requirements to maintain the current ratio, fixed ratio, liability ratio, financial liability ratio, equity ratio, interest coverage ratio, tangible assets and net asset value as well as the ability to repay the current portion of long-term liabilities in its annual and semiannual consolidated financial statements.

## 18. OTHER LIABILITIES

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Current</u>			
Accrued expenses and other current liabilities			
Salaries and bonus	\$ 2,022,769	\$ 1,963,983	\$ 1,601,234
Payable for utilities	259,746	200,331	230,932
Payable for insurance	209,751	209,634	196,820
Agency receipts	194,793	154,335	156,379
Payable for annual leave	151,432	62,966	120,268
Indemnification payable (a)	112,743	55,787	53,633
Others	<u>3,870,034</u>	<u>4,368,846</u>	<u>4,111,510</u>
	<u>\$ 6,821,268</u>	<u>\$ 7,015,882</u>	<u>\$ 6,470,776</u>
<u>Non-current</u>			
Other liabilities			
Guarantee deposits	\$ 1,343	\$ 1,347	\$ 1,442
Others	<u>191,680</u>	<u>329,801</u>	<u>379,658</u>
	<u>\$ 193,023</u>	<u>\$ 331,148</u>	<u>\$ 381,100</u>

- a. Indemnification payable are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

## 19. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Corporation's defined benefit retirement plans were \$3,736 thousand, \$5,130 thousand, \$11,216 thousand and \$25,074 thousand for the three months and nine months ended September 30, 2020 and 2019, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2019 and 2018.

## 20. EQUITY

### a. Capital share

#### 1) Common share

	September 30, 2020	December 31, 2019	September 30, 2019
Share authorized (in thousands of shares)	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
Share authorized (in thousands of dollars)	<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>
Share issued and fully paid (in thousands of shares)	<u>779,147</u>	<u>779,147</u>	<u>779,147</u>
Share issued (in thousands of dollars)	<u>\$ 7,791,466</u>	<u>\$ 7,791,466</u>	<u>\$ 7,791,466</u>

Fully paid common share, which have a par value of \$10, carry 1 vote per share and carry a right to dividends.

15,000 thousand shares of the capital share was reserved for the issuance of employee share options.

As of September 30, 2020, 35 thousand units of GDSs of the PTI were traded on the Luxembourg Share Exchange. The number of common shares represented by the GDSs was 69 thousand shares (one GDS represents 2 common shares).

### 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 capital share (1)			
Share premium	\$ 1,929	\$ 1,929	\$ 1,929
<u>May be used to offset a deficit only</u>			
Arising from treasury share transactions	157,647	136,272	136,272
Change in percentage of ownership interests in subsidiaries (2)	<u>71,651</u>	<u>71,651</u>	<u>71,594</u>
	<u>\$ 231,227</u>	<u>\$ 209,852</u>	<u>\$ 209,795</u>

1) The premium from shares issued in excess of par may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Corporation's capital surplus and once a year).

2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

Under the PTI's Articles of Incorporation, the PTI should make appropriations from its net income in the following order:

- 1) Offset deficits.
- 2) Set aside as legal reserve 10% of the remaining profit.
- 3) Appropriate as special reserve.
- 4) After the above-mentioned amounts have been deducted, any remaining profit from the previous years and the current year's undistributed retained earnings shall be used by the PTI's board of directors as the basis for proposing a distribution plan, which should be resolved by the shareholders as to whether the amount should be distributed as dividends or retained within the PTI.

Dividends are distributed in the form of cash, common share or a combination of cash and common share. In consideration of the PTI being in a capital-intensive industry as well as the present and future investment environment, capital demand, market competition, capital budget, shareholders' interests, balanced dividend considerations and long-term financial plans, the PTI's Articles of Incorporation provide that the total cash dividends paid in any given year should be at least 20% of total dividends distributed.

For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to employees' compensation and remuneration of directors in Note 22(g).

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the PTI. Distributions can be made out of any subsequent reversal of the debit to other equity items.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the PTI's capital surplus. The legal reserve may be used to offset deficit. If the PTI has no deficit and the legal reserve has exceeded 25% of the PTI's capital surplus, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2019 and 2018 that were approved in the shareholders' meeting on May 28, 2020 and May 31, 2019, respectively. The appropriations and dividends per share were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Legal reserve	<u>\$ 582,611</u>	<u>\$ 623,428</u>
Special reserve	<u>\$ 129,671</u>	<u>\$ (142,558)</u>
Cash dividends	<u>\$ 3,506,160</u>	<u>\$ 3,739,904</u>
Cash dividends per share (NT\$)	\$ 4.5	\$ 4.8

d. Others equity items

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ (299,686)	\$ (170,725)
Recognized for the period		
Exchange differences on translating the financial statements of foreign operations	<u>(63,518)</u>	<u>46,046</u>
Other comprehensive income recognized for the period	<u>(63,518)</u>	<u>46,046</u>
Balance at September 30	<u>\$ (363,204)</u>	<u>\$ (124,679)</u>

2) Unrealized gain (loss) on financial assets at FVTOCI

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ (25,055)	\$ (24,345)
Recognized for the period		
Unrealized gain/(loss) - debt instruments	<u>(10,322)</u>	<u>4,261</u>
Other comprehensive income recognized for the period	<u>(10,322)</u>	<u>4,261</u>
Balance at September 30	<u>\$ (35,377)</u>	<u>\$ (20,084)</u>

e. Non-controlling interests

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 11,870,235	\$ 12,074,141
Share in profit for the period	1,123,669	748,292
Other comprehensive income for the period		
Exchange difference on translating the financial statements of foreign entities	(21,833)	50,538
Unrealized gain on financial assets at FVTOCI	-	30,077
The Corporation's shares held by its subsidiaries treated as treasury shares	(168,590)	(18,829)
Cash dividends distributed by subsidiaries	(746,998)	(939,230)
Changes in percentage of ownership interests in subsidiaries	<u>-</u>	<u>(71,501)</u>
Balance at September 30	<u>\$ 12,056,483</u>	<u>\$ 11,873,488</u>

f. Treasury share

<b>Purpose of Buy-Back</b>	<b>Stock Held by Subsidiary (In Thousands of Shares)</b>
Number of share at January 1, 2019	2,200
Increase during the period	<u>450</u>
Number of share at September 30, 2019	<u>2,650</u>
Number of share at January 1, 2020	2,650
Increase during the period	<u>3,350</u>
Number of share at September 30, 2020	<u>6,000</u>

The PTI's shares held by its subsidiary at the end of the reporting periods were as follows :

<b>Name of Subsidiary</b>	<b>Number of Share Held (In Thousands of Shares)</b>	<b>Carrying Amount</b>	<b>Market Price</b>
<u>September 30, 2020</u>			
Greatek Electronics Inc.	6,000	\$ 517,800	\$ 517,800
<u>December 31, 2019</u>			
Greatek Electronics Inc.	2,650	\$ 264,470	\$ 264,470
<u>September 30, 2019</u>			
Greatek Electronics Inc.	2,650	\$ 231,080	\$ 231,080

The PTI's shares held by its subsidiary are treated as treasury share.

## 21. REVENUE

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Revenue from contracts with customers				
Revenue from packaging service	\$ 12,681,204	\$ 11,791,743	\$ 37,369,765	\$ 30,888,698
Revenue from testing service	6,248,503	5,862,667	19,631,328	16,039,008
Others	<u>5,994</u>	<u>50,917</u>	<u>156,412</u>	<u>289,429</u>
	<u>\$ 18,935,701</u>	<u>\$ 17,705,327</u>	<u>\$ 57,157,505</u>	<u>\$ 47,217,135</u>

a. Contract information

As the Corporation fulfills the obligations in the contract for testing services, the customer simultaneously receives and consumes the benefits provided by the Corporation. The Corporation has the right to revenue collection for the portion of testing services that have been fulfilled, and the revenue from testing services is recognized over time. The Corporation fulfills the obligations in the contract for packaging services when the customer creates or enhances the goods they have control of. The Corporation has the right to revenue collection for the portion of packaging services that have been fulfilled, and the revenue from packaging services is recognized over time.

b. Contract balances

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>	<b>January 1, 2019</b>
Notes and accounts receivable (including related parties) (Note 10)	<u>\$ 15,047,414</u>	<u>\$ 13,771,460</u>	<u>\$ 13,317,260</u>	<u>\$ 11,846,133</u>
Contract assets				
Revenue from services	<u>\$ 2,328,667</u>	<u>\$ 2,170,456</u>	<u>\$ 2,135,027</u>	<u>\$ 1,671,214</u>
Contract liabilities				
Revenue from services	<u>\$ 54,192</u>	<u>\$ 62,458</u>	<u>\$ 74,939</u>	<u>\$ 39,323</u>

The changes in the contract asset and the contract liability balances primarily result from the timing difference between the Corporation's performance and the customer's payment.

Revenue of the reporting period recognized from the beginning contract liability is as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
From the beginning contract liability				
Revenue from services	<u>\$ 4,674</u>	<u>\$ 3,181</u>	<u>\$ 43,176</u>	<u>\$ 22,749</u>

c. Disaggregation of revenue

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<u>Primary geographical markets</u>				
Japan	\$ 6,904,751	\$ 6,712,494	\$ 20,244,145	\$ 16,360,470
Taiwan (The location of the Corporation)	3,851,544	3,609,147	11,297,280	9,754,139
Singapore	3,648,703	3,061,057	10,998,233	9,023,258
North America	3,113,068	3,133,697	10,330,771	9,192,093
Europe	601,420	703,598	1,709,565	1,799,643
China and Hong Kong	253,957	353,562	759,822	756,302
Others	<u>562,258</u>	<u>131,772</u>	<u>1,817,689</u>	<u>331,230</u>
	<u>\$ 18,935,701</u>	<u>\$ 17,705,327</u>	<u>\$ 57,157,505</u>	<u>\$ 47,217,135</u>



## 22. NET PROFIT FROM CONTINUING OPERATIONS

### a. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Fair value changes of financial assets and financial liabilities				
Financial assets mandatorily classified as at FVTPL	\$ 82,254	\$ 4,623	\$ 149,572	\$ 9,543
Financial liabilities held for trading	(1,141)	(15,243)	(21,718)	(48,041)
Impairment loss on non-financial assets	-	-	-	(527,327)
Others	<u>115,266</u>	<u>(93,168)</u>	<u>76,327</u>	<u>552,838</u>
	<u>\$ 196,379</u>	<u>\$ (103,788)</u>	<u>\$ 204,181</u>	<u>\$ (12,987)</u>

### b. Interest income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Bank deposits	\$ 8,054	\$ 25,902	\$ 47,095	\$ 76,040
Financial assets measured at amortized cost	2,200	2,578	6,855	7,619
Repurchase agreements collateralized by bonds	<u>404</u>	<u>20</u>	<u>404</u>	<u>32</u>
	<u>\$ 10,658</u>	<u>\$ 28,500</u>	<u>\$ 54,354</u>	<u>\$ 83,691</u>

### c. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Rental income				
Operating lease rental income	<u>\$ 21,676</u>	<u>\$ 32,496</u>	<u>\$ 69,011</u>	<u>\$ 97,597</u>

### d. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Interest on bank loans	\$ 77,245	\$ 97,368	\$ 251,552	\$ 282,443
Interest on lease liabilities	6,595	7,228	20,288	22,329
Capitalized interest	<u>(19,460)</u>	<u>(13,679)</u>	<u>(60,657)</u>	<u>(46,205)</u>
	<u>\$ 64,380</u>	<u>\$ 90,917</u>	<u>\$ 211,183</u>	<u>\$ 258,567</u>

Information about capitalized interest was as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Capitalized interest	\$ 19,460	\$ 13,679	\$ 60,657	\$ 46,205
Capitalization rate	0.94%-1.14%	1.16%-1.19%	0.94%-1.14%	1.16%-1.19%

e. Depreciation and amortization

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Property, plant and equipment	\$ 3,460,719	\$ 3,144,964	\$ 9,936,675	\$ 9,277,059
Right-of-use assets	50,990	60,118	162,301	179,109
Intangible assets	<u>10,552</u>	<u>33,800</u>	<u>78,585</u>	<u>103,714</u>
	<u>\$ 3,522,261</u>	<u>\$ 3,238,882</u>	<u>\$ 10,177,561</u>	<u>\$ 9,559,882</u>

An analysis of depreciation by function

Operating costs	\$ 3,328,421	\$ 3,033,979	\$ 9,577,780	\$ 8,975,772
Operating expense	<u>183,288</u>	<u>171,103</u>	<u>521,196</u>	<u>480,396</u>
	<u>\$ 3,511,709</u>	<u>\$ 3,205,082</u>	<u>\$ 10,098,976</u>	<u>\$ 9,456,168</u>

An analysis of amortization by function

Operating costs	\$ 6,742	\$ 29,754	\$ 67,033	\$ 92,188
Marketing	13	33	41	69
General and administrative	1,544	1,838	4,747	5,674
Research and development	<u>2,253</u>	<u>2,175</u>	<u>6,764</u>	<u>5,783</u>
	<u>\$ 10,552</u>	<u>\$ 33,800</u>	<u>\$ 78,585</u>	<u>\$ 103,714</u>

f. Employee benefits expense

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Post-employment benefits				
Defined contribution plans	\$ 135,642	\$ 130,147	\$ 398,795	\$ 392,595
Defined benefit plans (see Note 19)	<u>3,736</u>	<u>5,130</u>	<u>11,216</u>	<u>25,074</u>
	139,378	135,277	410,011	417,669
Termination benefits	404	-	3,336	-
Other employee benefits	<u>4,157,567</u>	<u>4,055,959</u>	<u>12,935,928</u>	<u>11,023,585</u>
Total employee benefits expense	<u>\$ 4,297,349</u>	<u>\$ 4,191,236</u>	<u>\$ 13,349,275</u>	<u>\$ 11,441,254</u>

(Continued)

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
An analysis of employee benefits expense by function				
Operating costs	\$ 3,703,772	\$ 3,520,724	\$ 11,414,377	\$ 9,734,728
Operating expenses	<u>593,577</u>	<u>670,512</u>	<u>1,934,898</u>	<u>1,706,526</u>
	<u>\$ 4,297,349</u>	<u>\$ 4,191,236</u>	<u>\$ 13,349,275</u>	<u>\$ 11,441,254</u>

(Concluded)

g. Employees' compensation and remuneration of directors

According to the PTI's Articles, the PTI accrued employees' compensation and remuneration to directors at the rates between 5% to 7.5% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors. However, if the PTI has accumulated deficits (including adjustment of unappropriated earnings), the PTI should retain the net profit in advance for deducting accumulated deficits. For the three months and nine months ended September 30, 2020 and 2019, respectively, the employees' compensation and the remuneration of directors were as follows:

Accrual rate

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Employees' compensation	5.18%	5.35%	5.18%	5.35%
Remuneration of directors	1.04%	1.07%	1.04%	1.07%

Amount

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Employees' compensation	\$ 109,472	\$ 108,000	\$ 337,569	\$ 253,561
Remuneration of directors	21,895	21,600	67,514	50,712

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

The appropriations of employees' compensation and remuneration of directors for 2019 and 2018 that were resolved by the board of directors on March 10, 2020 and March 14, 2019, respectively, are as shown below:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 394,109	\$ 420,813
Remuneration of directors	78,822	84,163

There is 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.

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

h. Gain or loss on foreign currency exchange

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Foreign exchange gains	\$ 128,150	\$ 113,102	\$ 402,043	\$ 308,377
Foreign exchange losses	<u>(333,545)</u>	<u>(106,533)</u>	<u>(662,784)</u>	<u>(174,436)</u>
Net losses gains	<u>\$ (205,395)</u>	<u>\$ 6,569</u>	<u>\$ (260,741)</u>	<u>\$ 133,941</u>

### 23. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Current tax				
In respect of the current period	\$ 528,466	\$ 491,396	\$ 1,654,975	\$ 1,081,463
Income tax on unappropriated earnings	-	-	587	129,210
Adjustments for prior periods	<u>-</u>	<u>-</u>	<u>(44,307)</u>	<u>(11,100)</u>
	528,466	491,396	1,611,255	1,199,573
Deferred tax				
In respect of the current period	<u>16,720</u>	<u>(40,448)</u>	<u>68,627</u>	<u>(36,876)</u>
Income tax expense recognized in profit or loss	<u>\$ 545,186</u>	<u>\$ 450,948</u>	<u>\$ 1,679,882</u>	<u>\$ 1,162,697</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. When calculating the tax on unappropriated earnings, the Corporation only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

b. Income tax assessments

Income tax returns through 2017 have been assessed by the tax authorities.

## 24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Basic earnings per share	\$ 2.10	\$ 2.06	\$ 6.46	\$ 4.84
Diluted earnings per share	\$ 2.08	\$ 2.05	\$ 6.41	\$ 4.81

The earnings and weighted average number of common shares outstanding used in the computation of earnings per share from continuing operations were as follows:

### Net Profit for the Periods

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Profit of the period attributable to owner of the Corporation	\$ 1,621,804	\$ 1,600,010	\$ 5,001,024	\$ 3,756,465
Effect of potentially dilutive common share:				
Employees' compensation	_____ -	_____ -	_____ -	_____ -
Earnings used in computation of diluted earnings per share	\$ 1,621,804	\$ 1,600,010	\$ 5,001,024	\$ 3,756,465

Weighted average number of common shares outstanding (in thousand shares):

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Weighted average number of common shares used in the computation of basic earnings per share	774,031	776,704	774,751	776,865
Effect of potentially dilutive common share:				
Employees' compensation	_____ 3,912	_____ 2,908	_____ 4,933	_____ 4,504
Weighted average number of common shares used in the computation of dilutive earnings per share	_____ 777,943	_____ 779,612	_____ 779,684	_____ 781,369

If the PTI offered to settle compensation paid to employees in cash or shares, the PTI assumed the entire amount of the compensation will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 25. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure its ability to continue as a going concern while maximizing the return to stakeholders. The Corporation's overall strategy remains unchanged from the previous year.

The capital structure of the Corporation consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Corporation (comprising issued capital, reserves, retained earnings, other equity and non-controlling interests).

## 26. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments not measured at fair value

#### September 30, 2020

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost					
Domestic corporate bonds	\$ 900,002	\$ -	\$ 905,424	\$ -	\$ 905,424

#### December 31, 2019

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost					
Domestic corporate bonds	\$ 1,050,391	\$ -	\$ 1,054,730	\$ -	\$ 1,054,730

#### September 30, 2019

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost					
Domestic corporate bonds	\$ 1,050,676	\$ -	\$ 1,055,574	\$ -	\$ 1,055,574

The above-mentioned level 2 fair value measurement was based on the quoted price from the Taipei Exchange.

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

1) Fair value hierarchy

September 30, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutul funds	\$ 111,400	\$ -	\$ -	\$ 111,400
Derivative instrument	<u>-</u>	<u>36,004</u>	<u>-</u>	<u>36,004</u>
	<u>\$ 111,400</u>	<u>\$ 36,004</u>	<u>\$ -</u>	<u>\$ 147,404</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	<u>\$ 2,396</u>	<u>\$ 13,375</u>	<u>\$ -</u>	<u>\$ 15,771</u>
Financial liabilities at FVTPL				
Derivative instrument	<u>\$ -</u>	<u>\$ 980</u>	<u>\$ -</u>	<u>\$ 980</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 50,652	\$ -	\$ -	\$ 50,652
Derivative instruments	<u>-</u>	<u>20,555</u>	<u>-</u>	<u>20,555</u>
	<u>\$ 50,652</u>	<u>\$ 20,555</u>	<u>\$ -</u>	<u>\$ 71,207</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	<u>\$ 2,093</u>	<u>\$ 24,000</u>	<u>\$ -</u>	<u>\$ 26,093</u>
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 3,953</u>	<u>\$ -</u>	<u>\$ 3,953</u>

September 30, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutul funds	\$ 50,584	\$ -	\$ -	\$ 50,584
Derivative instrument	<u>-</u>	<u>6,890</u>	<u>-</u>	<u>6,890</u>
	<u>\$ 50,584</u>	<u>\$ 6,890</u>	<u>\$ -</u>	<u>\$ 57,474</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	<u>\$ 2,064</u>	<u>\$ 29,000</u>	<u>\$ -</u>	<u>\$ 31,064</u>
Financial liabilities at FVTPL				
Derivative instrument	<u>\$ -</u>	<u>\$ 6,825</u>	<u>\$ -</u>	<u>\$ 6,825</u>

There were no transfers between Level 1 and 2 in the current and prior periods.

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign currency forward contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Unlisted securities	Using the market approach and binomial option pricing model to calculate the fair value.

- c. Categories of financial instruments

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 147,404	\$ 71,207	\$ 57,474
Financial asset at amortized cost (Note 1)	35,522,765	38,011,105	35,815,817
Financial assets at FVTOCI			
Equity instruments	15,771	26,093	31,064
<u>Financial liabilities</u>			
FVTPL			
Held for trading	980	3,953	6,825
Amortized cost (Note 2)	41,859,717	41,191,156	39,045,393

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, debt investments, time deposits with original maturities of more than 3 months, notes and accounts receivable (including related parties), other receivables (including related parties), pledged time deposits and refundable deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term loans, notes and accounts payable (including related parties), other payables (including related parties), accrued expenses and other current liabilities and long-term debt (including current portion).

- d. Financial risk management objectives and policies

The Corporation's major financial instruments included equity investments, accounts receivable, accounts payable, borrowings and lease liabilities. The Corporation's corporate treasury function 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 Corporation through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.



The Corporation sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Corporation's policies approved by the board of directors, which provided written principles on foreign exchange 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 was reviewed by the internal auditors on a continuous basis. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The corporate treasury function, an independent body that monitors risks and policies implemented to mitigate risk exposures reports quarterly to the Corporation's board of directors.

#### 1) Market risk

The Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (1) below) and interest rates (see (2) below). The Corporation entered into a variety of derivative financial instruments (included forward exchange contracts) to manage its exposure to foreign currency risk.

There had been no change to the Corporation's exposure to market risks or the manner in which these risks were managed and measured.

##### a) Foreign currency risk

The Corporation's operating activities are partially denominated in foreign currencies and apply natural hedge. The purpose of the Corporation's management of the foreign currency risk is to hedge the risk instead of making a profit.

The strategy of foreign currency risk management is to review the net position exposed to foreign currency risk and manage the risk of the net position. The Corporation selects the instruments to hedge against currency exposure taking into consideration the hedging cost and period. The Corporation currently utilizes derivative financial instruments, including buy/sell foreign exchange forward contracts, to hedge against foreign currency exchange risk.

For the carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period, refer to Note 30.

The Corporation uses forward exchange contracts to reduce foreign currency risk exposure. It is the Corporation's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

As net investments in foreign operations are for strategic purposes, they are not hedged by the Corporation.

##### Sensitivity analysis

The Corporation was mainly exposed to the currency USD and currency JPY.

The following table details the Corporation's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity analysis included outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusted their translation at the end of the reporting period for a 5% change in foreign currency rates. The sensitivity analysis included cash and cash equivalents, accounts receivables, other receivables, accounts payables, other payables, short-term bank loans and long-term debts. The number below indicates the decrease/increase in pre-tax profit when the functional currency strengthens 5% against the relevant currency.

	<b>USD Impact</b>		<b>JPY Impact</b>	
	<b>For the Nine Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Profit or loss	\$ (530,823)	\$ (470,507)	\$ 26,182	\$ 46,347

b) Interest rate risk

As the Corporation owns assets at both fixed and floating interest rates, the Corporation is exposed to interest rate risk. The Corporation's interest rate risk also comes from borrowings at floating interest rates. Since the Corporation's bank borrowings are at floating interest rates, fluctuations in interest rates will affect cash flow in the future but will not affect the fair value.

The carrying amounts of the Corporation's financial assets and financial liabilities with exposure to interest rate risk at the end of the reporting period were as follows.

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Fair value interest rate risk			
Financial assets	\$ 7,504,550	\$ 8,338,326	\$ 7,464,546
Financial liabilities	779,471	1,429,181	2,970,519
Cash flow interest rate risk			
Financial assets	11,376,835	14,460,789	13,389,630
Financial liabilities	33,535,409	29,391,519	30,533,686

Sensitivity analysis

The sensitivity analysis below was determined based on the Corporation's exposure to interest rate risk for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of both the assets and the liabilities outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 0.1% higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the nine months ended September 30, 2020 and 2019 would decrease/increase by \$16,619 thousand and \$12,858 thousand, respectively, which was mainly attributable to the Corporation's exposure to interest rates on its variable-rate net liabilities.

c) Other price risk

The Corporation was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes. The Corporation does not actively trade these investments. The Corporation's equity price risk was mainly concentrated on equity instruments in the electronics industry sector quoted in the Tokyo Share Exchange and the Taipei Exchange.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, pre-tax profit for the nine months ended September 30, 2020 and 2019 would have increased/decreased by \$5,570 thousand and \$2,529 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the

post-tax other comprehensive income for the nine months ended September 30, 2020 and 2019 would have increased/decreased by \$789 thousand and \$1,553 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

## 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk which will cause a financial loss to the Corporation due to failure of the counterparty to discharge an obligation arises from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

In order to minimize credit risk, the management of the Corporation has set up an approach for credit and accounts receivable management to ensure that follow-up action is taken to recover overdue debt. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In this regard, the directors of the Corporation consider that the Corporation's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with good credit ratings.

Accounts receivable consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Corporation's concentration of credit risk was related to the three largest customers within the Corporation. Besides the aforementioned customers, there was no other customer that accounted for 10% of total gross accounts receivable at any time during the period. The three largest customers are creditworthy counterparts, therefore, the Corporation believes the concentration of credit risk is insignificant for the remaining accounts receivable.

### Credit risk management for investments in debt instruments

The Corporation only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Corporation's exposure and the external credit ratings are continuously monitored. The Corporation reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

The Corporation considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. The Corporation's current credit risk grading framework comprises the following categories:

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECL	-

### 3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows.

The Corporation relies on bank borrowings as a significant source of liquidity. As of September 30, 2020, December 31, 2019 and September 30, 2019, the Corporation had available unutilized overdraft and short-term bank loan facilities of approximately \$5,606,588 thousand, \$7,999,617 thousand and \$7,987,348 thousand, respectively.

#### a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Corporation's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. The table includes 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.

#### September 30, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing	\$ 3,164,114	\$ 4,058,525	\$ 322,198	\$ -	\$ -
Lease liabilities	17,603	35,450	110,733	281,214	1,676,932
Fixed interest rate liabilities	192,705	131,695	135,832	319,239	-
Variable interest rate liabilities	<u>640,772</u>	<u>108,740</u>	<u>1,457,612</u>	<u>28,664,396</u>	<u>2,663,889</u>
	<u>\$ 4,015,194</u>	<u>\$ 4,334,410</u>	<u>\$ 2,026,375</u>	<u>\$ 29,264,849</u>	<u>\$ 4,340,821</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 163,786</u>	<u>\$ 281,214</u>	<u>\$ 236,853</u>	<u>\$ 234,688</u>	<u>\$ 233,688</u>	<u>\$ 971,703</u>

#### December 31, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing	\$ 3,603,185	\$ 5,490,588	\$ 1,266,398	\$ 5,385	\$ 4,900
Lease liabilities	23,740	45,572	169,487	360,036	1,712,721
Fixed interest rate liability	424,202	531,564	165,834	307,581	-
Variable interest rate liabilities	<u>-</u>	<u>-</u>	<u>242,989</u>	<u>26,560,882</u>	<u>2,587,648</u>
	<u>\$ 4,051,127</u>	<u>\$ 6,067,724</u>	<u>\$ 1,844,708</u>	<u>\$ 27,233,884</u>	<u>\$ 4,305,269</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 238,799</u>	<u>\$ 360,036</u>	<u>\$ 237,228</u>	<u>\$ 235,048</u>	<u>\$ 233,688</u>	<u>\$ 1,006,757</u>

September 30, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing	\$ 3,321,679	\$ 3,248,929	\$ 807,778	\$ -	\$ -
Lease liabilities	24,522	49,857	189,462	410,514	1,724,705
Fixed interest rate liabilities	-	243,891	527,396	362,034	-
Variable interest rate liabilities	<u>-</u>	<u>248,336</u>	<u>445,669</u>	<u>27,215,886</u>	<u>2,623,795</u>
	<u>\$ 3,346,201</u>	<u>\$ 3,791,013</u>	<u>\$ 1,970,305</u>	<u>\$ 27,988,434</u>	<u>\$ 4,348,500</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 263,841</u>	<u>\$ 410,514</u>	<u>\$ 237,408</u>	<u>\$ 235,168</u>	<u>\$ 233,688</u>	<u>\$ 1,018,441</u>

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Corporation's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

September 30, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
<u>Gross settled</u>			
Foreign exchange forward contracts			
Inflows	\$ 1,479,778	\$ 2,332,585	\$ 34,899
Outflows	<u>(1,461,849)</u>	<u>(2,315,422)</u>	<u>(34,967)</u>
	<u>\$ 17,929</u>	<u>\$ 17,163</u>	<u>\$ (68)</u>

December 31, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
<u>Gross settled</u>			
Foreign exchange forward contracts			
Inflows	\$ 1,265,547	\$ 763,849	\$ 74,267
Outflows	<u>(1,254,065)</u>	<u>(758,166)</u>	<u>(74,830)</u>
	<u>\$ 11,482</u>	<u>\$ 5,683</u>	<u>\$ (563)</u>

September 30, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
<u>Gross settled</u>			
Foreign exchange forward contracts			
Inflows	\$ 1,166,474	\$ 836,981	\$ 71,176
Outflows	<u>(1,166,584)</u>	<u>(835,919)</u>	<u>(72,063)</u>
	<u>\$ (110)</u>	<u>\$ 1,062</u>	<u>\$ (887)</u>
c) Financing facilities			
	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Secured bank loan facilities which may be mutually			
Amount used	\$ 12,561,586	\$ 12,948,198	\$ 12,074,680
Amount unused	<u>15,847,600</u>	<u>2,030,000</u>	<u>1,000,000</u>
	<u>\$ 28,409,186</u>	<u>\$ 14,978,198</u>	<u>\$ 13,074,680</u>

## 27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the PTI and its subsidiaries, which were related parties of the PTI, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the PTI and other related parties are disclosed below.

### a. Related Party Name and Relationship

<u>Related Party Name</u>	<u>Relationship with the Corporation</u>
Kioxia Corporation (known as Toshiba Memory Corporation before October 1, 2019)	Substantial related parties
Toshiba International Procurement Hong Kong, Ltd.	Substantial related parties
Toshiba Information Systems (Japan) Corporation	Substantial related parties
Toshiba Trading Inc.	Substantial related parties
Kingston Technology International Ltd.	Substantial related parties
Kingston Digital International Ltd.	Substantial related parties
Kingston Solution, Inc.	Substantial related parties
Kingston Technology Far East Corp.	Substantial related parties
Realtek Singapore Private Limited	Substantial related parties
Realtek Semiconductor corp.	Substantial related parties

b. Sales of goods

Line Items	Related Party Category/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2020	2019	2020	2019
Sales of goods	Substantial related parties				
	Kioxia Corporation	\$ 5,516,708	\$ 5,303,742	\$15,877,647	\$12,374,137
	Others	<u>628,343</u>	<u>687,695</u>	<u>1,822,302</u>	<u>2,115,012</u>
		<u>\$ 6,145,051</u>	<u>\$ 5,991,437</u>	<u>\$17,699,949</u>	<u>\$14,489,149</u>

Sales transactions with related parties were based on normal commercial prices and terms. In general, the payment term for the Corporation sales is from 30 to 150 days starting from the first day of the month following the invoice date.

c. Purchases

Related Party Category/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Substantial related parties				
Toshiba International Procurement Hong Kong, Ltd.	\$ 211,791	\$ 133,586	\$ 594,573	\$ 248,630
Others	<u>1,314</u>	<u>-</u>	<u>3,164</u>	<u>149</u>
	<u>\$ 213,105</u>	<u>\$ 133,586</u>	<u>\$ 597,737</u>	<u>\$ 248,779</u>

The purchase prices and payment terms were based on negotiations and thus not comparable with those in the market.

d. Other gains and losses

Related Party Category	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Substantial related parties				
Kioxia Corporation	\$ 20,205	\$ 1,591	\$ 20,858	\$ 1,898
Others	<u>-</u>	<u>-</u>	<u>32</u>	<u>-</u>
	<u>\$ 20,205</u>	<u>\$ 1,591</u>	<u>\$ 20,890</u>	<u>\$ 1,898</u>

e. Contract assets

<b>Related Party Category/Name</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Substantial related parties			
Kioxia Corporation	\$ 976,433	\$ 725,270	\$ 750,089
Others	<u>77,933</u>	<u>97,462</u>	<u>103,439</u>
	<u>\$ 1,054,366</u>	<u>\$ 822,732</u>	<u>\$ 853,528</u>

For the nine months ended September 30, 2020 and 2019, no impairment loss was recognized for contract assets from related parties.

f. Accounts receivables from related parties (excluding loans to related parties and contract assets)

<b>Line Items</b>	<b>Related Party Category/Name</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Accounts receivables from related parties	Substantial related parties			
	Kioxia Corporation	\$ 5,159,407	\$ 3,685,943	\$ 3,793,018
	Others	<u>560,199</u>	<u>566,545</u>	<u>603,704</u>
		<u>\$ 5,719,606</u>	<u>\$ 4,252,488</u>	<u>\$ 4,396,722</u>

The outstanding accounts receivables from related parties are unsecured. For the nine months ended September 30, 2020 and 2019, no impairment loss was recognized for accounts receivables from related parties.

g. Payables to related parties (excluding loans from related parties)

<b>Line Items</b>	<b>Related Party Category/Name</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Accounts payables from related parties	Substantial related parties			
	Toshiba International Procurement Hong Kong, Ltd.	\$ 123,154	\$ 120,603	\$ 76,684
	Others	<u>1,297</u>	<u>-</u>	<u>-</u>
		<u>\$ 124,451</u>	<u>\$ 120,603</u>	<u>\$ 76,684</u>

The outstanding accounts payables from related parties are unsecured.

h. Other receivables from related parties

<b>Related Party Category/Name</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Substantial related parties			
Kioxia Corporation	\$ 140,675	\$ 5,363	\$ 13,425
Realtek Singapore Private Limited	7	1,152	1,847
Others	<u>-</u>	<u>10</u>	<u>-</u>
	<u>\$ 140,682</u>	<u>\$ 6,525</u>	<u>\$ 15,272</u>



i. Other payables from related parties

Related Party Category/Name	September 30, 2020	December 31, 2019	September 30, 2019
Substantial related parties			
Toshiba Trading Inc.	\$ 873	\$ -	\$ -
Kioxia Corporation	<u>-</u>	<u>17,447</u>	<u>565</u>
	<u>\$ 873</u>	<u>\$ 17,447</u>	<u>\$ 565</u>

j. 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 benefits	\$ 103,121	\$ 95,830	\$ 289,494	\$ 247,670
Post-employment benefits	<u>459</u>	<u>459</u>	<u>1,377</u>	<u>5,790</u>
	<u>\$ 103,580</u>	<u>\$ 96,289</u>	<u>\$ 290,871</u>	<u>\$ 253,460</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

## 28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged or mortgaged as collateral mainly for long-term debts, guarantee deposits for exports, L/C and bonded inventories.

	September 30, 2020	December 31, 2019	September 30, 2019
Property, plant and equipment	\$ 16,271,614	\$ 16,818,916	\$ 18,019,475
Pledged deposits (classified as financial assets at amortized cost - current)	25,803	21,712	21,581
Restricted deposits (classified as financial assets at amortized cost - current)	131,892	269,203	318,131
Pledged deposits (classified as financial assets at amortized cost - noncurrent)	<u>88,874</u>	<u>88,874</u>	<u>80,174</u>
	<u>\$ 16,518,183</u>	<u>\$ 17,198,705</u>	<u>\$ 18,439,361</u>

## 29. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The Corporation's significant commitments and contingencies as of September 30, 2020 were as following:

- a. From September 2017 to September 2018, the PTI signed contracts worth \$1,811,372 thousand with Jian Ming Contractor Co., Ltd. for factory engineering. As of September 30, 2020, the PTI has paid a total of \$1,464,472 thousand.
- b. From January 2019 to December 2019 and January 2020 to June 2020, the PTI signed the purchase agreements of equipment worth \$704,996 thousand and \$537,844 thousand with Advantest Corporation. As of September 30, 2020, the PTI has paid \$696,613 thousand and \$455,429, respectively.

- c. From November 2018 to October 2019 and October 2019 to March 2020, the PTI signed the purchase agreements of equipment worth \$506,086 thousand and \$536,837 thousand with DISCO Corporation. As of September 30, 2020, the PTI has paid \$506,086 thousand and \$494,964 thousand, respectively.
- d. From January 2019 to January 2020 and February 2020 to September 2020, the PTI signed the purchase agreements of equipment worth \$502,923 thousand and \$604,912 thousand with Nextest Systems Corporation. As of September 30, 2020, the PTI has paid \$502,923 thousand and \$460,642 thousand, respectively.
- e. From March 2019 to January 2020 and January 2020 to July 2020, TeraPower Technology Inc. signed the purchase agreements of equipment worth \$522,850 thousand and \$501,092 thousand with Advantest Corporation. As of September 30, 2020, the TeraPower Technology Inc. has paid \$522,850 thousand and \$363,481 thousand, respectively.
- f. The unused letters of credit amounted were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
JPY	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>42,500</u>

### 30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Corporation's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	September 30, 2020		
	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 502,815	29.126 (USD:NTD)	\$ 14,644,990
USD	12,667	6.8106 (USD:RMB)	368,939
USD	11,867	105.61 (USD:JPY)	345,638
JPY	653,053	0.2758 (JPY:NTD)	180,112
JPY	26,111	0.0645 (JPY:RMB)	7,201
JPY	1,667,926	0.0095 (JPY:USD)	460,014
SGD	2,552	0.7303 (SGD:USD)	54,285
RMB	22,326	0.1468 (RMB:USD)	95,479
RMB	14,147	4.2766 (RMB:NTD)	<u>60,501</u>
			<u>\$ 16,217,159</u>
Non-monetary items			
USD	1,081	29.126 (USD:NTD)	\$ 31,488
JPY	11,542	0.2758 (JPY:NTD)	3,183
RMB	312	4.2766 (RMB:NTD)	<u>1,333</u>
			<u>\$ 36,004</u>

(Continued)

<b>September 30, 2020</b>			
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 155,038	29.126 (USD:NTD)	\$ 4,515,637
USD	1,459	6.8106 (USD:RMB)	42,495
USD	6,351	105.61 (USD:JPY)	184,979
EUR	3,316	34.1706 (EUR:NTD)	113,310
JPY	3,002,090	0.2758 (JPY:NTD)	827,976
JPY	14,932	0.0645 (JPY:RMB)	4,118
JPY	1,228,709	0.0095 (JPY:USD)	338,878
SGD	2,411	0.7303 (SGD:USD)	51,286
RMB	19,949	0.1468 (RMB:USD)	<u>85,314</u>
			<u>\$ 6,163,993</u>
Non-monetary items			
USD	24	29.126 (USD:NTD)	\$ 703
JPY	1,003	0.2758 (JPY:NTD)	<u>277</u>
			<u>\$ 980</u>
			(Concluded)

<b>December 31, 2019</b>			
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 467,634	30.106 (USD:NTD)	\$ 14,078,589
USD	10,440	6.9662 (USD:RMB)	314,307
USD	14,807	108.64 (USD:JPY)	445,780
JPY	422,851	0.2771 (JPY:NTD)	117,172
JPY	28,647	0.0641 (JPY:RMB)	7,938
JPY	825,187	0.0092 (JPY:USD)	228,659
SGD	3,270	0.7429 (SGD:USD)	73,135
RMB	31,585	0.1435 (RMB:USD)	136,501
RMB	9,480	4.3217 (RMB:NTD)	40,970
EUR	18	33.7488 (EUR:NTD)	<u>607</u>
			<u>\$ 15,443,658</u>
Non-monetary items			
USD	593	30.106 (USD:NTD)	\$ 17,865
JPY	9,708	0.2771 (JPY:NTD)	<u>2,690</u>
			<u>\$ 20,555</u>
			(Continued)

<b>December 31, 2019</b>			
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 169,180	30.106 (USD:NTD)	\$ 5,093,333
USD	8,099	6.9662 (USD:RMB)	243,828
USD	8,755	108.64 (USD:JPY)	263,578
EUR	457	33.7488 (EUR:NTD)	15,423
JPY	7,842,529	0.2771 (JPY:NTD)	2,173,165
JPY	185,421	0.0641 (JPY:RMB)	51,380
JPY	1,085,952	0.0092 (JPY:USD)	300,917
RMB	43,912	0.1435 (RMB:USD)	189,774
RMB	89	4.3217 (RMB:NTD)	385
SGD	1,734	0.7429 (SGD:USD)	<u>38,782</u>
			<u>\$ 8,370,565</u>
Non-monetary items			
USD	8	30.106 (USD:NTD)	\$ 252
JPY	13,356	0.2771 (JPY:NTD)	<u>3,701</u>
			<u>\$ 3,953</u>
			(Concluded)

<b>September 30, 2019</b>			
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 424,545	31.042 (USD:NTD)	\$ 13,178,726
USD	8,205	7.1195 (USD:RMB)	254,700
USD	16,361	107.84 (USD:JPY)	507,878
JPY	807,418	0.2879 (JPY:NTD)	232,456
JPY	1,504	0.0660 (JPY:RMB)	433
JPY	849,780	0.0093 (JPY:USD)	244,652
SGD	3,077	0.7235 (SGD:USD)	69,102
RMB	21,574	0.1405 (RMB:USD)	94,065
RMB	6,431	4.3601 (RMB:NTD)	<u>28,040</u>
			<u>\$ 14,610,052</u>
Non-monetary items			
USD	118	31.042 (USD:NTD)	\$ 3,648
JPY	933	0.2879 (JPY:NTD)	<u>269</u>
			<u>\$ 3,917</u>
			(Continued)

	<b>September 30, 2019</b>		
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 127,950	31.042 (USD:NTD)	\$ 3,971,824
USD	9,565	7.1195 (USD:RMB)	296,917
USD	8,454	107.84 (USD:JPY)	262,429
EUR	419	33.8917 (EUR:NTD)	14,201
JPY	3,204,056	0.2879 (JPY:NTD)	922,448
JPY	210,771	0.0660 (JPY:RMB)	60,681
JPY	1,463,561	0.0093 (JPY:USD)	421,359
SGD	1,519	0.7235 (SGD:USD)	34,113
RMB	56,338	0.1405 (RMB:USD)	<u>245,639</u>
			<u>\$ 6,229,611</u>
Non-monetary items			
USD	49	31.042 (USD:NTD)	\$ 1,532
JPY	9,565	0.2879 (JPY:NTD)	<u>2,754</u>
			<u>\$ 4,286</u>
			(Concluded)

For the three and nine months ended September 30, 2020 and 2019, realized and unrealized net foreign exchange (losses) gains were \$(205,395) thousand, \$6,569 thousand, \$(260,741) thousand and \$133,941 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and currencies of the Corporation.

### 31. SEPARATELY DISCLOSED ITEMS

Except for the following, the Corporation has no other significant transactions, investees and investments in mainland China that that need to be disclosed as required by the Securities and Futures Bureau.

- a. Loans provided to other parties: Table 1 (attached).
- b. Endorsement/guarantee provided: Table 2 (attached).
- c. Marketable securities held: Table 3 (attached).
- d. Purchases or sales of the same marketable securities amounting to at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached).
- e. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- f. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- g. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: Table 5 (attached).

- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached).
- i. Derivative transactions: Note 7.
- j. Information of intercompany relationships and significant intercompany transactions: Table 7 (attached).
- k. Names, locations, and related information of investees over which the Corporation exercises significant influence: Table 8 (attached).
- l. Information on investment in mainland China: Table 9 (attached)

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, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Note 31 (j).

- m. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: None.

### **32. SEGMENT INFORMATION**

The revenues, operating results and financial information of each plant presented to the chief operating decision maker are consistent with the information in the consolidated financial statements. The segment revenues and operating results for the nine months ended September 30, 2020 and 2019 are shown in the consolidated income statements for the nine months ended September 30, 2020 and 2019. The segment assets as of September 30, 2020, December 31, 2019, and September 30, 2019 are shown in the consolidated balance sheets as of September 30, 2020, December 31, 2019, and September 30, 2019.

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 4)	Aggregate Financing Limits (Notes 3 and 4)	Note
													Item	Value			
0	POWERTECH TECHNOLOGY INC.	Powertech Technology (Singapore) Pte Ltd.	Other receivable	Note 1	\$ 1,747,560	\$ 1,747,560	\$ 291,260	0.57%-2.2%	For shortterm financing	\$ -	Working capital	\$ -	-	\$ -	\$ 2,217,171	\$ 4,434,341	-
		Powertech Technology (Suzhou) Ltd.	Other receivable	Note 2	699,024	-	-	0.57%-2.2%	For shortterm financing	-	Working capital	-	-	-	2,217,171	4,434,341	-
1	Tera Probe, Inc.	Tera Probe Aizu, Inc.	Other receivable	Note 1	209,608	209,608	182,028	1.0%	For shortterm financing	-	Working capital	-	-	-	288,897	577,794	-

Note 1: Direct investments, the Corporation's 100% subsidiaries.

Note 2: Indirect investments, the Corporation's 100% subsidiaries.

Note 3: The total amount the finance provided by PTI to any individual shall not exceed five percent of PTI's net worth. The total amount available for the finance provided shall not exceed ten percent of PTI's net worth.

Note 4: The total amount the finance provided by Tera Probe, Inc. to any individual shall not exceed five percent of Tera Probe, Inc.'s net worth. The total amount available for the finance provided shall not exceed ten percent of Tera Probe, Inc.'s net worth.

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES GIVEN TO OTHER PARTIES  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement /Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement /Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement /Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0.	Powertech Technology Inc.	Powertech Technology (Singapore) Pte. Ltd.	Note 1	\$ 4,434,341	\$ 873,780	\$ 873,780	\$ 575,093	\$ -	1.97	\$ 22,171,706	Yes	-	-	-
		Powertech Technology (Suzhou) Ltd.	Note 2	4,434,341	582,520	-	-	-	1.31	22,171,706	Yes	-	Yes	-

Note 1: Direct investments, the Corporation's 100% subsidiaries.

Note 2: Indirect investments, the Corporation's 100% subsidiaries.

Note 3: The total amount of the guarantee provided by PTI to any individual entity shall not exceed ten percent of PTI's net worth. The total amount available for the guarantee shall not exceed fifty percent of PTI's net worth.



## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD  
 SEPTEMBER 30, 2020  
 (In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2020				Note
				Shares (Thousands)	Carrying Value	% of Ownership	Fair Value	
Powertech Technology Inc.	<u>Stock</u> Solid state system Co., Ltd.	-	Financial assets at fair value through other comprehensive profit or loss - non-current	2,617	\$ 15,771	-	\$ 15,771	Note 3
Gretek Electronics Inc.	<u>Fund</u> Yuanta Taiwan High-yield Leading Company Fund A	-	Financial assets at fair value through profit or loss - current	10,000	111,400	-	111,400	Note 4
	<u>Bond</u> P06 FPC 1A	-	Financial assets at amortized cost - current	50	50,000	-	50,270	Note 2
	P08 Taipower 3A	-	Financial assets at amortized cost - non-current	100	100,001	-	100,767	Note 2
	P06 Taipower 1A	-	Financial assets at amortized cost - non-current	300	300,001	-	302,936	Note 2
	P07 Taipower 1A	-	Financial assets at amortized cost - current	200	200,000	-	200,330	Note 2
	P06 Taipower 3A	-	Financial assets at amortized cost - non-current	100	100,000	-	100,794	Note 2
	P04 FENC 4	-	Financial assets at amortized cost - current	100	100,000	-	100,057	Note 2
	P06 FPC 1A	-	Financial assets at amortized cost - non-current	50	50,000	-	50,270	Note 2
	<u>Stock</u> POWERTECH TECHNOLOGY INC.	Gretek Electronics Inc.'s parent company	Financial assets at fair value through other comprehensive profit or loss - non-current	6,000	517,800	-	517,800	Note 1
	SAMHOP Microelectronics Corp.	-	Financial assets at fair value through profit or loss - non-current	268	-	3	-	Note 5
	Terawins Inc.	-	Financial assets at fair value through profit or loss - non-current	643	-	2	-	Note 5
	Airwave Technologies Inc.	-	Financial assets at fair value through profit or loss - non-current	93	-	1	-	Note 5

Note 1: The fair value was based on stock closing price as of September 30, 2020.

Note 2: The fair value was based on trading market in hundreds of new Taiwan dollars as of September 30, 2020.

Note 3: The fair value of common stock was based on stock closing price, and the fair value of privately placed shares was determined using valuation techniques as of September 30, 2020.

Note 4: The fair value was based on the net asset value of the fund as of September 30, 2020.

Note 5: The fair value was based on the carrying value as of September 30, 2020.

Note 6: As of September 30, 2020, the above marketable securities had not been pledged or mortgaged.

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance (Note 1)		Acquisition		Disposal			Ending Balance (Note 1)		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
Powertech Technology Inc.	<u>Stock</u> Powertech Technology (Suzhou) Ltd.	Investments accounted for using equity method	Note 1	Note 1	-	\$ -	-	USD 9,333	-	\$ -	\$ -	\$ -	-	USD 9,333
Powertech Technology (Singapore) Pte. Ltd.	<u>Stock</u> Powertech Technology (Suzhou) Ltd.	Investments accounted for using equity method	Note 2	Note 2	-	-	-	USD 18,667	-	-	-	-	-	USD 18,667

Note 1: The PTI invested directly in June 2020.

Note 2: Powertech Technology (Singapore) Pte. Ltd. invested directly in June 2020.

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Powertech Technology Inc.	Kioxia Corporation Kingston Technology International Ltd.	Corporate director's parent company The ultimate parent company of the related party is the juristic-person director of the the Corporation.	Sale	\$ 15,593,136	41	Note 1	\$ -	-	\$ 5,078,112	54	-
			Sale	806,696	2	Note 1	-	-	207,989	2	-
Greatek Electronics Inc.	Toshiba International Procurement Hong Kong, Ltd.	Corporate director's sister company	Purchase	594,573	4	Mutual agreement	-	-	(123,154)	(4)	-
	Realtek Semiconductor Corp.	Parent company of Greatek Electronics Inc.'s corporate supervisor.	Sale	792,612	7	Net 60 days from monthly closing dates	Note 2	-	273,568	8	-
	Realtek Singapore Private Limited	Same parent company of Greatek Electronics Inc.'s corporate supervisor.	Sale	129,785	1	Net 60 days from monthly closing dates	Note 2	-	57,086	2	-
TeraPower Technology Inc.	Kioxia Corporation	Parent company of corporate director of TeraPower Technology Inc.'s ultimate parent company.	Sale	284,511	11	Net 90 days from monthly closing dates	-	-	81,295	11	-

Note 1: Mainly paid on the 30th to 90th days after the month of the invoice date.

Note 2: The sales price of Greatek Electronics Inc. sold to related parties is determined based on general trading practices.

**POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES**

**RECEIVABLE 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)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Powertech Technology Inc.	Kioxia Corporation	Corporate director's parent company	\$ 5,078,112	4.79	\$ -	-	\$ 1,577,632	\$ -
	Kingston Technology international Ltd.	The ultimate parent company of the related party is the juristic-person director of the Corporation	207,989	5.10	-	-	207,989	-
Greatek Electronics Inc.	Realtek Semiconductor corp.	Parent company of Greatek Electronics Inc.'s corporate supervisor	273,568	3.61	-	-	106,208	-

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

INFORMATION OF INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(In Thousands of New Taiwan Dollars)

Company Name	Counter Party	Transaction Flow	Intercompany Transactions			Percentage to Consolidated Total Gross Sales or Total Assets
			Financial Statements Items	Amount	Terms	
Powertech Technology Inc.	Powertech Technology (Suzhou) Ltd.	1	Sales	\$ 5,345	Note 3	-
	TeraPower Technology Inc.	1	Sales	11,756	Note 3	-
	Powertech Technology Akita Inc.	1	Sales	6,720	Note 3	-
	Greatek Electronics Inc.	1	Sales	1,003	Note 3	-
	Powertech Technology (Suzhou) Ltd.	1	Purchase	1,311	Note 2	-
	TeraPower Technology Inc.	1	Purchase	41	Note 2	-
	Powertech Technology (Suzhou) Ltd.	1	Subcontract costs	565,343	Note 2	1%
	Greatek Electronics Inc.	1	Subcontract costs	78,416	Note 2	-
	Tera Probe, Inc.	1	Rent	17,480	Note 2	-
	TeraPower Technology Inc.	1	Rent	2,825	Note 2	-
	Powertech Technology (Suzhou) Ltd.	1	Other gains	12,918	Note 2	-
	Tera Probe, Inc.	1	Other gains	115	Note 2	-
	Powertech Technology Akita Inc.	1	Other gains	4,374	Note 2	-
	Powertech Technology (Xian) Ltd.	1	Other gains	3,406	Note 2	-
	Powertech Technology (Suzhou) Ltd.	1	Other losses	433	Note 2	-
	Powertech Technology Akita Inc.	1	Other losses	3,408	Note 2	-
	Powertech Technology (Singapore) Pte. Ltd.	1	Interest income	7,183	Note 2	-
	TeraPower Technology Inc.	1	Accounts receivable from related parties	1,551	Note 3	-
	Powertech Technology (Xian) Ltd.	1	Other receivable from related parties	82,053	Note 2	-
	Greatek Electronics Inc.	1	Other receivable from related parties	5,446	Note 2	-
	Powertech Technology (Suzhou) Ltd.	1	Other receivable from related parties	79,746	Note 2	-
	Powertech Technology (Singapore) Pte. Ltd.	1	Other receivable from related parties	291,314	Note 2	-
	Powertech Technology Akita Inc.	1	Other receivable from related parties	365	Note 2	-
	Powertech Technology Akita Inc.	1	Disposal of property, plant and equipment	101	Note 2	-
	Powertech Technology (Suzhou) Ltd.	1	Disposal of property, plant and equipment	79,279	Note 2	-
	Powertech Technology (Xian) Ltd.	1	Purchase of property, plant and equipment	301	Note 2	-
	TeraPower Technology Inc.	1	Purchase of property, plant and equipment	3,695	Note 2	-
	TeraPower Technology Inc.	1	Other payable to related parties	8,992	Note 2	-
	Powertech Technology (Suzhou) Ltd.	1	Other payable to related parties	59,879	Note 2	-
	Greatek Electronics Inc.	1	Other payable to related parties	87,612	Note 2	-
	Powertech Technology (Japan) Ltd.	1	Other payable to related parties	8,408	Note 2	-
	Powertech Technology Akita Inc.	1	Other payable to related parties	33,402	Note 2	-
	Tera Probe, Inc.	1	Other payable to related parties	7,996	Note 2	-
Tera Probe, Inc.	1	Other receivable from related parties	3,708	Note 2	-	
Powertech Technology (Singapore) Pte. Ltd.	Greatek Electronics Inc.	2	Sales	3,143	Note 4	-
	Greatek Electronics Inc.	2	Accounts receivable from related parties	405	Note 4	-

Note 1: No. 1 - from the parent company to the subsidiary. No. 2 - from the subsidiary to the subsidiary.

Note 2: The transactions for related parties were negotiated and thus not comparable with those in the market.

Note 3: The selling prices with subsidiaries were negotiated and thus not comparable with those in the market, and the collection period with subsidiaries was same as common customer.

Note 4: The selling prices with sister companies were negotiated and thus not comparable with those in the market, and the collection period with sister companies was same as common customer.

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE CORPORATION EXERCISES SIGNIFICANT INFLUENCE  
 SEPTEMBER 30, 2020  
 (In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2020			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				September 30, 2020	December 31, 2019	Shares (Thousands)	% of Ownership	Carrying Value			
Powertech Technology Inc.	TeraPower Technology Inc.	Hsin-chu	Wafer probing test services	\$ 1,153,964	\$ 1,153,964	73,386	49	\$ 2,323,329	\$ 173,089	\$ 154,765	Notes 1 and 2
	Powertech Holding (BVI) Inc.	BVI	Investment business	1,679,370	1,679,370	50	100	1,106,855	16,314	16,314	Notes 1 and 2
	Greatek Electronics Inc.	Miaoli	Semiconductor assembly and testing service	6,169,948	6,169,948	244,064	43	8,191,134	1,920,059	789,768	Notes 1 and 2
	Powertech Technology (Singapore) Pte. Ltd.	Singapore	Integrated circuit testing and assembly service	USD 85,000	USD 85,000	85,000	100	1,165,219	(29,590)	(29,590)	Notes 2 and 3
	Powertech Technology Japan Ltd.	Japan	Investment business	USD 103,052	USD 103,052	-	100	2,739,618	(259,413)	(251,580)	Note 3
Powertech Holding (BVI) Inc.	Tera Probe, Inc.	Japan	Wafer probing test services	\$ 230,616	\$ 230,616	1,077	12	377,399	52,667	12,997	Note 3
	PTI Technology (Singapore) Pte. Ltd.	Singapore	Investment business	USD 51,000	USD 51,000	103	100	USD 36,856	USD 531	USD 531	Note 3
Powertech Technology Japan Ltd.	Tera Probe, Inc.	Japan	Wafer probing test services	USD 43,963	USD 43,963	4,440	49	USD 96,821	USD 1,761	USD 859	Note 3
	Powertech Technology Akita Inc.	Japan	Semiconductor assembly and testing service	USD 58,329	USD 48,917	6	100	USD 4,737	USD (22,893)	USD (22,893)	Note 3
Tera Probe, Inc.	TeraPower Technology Inc.	Hsin-chu	Wafer probing test services	JPY4,348,056	JPY4,348,056	76,381	51	JPY4,348,056	JPY 599,183	JPY 305,583	Note 1
	Tera Probe Aizu, Inc.	Japan	Wafer probing test services	JPY 221,616	JPY 221,616	180	100	JPY 221,616	JPY (50,937)	JPY (50,937)	Note 3

Note 1: Amount was recognized on the basis of reviewed financial statements.

Note 2: Excluding unrealized intercompany gains (losses).

Note 3: Amount was recognized on the basis of unreviewed financial statements.

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
 SEPTEMBER 30, 2020  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Equity-method Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2020	Net Income (Loss) of the Investee	Percentage of Ownership in Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of September 30, 2020 (Note 2)	Accumulated Inward Remittance of Earnings as of September 30, 2020	Note
					Outflow	Inflow							
Powertech Technology (Suzhou) Ltd.	Semiconductor testing and assembly services	\$ 2,912,600 (US\$ 100,000)	Note 1	\$ 1,485,426 (US\$ 51,000)	\$ -	\$ -	\$ 1,485,426 (US\$ 51,000)	\$ 10,335 (US\$ 330)	100%	\$ 10,335 (US\$ 330)	\$ 1,560,676 (US\$ 53,584)	\$ -	-
Powertech Technology (Xian) Ltd.	Semiconductor testing and assembly services	2,038,820 (US\$ 70,000)	Note 1	1,928,578 (US\$ 66,215)	-	-	1,928,578 (US\$ 66,215)	339,971 (US\$ 11,389)	100%	339,971 (US\$ 11,389)	2,557,170 (US\$ 87,797)	110,242 (US\$ 3,785)	-

Equity-method Investee Company	Accumulated Investment in Mainland China as of September 30, 2020 (US\$ in Thousands)	Investment Amounts Authorized by the Investment Commission, MOEA (US\$ in Thousands)	Ceiling Amount on of the Corporation's Investment in Mainland China
Powertech Technology (Suzhou) Ltd. Powertech Technology (Xian) Ltd.	US\$51,000 US\$66,215	US\$79,000 US\$70,000	\$26,606,047

Note 1: Indirect investments through Powertech Holding (BVI) Inc., the Corporation's 100% subsidiaries.

Note 2: Amount was recognized on the basis of unreviewed financial statements.

Note 3: Based on the exchange rate as of September 30, 2020.