

LOTES CO., LTD. and Subsidiaries
Consolidated Financial Statements and
Independent Auditor's Report

Third Quarter 2020 and 2019

Notice to Readers

For the convenience of readers, the Consolidated Financial Statements and Accountant's Review Report 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' report and financial statements shall prevail.

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Independent Auditor's Report

Board of Directors of LOTES CO., LTD.:

Preface

We have reviewed the Consolidated Balance Sheets of LOTES CO., LTD. and its Subsidiaries as of September 30, 2020 and 2019, Consolidated Statements of Comprehensive Income as of July 1 to September 30, 2020 and 2019, and as of January 1 to September 30, 2020 and 2019, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows as of January 1 to September 30, 2020 and 2019, and the Consolidated Financial Statement Notes (including a summary of important accounting policies). The preparation of the consolidated financial statements in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" approved and issued by the Financial Supervisory Commission is the responsibility of the management level, and our responsibility is to express an opinion on the Consolidated Financial Statements based on our review.

Scope

We conducted the review in accordance with Statement of Auditing Standards No. 65: Engagements to Review Financial Statements. A review of the consolidated financial statements consists of inquiries, primarily of persons responsible for financial and accounting matters, analytical procedures and other review procedures. A review is substantially less in scope than an audit, and consequently, we may not be able to identify all of the significant matters that could be identified by an audit and express an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" approved and issued by the Financial Supervisory Commission, which may have prevented us from presenting fairly the Consolidated Statements of Financial Position of LOTES CO., LTD. and its subsidiaries as of September 30, 2020 and 2019, Consolidated Statements of Financial Performance as of July 1 to Sep. 30, 2020 and 2019, and as of January 1 to September 30, 2020 and 2019, and Consolidated Statements of Cash Flows as of January 1 to September 30, 2020 and 2019

KPMG Taiwan

CAPs

Approved
document No. : Jin-Guan-Zheng-hen-Zi No.
by competent (88) Tai-Tsai-Zheng (6) No.
securities 18311
authority
November 12, 2020

**September 30, 2020 and 2019, reviewed only and not audited in accordance with generally
accepted auditing standards (GAAS)
LOTES CO., LTD., and Its Subsidiaries**

Consolidated Balance Sheet

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

Unit: NT\$1000

Assets		Sep. 30, 2020		Dec. 31, 2019		Sep. 30, 2019				Sep. 30, 2020		Dec. 31, 2019		Sep. 30, 2019	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:															
1100	Cash and cash equivalents (Note 6(1) and (26))	\$ 3,893,632	21	2,845,994	17	2,338,200	15			\$ 730,000	4	29,980	-	286,702	2
1110	Financial assets measured at FVTPL - current (Note 6(2) and (26))	58,340	-	240,034	1	24,786	-	2100	Short-term loan (Note 6 (12), (26), (29), 8 and 9)	-	-	-	-	1,706	-
1120	Other comprehensive income measured by fair value Financial assets - current (Note 6(2) and (26))	1,584	-	6,438	-	8,536	-	2120	Financial liabilities measured at FVTOCI - current (Note 6 (2) and (26))	94,297	-	19,947	-	4,303	-
1150	Notes receivable (Note 6 (3) and (26))	39,208	-	15,257	-	8,824	-	2130	Contract liabilities - current (Note 6 (23))	6,078	-	19,000	-	13,645	-
1170	Net accounts receivable (Note 6 (3) and (26))	6,539,678	34	5,949,268	37	6,044,984	39	2150	Notes payable (Note 6 (26))	2,524,466	13	1,885,062	12	1,881,196	12
1200	Other accounts receivable (Note 6 (3) and (26))	324,913	2	219,031	1	208,228	1	2170	Accounts payable (Note 6 (26))	1,349,832	7	964,415	6	1,055,319	6
1220	Income tax assets in the year (Note 6(19))	438	-	758	-	166	-	2200	Other payables (Note 6 (26))	360,943	2	436,898	3	466,257	3
130X	Inventory (Note 6 (4))	2,454,902	13	1,976,021	12	2,020,982	13	2230	Tax liabilities (Note 6 (19))	79,041	-	94,851	1	102,834	1
1410	Advance payment	156,707	1	137,348	1	111,091	1	2280	Lease liabilities - current (Note 6 (14), (26) and (29))	141,853	1	157,256	1	106,452	1
1476	Other financial assets - current (Note 6 (4) and (26))	85,438	-	-	-	-	-	2365	Refund liabilities - current (Note 6 (15))	15,898	1	23,337	-	13,473	-
1479	Other current assets - others	6,242	-	10,563	-	16,548	-	2300	Other current liabilities	16,287	-	-	-	-	-
		<u>13,561,082</u>	<u>71</u>	<u>11,400,712</u>	<u>69</u>	<u>10,782,345</u>	<u>69</u>	2322	Long-term loans due within one year or one business cycle (Notes 6 (13), (26), (29) and 8)	5,318,695	28	3,630,746	23	3,931,887	25
Non-current assets:															
1517	Financial assets measured at FVTOCI - non-current (Note 6 (2) and (26))	15,884	-	-	-	-	-	2540	Long-term loans (Note 6 (23), (26), (29) and 8)	35,683	-	-	-	-	-
1600	Property, plant and equipment (Note 6 (7) and 8)	4,141,452	21	3,514,714	22	3,505,728	22	2550	Provisions - non-current (Note 6 (16))	41,681	-	41,729	-	40,579	-
1755	Right-of-use assets (Note 6 (8))	372,811	2	383,426	2	419,864	3	2560	Current income tax liabilities - non-current (Note 6 (19))	24,543	-	-	-	-	-
1760	Investment property (Note 6 (9))	379,184	2	283,002	2	283,241	1	2570	Deferred income tax liabilities (Note 6 (19))	22,080	-	-	-	315	-
1780	Intangible assets (Note 6 (10))	137,203	1	99,789	1	100,568	1	2580	Lease liabilities - non-current (Note 6 (14), (26) and (29))	71,575	-	60,560	-	82,263	1
1840	Deferred tax assets (Note 6 (19))	129,533	1	123,925	1	111,717	1	2600	Other non-current liabilities	78,085	1	1,932	-	1,953	-
1980	Other financial assets- non-current (Note 6 (6) and (26))	-	-	85,923	1	87,725	1			<u>273,647</u>	<u>1</u>	<u>104,221</u>	<u>-</u>	<u>125,110</u>	<u>1</u>
1900	Other non-current assets	489,069	2	388,701	2	383,947	2			<u>5,592,342</u>	<u>29</u>	<u>3,734,967</u>	<u>23</u>	<u>4,056,997</u>	<u>26</u>
		<u>5,665,136</u>	<u>29</u>	<u>4,879,480</u>	<u>31</u>	<u>4,892,790</u>	<u>31</u>			Total of liabilities					
										Equity to the owner of parent company:					
								3110	Ordinary share capital (Note 6 (20))	1,034,779	5	1,034,779	6	1,034,779	7
								3200	Capital reserves (Note 6 (20))	3,963,062	21	3,959,560	24	3,766,109	24
								3300	Retained earnings (Note 6 (20))	8,458,679	44	7,471,519	46	6,869,353	44
								3400	Other equity (Note 6 (20))	(723,181)	(4)	(650,532)	(4)	(456,513)	(3)
										<u>12,733,339</u>	<u>66</u>	<u>11,815,326</u>	<u>72</u>	<u>11,213,728</u>	<u>72</u>
								36XX	Non-control equity (Note 6 (6))	900,537	5	729,899	5	404,410	2
										<u>13,633,876</u>	<u>71</u>	<u>12,545,225</u>	<u>77</u>	<u>11,618,138</u>	<u>74</u>
										\$ 19,226,218	100	16,280,192	100	15,675,135	100
	Total of assets	\$ 19,226,218	100	16,280,192	100	15,675,135	100		Total of liabilities and equity	\$ 19,226,218	100	16,280,192	100	15,675,135	100

(Please refer to the Consolidated Financial Notes for details)

Director: Zhu, De-xiang Manager: He, De-yo Accounting Supervisor: Liu, Xing-xia

Reviewed only and not audited in accordance with generally accepted auditing standards (GAAS)

LOTES CO., LTD., and Its Subsidiaries

Consolidated Statement of Comprehensive Income

July 1 to September 30, 2020 and 2019 and January 1 to September 30, 2020 and 2019

Unit: NT\$1000

	Jul.-Sep. 2020		July-Sep. 2019		Jan.-Sep. 2020		Jan.-Sep. 2019	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue (Note 6 (15), (23))	\$ 4,629,484	100	4,155,443	100	12,501,555	100	11,017,258	100
5000 Operating cost (Note 6 (4), (10) and 12)	2,777,401	60	2,525,000	61	7,498,719	60	7,191,027	65
Gross profit	1,852,083	40	1,630,443	39	5,002,836	40	3,826,231	35
Operating expense (Note 6 (10), (14), (17), (26), 7 and 12) :								
6100 Selling Expenses	152,893	3	149,524	4	424,170	3	414,147	4
6200 Administration Expenses	276,078	6	275,308	7	802,629	6	772,421	7
6300 R&D expenses	374,934	8	289,765	7	1,031,363	8	789,020	7
6450 Expected credit impairment (gains) losses	4,620	-	503	-	3,691	-	812	-
Total operating expenses	808,525	17	715,100	18	2,261,853	17	1,976,400	18
Net operating profit	1,043,558	23	915,343	21	2,740,983	23	1,849,831	17
Non-operating income/expenses (Note 5 (24)):								
7100 Interest income	5,902	-	6,823	-	24,003	-	24,075	-
7140 Bargain purchase gains	-	-	-	-	8,385	-	-	-
7010 Other income	48,024	1	40,182	1	155,791	1	129,218	1
7020 Other gains and/or losses	(90,715)	(2)	28,688	1	(143,932)	(1)	28,623	-
7050 Financial costs	(5,854)	-	(4,909)	-	(13,198)	-	(18,775)	-
7055 Expected credit impairment gains (losses)	(339)	-	(1,016)	-	2,170	-	(1,431)	-
Total of non-operating income and expenses	(42,982)	(1)	69,768	2	33,219	-	161,710	1
Net profit before tax from continuing operations	1,000,576	22	985,111	23	2,774,202	23	2,011,541	18
7950 Less: Income tax expenses (Note 6 (19))	227,270	5	222,528	5	621,004	5	488,865	4
Net profit in the year	773,306	17	762,583	18	2,153,198	18	1,522,676	14
8300 Other comprehensive income:								
8310 Items that may not be reclassified subsequently to profit or loss:								
8316 Unrealized gains (losses) from investments in equity instruments measured at FVTOCI	(97)	-	(16,181)	-	(6)	-	(14,005)	-
8349 Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
Total of items that will not be reclassified to profit or loss	(97)	-	(16,181)	-	(6)	-	(14,005)	-
8360 Items that may be reclassified subsequently to profit or loss:								
8361 Exchange difference between foreign operating office's statement	120,460	2	(200,090)	(5)	(85,039)	(1)	(126,852)	(1)
8399 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	1,181	-	-	-	(3,122)	-	-	-
Total of items that may be reclassified to profit or loss	119,279	2	(200,090)	(5)	(81,917)	(1)	(126,852)	(1)
8300 Other comprehensive gain/loss (net amount after tax)	119,182	2	(216,271)	(5)	(81,923)	(1)	(140,857)	(1)
Comprehensive gain/loss	\$ 892,488	19	546,312	13	2,071,275	17	1,381,819	13
Net profit attributable to:								
8610 Owner of parent company	\$ 771,435	17	739,574	17	2,083,818	17	1,472,959	13
8620 Non-control equity	1,871	-	23,009	1	69,380	1	49,717	1
	\$ 773,306	17	762,583	18	2,153,198	18	1,522,676	14
Comprehensive income attributable to:								
8710 Owner of parent company	\$ 888,370	19	525,302	12	2,001,029	16	1,333,466	12
8720 Non-control equity	4,118	-	21,010	1	70,246	1	48,353	1
	\$ 892,488	19	546,312	13	2,071,275	17	1,381,819	13
Basic earnings per share (Unit: TWD) (Note 6 (22))		7.46		7.15		20.14		14.28
Diluted earnings per share (Unit: TWD) (Note 6 (22))		7.44		7.13		20.09		14.24

(Please refer to the Consolidated Financial Notes for details)

Director: Zhu, De-xiang Manager: He, De-yo Accounting Supervisor: Liu, Xing-xia

Reviewed only and not audited in accordance with generally accepted auditing standards (GAAS)
LOTES CO., LTD., and Its Subsidiaries
Consolidated Statement of Changes in Equity
January 1 to September 30, 2020 and 2019

Unit: NT\$1000

	Equity allocated to the owner of the parent company						Other equity items		Total equity attributable to owners of the parent	Non-control equity	Total equity
	Share capital		Retained earnings				Exchange difference between foreign operating office's statement	Unrealized gain or loss on Financial assets measured at FVTOCI			
	Ordinary share capital	Share capital received in advance	Capital reserves	Legal reserve	Special reserve	Undistributed earnings					
Balance on Jan. 1, 2019	\$ 934,779	125,638	2,466,109	931,082	255,202	5,110,368	(314,561)	(2,459)	9,506,158	365,324	9,871,482
Net income	-	-	-	-	-	1,472,959	-	-	1,472,959	49,717	1,522,676
Other comprehensive income	-	-	-	-	-	-	(125,488)	(14,005)	(139,493)	(1,364)	(140,857)
Total of comprehensive income	-	-	-	-	-	1,472,959	(125,488)	(14,005)	1,333,466	48,353	1,381,819
Appropriation and distribution of earnings:											
Provision for legal reserve	-	-	-	160,857	-	(160,857)	-	-	-	-	-
Provision for special reserve	-	-	-	-	61,818	(61,818)	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(900,258)	-	-	(900,258)	-	(900,258)
Cash capital increase	100,000	(125,638)	1,300,000	-	-	-	-	-	1,274,362	-	1,274,362
Increment/deduction of non-control equity	-	-	-	-	-	-	-	-	-	1,352	1,352
Cash dividends made by subsidiaries for non-controlling interests	-	-	-	-	-	-	-	-	-	(10,619)	(10,619)
Balance on Sep. 30, 2019	\$ 1,034,779	-	3,766,109	1,091,939	317,020	5,460,394	(440,049)	(16,464)	11,213,728	404,410	11,618,138
Balance on Jan. 1, 2020	\$ 1,034,779	-	3,959,560	1,091,939	317,020	6,062,560	(631,970)	(18,562)	11,815,326	729,899	12,545,225
Net income	-	-	-	-	-	2,083,818	-	-	2,083,818	69,380	2,153,198
Other comprehensive income	-	-	-	-	-	-	(82,789)	-	(82,789)	866	(81,923)
Total of comprehensive income	-	-	-	-	-	2,083,818	(82,789)	-	2,001,029	70,246	2,071,275
Appropriation and distribution of earnings:											
Provision for legal reserve	-	-	-	207,604	-	(207,604)	-	-	-	-	-
Provision for special reserve	-	-	-	-	333,513	(333,513)	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(1,086,518)	-	-	(1,086,518)	-	(1,086,518)
Other changes in additional paid-in capital:											
Changes in subsidiaries, associates, and joint ventures accounted for under the equity method	-	-	3,502	-	-	-	-	-	3,502	-	3,502
Increase or decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	149,509	149,509
Disposal of equity instruments measured at FVTOCI	-	-	-	-	-	(10,140)	-	10,140	-	-	-
Cash dividends made by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(49,117)	(49,117)
Balance on Sep. 30, 2020	\$ 1,034,779	-	3,963,062	1,299,543	650,533	6,508,603	(714,759)	(8,422)	12,733,339	900,537	13,633,876

(Please refer to the Consolidated Financial Notes for details)

Director: Zhu, De-xiang Manager: He, De-yo Accounting Supervisor: Liu, Xing-xia

Reviewed only and not audited in accordance with generally accepted auditing standards (GAAS)

LOTES CO., LTD., and Its Subsidiaries

Consolidated Statement of Cash Flows

January 1 to Sep. 30, 2020 and 2019

Unit: NT\$1000

	<u>Jan.-Sep. 2020</u>	<u>Jan.-Sep. 2019</u>
Net cash flow from operating activities:		
Net profit before tax	\$ 2,774,202	2,011,541
Items of adjustment:		
Income and expenses		
Depreciation expense	849,394	817,109
Amortization expense	11,583	9,402
Expected credit losses	1,521	2,243
Depreciation expense	13,198	18,775
Amortization expense	(24,003)	(24,075)
Dividend income	(1,341)	(875)
Disposition of Property, plant and equipment	3,994	23,563
Net loss (profit) on financial assets (liabilities) measured at FVTPL	(26,378)	149
Losses on the price fall and scraping of inventory	39,287	26,489
Bargain purchase gains	(8,385)	-
Cost of the employee stock options	7,795	-
Total income and expenses	<u>866,665</u>	<u>872,780</u>
Change in assets/liabilities related to operating activities:		
Net change in operating assets:		
Loss (gain) of receivable notes	(15,352)	7,291
Increase in accounts receivable	(487,995)	(753,963)
Decrease (increase) in other receivables	(101,419)	9,883
Decrease (increase) in inventories	(374,018)	180,356
Increase in payments in advance	(7,062)	(20,277)
Decrease (increase) in other current assets	4,321	(3,918)
Decrease in other financial assets	5,009	46,530
Total net change in operating assets	<u>(976,516)</u>	<u>(534,098)</u>
Net change in operating liabilities:		
Increase (decrease) in contract liabilities	40,069	(1,857)
Decrease in notes payable	(20,587)	(31,751)
Increase in accounts payable	562,929	137,724
Other increase in accounts payable	329,456	231,519
Increase (decrease) in provisions	(48)	19,626
Decrease in Other current liabilities	(7,439)	(4,190)
Decrease in refund liability	(15,403)	-
Increase in other non-current liabilities	(38)	227
Total net change in operating liabilities	<u>888,939</u>	<u>351,298</u>
Total net changes in operating assets and liabilities	<u>(87,577)</u>	<u>(182,800)</u>
Total adjustments	<u>779,088</u>	<u>689,980</u>
Cash in flow generated by operating activities	3,553,290	2,701,521
Interests received	22,707	31,284
Dividends received	1,341	875
Paid interests	(13,261)	(20,153)
Income tax paid	<u>(658,701)</u>	<u>(257,450)</u>
Net cash inflow from operating activities	<u>2,905,376</u>	<u>2,456,077</u>
Net cash flow in investing activities:		
Acquisition of financial assets measured at FVTOCI	(15,896)	-
Disposal of financial assets measured at FVTPL	4,860	-
Acquisition of financial assets measured at FVTPL	(59,270)	(86,125)
Disposal of financial assets measured at FVTPL	267,342	159,015
Acquisition of real estate, plant and equipment	(1,190,517)	(937,327)
Disposition of Property, plant and equipment	29,327	4,536
Increase in intangible assets	(48,870)	(50,443)
Cash outflows due to consolidation	(59,647)	-
Increase in other non-current liabilities	<u>(160,367)</u>	<u>(173,420)</u>
Cash flow of investment activities (Outflow)	<u>(1,233,038)</u>	<u>(1,083,764)</u>
Cash flows in fundraising activities:		
Increase (decrease) in short-term loan	663,340	(632,941)
Proceeds from long-term debt	4,870	-
Repayment of long-term debt	(82,444)	-
Repayments of lease liabilities	(89,081)	(87,228)
Issuance of Cash dividends	(1,086,518)	(900,258)
Cash dividends made for non-controlling interests	(49,117)	(10,619)
Cash capital increase	-	1,274,362
Variance of non-control equity	96,729	1,352
Changes in subsidiaries, associates and joint ventures accounted for under the equity method	<u>(562)</u>	<u>-</u>
Net cash outflow in financing activities	<u>(542,783)</u>	<u>(355,332)</u>
Change of exchange rate effecting cash and cash equivalents	(81,917)	(126,852)
Increase of cash and cash equivalents	1,047,638	890,129
Balance of cash and cash equivalents at the beginning of the term	2,845,994	1,448,071
Balance of cash and cash equivalents at the end of the term	<u>\$ 3,893,632</u>	<u>2,338,200</u>

(Please refer to the Consolidated Financial Notes for details)

Director: Zhu, De-xiang Manager: He, De-yo Accounting Supervisor: Liu, Xing-xia

LOTES CO., LTD., and its Subsidiaries' Notes to the Consolidated Financial Statements
(Cont'd)

Reviewed only and not audited in accordance with generally accepted auditing standards
(GAAS)

LOTES CO., LTD., and Its Subsidiaries
Consolidated Financial Statement Notes
Third Quarter 2020 and 2019

(Except as otherwise indicated, the unit for all amounts in this document is NT\$1,000)

I. Company History

Lotes Co., Ltd. (hereinafter referred to as the “Company”) was incorporated on Aug. 23, 1986 in accordance with the provisions of the Company Law and was approved for registration with its registered office at No.15, Wuxun Street, Anle District, Keelung City. The Company and its subsidiaries (hereinafter referred to as the “Consolidated Company”) are principally engaged in the sale and purchase of various hardware parts and components, the manufacturing and processing of various terminals and their connectors, the import and export business in connection with the preceding item and the agency of the preceding item in connection with the tender quotation and distribution of products of domestic and foreign manufacturers. Please refer to Note 14 for further details.

II. Date and Procedures of Approval of Financial Statement

The Consolidated Financial Statement was approved and released by the Board of Directors on November 12, 2020.

III. Application of New and Revised Standards and Interpretations

- (1) Influence of the Adoption of New and Revised Standards and Integrations Approved by the Financial Supervisory Commission

Since 2020, the Consolidated Company has fully adopted the International Financial Report Standards which is approved by the Financial Supervisory Commission (hereinafter referred to as FSC) to come into effect to compile Consolidated Financial Statements, with relevant new, amended and revised standards and interpretations listed as follows:

New release/revision/amendment of guidelines and interpretations	Effective date upon promulgation by the IASB
Amendments to IFRS 3 Definition of a Businesses	Jan. 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform	Jan. 1, 2020
Amendments to IAS 1 and IAS 8 Definition of Material	Jan. 1, 2020
Amendments to IFRS 16, “COVID-19 Related Rent Concessions”	June 1, 2020

The Consolidated Company considers that the application of the aforementioned newly

LOTES CO., LTD., and its Subsidiaries' Notes to the Consolidated Financial Statements
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recognized IFRSs will not result in significant changes to the Consolidated Financial Statements.

(2) Effect of not applying the International Financial Reporting Standards recognized by the FSC

The following table sets out the standards and interpretations that have been issued, amended and revised have been recognized by the FSC, and they have been applicable since 2021:

New release/revision/amendment of guidelines and interpretations	Effective date upon promulgation by the IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Jan. 1, 2021

The above-mentioned amendment is applicable to the Consolidated Company and will not caused material impact on the Consolidated Financial Statements.

(3) New and revised standards and interpretations not yet recognized by the FSC

The following table sets out the standards and interpretations that have been issued and revised by the International Accounting Standards Board (hereinafter referred to as the Board) but not yet endorsed by the FSC.

New release/revision/amendment of guidelines and interpretations	Effective date upon promulgation by the IASB
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 the Board
IFRS 17 "Insurance Contracts"	Jan. 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	Jan. 1, 2023
Amendments to IAS 1 "Property, plant and equipment - proceeds before reaching intended use condition"	Jan. 1, 2022
Amendments to IAS 37 "Onerous contract - costs to perform contracts"	Jan. 1, 2022
Annual Improvements to IFRS® Standards 2018–2020	Jan. 1, 2022
Amendments to IFRS 3 "References to the Conceptual Framework"	Jan. 1, 2022
Amendments to IFRS 17 "Insurance Contracts"	Jan. 1, 2023
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	Jan. 1, 2021

LOTES CO., LTD., and its Subsidiaries' Notes to the Consolidated Financial Statements
(Cont'd)

The following may be of interest to the Consolidated Company:

Release Date	New or Amended Standards	Major Amendments
2020.1.23	Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	<p>The purpose of the amendment is to improve the consistency in the application of the standard and to assist enterprises in determining whether a debt or other liability with an indefinite date of settlement should be classified as current (due or likely to be due within one year) or non-current on the balance sheet.</p> <p>The amendment also clarifies the classification of debts that may be settled by converting them into equity.</p>

The Consolidated Company is continuously evaluating the impact of the above criteria and explanations on the Consolidated Company's financial position and results of operations.

IV. Summary of Major Accounting Policies

(1) Compliance Statement

The Consolidated Financial Statement was compiled in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations Governing the Preparation) and IAS 34 "Interim Financial Reporting" which is effective upon endorsement and issuance by the Financial Supervisory Commission. The Consolidated Financial Statements do not include all of the information required to be disclosed in the full annual Consolidated Financial Statements prepared in accordance with the following, as recognized by the Financial Supervisory Commission (FSC): International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

Except as described below, the significant accounting policies used in this Consolidated Financial Statement are the same as those used in the 2019 Consolidated Financial Statement; see Note 4 to the 2019 Consolidated Financial Statements for related information.

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

(2) Consolidation Foundation

1. Subsidiary listed in the Consolidated Financial Statements

The including subsidiaries listed in the Consolidated Financial Statement are as follows:

Name of Investment Company	Name of Subsidiary	Place of Incorporation	Shareholding percentage			Note
			Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019	
The Company	Lotes Investments Limited	Samoa	100.00%	100.00%	100.00%	
"	Good Hope Investments Limited	"	100.00%	100.00%	100.00%	
"	Guansi Development Co., Ltd.	"	100.00%	100.00%	100.00%	
"	Zhaxi Investment Co., Ltd.	Anguilla	100.00%	100.00%	100.00%	
"	Jiayu Investment Co., Ltd.	Taiwan	100.00%	100.00%	100.00%	
"	Lotes USA, Inc	America	100.00%	100.00%	100.00%	
"	LOTES EU GmbH	Germany	100.00%	100.00%	100.00%	
"	Lerain Technology Co., Ltd.	Taiwan	33.92%	- %	- %	(Note 1)
Lotes Investments Limited	Loteson International Investments Limited	Hong Kong	100.00%	100.00%	100.00%	
Loteson International Investments Limited	Lotes Guanghou Co., Ltd	China	100.00%	100.00%	100.00%	
Lotes Guanghou Co., Ltd	Lotes Hengnan Co., Ltd.	"	100.00%	100.00%	100.00%	
"	Shenzhen Deyi Automation Technology Co., Ltd.	"	100.00%	100.00%	100.00%	
"	Lotes Zhongshan Co., Ltd	"	50.00%	50.00%	50.00%	
"	Zhongshan Dezhi Metal Surface Treatment Co., Ltd.	"	100.00%	100.00%	- %	
"	Hengnan Deyi Property Development Co., Ltd.	"	100.00%	100.00%	- %	
"	Guangzhou Leside Technology Co., Ltd.	"	100.00%	100.00%	100.00%	
Guangzhou Leside Technology Co., Ltd.	Chongqing Fuxinrui Electronic Technology Co., Ltd.	China	51.00%	51.00%	51.00%	
Lotes Suzhou Co., LTD	Lotes Zhongshan Co., Ltd	"	50.00%	50.00%	50.00%	
Good Hope Investments Limited	Xincheng Development Co., Ltd.	Samoa	100.00%	100.00%	100.00%	
"	REKA Technology Co., Ltd.	Hong Kong	100.00%	100.00%	100.00%	
Guansi Development Co., Ltd.	Jae You Co., Ltd.	"	100.00%	100.00%	100.00%	
Jae You Co., Ltd.	Lotes Suzhou Co., LTD	China	100.00%	100.00%	100.00%	

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

Zhaxi Investment Co., Ltd.	Wangden Investments Limited	Hong Kong	100.00%	100.00%	100.00%
Wangden Investments Limited	Zongka Technology (Shenzhen) Co., Ltd.	China	100.00%	100.00%	100.00%
Jiayu Investment Co., Ltd.	Ememe Robot Co., Ltd	Taiwan	94.37%	94.37%	94.37%
"	Compertum Microsystems Inc.	"	31.38%	46.74%	- % (Note 1)
"	GOOD NEWS MEDICAL CO., LTD.	"	5.00%	- %	- % (Note 1)
"	Lintes Technology Co., Ltd	"	52.13%	52.13%	58.36%
Lintes Technology Co., Ltd	Jiajyun Investment Co., Ltd.	"	100.00%	- %	- %
"	GENIE PRECISION MACHINING CO., LTD.	"	60.00%	- %	- % (Note 2)
"	Compertum Microsystems Inc.	"	10.46%	- %	- % (Note 1)
"	Jilong Co., Ltd.	Samoa	100.00%	100.00%	100.00%
Jilong Co., Ltd.	Rihui Co., Ltd.	"	100.00%	100.00%	100.00%
Rihui Co., Ltd.	Lintes Technology (Suzhou) Co., Ltd.	China	100.00%	100.00%	100.00%

Note 1: Although the Consolidated Company does not hold more than one half of the voting shares of the company, the Consolidated Company is included as a subsidiary in the Consolidated Financial Statements because the Consolidated Company has control over its major operating activities and other decisions.

Note 2: Please refer to Note 6 (5) for details of how the Consolidated Company obtained control of the company.

2. Subsidiary not listed in the Consolidated Financial Statements: none.

(3) Business Combination

The Consolidated Company first obtained control of other companies through acquisitions in the second quarter of 2020, and therefore, the accounting policies related to business combinations were applied beginning January 1, 2020.

The Consolidated Company uses the acquisition method for each business combination. Goodwill is measured at the fair value of the consideration transferred at the acquisition date, including the amount attributable to any non-controlling interest in the acquirer, less the net identifiable assets acquired and liabilities assumed (generally, fair value). If the balance after deductions is negative, the gain on a bargain purchase is recognized in profit or loss only after the Consolidated Company reassesses whether all acquired assets and all assumed

liabilities have been correctly identified.

Transaction costs associated with business combinations, other than those related to the issuance of debt or equity instruments, should be recognized as an expense of the Consolidated Company immediately upon occurrence.

Of the non-controlling interests in the acquiree that are current ownership interests and whose holders are entitled to a pro rata share of the net assets of the enterprise upon the occurrence of a liquidation, the Consolidated Company elects, on a transaction by transaction basis, to measure them either at fair value at the acquisition date or at the pro rata share of the current ownership instrument's recognized amount of the acquiree's identifiable net assets. Other non-controlling interests are measured at either their fair value at the acquisition date or on such other basis as prescribed by IFRS as recognized by the FSC.

(4) Employee benefits

The defined benefit plan pension for the interim period is calculated based on the actuarial pension cost ratio from the previous year's reporting date to the end of the current period and adjusted for significant market fluctuations, and significant curtailment, liquidation or other significant one-time events after the reporting date.

(5) Income Tax

The Consolidated Company's income tax expense for the interim period is measured and disclosed in accordance with B12 of IAS No. 34 "Interim Financial Reporting".

Income tax expense, which is recognized directly in equity or other comprehensive income, is measured as the temporary difference between the carrying amount of the related assets and liabilities for financial reporting purposes and their tax bases at the applicable tax rates that are expected to apply when the related assets and liabilities are realized or settled.

V. Primary Sources of Major Accounting Judgment, Estimate and Assumption Uncertainties

The preparation of the Consolidated Financial Statements in conformity with the Regulations Governing the Preparation of Financial Statements and IAS 34 "Interim Financial Reporting" which is approved by the FSC, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates.

The significant judgments made by management in the preparation of the Consolidated Financial Statements and the key sources of estimation uncertainty in the adoption of the Consolidated Company's accounting policies are consistent with Note 5 to the 2019 Consolidated Financial Statements.

VI. Descriptions for Important Accounting Items

Except as noted below, the description of significant accounting items in this Consolidated Financial Statement is not yet materially different from the 2019 Consolidated Financial Statement, see Note 6 to the 2019 Consolidated Financial Statement for related information.

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

(1) Cash and cash equivalents

	<u>Sep. 30, 2020</u>	<u>Dec. 31, 2019</u>	<u>Sep. 30, 2019</u>
Petty cash	\$ 4,418	3,660	1,752
Checks and demand deposits	2,488,323	1,560,714	1,345,634
Time deposits	<u>1,400,891</u>	<u>1,281,620</u>	<u>990,814</u>
Cash and cash equivalents listed on the Statement	<u>\$ 3,893,632</u>	<u>2,845,994</u>	<u>2,338,200</u>

Please refer to Note 6 (26) for the disclosure of the interest rate risk and sensitivity analysis of the financial assets of the Consolidated Company.

(2) Financial assets and liabilities

1. Financial assets and liabilities measured at FVTPL

	<u>Sep. 30, 2020</u>	<u>Dec. 31, 2019</u>	<u>Sep. 30, 2019</u>
Financial assets mandatorily measured at FVTPL:			
Non-hedging derivatives			
Forward exchange contracts	\$ 1,989		
Non-derivative financial assets:			
Listed stocks	56,351	20,931	24,786
Linked deposits	<u>-</u>	<u>219,103</u>	<u>-</u>
Total	<u>\$ 58,340</u>	<u>240,034</u>	<u>24,786</u>

The Consolidated Company's linked deposits are initially recognized on the basis of the principal amount of the deposit contract, and the interest rate is calculated based on the change in the subject matter of the linked deposits, and the Consolidated Company receives the Interest income on a regular basis.

	<u>Sep. 30, 2020</u>	<u>Dec. 31, 2019</u>	<u>Sep. 30, 2019</u>
Financial liabilities mandatorily measured at FVTPL:			
Metal merchandise exchange contract	<u>\$ -</u>	<u>-</u>	<u>1,706</u>

Please read Note 6 (26) for the details of the amounts re-measured at fair value and recognized in profit or loss.

The Consolidated Company engages in derivative financial instruments to hedge the exposure to exchange rate and raw material price risks arising from operating activities. The details of the derivatives on financial assets and financial liabilities that are reported as being measured at fair value through profit or loss by the Consolidated Company for non-applicable hedge accounting is as follows:

	<u>Sep. 30, 2020</u>
<u>Financial Assets</u>	<u>Capital of</u>
	<u>Due date</u>

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

	<u>contract (1,000 dollars)</u>		
Forward exchange contract	<u>USD</u>	<u>2,500</u>	Oct. 13, 2020
"	<u>USD</u>	<u>1,500</u>	Oct. 22, 2020
"	<u>USD</u>	<u>800</u>	Nov. 3, 2020
"	<u>USD</u>	<u>2,000</u>	Nov. 9, 2020
"	<u>USD</u>	<u>1,200</u>	Nov. 23, 2020
	<u>Sep. 30, 2019</u>		
<u>Financial Liabilities</u>	<u>Capital of</u>		<u>Due date</u>
	<u>contract (dollars)</u>		
Metal merchandise exchange contract	<u>USD</u>	<u>468,000</u>	Oct. 1, 2019
"	<u>USD</u>	<u>469,500</u>	Oct. 31, 2019
"	<u>USD</u>	<u>471,000</u>	Nov. 29, 2019
2. Financial assets measured at FVTOCI			
	<u>Sep. 30, 2020</u>	<u>Dec. 31, 2019</u>	<u>Sep. 30, 2019</u>
Equity instruments measured at FVTOCI:			
Current:			
Domestic unlisted stocks — Kuang\$ Ying Computer Equipment Co., Ltd.	-	4,507	4,696
Domestic unlisted stocks — AICP Technology Corporation	1,584	1,931	3,840
Subtotal	<u>1,584</u>	<u>6,438</u>	<u>8,536</u>
Non-current:			
Stock of listed domestic companies — Chailease Holding Company Limited	15,884	-	-
Total	<u>\$ 17,468</u>	<u>6,438</u>	<u>8,536</u>

The Consolidated Company's investments in these equity instruments are not held for trading purposes and have been designated as measured at fair value through other comprehensive income.

The Consolidated Company had no dividend income from equity instruments measured at FVTOCI in the periods from January 1 to September 30, 2020 and from

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

January 1 to September 30, 2019.

On May 8, 2020, the Consolidated Company, due to asset allocation considerations and adjustment of the investment portfolio to diversify risk, disposed of Kuang Ying Computer Equipment Co., Ltd. which was designated to be carried at FVTOCI. The fair value at the time of disposal was \$4,860 and the cumulative loss on disposal was \$10,140, therefore, the cumulative loss on disposal was transferred from other equity to retained earnings.

As of September 30, 2020, December 31, 2019 and September 30, 2019, the Consolidated Company's financial assets had not been pledged as security.

(3) Notes, accounts receivable and other receivables

	<u>Sep. 30, 2020</u>	<u>Dec. 31, 2019</u>	<u>Sep. 30, 2019</u>
Receivable notes	\$ 39,208	15,257	8,824
Accounts receivable	6,552,658	5,957,860	6,054,029
Other accounts receivable	326,030	222,320	210,551
Less: Provisions	<u>(14,097)</u>	<u>(11,881)</u>	<u>(11,368)</u>
	<u>\$ 6,903,799</u>	<u>6,183,556</u>	<u>6,262,036</u>

Please refer to Note 6 (26) - 1. (3) Statement of Changes in Notes and Accounts Receivable and Provisions as of September 30, 2020, December 31, 2019 and September 30, 2019 for details.

The Consolidated Company assesses that a portion of the accounts receivable and other receivables held by the Consolidated Company under the operating model of collecting cash flows and sales are measured at fair value through other comprehensive income as of September 30, 2020, December 31, 2019 and September 30, 2019, of which \$0, \$497,928, and \$602,676 respectively are accounts receivable.

Information of the factoring of accounts receivable of the Consolidated Company is provided below:

Unit: \$ 1,000 / 1,000 in foreign currency

<u>Dec. 31, 2019</u>						
<u>Factored to</u>	<u>Amount derecognized</u>	<u>Amount can be provided as advance</u>	<u>Amount provided as advance</u>	<u>Transferred to other receivables</u>	<u>Interest rate range</u>	<u>Other important matters</u>
CTBC Bank	\$ -	749,500	-	-	-	無
		USD 25,000				

Unit: \$ 1,000 / 1,000 in foreign currency

<u>Sep. 30, 2019</u>						
<u>Factored to</u>	<u>Amount derecognized</u>	<u>Amount can be provided as advance</u>	<u>Amount provided as advance</u>	<u>Transferred to other receivables</u>	<u>Interest rate range</u>	<u>Other important matters</u>
CTBC Bank	\$ -	776,000	-	-	-	無
		USD 25,000				

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

The above quota is used in a circular manner, and the outstanding accounts receivable sold by the Consolidated Company are purchased by China Trust without recourse. In accordance with the terms of the sale and surrender contract, losses arising from commercial disputes (such as return of sales or concessions, etc.) shall be borne by the Consolidated Company and losses arising from credit risk shall be borne by such Banks.

As of September 30, 2020, December 31, 2019 and September 30, 2019, there were no retained accounts receivable for sale and transferred to other receivables.

(4) Inventory

	<u>Sep. 30, 2020</u>	<u>Dec. 31, 2019</u>	<u>Sep. 30, 2019</u>
Merchandise	\$ 719,646	494,396	574,454
Finished goods	564,537	706,097	547,069
Work in progress	792,414	444,416	585,254
Raw materials	378,305	292,094	291,010
Goods in transit	-	39,018	23,195
	<u>\$ 2,454,902</u>	<u>1,976,021</u>	<u>2,020,982</u>

The Consolidated Company's inventories as of September 30, 2020, December 31, 2019 and September 30, 2019 including an allowance for inventory losses are \$312,067, \$271,717, and \$268,914, respectively.

The Consolidated Company recognized inventory-related expenses and gains as follows:

	<u>Jul. to Sep. 2020</u>	<u>Jul. to Sep. 2019</u>	<u>Jan. to Sep. 2020</u>	<u>Jan. to Sep. 2019</u>
Cost of goods sold	\$ 2,733,858	2,528,515	7,368,633	7,164,538
Shutdown cost	-	-	90,799	-
Losses on the price fall and scraping of inventory (gain on reversal)	43,543	(3,515)	39,287	26,489
Total	<u>\$ 2,777,401</u>	<u>2,525,000</u>	<u>7,498,719</u>	<u>7,191,027</u>

As of September 30, 2020, December 31, 2019, and September 30, 2019, the Consolidated Company's inventories were not pledged as security.

(5) Changes in ownership interest in subsidiaries

1. Acquisition of subsidiaries

On May 13, 2020, the Consolidated Company acquired control of GENIE PRECISION MACHINING CO. by obtaining 63.93% of the shares of it. GENIE PRECISION MACHINING CO., LTD. is a manufacturer of ultra-precision optical and

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

automation equipment and acquiring control of this company will allow the Consolidated Company to expand its automotive electronics operations.

For the period from the acquisition date to September 30, 2020, the revenue and net profit contributed by the GENIE PRECISION MACHINING CO. were \$128,920 and \$11,681, respectively. If the acquisition had occurred on January 1, 2020, the management estimates that the Consolidated Company's revenue and net profit for the period from January 1, 2020 to September 30, 2020 would have been \$12,600,870 and \$2,159,139, respectively. These amounts do not reflect the actual revenue and operating results that would have been generated by the Consolidated Company if the business combination had been completed at the beginning of the fiscal year in which the acquisition occurred and should not be used to predict future operating results.

The costs incurred in connection with this acquisition transaction have been recognized in the Consolidated Statement of Comprehensive Income under "Administrative expenses".

The major categories of the transfer consideration, assets acquired and liabilities assumed and amounts recognized at the acquisition date are as follows:

(1) Net cash outflows from acquired subsidiaries

Consideration for cash payments	\$ 78,533
Less: Cash acquired and cash equivalents balance	<u>(18,886)</u>
	<u>\$ 59,647</u>

(2) Identifiable assets acquired and liabilities assumed

The details of the fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition are as follows:

Current assets	
Cash and cash equivalents	\$ 18,886
Financial assets measured at amortized cost	5,009
Notes receivable, accounts receivable and other receivables	116,145
Inventory	144,150
Other current assets	12,297
Non-current assets	
Property, plant, and equipment	207,880
Intangible assets	127
Deferred tax assets	6,191
Other non-current assets	53,032
Current liabilities	
Short-term loan	(36,680)

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

Contract liabilities - current	(34,282)
Notes payable, accounts payable and other payables	(142,001)
Current income tax liabilities - current	(7,955)
Long-term loans due within one year	(29,491)
Other non-current liabilities - other	(1,097)
Non-current liabilities	
Long-term loans	(100,053)
Other non-current liabilities	<u>(76,191)</u>
Fair value of identifiable net assets	<u>\$ 135,967</u>

The fair value of the accounts receivable (mainly accounts receivable) and the total amount of the contract are both \$116,145. It was estimated on the acquisition date that there would be no contract cash flow which would be not recoverable.

The Consolidated Company will review the above matters on an ongoing basis during the measurement period. Accounting for acquisitions will be modified if new information relating to facts and circumstances existing at the acquisition date becomes available within one year of the acquisition date that identifies adjustments to the above provisional amounts or any additional liability provisions that existed at the acquisition date.

(3) Bargain purchase gains

The gains on bargain purchase recognized as a result of the acquisition are as follows:

Transfer consideration	\$ 78,533
Plus: Non-controlling interests	49,049
Less: Fair value of identifiable net assets	<u>(135,967)</u>
Bargain purchase gains	<u>\$ (8,385)</u>

The gain of \$8,385 resulting from the acquisition of GENIE PRECISION MACHINING CO. was reported in the Consolidated Statement of Comprehensive Income as "Bargain purchase gains".

2. Cash capital increase by subsidiaries, which was not subscribed by the Consolidated Company in proportion to its shareholding and did not result in loss of control

Compertum Microsystems Inc. issued an additional 1,379,000 new shares on April 30, 2020 for total gross proceeds of \$13,786. The Consolidated Company reduced its interest in Compertum Microsystems Inc. by 9.91% as a result of not subscribing.

Genie Precision Machining Co., Ltd. issued an additional 15,000,000 new shares on July 8, 2020 for total gross proceeds of \$150,000. The Consolidated Company subscribed 8,630,000 shares of the new shares, and the amount of the subscription was \$86,300. However, the Consolidated Company reduced its interest in Genie Precision Machining

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

Co., Ltd. by 3.93% as a result of not subscribing new shares according to its original share holding ratio.

The effect of changes in the Consolidated Company's ownership interest in the subsidiaries listed above on the owner's equity attributable to the parent is as follows:

	Jan. to Sep. 2020
Increase in interests after new shares were issued by the subsidiaries	\$ 89,802
Amount of subscription not according to original share holding ratio	<u>(86,300)</u>
Capital surplus - recognition of changes in ownership interests in subsidiaries	<u>\$ 3,502</u>

(6) Subsidiaries with significant non-controlling interests

The non-controlling interests of subsidiaries that are material to the Consolidated Company are as follows:

Name of Subsidiary	Main business place/ The country where the company registered	The percentage of ownership interests and voting interests in all non-controlling interests		
		Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Lintes Technology Co., Ltd	Taiwan	47.87%	47.87%	41.64%

The aggregate financial information of the above subsidiaries is as follows. The financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs) approved by the Financial Supervisory Commission (FSC), and the financial information represents amounts before the elimination of intercompany transactions:

1. Comprehensive financial information of Lintes Technology Co., Ltd.:

	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
Current assets	\$ 2,177,967	1,985,182	1,541,360
Non-current assets	441,675	165,502	158,053
Current liabilities	(744,134)	(649,878)	(721,553)
Non-current liabilities	(168,480)	(11,443)	(7,039)
Less: Non-controlling interests	<u>122,165</u>	<u>-</u>	<u>-</u>
Interests attributable to the owner of Lintes Technology Co., Ltd.	<u>\$ 1,584,863</u>	<u>1,489,363</u>	<u>970,821</u>
Book amount of the non-controlling interests attributable to the Consolidated Company at the end of accounting period	<u>\$ 758,710</u>	<u>714,874</u>	<u>403,931</u>

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

	Jul. to Sep. 2020	Jul. to Sep. 2019	Jan. to Sep. 2020	Jan. to Sep. 2019
Operating revenue	<u>\$ 516,591</u>	<u>484,398</u>	<u>1,667,505</u>	<u>1,669,076</u>
Net profit in the year				
Attributable to the owner of Lintes Technology Co., Ltd.	<u>\$ 29,619</u>	<u>49,670</u>	<u>196,716</u>	<u>117,788</u>
Controlling interests attributable to Lintes Technology Co., Ltd.	<u>\$ (1,054)</u>	<u>-</u>	<u>3,991</u>	<u>-</u>
Other comprehensive income				
Attributable to the owner of Lintes Technology Co., Ltd.	<u>\$ 4,706</u>	<u>(3,783)</u>	<u>(987)</u>	<u>(2,521)</u>
Non-controlling interests attributable to Lintes Technology Co., Ltd.	<u>\$ 7</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total of comprehensive income				
Attributable to the owner of Lintes Technology Co., Ltd.	<u>\$ 34,325</u>	<u>45,887</u>	<u>195,729</u>	<u>115,267</u>
Non-controlling interests attributable to Lintes Technology Co., Ltd.	<u>\$ (1,047)</u>	<u>-</u>	<u>3,991</u>	<u>-</u>
Net profit of the Consolidated Company	<u>\$ 14,179</u>	<u>23,188</u>	<u>90,912</u>	<u>50,033</u>

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

attributable to
non-controlling
interests

Comprehensive \$ 16,593 21,219 91,978 48,721

income of the
Consolidated
Company

attributable to
non-controlling
interests

	<u>Jan. to Sep. 2020</u>	<u>Jan. to Sep. 2019</u>
Cash flows from operating activities	\$ 284,148	173,402
Cash flows from investing activities	(87,119)	(62,271)
Cash flows from financing activities	(197,949)	(32,239)
Effect of change in exchange rate	731	3,531
Increase (decrease) in cash and cash equivalents	<u>\$ (189)</u>	<u>82,423</u>
Dividends paid to non-controlling interests	<u>\$ 49,117</u>	<u>10,619</u>

(7) Property, plant, and equipment

The changes in the costs of the property, plant and equipment, losses on depreciation and impairment of the Consolidated Company are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Others</u>	<u>Construction in progress and equipment to be examined</u>	<u>Total</u>
Cost or deemed cost:						
Balance on Jan. 1, 2020	\$ 49,655	759,739	2,698,613	2,740,900	756,731	7,005,638
Addition	-	-	148,968	88,769	998,597	1,236,334
Prepayment for equipment	-	-	10,959	5,065	-	16,024
transferred in						
Acquired by Business	-	-	213,892	96,686	-	310,578
Combination						
Completion of	-	-	-	584,210	(584,210)	-
construction in progress and						
acceptance of equipment to						
be examined						
Disposal	-	-	(152,597)	(582,436)	-	(735,033)
Reclassified as other	-	-	-	-	(168)	(168)
non-current assets						
Effect of change in	(628)	(4,840)	(20,830)	(15,902)	(3,617)	(45,817)
exchange rate						

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

Balance on Sep. 30, 2020	<u>\$ 49,027</u>	<u>754,899</u>	<u>2,899,005</u>	<u>2,917,292</u>	<u>1,167,333</u>	<u>7,787,556</u>
Balance on Jan. 1, 2019	\$ 76,980	804,451	2,680,672	2,430,461	498,134	6,490,698
Addition	-	870	141,174	325,411	601,668	1,069,123
Prepayment for equipment transferred in	-	-	657	15,185	-	15,842
Completion of construction in progress and acceptance of equipment to be examined	-	-	9,139	393,173	(402,312)	-
Disposal	-	-	(61,101)	(498,844)	-	(559,945)
Reclassified as investment property	(26,800)	(15,857)	-	-	-	(42,657)
Effect of change in exchange rate	218	(14,143)	(47,274)	(54,148)	(16,449)	(131,796)
Balance on Sep. 30, 2019	<u>\$ 50,398</u>	<u>775,321</u>	<u>2,723,267</u>	<u>2,611,238</u>	<u>681,041</u>	<u>6,841,265</u>
Losses on depreciation and impairment:						
Balance on Jan. 1, 2020	\$ -	266,518	1,595,925	1,628,481	-	3,490,924
Depreciation for the year	-	29,387	179,629	570,935	-	779,951
Acquired by Business Combination	-	-	62,001	40,697	-	102,698
Disposal	-	-	(127,331)	(574,381)	-	(701,712)
Effect of change in exchange rate	-	(1,480)	(14,399)	(9,878)	-	(25,757)
Balance on Sep. 30, 2020	<u>\$ -</u>	<u>294,425</u>	<u>1,695,825</u>	<u>1,655,854</u>	<u>-</u>	<u>3,646,104</u>
Balance on Jan. 1, 2019	\$ -	241,559	1,455,245	1,443,734	-	3,140,538
Depreciation for the year	-	27,840	180,307	580,673	-	788,820
Disposal	-	-	(39,559)	(492,287)	-	(531,846)
Reclassified as investment property	-	(1,386)	-	-	-	(1,386)
Effect of change in exchange rate	-	(5,256)	(25,243)	(30,090)	-	(60,589)
Balance on Sep. 30, 2019	<u>\$ -</u>	<u>262,757</u>	<u>1,570,750</u>	<u>1,502,030</u>	<u>-</u>	<u>3,335,537</u>
Book value:						
Jan. 1, 2020	<u>\$ 49,655</u>	<u>493,221</u>	<u>1,102,688</u>	<u>1,112,419</u>	<u>756,731</u>	<u>3,514,714</u>
Sep. 30, 2020	<u>\$ 49,027</u>	<u>460,474</u>	<u>1,203,180</u>	<u>1,261,438</u>	<u>1,167,333</u>	<u>4,141,452</u>
Jan. 1, 2019	<u>\$ 76,980</u>	<u>562,892</u>	<u>1,225,427</u>	<u>986,727</u>	<u>498,134</u>	<u>3,350,160</u>
Sep. 30, 2019	<u>\$ 50,398</u>	<u>512,564</u>	<u>1,152,517</u>	<u>1,109,208</u>	<u>681,041</u>	<u>3,505,728</u>

Subsidiary, Lotes Zhongshan Co., Ltd, acquired the land use rights for the construction of the new plant in 2017, and the acquisition cost was \$183,934 to list right-of-use assets in the account. As of September 30, 2020, December 31, 2019, and September 30, 2019, the accumulated expenditures (tax included) for the construction of the new plant were \$735,599, \$622,147, and \$583,265, respectively.

Subsidiary, Lotes Hengnan Co., Ltd, acquired the land use rights for the construction

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

of the new plant in 2016, and the acquisition cost was \$9,878 to list right-of-use assets in the account. As of September 30, 2020, December 31, 2019, and September 30, 2019, the accumulated expenditures (tax included) for the construction of the new plant were \$121,273, \$54,149, and \$0, respectively.

In April 2019, subsidiary, Lotes Zhongshan Co., Ltd, signed the pre-purchase contract and decoration contract with Zhongshan Weili Real Estate Development Co., Ltd. and Tianjin Xinhongyuan Building Decoration Engineering Co., Ltd., respectively. As of June 30, 2020, has to pay the price of RMB 10,881,000 and RMB 3,285,000 respectively (account listed as other non-current assets), is expected to transfer the property in December 2020.

As of September 30, 2020, December 31, 2019 and September 30, 2019, real estate, plant, and equipment were used as collateral for short-term loans and financing lines. Please refer to Note 8 for details.

(8) Right-of-use assets

The changes in the costs of the lease of lands, buildings, machinery and other equipment, losses on depreciation and impairment of the Consolidated Company are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Others</u>	<u>Construction in progress and equipment to be examined</u>
Cost of the right-of-use assets:					
Balance on Jan. 1, 2020	\$ 236,908	254,674	687	5,181	497,450
Increase	-	85,877	-	-	85,877
Decrease	-	(41,637)	(682)	(1,501)	(43,820)
Effect of change in exchange rate	(1,341)	(1,351)	(5)	(32)	(2,729)
Balance on Sep. 30, 2020	\$ 235,567	297,563	-	3,648	536,778
Balance on Jan. 1, 2019	\$ -	-	-	-	-
Number of effects of retroactive application of IFRS 16	246,746	235,843	243	5,396	488,228
Increase	-	30,150	482	-	30,632
Decrease	(4,924)	(5,856)	(24)	(109)	(10,913)
Balance on Sep. 30, 2019	\$ 241,822	260,137	701	5,287	507,947
Depreciation and impairment loss on right-of-use assets:					
Balance on Jan. 1, 2020	\$ 5,150	105,843	687	2,344	114,024
Depreciation for the year	3,836	87,506	-	1,299	92,641
Decrease	-	(41,637)	(682)	(1,501)	(43,820)
Effect of change in exchange rate	(24)	1,165	(5)	(14)	1,122
Balance on Sep. 30, 2020	\$ 8,962	152,877	-	2,128	163,967
Balance on Jan. 1, 2019	\$ -	-	-	-	-
Depreciation for the year	4,076	84,577	544	2,013	91,210

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

Decrease	(133)	(2,910)	(18)	(66)	(3,127)
Balance on Sep. 30, 2019	<u>\$ 3,943</u>	<u>81,667</u>	<u>526</u>	<u>1,947</u>	<u>88,083</u>
Book value:					
Sep. 30, 2020	<u>\$ 226,605</u>	<u>144,686</u>	<u>-</u>	<u>1,520</u>	<u>372,811</u>
Sep. 30, 2019	<u>\$ 237,879</u>	<u>178,470</u>	<u>175</u>	<u>3,340</u>	<u>419,864</u>

(9) Investment property

The changes in the investment property of the Consolidated Company are as follows:

	<u>Self-owned Assets</u>		<u>Right-of-use</u>	<u>Total</u>
	<u>Land</u>	<u>Buildings</u>	<u>Assets</u> <u>Land</u>	
Cost or deemed cost:				
Balance on Jan. 1, 2020	\$ 248,200	39,285	-	287,485
Increase	-	-	97,452	97,452
Effect of change in exchange rate	-	-	167	167
Balance on Sep. 30, 2020	<u>\$ 248,200</u>	<u>39,285</u>	<u>97,619</u>	<u>385,104</u>
Balance on Jan. 1, 2019	\$ 221,400	23,428	-	244,828
Transferred from property, plant and equipment	26,800	15,857	-	42,657
Balance on Sep. 30, 2019	<u>\$ 248,200</u>	<u>39,285</u>	<u>-</u>	<u>287,485</u>
Losses on depreciation and impairment:				
Balance on Jan. 1, 2020	\$ -	4,483	-	4,483
Depreciation	-	740	696	1,436
Effect of change in exchange rate	-	-	1	1
Balance on Sep. 30, 2020	<u>\$ -</u>	<u>5,223</u>	<u>697</u>	<u>5,920</u>
Balance on Jan. 1, 2019	\$ -	2,333	-	2,333
Depreciation	-	525	-	525
Transferred from property, plant and equipment	-	1,386	-	1,386
Balance on Sep. 30, 2019	<u>\$ -</u>	<u>4,244</u>	<u>-</u>	<u>4,244</u>
Book Value:				
Jan. 1, 2020	<u>\$ 248,200</u>	<u>34,802</u>	<u>-</u>	<u>283,002</u>
Sep. 30, 2020	<u>\$ 248,200</u>	<u>34,062</u>	<u>96,922</u>	<u>379,184</u>
Jan. 1, 2019	<u>\$ 221,400</u>	<u>21,095</u>	<u>-</u>	<u>242,495</u>
Sep. 30, 2019	<u>\$ 248,200</u>	<u>35,041</u>	<u>-</u>	<u>283,241</u>
Fair value:				
Jan. 1, 2020				<u>\$ 322,604</u>
Sep. 30, 2020				<u>\$ 420,223</u>
Jan. 1, 2019				<u>\$ 282,694</u>
Sep. 30, 2019				<u>\$ 322,604</u>

As of September 30, 2020, December 31, 2019 and September 30, 2019, the Consolidated Company's investment properties were not pledged as security.

(10) Intangible assets

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

The changes in the cost and amortization of the intangible assets of the Consolidated Company are as follows:

	<u>Computer Software</u>	<u>Others</u>	<u>Total</u>
Cost:			
Balance on Jan. 1, 2020	\$ 166,221	600	166,821
Separate acquisition	49,307	-	49,307
Acquired by business combination	4,127	-	4,127
Derecognition	(412)	-	(412)
Effect of change in exchange rate	(437)	-	(437)
Balance on Sep. 30, 2020	<u>\$ 218,806</u>	<u>600</u>	<u>219,406</u>
Balance on Jan. 1, 2019	\$ 114,181	600	114,781
Separate acquisition	52,556	-	52,556
Derecognition	(590)	-	(590)
Effect of change in exchange rate	(2,113)	-	(2,113)
Balance on Sep. 30, 2019	<u>\$ 164,034</u>	<u>600</u>	<u>164,634</u>
Losses on amortization and impairment:			
Balance on Jan. 1, 2020	\$ 67,032	-	67,032
Amortization in the year	11,765	-	11,765
Acquired by business combination	4,000	-	4,000
Derecognition	(412)	-	(412)
Effect of change in exchange rate	(182)	-	(182)
Balance on Sep. 30, 2020	<u>\$ 82,203</u>	<u>-</u>	<u>82,203</u>
Balance on Jan. 1, 2019	\$ 55,254	-	55,254
Amortization in the year	10,177	-	10,177
Derecognition	(590)	-	(590)
Effect of change in exchange rate	(775)	-	(775)
Balance on Sep. 30, 2019	<u>\$ 64,066</u>	<u>-</u>	<u>64,066</u>
Book value:			
Jan. 1, 2020	<u>\$ 99,189</u>	<u>600</u>	<u>99,789</u>
Sep. 30, 2020	<u>\$ 136,603</u>	<u>600</u>	<u>137,203</u>
Jan. 1, 2019	<u>\$ 58,927</u>	<u>600</u>	<u>59,527</u>
Sep. 30, 2019	<u>\$ 99,968</u>	<u>600</u>	<u>100,568</u>

The amortization expenses of the intangible assets of the Consolidated Company was recognized in the following items in the Consolidated Statement of Comprehensive Income:

<u>Jul. to Sep. 2020</u>	<u>Jul. to Sep. 2019</u>	<u>Jan. to Sep. 2020</u>	<u>Jan. to Sep. 2019</u>
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LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

Operating costs	<u>\$</u> <u>438</u>	<u>285</u>	<u>1,067</u>	<u>753</u>
Operating expense	<u>\$</u> <u>3,798</u>	<u>3,630</u>	<u>10,698</u>	<u>9,424</u>

(11) Other financial assets

The details of the other financial assets of the Consolidated Company are as follows:

	<u>Sep. 30, 2020</u>	<u>Dec. 31, 2019</u>	<u>Sep. 30, 2019</u>
Other financial assets - current			
Time deposits	<u>\$</u> <u>85,438</u>	<u>-</u>	<u>-</u>
Other financial assets - non-current			
Time deposits	<u>\$</u> <u>-</u>	<u>85,923</u>	<u>87,725</u>

As of September 30, 2020, December 31, 2019, and September 30, 2019, none of the Consolidated Company's other financial assets had been pledged as security. For details, please refer to Note 8.

(12) Short-term loans

The details, conditions, and terms of the short-term loans of the Consolidated Company are as follows:

		<u>Sep. 30, 2020</u>		
	<u>Currency</u>	<u>Interest rate range</u>	<u>Maturity year</u>	<u>Amount</u>
Bank loans - credit loans	NTD	0.85%~0.9%	109-110	<u>\$</u> <u>730,000</u>
Credit not yet used				<u>\$</u> <u>1,565,600</u>
		<u>Dec. 31, 2019</u>		
	<u>Currency</u>	<u>Interest rate range</u>	<u>Maturity year</u>	<u>Amount</u>
Bank loans - credit loans	USD	2.54%	109	<u>\$</u> <u>29,980</u>
Credit not yet used				<u>\$</u> <u>3,158,700</u>
		<u>Sep. 30, 2019</u>		
	<u>Currency</u>	<u>Interest rate range</u>	<u>Maturity year</u>	<u>Amount</u>
Bank loans - credit loans	USD	2.8%~4.02%	108-109	\$ 201,702
	NTD	0.9%	108	85,000
Total				<u>\$</u> <u>286,702</u>
Credit not yet used				<u>\$</u> <u>2,900,758</u>

Please refer to Note 6 (26) for more information on the Consolidated Company's exposure to interest rate and foreign currency risk, Note 8 for information of the Consolidated Company's assets pledged as collateral for short-term borrowings, and Note 9 for information of the Company's bank loans and financing facilities are pledged as guaranteed notes.

(13) Long-term loans

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

The details of the Consolidated Company's long-term loans were as follows:

	<u>Sep. 30, 2020</u>
Bank loans - credit loans (due July 2023)	\$ 974
Bank loans - secured loans (due June 2022 - July 2023)	31,774
Other loans - secured loans (due November 2022 - December 2023)	<u>19,222</u>
Subtotal	51,970
Less: Portion due within one year	<u>16,287</u>
Total	<u>\$ 35,683</u>
Credit not yet used	<u>\$ 69,937</u>
Interest rates	<u>1.83%~7.54%</u>

The Consolidated Company's pledge of assets as collateral for bank loans is described in Note 8.

(14) Lease liabilities

The book values of the lease liabilities of the Consolidated Company are as follows:

	<u>Sep. 30, 2020</u>	<u>Dec. 31, 2019</u>	<u>Sep. 30, 2019</u>
Current	<u>\$ 79,041</u>	<u>94,851</u>	<u>102,834</u>
Non-current	<u>\$ 71,575</u>	<u>60,560</u>	<u>82,263</u>

For the maturity analysis, please refer to Note 6 (26).

The amounts recognized in the profit and loss are as follows:

	<u>Jul. to Sep. 2020</u>	<u>Jul. to Sep. 2019</u>	<u>Jan. to Sep. 2020</u>	<u>Jan. to Sep. 2019</u>
Interest expense for lease liabilities	<u>\$ 2,146</u>	<u>2,787</u>	<u>6,898</u>	<u>9,065</u>
Income from the sublease of right-of-use assets	<u>\$ 5,107</u>	<u>4,166</u>	<u>12,471</u>	<u>10,920</u>
Expenses for short-term leases	<u>\$ 411</u>	<u>811</u>	<u>1,079</u>	<u>1,834</u>

The amounts recognized in the Statement of Cash Flows are as follows:

	<u>Jan. to Sep. 2020</u>	<u>Jan. to Sep. 2019</u>
Total cash outflow for leases	<u>\$ 97,058</u>	<u>95,172</u>

1. Lease of land, premises, and buildings

The Consolidated Company leases land, premises and buildings for plant, office space and staff quarters. The lease term of the plant and office space is usually one to ten years, and the lease term of the staff quarters is three to eight years. Part of the lease includes an option to extend the lease at the end of the lease

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

term. In cases where it is not reasonably determined to exercise an optional extension of Lease term, the relevant benefits for the period covered by the option are not included in the Lease liabilities.

The Consolidated Company is a sublease of right-of-use assets by business lease.

2. Other leases

The leasing period of machines and other equipment leased by the Consolidated Company shall be two to six years. In addition, the Lease term of some Lease contracts of the Consolidated Company is one year, and these leases are short-term subject leases. The Consolidated Company chooses to apply the exemption of relevant right-of-use assets and lease liabilities.

(15) Refund liabilities - current

	<u>Sep. 30, 2020</u>	<u>Dec. 31, 2019</u>	<u>Sep. 30, 2019</u>
Refund liabilities - current	<u>\$ 141,853</u>	<u>157,256</u>	<u>106,452</u>

The refund liabilities are mainly the prepayments to customers for the sales discount and defects of electronic components.

(16) Provisions

	<u>Sep. 30, 2020</u>	<u>Dec. 31, 2019</u>	<u>Sep. 30, 2019</u>
Provisions - non-current			
Employee benefits	<u>\$ 41,681</u>	<u>41,729</u>	<u>40,579</u>

Employee benefits are estimated under the Consolidated Company's defined benefit plan.

(17) Operating lease

1. Lessor lease

The Consolidated Company leases its investment real estate, which is classified as an operating lease because almost all risks and rewards belonging to the ownership of the underlying asset have not been transferred. Please refer to Note 6 (9) for details of the investment real estate.

Due date analysis of lease benefits to report the total amount of undiscounted lease benefits received in the future is shown in the following table:

	<u>Sep. 30, 2020</u>	<u>Dec. 31, 2019</u>	<u>Sep. 30, 2019</u>
Not more than 1 year	\$ 4,394	5,821	5,821
1-2 years	1,400	593	2,070
Total undiscounted lease payment	<u>\$ 5,794</u>	<u>6,414</u>	<u>7,891</u>

In the periods from July 1 to September 30, 2020 and 2019 and from January 1 to

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

September 30, 2020 and 2019, the rental income generated from the investment property were \$1,062, \$1,386, \$3,665, and \$4,022, respectively, and the direct operating expenses (including maintenance) incurred in the investment property from rentals were \$220, \$331, \$630, and \$617, respectively.

(18) Employee benefits

1. Defined benefit plans

The Consolidated Company used actuarially determined pension costs as of December 31, 2019 and 2018 to measure and disclose pension costs for the interim period as there were no significant market fluctuations and no significant curtailments, settlements, or other significant one-time events subsequent to the prior fiscal year reporting date.

The Consolidated Company recognized \$233, \$247, \$698, and \$743 of expense in profit or loss from July 1 to September 30, 2020 and 2019 and from January 1 to September 30, 2020 and 2019, respectively.

2. Defined contribution plan

As to the defined contribution plan, the Consolidated Company shall contribute the retirement funds of employees to the individual accounts for labor retirement funds of the Bureau of Labor Insurance according to 6% of the monthly salaries of labors under the provisions of Labor Pension Act. Under this plan, after contributing fixed amount to the Bureau of Labor Insurance, the Consolidated Company will not assume the legal or constructive obligations of paying extra amount.

The pension expense under the defined contribution retirement funds of the Consolidated Company from July 1 to September 30, 2020 and 2019 and from January 1 to September 30, 2020 and 2019 were \$3,401, \$2,280, \$9,103, and \$6,732, respectively, which have been contributed to the Bureau of Labor Insurance.

In accordance with the pension insurance system established by the government of the People's Republic of China, the subsidiaries in Mainland China make monthly contributions to employees' pension insurance based on a certain percentage of their salaries and wages. The monthly pension plan is administered and arranged by the government, and the above-mentioned company has no further obligation other than to make monthly contributions. The related pension expense from July 1 to September 30, 2020 and 2019 and from January 1 to September 30, 2020 and 2019 were \$43,068, \$53,610, \$91,793, and \$146,113, respectively.

(19) Income tax

1. The details of the income tax expense of the Consolidated Company are as follows:

	Jul. to Sep.	Jul. to Sep.	Jan. to Sep.	Jan. to Sep.
	2020	2019	2020	2019
Income tax expense				
in the year				

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

Income tax generated in the year	\$	239,894	260,105	612,338	492,800
Increase in tax on undistributed earnings		901	-	24,864	28,248
Adjustment of the income tax in the previous year		995	(24,901)	(41,721)	(17,646)
		<u>241,790</u>	<u>235,204</u>	<u>595,481</u>	<u>503,402</u>
Deferred income tax expense					
Other deferred income tax expense (income)		(14,520)	(12,676)	25,523	(14,537)
Income tax expense	\$	<u>227,270</u>	<u>222,528</u>	<u>621,004</u>	<u>488,865</u>

2. The income tax expense and benefit recognized in other comprehensive income from July 1 to September 30, 2020 and 2019 and from January 1 to September 30, 2020 and 2019 were the expense of \$1,181 and \$0 and the benefit of \$3,122 and \$0 respectively.

3. Income Tax Approval

The approval on the filing of final income tax return of the Company has been approved through 2017 as required by the taxing authority.

The income tax returns of the domestic subsidiaries: Jiayu Investment Co., Ltd., Ememe Robot Co., Ltd., Lintes Technology Co., Ltd., and GENIE PRECISION MACHINING CO., LTD. has been approved through 2018.

(20) Capital and other equity

As of September 30, 2020, December 31, 2019, and September 30, 2019, the total authorized share capital of the Company was \$1,550,000, with a par value of \$10 per share, and the actual amount issued were all \$1,034,779.

On August 9, 2018 and November 19, 2018, the Company's Board of Directors resolved to issue 10,000 new shares with a par value of \$10 per share and an issue price of \$140 per share by cash capital increase, with January 10, 2019 as the base date for the capital increase. This capital increase has been approved by the Financial Supervisory Commission and the statutory registration process was completed on January 23, 2019.

1. Capital reserve

The components of the Company's capital reserve are as follows:

<u>Sep. 30, 2020</u>	<u>Dec. 31, 2019</u>	<u>Sep. 30, 2019</u>
-----------------------------	-----------------------------	-----------------------------

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

Premium of issued shares	\$	3,577,768	3,577,768	3,577,768
Change in the net value of the stock of subsidiaries and associates accounted for using the equity method		369,895	366,393	172,942
Employee stock options		<u>15,399</u>	<u>15,399</u>	<u>15,399</u>
	\$	<u>3,963,062</u>	<u>3,959,560</u>	<u>3,766,109</u>

In accordance with the Companies Act, capital surplus is required to cover losses first before new shares or cash can be issued in proportion to the shareholders' original shares. Realized capital surplus referred to in the preceding paragraph includes premiums from the issuance of shares in excess of par value and proceeds from gifts received. In accordance with the Regulations Governing the Issuer's Offerings and Issuance of Marketable Securities, the aggregate amount of capital surplus that may be capitalized each year shall not exceed 10% of the paid-in capital.

2. Retained earnings

In accordance with the Company's Articles of Incorporation, the Company shall, after the final settlement of each year's earnings, first complete tax contributions, make up for prior years' deficits and set aside 10% as legal reserve, except when the legal reserve has reached the level of total capital; the Company is required by law to set aside or reverse special reserve. In the case of unappropriated earnings for the same period, the Board of Directors shall propose a proposal for the distribution of earnings to the shareholders for resolution, and the dividend to be distributed shall not be less than 20% of the net profit for the year after taxation, after deducting the net income provided for by law.

The Company will take into account the environment and growth of the Company and the distribution of earnings should take into account the Company's future capital expenditure budget and capital requirements, and pay cash dividends of not less than 10% of the dividends distributed in the current year.

(1) Legal reserve

If the Company has no deficit, it may, by resolution of the shareholders in general meeting, issue new shares or cash out of the legal reserve to the extent that such reserve exceeds 25% of the paid-in capital.

(2) Special reserve

When the Company distributes distributable earnings, the Company accounts for other shareholders' equity in the current year and provides a special reserve of the same amount from current period's profit or loss as the prior period's undistributed earnings, and a special reserve of the same amount from prior period's undistributed earnings is

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

not distributed. If there is a subsequent reversal in the amount of other decreases in shareholders' equity, the reversal may be distributed in the form of a surplus.

(3) Earnings distribution

The dividends to be distributed to the owners of the Company in respect of the 2019 and 2018 profit distributions resolved by the shareholders at their ordinary meetings held on June 19, 2020 and June 14, 2019 are as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Payout ratio</u>	<u>Amount</u>	<u>Payout ratio</u>	<u>Amount</u>
	<u>(NTD)</u>		<u>(NTD)</u>	
Distributed to the holders of ordinary shares:				
Cash	\$ 10.50	<u>1,086,518</u>	8.70	<u>900,258</u>

Information on the distribution of earnings as proposed by the Board of Directors and resolved by the Shareholders' Meeting is available on the "Public Information Observation Post System".

3. Other Equity

	<u>Exchange differences on translation of foreign operations</u>	<u>Unrealized gain or loss on Financial assets measured at FVTOCI</u>	<u>Total</u>
Balance on Jan. 1, 2020	\$ (631,970)	(18,562)	(650,532)
Exchange differences arising from the translation of the net assets of foreign operations	(82,789)	-	(82,789)
Disposal of equity instruments measured at FVTOCI	-	10,140	10,140
Balance on Sep. 30, 2020	<u>\$ (714,759)</u>	<u>(8,422)</u>	<u>(723,181)</u>
Balance on Jan. 1, 2019	\$ (314,561)	(2,459)	(317,020)
Exchange differences arising from the translation of the net assets of foreign operations	(125,488)	-	(125,488)
Unrealized losses from financial assets measured at FVTOCI	-	(14,005)	(14,005)
Balance on Sep. 30, 2019	<u>\$ (440,049)</u>	<u>(16,464)</u>	<u>(456,513)</u>

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

(21) Share-based payment

The following share-based payment transactions were performed by the Consolidated Company:

	Cash capital increase reserved for employees to subscribe	
	<u>Genie Precision Machining Co., Ltd.</u>	<u>Lintes Technology Co., Ltd.</u>
Date of offering	July 23, 2020	Nov. 28, 2019
Amount offered	1,500,000 shares	436,000 shares
Target of offering	Current employees of subsidiaries	Current employees of subsidiaries
Vesting condition	Immediate vesting	Immediate vesting

Genie Precision Machining Co., Ltd. estimated the fair value of the above Cash capital increase stock option to be \$15.87 and recognized the cost of Share-based payment Compensation of employees from the Cash capital increase stock option to be \$7,795 in 2020.

Lintes Technology Co., Ltd. estimated the fair value of the above Cash capital increase stock option to be \$10.8 and recognized the cost of Share-based payment Compensation of employees from the Cash capital increase stock option to be \$4,709 in 2019.

(22) Earnings per share

The basic earnings per share and diluted earnings per share of the Consolidated Company were calculated as follows:

	<u>Jul. to Sep. 2020</u>	<u>Jul. to Sep. 2019</u>	<u>Jan. to Sep. 2020</u>	<u>Jan. to Sep. 2019</u>
Net profit attributable to the Company in the year	<u>\$ 771,435</u>	<u>739,574</u>	<u>2,083,818</u>	<u>1,472,959</u>
Weighted average shares outstanding (1,000 shares)	103,478	103,478	103,478	103,148
Dilutive potential ordinary shares				
Employee Bonus	251	259	251	259
	<u>103,729</u>	<u>103,737</u>	<u>103,729</u>	<u>103,407</u>
Basic earnings per share	<u>\$ 7.46</u>	<u>7.15</u>	<u>20.14</u>	<u>14.28</u>
Diluted earnings per share	<u>\$ 7.44</u>	<u>7.13</u>	<u>20.09</u>	<u>14.24</u>

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

(23) Revenue from contracts with customers

1. Please refer to Note 14 (3) and (4) for the disclosure of disaggregation of revenue for the major products and major regional markets.

2. Balance of Contract

	<u>Sep. 30, 2020</u>	<u>Dec. 31, 2019</u>	<u>Sep. 30, 2019</u>
Contract liabilities	<u>\$ 94,297</u>	<u>19,947</u>	<u>4,303</u>

The amounts of beginning balances of contractual liabilities as of January 1, 2020 and January 1, 2019 were respectively recognized as income of \$287, \$821, \$18,605, and \$5,793 for the period from July 1 to September 30, 2020 and 2019 and from January 1 to September 30, 2020 and 2019.

(24) Non-operating income and expense

1. Interest income

The details of interest income of the Consolidated Company are as follows:

	<u>Jul. to Sep. 2020</u>	<u>Jul. to Sep. 2019</u>	<u>Jan. to Sep. 2020</u>	<u>Jan. to Sep. 2019</u>
Bank deposit interest	<u>\$ 5,902</u>	<u>6,823</u>	<u>24,003</u>	<u>24,075</u>

2. Other income

The details of other income of the Consolidated Company are as follows:

	<u>Jul. to Sep. 2020</u>	<u>Jul. to Sep. 2019</u>	<u>Jan. to Sep. 2020</u>	<u>Jan. to Sep. 2019</u>
Dividend income	\$ 1,341	875	1,341	875
Income from molding	468	4,099	35,417	33,320
Compensation from suppliers	739	5,185	3,949	8,507
Income from rentals	8,668	7,552	22,568	21,054
Income from the sales of R&D products	208	760	3,493	5,356
Income from subsidies	12,373	10,650	13,384	17,683
Others	24,227	11,061	75,639	42,423
	<u>\$ 48,024</u>	<u>40,182</u>	<u>155,791</u>	<u>129,218</u>

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

3. Other income and losses

The details of other income and losses of the Consolidated Company are as follows:

	<u>Jul. to Sep.</u> <u>2020</u>	<u>Jul. to Sep.</u> <u>2019</u>	<u>Jan. to Sep.</u> <u>2020</u>	<u>Jan. to Sep.</u> <u>2019</u>
Foreign exchange	\$ (106,644)	40,356	(145,104)	65,815
gain (loss)				
Net loss from				
financial assets				
(liabilities)				
measured at				
FVTPL				
Derivatives:				
Forward	2,393	(1,706)	2,393	(1,706)
exchange contract				
Metal	1,057	-	4,346	-
merchandise				
exchange contract				
Non-derivative	24,112	2,102	19,639	1,557
financial				
instruments				
Profit from the	(630)	(8,547)	(3,994)	(23,563)
disposal of				
property, plant,				
and equipment				
Others	(11,003)	(3,517)	(21,212)	(13,480)
Total	<u>\$ (90,715)</u>	<u>28,688</u>	<u>(143,932)</u>	<u>28,623</u>

4. Financial cost

The details of the financial cost of the Consolidated Company are as follows:

	<u>Jul. to Sep.</u> <u>2020</u>	<u>Jul. to Sep.</u> <u>2019</u>	<u>Jan. to Sep.</u> <u>2020</u>	<u>Jan. to Sep.</u> <u>2019</u>
Interest expense	<u>\$ 5,854</u>	<u>4,909</u>	<u>13,198</u>	<u>18,775</u>

(25) Compensation for employees, directors, and supervisors

In accordance with the Company's Articles of Incorporation, no less than 3% of the Company's annual profits shall be appropriated to the compensation of employees and no more than 3% to the compensation of Directors and Supervisors; however, if the Company has accumulated losses, it shall retain the amount of compensation in advance and appropriate the compensation of employees and Supervisors in proportion to the

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

aforementioned. The former compensation of employees to whom stock or cash is issued may include employees of a subordinate company who meet certain criteria.

The estimated amount of compensation of employees for the period from July 1 to September 30, 2020 and 2019 and from January 1 to September 30, 2020 and 2019 was \$26,363, \$26,500, \$74,456, and \$51,500, respectively, and the estimated amount of compensation to directors and supervisors was \$1,120, \$1,120, \$2,240, and \$2,240, respectively. The Company's Net profit before tax for the period is estimated by multiplying the amount of the Company's Net profit before issuing the compensation of employees and directors and supervisors by the proportion of the Company's compensation distribution to employees and directors and supervisors as provided in the Company's Articles of Incorporation, and is reported as operating costs or expenses for that period. If there is a difference between the actual distribution amount and the estimated amount for the following year, the change in accounting estimate is adjusted and the difference is recognized in profit or loss for the following year. In the event that the Board of Directors resolves to grant a compensation of employees by way of stock, the number of shares of stock-based compensation is calculated based on the closing price of the common stock on the day before the Board of Directors' resolution.

The actual allotment of compensation to employees, directors and supervisors for the year ended December 31, 2018 did not differ from the amount estimated in the Company's annual financial statements, and was paid in cash. The difference between the amount approved by the Board of Directors for the remuneration of employees, directors, and supervisors in 2019 and the estimated amount in the individual financial statements in 2020 was \$46.

(26) Financial instruments and fair value information

1. Credit risk

(1) Credit risk exposure

The carrying amount of a financial asset represents the maximum amount of credit risk. The maximum amount of credit risk exposure was \$10,878,451, \$9,330,916, and \$8,686,209 as of September 30, 2020, December 31, 2019, and September 30, 2019, respectively.

(2) Credit risk concentration risk

The customers of the Consolidated Company are concentrated in the high-tech computer industry. In order to reduce the credit risk of accounts receivable, the Consolidated Company continuously evaluates the financial position of the customers and adjusts the transaction terms if necessary. The Consolidated Company on September 30, 2020, December 31, 2019, and September 30, 2019, a single customer is more than 5% of the total accounts receivable, accounts receivable balance for 4, 5, and 6 different customers, respectively, the Consolidated Company regularly assesses the

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

possibility of accounts receivable collection and allowance for loss, and the total loss of total within the authorities expected.

(3) Impairment loss

The Consolidated Company for all notes receivable and accounts receivable adopts simplified approach to estimate the expected credit losses, i.e. using the term forecast credit losses measure, measure for this purpose, such as the notes receivable and accounts receivable department press on behalf of clients according to the terms of the contract to pay all amount due ability of credit risk characteristics shall be grouped together, and has set up into a forward-looking information. The expected credit loss analysis of notes receivable and accounts receivable of the Consolidated Company is as follows:

	Sep. 30, 2020		
	Book value of Notes and accounts receivable	Weighted average expected credit loss rate	Expected credit loss in the duration of provision
Not past due	\$ 6,238,150	0.02%	990
1-30 days past due	256,732	0.44%	1,131
31-60 days past due	68,849	1.20%	826
61-120 days past due	20,280	13.19%	2,675
121-180 days past due	784	36.61%	287
181-270 days past due	-	50.00%	-
More than 271 days past due	7,071	100.00%	7,071
	<u>\$ 6,591,866</u>		<u>12,980</u>

	Dec. 31, 2019		
	Book value of Notes and accounts receivable	Weighted average expected credit loss rate	Expected credit loss in the duration of provision
Not past due	\$ 5,558,158	0.02%	983
1-30 days past due	328,542	0.39%	1,327
31-60 days past due	79,760	0.67%	538
61-120 days past due	614	5.21%	32
121-180 days past due	381	13.91%	53
181-270 days past due	-	50.00%	-
271-365 days past due	50	94.00%	47
More than 365 days past due	5,612	100.00%	5,612
	<u>\$ 5,973,117</u>		<u>8,592</u>

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

	Sep. 30, 2019		
	Book value of Notes and accounts receivable	Weighted average expected credit loss rate	Expected credit loss in the duration of provision
Not past due	\$ 5,781,505	0.02%	1,263
1-30 days past due	184,933	0.52%	984
31-60 days past due	85,732	0.52%	448
61-120 days past due	3,826	10.45%	400
121-180 days past due	778	20.31%	158
181-270 days past due	418	31.34%	131
271-365 days past due	1,099	100.00%	1,099
More than 365 days past due	4,562	100.00%	4,562
	<u>\$ 6,062,853</u>		<u>9,045</u>

The changes in the provisions for notes and accounts receivable of the Consolidated Company are as follows:

	Jan. to Sep. 2020	Jan. to Sep. 2019
Opening balance	\$ 8,592	8,565
Acquired from business mergers and acquisitions	3,214	-
Recognized impairment loss	3,691	812
Current write off	(2,461)	(283)
Foreign currency translation gains and losses	(56)	(49)
Closing balance	<u>\$ 12,980</u>	<u>9,045</u>

2. Liquidity risk

The contracts of financial liabilities are sorted by their maturity dates as follows. The estimated interests are included, but the effect of net value agreement is excluded.

	Book Value	Cash flow from the contract	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Sep. 30, 2020							
Non-derivative financial liabilities:							
Short-term loan	\$ 730,000	733,629	732,250	1,379	-	-	-
Long-term loans (including long-term loans maturing within one year or one business cycle)	51,970	54,520	8,807	8,987	29,174	7,552	-
Notes payable	6,078	6,078	6,078	-	-	-	-
Accounts payable	2,524,466	2,524,466	2,524,466	-	-	-	-
Other payables	1,349,832	1,349,832	1,349,832	-	-	-	-
Lease liabilities	150,616	162,062	51,633	33,041	32,530	44,858	-
	<u>\$ 4,812,962</u>	<u>4,830,587</u>	<u>4,673,066</u>	<u>43,407</u>	<u>61,704</u>	<u>52,410</u>	<u>-</u>

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

	<u>Book Value</u>	<u>Cash flow from the contract</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
Dec. 31, 2019							
Non-derivative financial liabilities:							
Short-term loan	\$ 29,980	30,172	30,172	-	-	-	-
Notes payable	19,000	19,000	19,000	-	-	-	-
Accounts payable	1,885,062	1,885,062	1,885,062	-	-	-	-
Other payables	964,415	964,415	964,415	-	-	-	-
Lease liabilities	155,411	165,242	54,559	46,417	41,233	23,033	-
	<u>\$ 3,053,868</u>	<u>3,063,891</u>	<u>2,953,208</u>	<u>46,417</u>	<u>41,233</u>	<u>23,033</u>	<u>-</u>
Sep. 30, 2019							
Non-derivative financial liabilities:							
Short-term loan	\$ 286,702	288,765	241,716	47,049	-	-	-
Notes payable	13,645	13,645	13,645	-	-	-	-
Accounts payable	1,881,196	1,881,196	1,881,196	-	-	-	-
Other payables	1,055,319	1,055,319	1,055,319	-	-	-	-
Lease liabilities	185,097	197,539	60,096	50,453	60,412	26,578	-
Derivative financial liabilities:							
Metal merchandise exchange contracts	1,706	1,706	1,706	-	-	-	-
	<u>\$ 3,423,665</u>	<u>3,438,170</u>	<u>3,253,678</u>	<u>97,502</u>	<u>60,412</u>	<u>26,578</u>	<u>-</u>

The Consolidated Company does not anticipate that the cash flows analyzed at maturity date will alter significantly or that the actual amounts will vary significantly.

3. Market risk - exchange rate risk

(1) Exposure to exchange rate risk

The Consolidated Company's financial assets and liabilities exposed to significant foreign currency exchange rate risk are as follows:

	<u>Sep. 30, 2020</u>		
	<u>Foreign</u>	<u>Rate</u>	<u>NTD</u>
	<u>Currency</u>		
	<u>(Note)</u>		
<u>Financial assets</u>			
<u>Currency</u>			
USD	\$ 467,396	29.1000	13,601,196
RMB	179,921	4.2731	768,731
HKD	16,235	3.7540	60,945
JPY	64,178	0.2756	17,688
EURO	952	34.1500	32,507
INR	4	0.4791	2
<u>Financial liabilities</u>			
<u>Currency</u>			
USD	\$ 248,755	29.1000	7,238,793
RMB	22	4.2731	93
HKD	2,992	3.7540	11,233
JPY	69,214	0.2756	19,075
EURO	32	34.1500	1,086

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

		Dec. 31, 2019		
		<u>Foreign</u>	<u>Rate</u>	<u>NTD</u>
		<u>Currency</u>		
		<u>(Note)</u>		
<u>Financial assets</u>				
<u>Currency</u>				
USD	\$	387,757	29.9800	11,624,983
RMB		173,383	4.2975	744,979
HKD		7,250	3.8490	27,904
JPY		83,529	0.2760	23,054
EURO		2,394	33.5900	80,425
INR		4	0.4791	2
VND		17,980	0.0012	22
<u>Financial liabilities</u>				
<u>Currency</u>				
USD	\$	222,319	29.9800	6,665,126
RMB		37	4.2975	160
HKD		2,025	3.8490	7,793
JPY		23,878	0.2760	6,590
EURO		46	33.5900	1,531
MOP		1	3.8490	3
VND		14,361	0.0012	17

		Sep. 30, 2019		
		<u>Foreign</u>	<u>Rate</u>	<u>NTD</u>
		<u>Currency</u>		
		<u>(Note)</u>		
<u>Financial assets</u>				
<u>Currency</u>				
USD	\$	414,735	31.0200	12,865,705
RMB		123,808	4.3856	543,004
HKD		1,919	3.9560	7,590
JPY		94,917	0.2877	27,308
EURO		1,934	33.8700	65,501
INR		4	0.4791	2
<u>Financial liabilities</u>				
<u>Currency</u>				
USD	\$	231,353	31.0200	7,176,826
RMB		26	4.3856	115
HKD		2,800	3.9560	11,077
JPY		98,400	0.2877	28,310

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

Note: The foreign currencies denominated in the non-functional currencies of the consolidated entities include items that have been eliminated in the consolidated financial statements for inter-group transactions.

Because the Consolidated Company has a wide range of functional currencies, it has adopted a consolidated approach to disclose exchange gain or loss on monetary items, with foreign currency exchange gains or losses (realized and unrealized) of losses of \$106,644, gains of \$40,356, losses of \$145,104, and gains of \$65,815 for the period from July 1 to September 30, 2020 and 2019 and from January 1 to September 30, 2020 and 2019, respectively.

(2) Sensitivity analysis

The Consolidated Company's exchange rate risk primarily comes from foreign currency-denominated cash and cash equivalents, accounts receivable and other receivables, loans, accounts payable and other payables, resulting into gains and losses of conversion of foreign currency when exchanging. As of September 30, 2020 and 2019, if NTD had depreciated or appreciated by 1% relative to foreign currencies held by the Company and all other factors remained constant, net income would have increased or decreased by \$57,686 and \$50,342 respectively for the years ended September 30, 2020 and 2019. The same basis is used for both phases of analysis.

4. Market risk - changes in interest rates

The interest rate risk of the Consolidated Company mainly comes from the bank deposit and short-term loan of floating rate, so the interest rate change will cause the effective interest rate of bank deposit and short-term loan to change accordingly, and the future cash flow will fluctuate.

The following sensitivity analysis is based on the risk of interest rate shocks reported by financial instruments on the date of coverage. For floating rate liabilities, the analysis is based on the assumption that the reported amount of daily outstanding liabilities is current throughout the year. The rate of change used by the Consolidated Company in reporting interest rates to the main management is 1% up or down, which represents the management's assessment of the reasonable range of possible interest rate changes.

The Consolidated Company's financial assets with variable interest rates on September 30, 2020, December 31, 2019, and September 30, 2019 were \$2,753,027, \$1,882,046, and \$1,511,868, respectively, and its financial liabilities were \$32,749, \$0, and \$139,622, respectively. If interest rates had increased or decreased by 1%, the Consolidated Company's net income would have increased or decreased by \$16,322 and \$8,233 for the years ended Sep. 30, 2020 and 2019, respectively, with all other variables held constant.

5. Market risk - fair value

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

(1) Fair value and carrying amount

The management of the Consolidated Company believes that non-derivative short-term financial instruments should be estimated at their fair value based on their book value on the balance sheet, and that their book value should be a reasonable basis for the estimated fair value because of the near maturity of such commodities. This method is applied to cash and equivalent cash, notes receivable and payable, accounts receivable and payable, other receivables and payables, deposit margin and short-term borrowings.

In addition to the above financial instruments, the fair value and book value information of the remaining financial instruments and investment real estate of the Consolidated Company on the financial reporting date are as follows:

	<u>Sep. 30, 2020</u>		<u>Dec. 31, 2019</u>		<u>Sep. 30, 2019</u>	
	<u>Book Value</u>	<u>Fair value</u>	<u>Book Value</u>	<u>Fair value</u>	<u>Book Value</u>	<u>Fair value</u>
The parts measured at fair value:						
Financial assets:						
Financial assets measured at FVTPL - current	\$ 58,340	58,340	240,034	240,034	24,786	24,786
Financial assets measured at FVTOCI - current	17,468	17,468	6,438	6,438	8,536	8,536
Financial liabilities						
Financial liabilities measured at FVTPL	-	-	-	-	1,706	1,706
Not measured at fair value:						
Non-financial assets:						
Investment property	379,184	420,223	283,002	322,604	283,241	322,604

(2) The evaluation techniques used to determine fair value are as follows

- A. When financial assets are quoted publicly in an active market, this market price is the fair value. When market prices are not available, estimates are made by reference to quoted counterparties or using valuation techniques. The estimates and assumptions used are consistent with the information used by market participants as estimates and assumptions in pricing financial instruments.
- B. The fair value of investment properties is based on the evaluations of independent evaluators with recognized professional qualifications and recent experience in the area and type of investment properties evaluated.

(3) Fair value hierarchy

The following table analyzes the fair value hierarchy of financial instruments and investment property by valuation. Each fair value hierarchy is defined as follows:

- A. Level 1: Publicly quoted prices (unadjusted) in an active market for identical assets

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

or liabilities.

B. Level 2: Input parameters for an asset or liability are observable either directly (i.e., prices) or indirectly (i.e., derived from prices), except for publicly quoted prices included in Level 1.

C. Level 3: Input parameters for an asset or liability are not based on observable market information (non-observable parameters).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
September 30, 2020				
The parts measured at fair value:				
Financial assets measured at				
FVTPL	\$ 56,351	-	1,989	58,340
Financial assets measured at				
FVTOCI	<u>15,884</u>	<u>-</u>	<u>1,584</u>	<u>17,468</u>
	<u>\$ 72,235</u>	<u>-</u>	<u>3,573</u>	<u>75,808</u>

Not measured at fair value:

Investment property	<u>\$ -</u>	<u>-</u>	<u>420,223</u>	<u>420,223</u>
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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Dec. 31, 2019				
The parts measured at fair value:				
Financial assets measured at				
FVTPL	\$ 20,931	-	219,103	240,034
Financial assets measured at				
FVTOCI	-	-	6,438	6,438
	<u>\$ 20,931</u>	<u>-</u>	<u>225,541</u>	<u>246,472</u>

Not measured at fair value:

Investment property	<u>\$ -</u>	<u>-</u>	<u>322,604</u>	<u>322,604</u>
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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Sep. 30, 2019				
The parts measured at fair value:				
Financial assets measured at				
FVTPL	\$ 24,786	-	-	24,786
Financial assets measured at				
FVTOCI	-	-	8,536	8,536
	<u>\$ 24,786</u>	<u>-</u>	<u>8,536</u>	<u>33,322</u>

Financial liabilities measured at	<u>\$ -</u>	<u>-</u>	<u>1,706</u>	<u>1,706</u>
FVTPL				

Not measured at fair value:

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

Investment property \$ - - 322,604 322,604

- (4) Table of details of the changes in financial assets (liabilities) measured at fair value and classified into level 3

Unit: \$ 1,000

Name	109# Jan. to Sep.						Closing balance
	Opening balance	Profit and Losses		Increase		Decrease	
		Recognized in profit or loss	Recognized in other comprehensive income	Purchase	Transferred to level 3	Sales, disposal or clearing	
Financial assets measured at FVTPL	\$ 219,103	499	-	-	-	(217,613)	1,989
Financial assets measured at FVTOCI	6,438	-	6	-	-	(4,860)	1,584
	<u>\$ 225,541</u>	<u>499</u>	<u>6</u>	<u>-</u>	<u>-</u>	<u>(222,473)</u>	<u>3,573</u>

Name	108# Jan. to Sep.						Closing balance
	Opening balance	Profit and Losses		Increase		Decrease	
		Recognized in profit or loss	Recognized in other comprehensive income	Purchase	Transferred to level 3	Sales, disposal or clearing	
Financial assets measured at FVTPL	\$ 71,603	924	-	86,125	-	(158,652)	-
Financial liabilities measured at FVTPL	-	(1,706)	-	-	-	-	(1,706)
Financial assets measured at FVTOCI	12,541	-	(14,005)	-	10,000	-	8,536
	<u>\$ 84,144</u>	<u>(782)</u>	<u>(14,005)</u>	<u>86,125</u>	<u>10,000</u>	<u>(158,652)</u>	<u>6,830</u>

The above-mentioned accounts were recognized in "other income and losses". Among them, the ones related to the assets held on September 30, 2020 and September 30, 2019 are as follows:

	Jan. to Sep. 2020	Jan. to Sep. 2019
Recognized in profit (losses)	<u>\$ 1,989</u>	<u>(1,706)</u>

- (5) Quantitative information on the fair value measurement of significant non-observable input values (level 3)

The Consolidated Company through the profit or loss of fair value as the third level measured at the fair value of financial assets on September 30, 2020, December 31, 2019, and September 30, 2019, are respectively \$1,989, \$219,103, and \$0, and its financial liabilities measured at fair value through profit or losses are respectively \$0, \$0, and \$1,706 on September 30, 2020, December 31, 2019, and September 30, 2019. Because there was no active market public offer reference and counterparties, and because in practice, it can't fully grasp the major unobservable input value and the fair value of the relationship, so it did not reveal the quantitative information. The quantitative information list of the other significant unobservable input values measured at fair value at third level is as follows:

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Relationship between significant unobservable inputs and fair value</u>
Financial assets measured at FVTOCI— investment in equity instruments with no active market	Comparable Company Analysis	·The multiple of book-to-Market ratio: 0.74-0.80 as of Dec. 31, 2019 and 0.62-1.49 as of Sep. 30, 2019 ·Discount for lack of marketability: 14.8%~16.8% as of Dec. 31, 2019 and Jun. 30, 2019	·The higher the multiple, the higher the fair value ·The higher the discount for lack of marketability, the lower the fair value
"	Net asset value method	·Net asset value	·Positive correlation with fair value

(6) The fair value is classified in the third level of the evaluation process

The fair value of the Consolidated Company is measured using the unobservable input value, which is classified as the third level. The input value of this level is based on the price provided by the counterparty quotation or the price-to-market ratio multiplier of the market comparable company, etc., and relevant quotation and evaluation data are properly kept. The evaluation results are then checked to ensure consistency with the evaluation sources and to ensure that the evaluation results are reasonable.

(7) The fair value measurement of the third level and the sensitivity analysis of the fair value to the reasonable alternative hypothesis

The fair value measurement of financial instruments by the Consolidated Company is reasonable, but different evaluation models or evaluation parameters may result in different evaluation results. For financial instruments classified as level 3, if the evaluation parameters change, the impact on current profits and losses or other comprehensive income is as follows:

	<u>Input</u>	<u>Rise or Drop</u>	<u>The change of fair value reflected in the profit or loss in the period</u>		<u>The change of fair value reflected in other comprehensive income</u>	
			<u>Favorable change</u>	<u>Adverse change</u>	<u>Favorable change</u>	<u>Adverse change</u>
Dec. 31, 2019						
Financial assets measured at FVTOCI						
Investment in equity instruments with no active market	The multiple of book-to-Market ratio	5%	-	-	171	(178)

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

	Discount for lack of marketability	1%	-	-	51	(58)
Sep. 30, 2019						
Financial assets measured at FVTOCI						
Investment in equity instruments with no active market	The multiple of book-to-Market ratio	1%	-	-	57	(111)
	Discount for lack of marketability	1%	-	-	110	(111)

Favorable and unfavorable changes in the Consolidated Company's fair value represent fluctuations in fair value, which is calculated by using a valuation technique based on unobservable input parameters of varying degrees. Where the fair value of a financial instrument is affected by more than one input, the above table only reflects the effect of changes in a single input and does not take into account correlation and variability between inputs.

(27) Financial risk management

The Consolidated Company's financial risk management objectives and policies are consistent with those disclosed in the 2019 consolidated financial statement; see Note 6 (26) to the 2019 consolidated financial statement for related information.

(28) Capital management

The Consolidated Company's capital management objectives, policies and procedures have not changed materially from those disclosed in the 2019 consolidated financial statements; see Note 6 (27) of the 2019 consolidated financial statements for related information.

(29) Investment and fund raising activities for non-cash transactions

Please refer to Notes 6 (8) and 6 (14) for information on the Consolidated Company's non-cash trading investments and fundraising activities for Right-of-use assets acquired under leases during the years ended September 30, 2020 and 2019.

The reconciliation of the Consolidated Company's liabilities from fundraising activities for the years ended September 30, 2020 and 2019 was as follows:

	109.1.1	Cash flow	Other	Non-cash change		Sep. 30, 2020
				Change in exchange rate	Change in fair value	
Short-term loan	\$ 29,980	662,855	36,680	485	-	730,000
Long-term loan (including loans due within 1 year or 1 operating cycle)	-	(77,574)	129,544	-	-	51,970
Lease liabilities	155,411	(88,215)	84,286	(866)	-	150,616
Total liabilities from financing activities	\$ 185,391	497,066	250,510	(381)	-	932,586

	108.1.1	Cash flow	Other	Non-cash change		Sep. 30, 2019
				Change in exchange	Change in fair value	

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

				<u>rate</u>		
Short-term loan	\$ 919,643	(633,947)	-	1,006	-	286,702
Lease liabilities	241,482	(93,338)	39,908	(2,955)	-	185,097
Total liabilities from financing activities	<u>\$ 1,161,125</u>	<u>(727,285)</u>	<u>39,908</u>	<u>(1,949)</u>	-	<u>471,799</u>

VII. Related Party Transactions

- (1) Parent company and ultimate controller: The Company is the ultimate controller of the Company and the Company's subsidiaries.
- (2) Names and relationships of related parties

The related parties with whom the Company had transactions during the period covered by these consolidated financial statements are as follows:

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
Key management personnel	Including the directors, supervisors, managers and their families and spouses

- (3) Material transactions with the related parties

1. Lease

The Consolidated Company leases warehouses from a related party and enters into one-year lease contracts with a total value of \$60. Interest expenses recognized were \$0, \$0, \$1, and \$1 for the period from July 1 to September 30, 2020 and 2019 and from January 1 to September 30, 2020 and 2019. The balance of lease liabilities were \$15, \$59, and \$71 for the years ended September 30, 2020, December 31, 2019, and September 30, 2019, respectively.

- (4) Major management personnel transaction

Related compensation includes:

	<u>Jul. to Sep.</u> <u>2020</u>	<u>Jul. to Sep.</u> <u>2019</u>	<u>Jan. to Sep.</u> <u>2020</u>	<u>Jan. to Sep.</u> <u>2019</u>
Short-term employee benefits	\$ 15,198	11,119	43,617	33,831
Post-employment benefits	326	215	941	644
	<u>\$ 15,524</u>	<u>11,334</u>	<u>44,558</u>	<u>34,475</u>

VIII. Pledged Assets

The carrying value of the assets pledged as security by the Consolidated Company was as follows:

<u>Name of Asset</u>	<u>Sep. 30, 2020</u>	<u>Dec. 31, 2019</u>	<u>Sep. 30, 2019</u>
Property, plant, and equipment	<u>\$ 126,508</u>	<u>44,618</u>	<u>44,822</u>

IX. Significant Contingent Liabilities and Unrecognized Contractual Commitments

- (1) Significant unrecognized contractual commitments:

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

As of September 30, 2020, the Consolidated Company, had signed and unpaid major plant construction contracts, with the value of approximately \$76,847.

The Consolidated Company had entered into outstanding information system related contracts as of September 30, 2020 for an amount of approximately \$35,039.

- (2) The issuance of guarantee notes for bank loans, financing lines and derivative financial commodity transactions:

	<u>Sep. 30, 2020</u>	<u>Dec. 31, 2019</u>	<u>Sep. 30, 2019</u>
Guaranteed notes	<u>\$ 1,178,300</u>	<u>2,358,960</u>	<u>2,436,100</u>

X. Significant Disaster Loss: None.

XI. Significant post-period events: None.

XII. Others

- (1) Employee benefits, depreciation, depletion, and amortization functions are summarized below:

Function Item	Jul. to Sep. 2020			Jul. to Sep. 2019		
	Operation cost	Operation expense	Total	Operation cost	Operation expense	Total
Employee benefit expense						
Salaries expense	775,398	305,691	1,081,089	493,112	251,432	744,544
Labor insurance and health insurance expenses	92,146	24,406	116,552	82,394	31,115	113,509
Pension expense	768	2,866	3,634	76	2,452	2,528
Compensation of directors	-	1,376	1,376	-	1,476	1,476
Other employee benefit expenses	47,838	27,825	75,663	32,473	25,477	57,950
Depreciation expense	186,304	99,501	285,805	217,523	69,448	286,971
Amortization expense	438	3,798	4,236	285	3,630	3,915

Function Item	Jan. to Sep. 2020			Jan. to Sep. 2019		
	Operation cost	Operation expense	Total	Operation cost	Operation expense	Total
Employee benefit expense						
Salaries expense	1,657,634	837,761	2,495,395	1,293,872	686,958	1,980,830
Labor insurance and health insurance expenses	184,736	63,692	248,428	235,516	81,037	316,553
Pension expense	1,596	8,205	9,801	233	7,243	7,476
Compensation of	-	4,106	4,106	-	4,427	4,427

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

directors						
Other employee benefit expenses	117,140	83,090	200,230	95,620	87,018	182,638
Depreciation expense	590,594	283,434	874,028	665,142	215,413	880,555
Amortization expense	1,067	10,698	11,765	753	9,424	10,177

(2) Seasonality of operations:

The Company's operations are subject to seasonal fluctuations due to the downstream computer industry.

XXIII. Disclosing Information

(1) Major transaction details

In accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the Company should disclose the following information about significant transactions made from January 1 to September 30 in 2020:

1. Capital lending to others:

Unit: \$1000/\$1000 in foreign currency

No.	Lender	Borrower	Item	Related Party	Max Amount for the term	Balance at the end	Actual Lending Amount	Interest rate	Nature of the lending (Note 1)	Business Amount	Purpose of the lending	Allowance for bad debt	Collateral		Individual Limit (Note 2)	Overall limit (Note 2)
													Name	Value		
0	The Company	Lotes Guangzhou Co., Ltd	Intracompany transaction	Y	131,496 (RMB30,000)	-	-	5%	2	-	Working Capital	-	None	-	2,546,668	5,093,336
0	"	"	"	Y	214,925 (RMB50,000)	213,655 (RMB50,000)	85,462	4.5%	2	-	"	-	"	-	2,546,668	5,093,336

Note 1: The description of loaning funds to others are as follow:

- (1) Where a business transaction is necessary.
- (2) Where a short-term financing facility is necessary.

Note 2: The amount of the Company's financing to a single party shall not exceed 20% of the Company's net worth.

The total amount of funds lent by the Company to others shall not exceed 40% of the Company's net worth.

2. Endorsement:

Unit: \$1000/\$1000 in foreign currency

No.	Name of the Company that provides the endorsement	Endorsee		Ceiling on amount of endorsement for an enterprise (Note 2)	Balance of the ceiling endorsement fee in the period	Ending balance of the endorsement fee	Amount actually used	Amount of endorsement backed by assets	Percentage of the accumulated amount of endorsement in the net value of current financial statement (%)	Ceiling on amount of endorsement (Note 2)	Endorsement made by parent company to subsidiary	Endorsement made by subsidiary to parent company	Endorsement made to any party in Mainland China
		Company Name	Relationship (Note 1)										
0	The Company	REKA Technology Co., Ltd.	2	2,546,668	35,000	35,000	-	-	0.27%	6,366,670	Y	N	N
0	"	Lotes Suzhou Co., LTD	2	2,546,668	151,250 (USD5,000)	-	-	-	-	6,366,670	"	"	Y
0	"	Lotes Guangzhou Co., Ltd及Lotes Suzhou Co., LTD	2	2,546,668	453,750 (USD15,000)	-	-	-	-	6,366,670	"	"	"
0	"	Lotes Guangzhou Co., Ltd	2	2,546,668	907,500 (USD30,000)	232,800 (USD8,000)	-	-	1.86%	6,366,670	"	"	"
1	Lotes	REKA	1	994,265	90,750	87,300	-	-	1.79%	2,485,662	N	"	N

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

2	Guanghou Co., Ltd	Technology Co., Ltd.	2	792,431	(USD3,000) 181,500	(USD3,000) 116,400	-	-	7.34%	1,584,863	"	"	Y
2	Lintes Technology Co., Ltd	Lintes Technology (Suzhou) Co., Ltd.	2	792,431	(USD6,000) 125,280	(USD4,000) 110,010	27,879	-	6.94%	1,584,863	"	"	N

Note 1: There are seven types of relationship between the Endorser and Endorsee, which can be marked:

- (1) Companies with business dealings.
- (2) Companies in which the Company directly and indirectly holds more than 50% of the voting rights.
- (3) Companies that hold more than 50% of the voting rights in the Company, both directly and indirectly.
- (4) The Company owns, directly and indirectly, more than 90 percent of the voting shares.
- (5) Company that is mutually insured under a contract between its peers or co-manufacturers based on the need to perform the work.
- (6) Company in which all of the contributory shareholders have given their endorsement in proportion to their shareholding in the joint venture.
- (7) Intercompany performance guarantees and guarantees for pre-sale contracts in accordance with the Consumer Protection Act.

Note 2: (1) The amount of the Company's guarantee for a single corporate endorsement shall not exceed 20% of the net worth of the Company.

The aggregate amount of the Company's guarantees under external endorsement shall not exceed 50% of the net worth of the Company.

(2) The amount of Lotes Guanghou Co., Ltd.'s guarantee for a single corporate endorsement is limited to not more than 20% of the net worth of the company.

The aggregate amount of Lotes Guanghou Co., Ltd.'s external endorsement guarantees is limited to an amount not exceeding 50% of the Company's net worth.

(3) The amount of Lintes Technology Co., Ltd.'s guarantee for a single corporate endorsement is limited to not more than 50% of the net worth of the company.

The aggregate amount of Lintes Technology Co., Ltd.'s external endorsement guarantees is limited to an amount not exceeding 100% of the Company's net worth.

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

3. Securities held at the end of fiscal period (excluding the equity of controlled by subsidiaries, affiliated companies, or joint company):

Unit: \$1000

Company which holds securities	Category and name of security	Relationship with the issuer of the security	Listed as	End of the fiscal period				Note
				Shares	Book Value	Shareholding proportion	Fair value	
Jiayu Investment Co., Ltd.	Grand-Tek Technology Co., Ltd.	No	Financial assets measured at FVTPL - current	163,980	5,903	0.67 %	5,903	
"	APAQ Technology Co., Ltd.	"	"	330,000	16,533	0.39 %	16,533	
"	GemInnovative Technology Co., Ltd.	"	"	500,000	33,915	1.47 %	33,915	
"	OtO Photonics Inc.	"	"	1,368,800	-	4.57 %	-	註
"	Lucemitek Co., Ltd	"	"	1,169,977	-	17.33 %	-	註
"	Radinet Communications Inc.	"	"	600,000	-	26.25 %	-	註
"	AICP Technology Corporation	"	Financial assets measured at FVTOCI - current	400,000	1,584	5.33 %	1,584	
Lintes Technology Co., Ltd.	Preferred Shares A, Chailease Holding Company Limited	"	Financial assets measured at FVTOCI - non-current	159,000	15,884	0.11 %	15,884	

Note: All of them were recognized in losses.

4. The cumulative purchase or sale of the same securities amounted to at least \$300,000 or 20% of the paid-in capital: None.
5. Acquisition of real property amounting to \$300,000 or 20% or more of the paid-in capital:

Unit: \$1000

The company which acquired the property	Name of Asset	Date of occurrence	Amount of Transaction (Note 2)	Payment condition (Note 2)	Counterparty of transaction	Relationship	If the counterparty is a related party, the information of its previous transfer shall be provided				Reference for pricing	Purpose of the acquisition and the condition of use	Other agreed matters
							Owner	Relationship with the Issuer	Date of transfer	Amount			
Lotes Zhongshan Co., Ltd	Plant (Note 1)	Oct. 2017 - Sep. 2010	871,552	735,599	Chongqing Chuangyou Construction Group, etc.	None	-	-	-	-	Bidding	For the construction of a plant	None
LOTES Hengnan Co., Ltd.	"	Oct. 2019 - Sep. 2020	313,696	121,273	"	"	-	-	-	-	"	"	"

Note 1: Build the factory by own contracting committee.

Note 2: The conversions to NTD were made at the exchange rates prevailing on the balance sheet date.

6. Disposal of real property amounting to \$300,000 or 20% or more of paid-in capital: None.

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

7.The amount of sales to or from related parties is at least \$100,000 or 20% of the paid-in capital:

Unit: \$1000

The company which purchases (sells) products	Name of Transaction Counterparty	Relationship	Condition of Transaction				Situation and reason for the conditions of transaction to be different from the ordinary ones		Notes and accounts receivable (payable)		Remarks
			Purchase (sales)	Amount	Percentage in total goods purchased (sold)	Credit period	Unit Price	Credit period	Balance	Percentage in the notes and accounts receivable (payable)	
Xincheng Development Co., Ltd.	The Company	Subsidiary	Net revenue from the goods sold	961,016	96.08 %	Settled by month at intervals of 90 days	-	No significant difference	350,796	95.61%	
"	Lotes Suzhou Co., LTD	The surrogate parent company are the same parent company	Net expense from the goods purchased	999,240	99.90 %	"	-	"	(371,159)	99.74%	
REKA Technology Co., Ltd.	The Company	Subsidiary	Net revenue from the goods sold	5,506,367	75.98 %	"	-	"	1,943,711	56.58%	
"	Lotes Guangzhou Co., Ltd	The surrogate parent company are the same parent company	Net expense from the goods purchased	6,200,654	87.03 %	"	-	"	(1,348,986)	40.42%	
"	Lotes Shenzhen Co., Ltd.	"	Net revenue from the goods sold	751,650	10.37 %	"	-	"	144,297	4.20%	
"	Zongka Technology (Shenzhen) Co., Ltd.	"	Net revenue from the goods sold	215,504	2.97 %	"	-	"	120,989	3.52%	
"	LOTES Hengnan CO.,LTD.	"	Net expense from the goods purchased	415,015	5.82 %	"	-	"	(83,971)	2.52%	
"	"	"	Net revenue from the goods sold	196,715	2.71 %	"	-	"	120,033	3.49%	
"	Lotes Zhongshan Co., Ltd	"	Net expense from the goods purchased	519,453	7.29 %	"	-	"	(267,766)	8.02%	
Lotes Guangzhou Co., Ltd	REKA Technology Co., Ltd.	"	Net expense from the goods purchased	1,593,705	32.20 %	"	-	"	(409,398)	26.38%	
"	LOTES Hengnan CO.,LTD.	"	Net expense from the goods purchased	228,864	4.62 %	"	-	"	(42,083)	2.71%	
Lintes Technology (Suzhou) Co., Ltd.	Lintes Technology Co., Ltd	Subsidiary	Net revenue from the goods sold	1,119,515	94.38 %	"	-	"	223,751	86.81%	
LOTES Hengnan Co., Ltd.	LOTES Shenzhen Co., Ltd.	The surrogate parent company are the same parent company	Net revenue from the goods sold	108,614	17.55 %	"	-	"	104,062	36.88%	

8.Amounts due from related parties amounting to at least \$100,000 or 20% of paid-in capital:

Unit: \$1000

Related party with accounts receivable by the Company	Name of transaction counterparty	Relationship	Balance of receivables from the related party	Turnover Ratio	Past due receivables from the related party		Receivables from the related party Amount received after the period ended	Appropriate Allowance Amount of loss
					Amount	Solution		
Xincheng Development Co., Ltd.	The Company	Subsidiary	350,796	4.56	-		228,761	-
REKA Technology Co., Ltd.	The Company	Subsidiary	1,943,711	3.68	-		1,458,839	-
"	Lotes Guangzhou Co., Ltd	The surrogate parent company are the same parent company	409,398	5.36	-		202,983	-
"	Zongka	"	120,989	1.43	-		-	-

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

	Technology (Shenzhen) Co., Ltd.							
	LOTES Hengnan Co., Ltd.	"	120,033	2.77	-		52,079	-
"	Lotes Zhongshan Co., Ltd	"	187,294	-	-		-	-
"	LOTES Shenzhen Co., Ltd.	"	144,297	9.93	-		72,469	-
Lotes Suzhou Co., LTD	Xincheng Development Co., Ltd.	The surrogate parent company are the same parent company	371,159	4.39	-		121,002	-
Good Hope Investments Limited	REKA Technology Co., Ltd.	Parent company	899,802	-	-		-	-
Lotes Guanghou Co., Ltd	"	The surrogate parent company are the same parent company	1,348,986	5.74	-		-	-
"	Lotes Zhongshan Co., Ltd	"	400,818	-	-		-	-
Lotes Zhongshan Co., Ltd	REKA Technology Co., Ltd.	"	267,766	5.17	-		58,200	-
Lotes Hengnan Co., Ltd.	LOTES Shenzhen Co., Ltd.	"	104,062	2.61	-		-	-
Lintes Technology (Suzhou) Co., Ltd.	Lintes Technology Co., Ltd	Subsidiary	223,751	5.73	-		49,681	-

9. Engagement in derivative transactions: Please refer to Note 6 (2) and (24).

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

10. Business relationships and material transactions between parent and subsidiaries:

Business relationships and significant intercompany transactions from January 1 to September 30, 2020:

Unit: \$1000

No.	Name	Transaction with	Relation ship	Transactions in 2020			Operating revenue Accounting for total assets
				Subject	Amount	Term	
0	The Company	Ememe Robot Co., Ltd	1	Accounts receivable	2,982	Same as other transactions	0.02%
0	"	"	1	Other accounts receivable	2,272	"	0.01%
0	"	Lintes Technology Co., Ltd	1	Other income	155	"	-%
0	"	"	1	Net revenue from the goods sold	62	"	-%
0	"	"	1	Net expense from the goods purchased	32,285	"	0.26%
0	"	"	1	Accounts payable	24,259	"	0.13%
0	"	Jiayu Investment Co., Ltd	1	Other income	17	"	-%
0	"	LOTES USA, INC.	1	Administration fee	49,847	"	0.40%
0	"	"	1	Other payables	7,553	"	0.04%
0	"	LOTES EU GmbH	1	Administration fee	2,309	"	0.02%
0	"	"	1	Other payables	1,086	"	-%
0	"	Xincheng Development Co., Ltd.	1	Accounts receivable	670	"	-%
0	"	"	1	Accounts payable	350,796	"	1.82%
0	"	"	1	Net expense from the goods purchased	961,016	"	7.69%
0	"	"	1	Sales Revenue	670	"	-%
0	"	"	1	Marketing expenses	237	"	-%
0	"	REKA Technology Co., Ltd.	1	Accounts receivable	5,105	"	0.03%
0	"	"	1	Accounts payable	1,943,711	"	10.11%
0	"	"	1	Net expense from the goods purchased	5,506,367	"	44.05%
0	"	"	1	Sales Revenue	15,504	"	0.12%
0	"	"	1	Other accounts receivable	60	"	-%
0	"	GOOD NEWS MEDICAL CO., LTD.	1	Other income	17	"	-%
0	"	Lotes Guanghou Co., Ltd	1	Other accounts receivable	90,818	"	0.47%
0	"	"	1	Accounts receivable	3,440	"	0.03%
0	"	Compertum Microsystems Inc.	1	Other income	3	"	-%
0	"	Lerain Technology Co., Ltd.	1	Other income	122	"	-%
0	"	Lotes Suzhou Co., LTD	1	Sales Revenue	26	"	-%
1	Lotes Guanghou Co., Ltd	REKA Technology Co., Ltd.	3	Accounts receivable	1,348,986	"	7.02%
1	"	"	3	Accounts payable	409,398	"	2.13%
1	"	"	3	Purchasing for the term	1,593,705	"	12.75%
1	"	"	3	Sales Revenue	6,200,654	"	49.60%
1	"	"	3	Purchase of fixed assets	36,650	"	0.19%
1	"	"	3	Other accounts receivable	74,002	"	0.38%
1	"	Lotes Suzhou Co., LTD	3	Sales Revenue	3,624	"	0.03%
1	"	"	3	Purchasing for the term	4,315	"	0.03%
1	"	"	3	Sales of molds	122	"	-%
1	"	"	3	Accounts receivable	1,592	"	0.01%
1	"	"	3	Other accounts receivable	154	"	-%
1	"	"	3	Accounts payable	1,760	"	0.01%
1	"	Lotes Hengnan Co., Ltd.	3	Accounts receivable	2,399	"	0.01%

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

1	"	"	3	Accounts payable	42,083	"	0.22%
1	"	"	3	Sale of fixed assets	1,988	"	0.01%
1	"	"	3	Other accounts receivable	2,250	"	0.01%
1	"	"	3	Purchasing for the term	228,864	"	1.83%
1	Lotes Guanghou Co., Ltd	Lotes Hengnan Co., Ltd.	3	Sales Revenue	2,171	Same as other transactions	0.02%
1	"	Zongka Technology (Shenzhen) Co., Ltd.	3	Administration fee	547	"	-%
1	"	"	3	Accounts receivable	627	"	-%
1	"	"	3	Other payables	102	"	-%
1	"	"	3	Other accounts receivable	17	"	-%
1	"	"	3	Purchasing for the term	161	"	-%
1	"	"	3	Sales Revenue	763	"	-%
1	"	"	3	Other income	145	"	-%
1	"	Shenzhen Deyi Automation Technology Co., Ltd.	3	Accounts receivable	1,990	"	0.01%
1	"	"	3	Accounts payable	18	"	-%
1	"	"	3	Other accounts receivable	13	"	-%
1	"	"	3	Sales Revenue	2,342	"	0.02%
1	"	"	3	Purchasing for the term	245	"	-%
1	"	"	3	Other income	109	"	-%
1	"	Lintes Technology (Suzhou) Co., Ltd.	3	Sales Revenue	43,991	"	0.35%
1	"	"	3	Accounts receivable	40,127	"	0.21%
1	"	"	3	Purchasing for the term	15	"	-%
1	"	Lotes Zhongshan Co., Ltd	3	Other payables	5,551	"	0.03%
1	"	"	3	Accounts receivable	75,990	"	0.40%
1	"	"	3	Other accounts receivable	400,818	"	2.08%
1	"	"	3	Sales Revenue	13,900	"	0.11%
1	"	"	3	Purchasing for the term	43,158	"	0.35%
1	"	"	3	Sale of fixed assets	265,719	"	1.38%
1	"	"	3	Accounts payable	48,832	"	0.25%
1	"	Guangzhou Leside Technology Co., Ltd.	3	Accounts receivable	3,266	"	0.02%
1	"	"	3	Sales Revenue	3,016	"	0.02%
1	"	"	3	Other income	88	"	-%
2	Lotes Suzhou Co., LTD	Xincheng Development Co., Ltd.	3	Sales Revenue	999,240	"	7.99%
2	"	"	3	Accounts receivable	371,159	"	1.93%
2	"	"	3	Accounts payable	1,136	"	-%
2	"	"	3	Purchasing for the term	1,625	"	0.01%
2	"	Zongka Technology (Shenzhen) Co., Ltd.	3	Sales Revenue	28,181	"	0.23%
2	"	"	3	Net expense from the goods purchased	218	"	-%
2	"	"	3	Accounts receivable	10,331	"	0.05%
2	"	"	3	Accounts payable	246	"	-%
2	"	Lintes Technology (Suzhou) Co., Ltd.	3	Sales Revenue	9,926	"	0.08%
2	"	"	3	Other accounts receivable	4,474	"	0.02%
2	"	"	3	Accounts receivable	12,144	"	0.06%
2	"	"	3	Other income	11,053	"	0.09%
2	"	"	3	Sale of fixed assets	21,040	"	0.11%
2	"	Shenzhen Deyi Automation Technology Co., Ltd.	3	Sales Revenue	66,181	"	0.53%
2	"	"	3	Accounts receivable	49,058	"	0.26%
2	"	Lotes Zhongshan Co., Ltd	3	Purchasing for the term	116	"	-%
2	"	"	3	Accounts payable	7	"	-%
2	"	"	3	Sales Revenue	404	"	-%
2	"	"	3	Accounts receivable	457	"	-%

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

3	REKA Technology Co., Ltd.	Xincheng Development Co., Ltd.	3	Purchasing for the term	36,362	"	0.29%
3	"	"	3	Accounts receivable	296	"	-%
3	"	"	3	Accounts payable	15,253	"	0.08%
3	"	Zongka Technology (Shenzhen) Co., Ltd.	3	Sales Revenue	215,504	"	1.72%
3	REKA Technology Co., Ltd.	Zongka Technology (Shenzhen) Co., Ltd.	3	Accounts receivable	120,989	Same as other transactions	0.63%
3	"	Good Hope Investments Limited	3	Accounts payable	899,802	"	4.68%
3	"	Ememe Robot Co., Ltd	3	Accounts receivable	8,166	"	0.04%
3	"	Lotes Hengnan Co., Ltd.	3	Sales Revenue	196,715	"	1.57%
3	"	"	3	Accounts receivable	120,033	"	0.62%
3	"	"	3	Purchasing for the term	415,015	"	3.32%
3	"	"	3	Accounts payable	83,971	"	0.44%
3	"	"	3	Sale of fixed assets	510	"	-%
3	"	Shenzhen Deyi Automation Technology Co., Ltd.	3	Sales Revenue	751,650	"	6.01%
3	"	"	3	Accounts receivable	144,297	"	0.75%
3	"	Lotes Zhongshan Co., Ltd	3	Sales Revenue	1,439	"	0.01%
3	"	"	3	Other accounts receivable	187,294	"	0.97%
3	"	"	3	Purchasing for the term	519,453	"	4.16%
3	"	"	3	Accounts payable	267,766	"	1.39%
3	"	LOTES USA, INC.	3	Other payables	19	"	-%
4	Lotes Hengnan Co., Ltd.	Shenzhen Deyi Automation Technology Co., Ltd.	3	Sales Revenue	108,614	"	0.87%
4	"	"	3	Accounts receivable	104,062	"	0.54%
4	"	Zongka Technology (Shenzhen) Co., Ltd.	3	Sales Revenue	80,951	"	0.65%
4	"	"	3	Accounts receivable	41,232	"	0.21%
4	"	Lotes Suzhou Co., LTD	3	Sales Revenue	3,379	"	0.03%
4	"	"	3	Accounts receivable	2,067	"	0.01%
4	"	Lotes Zhongshan Co., Ltd	3	Accounts receivable	3,749	"	0.02%
4	"	"	3	Sales Revenue	-	"	-%
5	Lintes Technology (Suzhou) Co., Ltd.	Lintes Technology Co., Ltd	3	Sales Revenue	1,119,515	"	8.96%
5	"	"	3	Net expense from the goods purchased	30,630	"	0.25%
5	"	"	3	Accounts payable	7,549	"	0.04%
5	"	"	3	Accounts receivable	223,751	"	1.16%
5	"	"	3	Other accounts receivable	256	"	-%
6	Lintes Technology Co., Ltd	Genie Precision Machine Co., Ltd.	3	Other payables	193	"	-%
7	Zongka Technology (Shenzhen) Co., Ltd.	Shenzhen Deyi Automation Technology Co., Ltd.	3	Sales Revenue	18	"	-%
7	"	Lotes Zhongshan Co., Ltd	3	Purchasing for the term	12	"	-%
7	"	"	3	Accounts payable	14	"	-%
8	Lotes Zhongshan Co., Ltd	Guangzhou Leside Technology Co., Ltd.	3	Sales Revenue	7,839	"	0.06%
8	"	"	3	Accounts receivable	8,873	"	0.05%
8	"	Shenzhen Deyi Automation Technology Co., Ltd.	3	Sales Revenue	29	"	-%
8	"	"	3	Accounts receivable	33	"	-%
8	"	Lintes Technology (Suzhou) Co., Ltd.	3	Sales Revenue	2	"	-%
8	"	"	3	Accounts receivable	2	"	-%

Note 1: The number should be filled in as follows:

1. 0 refer to parent company
2. Subsidiaries are numbered by company, starting with the Arabic numeral 1.

Note 2: The type of relationship with the counterparty is indicated below:

1. Parent company to subsidiaries
2. Subsidiaries to parent company
3. Subsidiaries to subsidiaries

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

(2) Information on reinvestment business:

Information on the Company's investees from January 1 to Sep. 30 in 2020 was as follows (excluding investees in China):

Unit: \$1000

Name of the company investing	Name of investee company	Location	Main business	Initial investment amount (Note 1)		Shares held at the end of the fiscal period			Gain/loss of investee company in the fiscal period	Gain/loss in the investment recognized in the fiscal period	Remarks
				End of this period	End of the previous year	Shares	Percentage	Book Value			
The Company	Lotes Investment Ltd.	Samoa	Holding and investment businesses	758,055	780,979	26,050,000	100.00%	4,927,870	572,018	560,499	Note 2
"	Good Hope Investments Limited	"	"	11,677	12,030	401,281	100.00%	1,517,993	25,794	25,794	
"	Guansi Development Co., Ltd.	"	"	582,478	600,092	20,016,426	100.00%	2,129,884	242,884	237,929	Note 2
"	Zhaxi Investment Co., Ltd.	Anguilla	"	14,550	14,990	500,000	100.00%	120,050	8,949	8,949	
"	Jiayu Investment Co., Ltd.	Taiwan	General investment	690,000	690,000	69,000,000	100.00%	991,460	110,188	110,140	
"	Lotes USA, Inc.	America	Market development	72,750	74,950	2,500,000	100.00%	77,045	30,766	30,766	
"	LOTES EU GmbH	Germany	Market development	3,415	3,359	100,000	100.00%	3,322	(443)	(443)	
"	Lerain Technology Co., Ltd.	Taiwan	Chip design, testing and sales	9,385	-	938,525	33.92%	3,893	(5,492)	(5,492)	
Lotes Investment Ltd.	Loteson International Investments Limited	Hong Kong	Holding and investment businesses	758,055	780,979	26,050,000	100.00%	5,075,630	572,018	572,018	
Good Hope Investments Limited	Xincheng Development Co., Ltd.	Samoa	Telecommunication services and sales of connectors for consumer electronics industry	2,910	2,998	100,000	100.00%	1,656	(31)	(31)	
"	REKA Technology Co., Ltd.	Hong Kong	Telecommunication services and sales of connectors for consumer electronics industry	2,947	3,036	101,281	100.00%	616,510	25,825	25,825	
Guansi Development Co., Ltd.	Jae You Co., Ltd.	"	Holding and investment businesses	582,488	600,102	20,016,756	100.00%	2,151,310	242,884	242,884	
Zhaxi Investment Co., Ltd.	Wangden Investments Limited	"	Holding and investment businesses	14,550	14,990	500,000	100.00%	120,050	8,949	8,949	
Jiayu Investment Co., Ltd.	Ememe Robot Co., Ltd.	Taiwan	Electric appliance and audiovisual electric products manufacturing	69,600	69,600	6,960,000	94.37%	(5,006)	84	79	
"	Compertum Microsystems Inc.	"	Electronic parts and components manufacturing	13,164	13,164	1,316,400	31.38%	5,369	(24,350)	(9,832)	
"	GOOD NEWS MEDICAL CO., LTD.	"	Mechanical equipment, electronic components, and optical instruments manufacturing and trading	250	-	25,000	5.00%	218	(649)	(32)	
"	Lintes Technology Co., Ltd.	"	Electronic parts, components, electrical machinery, supplies manufacturing	486,926	486,926	29,712,788	52.13%	826,152	196,716	98,994	Note 2
Lintes Technology Co., Ltd.	Jiayun Investment Co., Ltd.	"	General investment	15,000	-	1,500,000	100.00%	15,000	-	-	
"	GENIE PRECISION MACHINING CO., LTD.	"	Optical mold manufacturing and trading	164,833	-	14,671,000	60.00%	183,278	21,372	7,689	
"	Compertum Microsystems Inc.	"	Electronic parts and components manufacturing	4,386	-	438,600	10.46%	3,526	(24,350)	(860)	
"	Jilong Co., Ltd.	Samoa	Holding and investment businesses	144,045	148,401	4,950,000	100.00%	239,607	52,333	71,238	Note 2
Jilong Co., Ltd.	Rihui Co., Ltd.	"	Holding and investment	144,045	148,401	4,950,000	100.00%	239,607	52,333	71,238	Note 2

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

			businesses									
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Note 1: The original investment amount was converted into New Taiwan dollars using the exchange rate at the balance sheet date.

Note 2: Investment income recognized in the current period includes adjustments for unrealized gains or losses on intercompany transactions.

(3) Investment in Chinese Company:

1. Names of investee companies in Mainland China, major business activities, and other related information:

Unit: \$1000

Name of investee company in Mainland China	Main business	Paid-in capital (Note 3)	Method of investment (Note 1)	Accumulated investment amount remitted from Taiwan at the beginning of the fiscal period (Note 3)	Amount remitted or retrieved		Accumulated investment amount remitted from Taiwan at the end of the fiscal period (Note 3)	Gain/loss of investee company in the fiscal period	Shareholding Ratio	Gain/loss in investment recognized in the fiscal period (Note 2)	Carrying amount of investment at the end of the fiscal period	Investment income remitted back to Taiwan by the end of the fiscal period
					Remittance	Retrieved						
Lotes Guanghou Co., Ltd	Manufacturing connectors for telecommunication industry and for consumer electronics industry	776,970	(2)	742,050	-	-	742,050	572,018	100.00%	560,483	4,927,834	-
Lotes Suzhou Co., LTD	Manufacturing connectors for telecommunication industry and for consumer electronics industry	581,686	(2)	581,686	-	-	581,686	242,884	100.00%	237,929	2,129,829	-
Zongka Technology (Shenzhen) Co., Ltd.	R&D of electronics, import and export of raw materials of plastic products and plastic products	14,550	(2)	14,550	-	-	14,550	8,949	100.00%	8,949	120,050	-
Lotes Hengnan Co., Ltd.	Manufacturing connectors for telecommunication industry and for consumer electronics industry	429,447	(3)	-	-	-	-	103,175	100.00%	81,081	641,612	-
Lintes Technology (Suzhou) Co., Ltd.	Development and production of the measurement instruments for optical communication, optical transceivers of 10GB/s or above and relevant technical support	144,045	(2)	144,045	-	-	144,045	56,707	52.13%	39,311	152,118	-
Shenzhen Deyi Automation Technology Co., Ltd.	Manufacturing of robotic arms, automation equipment and relevant components	106,828	(3)	-	-	-	-	22,970	100.00%	22,970	99,146	-
Lotes Zhongshan Co., Ltd	Manufacturing connectors for telecommunication industry and for consumer electronics industry, and Manufacturing of robotic arms, automation equipment and relevant components	1,367,392	(3)	-	-	-	-	32,453	100.00%	32,453	1,375,536	-
Zhongsan Dezhi Metal Surface Treatment Co., Ltd.	Surface treatment of metal products and plastic products	106,828	(3)	-	-	-	-	(12,829)	100.00%	(12,829)	93,976	-
Hengnan Deyi Property Development Co., Ltd.	Development of real estate, lease of premises, landscape design and interior decorating	98,281	(3)	-	-	-	-	(72)	100.00%	(72)	97,507	-
Guangzhou Leside Technology Co., Ltd.	Research, testing and development	2,991	(3)	-	-	-	-	(1,623)	100.00%	(1,623)	(296)	-
Chongqing Fuxinrui Electronic Technology Co., Ltd.	R&D and sales of electronic components, automobile components and accessories, computers and accessories, development of molds and the import and export of goods and technologies	2,564	(3)	-	-	-	-	(1,135)	51.00%	(579)	200	-

Note 1: There are six types of investments:

- (1) Investment in Chinese Corporation via Third Region Remittance.
- (2) Establishment of a company to reinvest in a continental company through a third regional investment.
- (3) Reinvest in Chinese companies by re-investing in existing companies in third regions.
- (4) Direct Investment
- (5) Others.
- (6) N/A.

LOTES CO., LTD. and its Subsidiaries' Notes to the Consolidated Financial Statements (Cont'd)

Note 2: The investment gain or loss recognized in the current period has been reconciled with the unrealized gain or loss from intercompany transactions.

Note 3: The balance sheet date exchange rates are used to translate the paid-in capital and remittance of cumulative investment amounts into New Taiwan dollars.

2. Investment ceiling in Mainland China:

Name	Accumulated amount remitted from Taiwan at the end of the fiscal period for investment in Mainland China (Note 1)	Investment amount approved by Investment Commission, MoEA (Note 1)	Investment ceiling in Mainland China according to the regulations made by Investment Commission, MoEA
Lotes Co., Ltd.	1,338,826,000	1,481,664,000	7,640,003,000
Lintes Technology Co., Ltd	144,045,000	144,045,000	950,918,000

Note 1: The conversions to NTD were made at the exchange rates prevailing on the balance sheet date.

3. Significant transactions with the investee companies in China:

Please refer to the “Significant Transactions” and “Business relationship and significant transactions between the Company and its subsidiaries” for details of the direct or indirect significant transactions between the Company and its investee companies from January 1 to Sep. 30, 2020 in Mainland China.

(4) Principal shareholder information:

Major Shareholders	Shares	Shareholding	
	Shares	Percentage	
Jinling Investment Co., Ltd.	10,956,237	10.58%	
Jiaming Investment Co., Ltd.	9,797,037	9.46%	

Note: (1) This table summarizes the principal shareholders' information for the Company, based on the last business day of each calendar quarter, for the common and preferred shares of the Company for which the stockholders hold at least 5% of the Company's outstanding common shares and treasury shares. The difference between the number of shares recorded in the financial statements and the number of shares for which the Company has completed the dematerialized shares may be due to differences in the basis of calculation.

(2) If the above information is related to a shareholder's share held in a trust, it is disclosed in the client's separate account of the trustee's trust account. For shareholders who apply for declaration of internal shareholdings of more than 10% according to the Securities and Exchange Act, their shareholdings include their own shares plus shares held by them in the trust and have the right to decide on the use of trust property; please refer to Market Observation Post System for more information on the declaration of internal shareholdings.

XIV. Segmental Information

(1) General Information

The company's main business is the trading of various hardware and tool parts, the manufacturing, processing and trading of various terminals and their finished connectors, the import and export trade of the preceding items, and the agency of the preceding items related to domestic and foreign manufacturers' products in the tender quotation and distribution business.

(2) Information on reportable segment profit or loss, assets, liabilities and their measurement basis and reconciliation

The Consolidated Company's major decisions are based on the performance appraisal and resource allocation by the production regions. After analysis, the two regions meet the conditions of consolidation into a single operating segment, therefore the Consolidated Company as a whole is a single operating segment, and the information of segment profit or loss, segment assets and segment liabilities are consistent with the financial statements.

(3) Product and labor provision information

The Consolidated Company's revenue information from external customers is as follows:

Product and Labor Provision	Jul. to Sep. 2020	Jul. to Sep. 2019	Jan. to Sep. 2020	Jan. to Sep. 2019
DT	\$ 1,490,917	1,565,166	4,061,651	3,959,728
Server	712,256	602,966	2,647,284	1,995,535
LINTES(High Speed Cable)	423,885	625,333	1,491,143	1,650,373
NB	495,818	440,050	1,480,776	1,308,361
Automotive	22,787	30,719	67,366	97,765
Others	1,483,821	891,209	2,753,335	2,005,496
Total	\$ 4,629,484	4,155,443	12,501,555	11,017,258

(4) Geographical information

The Consolidated Company's geographical information is shown below, which is classified based on the geographic location of customers and non-current assets are classified based on the geographic location of assets.

Area	Jul. to Sep. 2020	Jul. to Sep. 2019	Jan. to Sep. 2020	Jan. to Sep. 2019
External client revenue:				
Taiwan	\$ 314,413	224,115	903,783	462,026
Mainland China	3,931,997	3,197,448	9,740,485	8,723,592
Other countries	383,074	733,880	1,857,287	1,831,640
Total	\$ 4,629,484	4,155,443	12,501,555	11,017,258