

English Translation of Financial Statements and a Report Originally Issued in Chinese

Ticker: 3189

Kinsus Interconnect Technology Corp. and Subsidiaries
Consolidated Financial Statements
With Review Report of Independent Auditors
As of March 31, 2021 and 2020
And For The Three-month Periods Then Ended

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

**Consolidated Financial Statements
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English Translation of Financial Statements and a Report Originally Issued in Chinese

REVIEW REPORT OF INDEPENDENT AUDITORS

To The Board of Directors of
Kinsus Interconnect Technology Corp.

Introduction

We have reviewed the accompanying consolidated balance sheets of Kinsus Interconnect Technology Corp. (the “Company”) and its subsidiaries as of March 31, 2021 and 2020, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

(To be continued)

(Continued)

Basis for Qualified Conclusion

As explained in Note 6.(8), the financial statements of the associate and joint venture accounted for under the equity method was not reviewed by independent auditors. The carrying values of the associate and joint venture under equity method amounted to NT\$295,269 thousand and NT\$506,943 thousand as of March 31, 2021 and 2020, respectively. The related shares of profits from the associate and joint venture under the equity method amounted to NT\$(3,553) thousand and NT\$(33,108) thousand, and the related shares of other comprehensive income from the associate and joint venture under the equity method amounted to NT\$33 thousand and NT\$1,792 thousand for the three-month periods then ended, respectively.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of the associate and joint venture accounted for using equity method been reviewed by independent auditors described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of March 31, 2021 and 2020, and their consolidated financial performance and cash flows for the three-month periods then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Hong, Mao-Yi

Hong, Mao-Yi

Cheng, Ching-Piao

Cheng, Ching-Piao.

Ernst & Young
Taiwan, R.O.C.
April 26th, 2021

Notice to Readers

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

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Balance Sheets

As of March 31, 2021, December 31, 2020 and March 31, 2020 (March 31, 2021 and 2020 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of March 31, 2021		As of December 31, 2020		As of March 31, 2020	
Code	Accounts	Notes	Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and cash equivalents	6(1)	\$11,179,310	25	\$11,664,932	27	\$10,295,646	26
1110	Financial assets at fair value through profit or loss	6(2)	704,164	2	1,594,063	4	1,229,442	3
1136	Financial assets carried at amortized cost	6(3),8	466,911	1	467,167	1	914,861	2
1150	Notes receivable, net	6(5)	1,725	-	1,182	-	-	-
1170	Accounts receivable, net	6(6)	4,601,853	10	4,377,155	10	3,820,104	9
1180	Accounts receivable - related parties, net	6(6),7	25,556	-	24,862	-	86,417	-
1200	Other receivables		255,840	1	141,161	-	119,254	-
1210	Other receivables - related parties	7	417	-	4,114	-	5,618	-
1310	Inventories, net	6(7)	2,898,686	7	2,889,017	7	2,524,729	6
1410	Prepayments		247,766	-	212,742	1	180,275	1
1470	Other current assets		251,279	1	287,596	1	161,470	-
11xx	Total current assets		<u>20,633,507</u>	<u>47</u>	<u>21,663,991</u>	<u>51</u>	<u>19,337,816</u>	<u>47</u>
	Non-current assets							
1517	Financial assets at fair value through OCI	6(4)	51,000	-	51,000	-	50,000	-
1550	Investment accounted for under equity method	6(8)	295,269	1	298,789	1	506,943	1
1600	Property, plant and equipment, net	6(9),8	18,964,742	43	18,080,810	42	19,094,257	47
1755	Right-of-use asset	6(23)	315,817	1	311,732	1	361,034	1
1780	Intangible assets	6(10)	30,880	-	32,105	-	23,964	-
1840	Deferred income tax assets	4	30,563	-	28,262	-	19,980	-
1900	Other non-current assets	6(11),7,8	105,559	-	120,921	-	91,431	-
1915	Prepayment for acquiring machinery	6(9), 9	3,533,529	8	2,196,342	5	1,449,663	4
15xx	Total non-current assets		<u>23,327,359</u>	<u>53</u>	<u>21,119,961</u>	<u>49</u>	<u>21,597,272</u>	<u>53</u>
1xxx	Total Assets		<u>\$43,960,866</u>	<u>100</u>	<u>\$42,783,952</u>	<u>100</u>	<u>\$40,935,088</u>	<u>100</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Balance Sheets-(Continued)

As of March 31, 2021, December 31, 2020 and March 31, 2020 (March 31, 2021 and 2020 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity			As of March 31, 2021		As of December 31, 2020		As of March 31, 2020	
Code	Accounts	Notes	Amount	%	Amount	%	Amount	%
	Current liabilities							
2100	Short-term loans	6(12)	\$2,647,531	6	\$2,640,307	6	\$3,575,520	9
2130	Contract liability	6(21)	178,574	1	161,731	-	109,707	-
2150	Notes payable		43,277	-	46,420	-	39,159	-
2170	Accounts payable		2,097,029	5	2,358,805	6	2,048,804	5
2200	Other payables	6(13),7	4,497,981	10	3,933,209	9	3,072,290	8
2230	Current income tax liabilities	4	309,830	1	265,246	1	200,868	1
2280	Lease liability	6(23)	42,413	-	41,846	-	89,902	-
2300	Other current liabilities	6(14)	922,286	2	1,076,669	3	1,255,888	3
2365	Refund liability	6(15)	156,938	-	206,517	-	76,878	-
21xx	Total current liabilities		<u>10,895,859</u>	<u>25</u>	<u>10,730,750</u>	<u>25</u>	<u>10,469,016</u>	<u>26</u>
	Non-current liabilities							
2540	Long-term loans	6(16),8	3,963,543	9	2,641,811	6	1,961,447	5
2570	Deferred income tax liabilities	4	31,656	-	27,763	-	16,137	-
2580	Lease liability	6(23)	70,354	-	64,400	-	60,351	-
2600	Other non-current liabilities	6(17)	143,880	-	129,669	-	80,468	-
25xx	Total non-current liabilities		<u>4,209,433</u>	<u>9</u>	<u>2,863,643</u>	<u>6</u>	<u>2,118,403</u>	<u>5</u>
2xxx	Total liabilities		<u>15,105,292</u>	<u>34</u>	<u>13,594,393</u>	<u>31</u>	<u>12,587,419</u>	<u>31</u>
	Equity attributable to shareholders of the parent							
31xx	Capital							
3100	Common stock	6(19)	4,508,473	10	4,508,625	11	4,510,390	11
3200	Capital surplus	6(19)	6,632,098	15	6,632,030	16	6,632,824	16
3300	Retained earnings	6(19)						
3310	Legal reserve		3,647,505	8	3,647,505	9	3,647,505	9
3320	Special reserve		183,405	1	183,405	-	100,384	-
3350	Unappropriated earnings		10,689,358	24	10,882,082	25	10,510,785	26
3400	Other components of equity		(193,221)	-	(183,852)	-	(205,611)	(1)
3500	Treasury Stock	6(19)	(33)	-	(143)	-	(960)	-
36xx	Non-controlling interests	6(19)	3,387,989	8	3,519,907	8	3,152,352	8
3xxx	Total equity		<u>28,855,574</u>	<u>66</u>	<u>29,189,559</u>	<u>69</u>	<u>28,347,669</u>	<u>69</u>
	Total liabilities and equity		<u>\$43,960,866</u>	<u>100</u>	<u>\$42,783,952</u>	<u>100</u>	<u>\$40,935,088</u>	<u>100</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
Kinsus Interconnect Technology Corp. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the three-month periods ended March 31, 2021 and 2020 (Reviewed but unaudited)
(Amounts Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code	Accounts	Notes	For the 3-month period ended March 31,			
			2021		2020	
			Amount	%	Amount	%
4000	Operating revenues	6(21),7	\$7,225,986	100	\$5,892,333	100
5000	Operating costs		(5,627,781)	(78)	(4,840,716)	(82)
5900	Gross profit		1,598,205	22	1,051,617	18
6000	Operating expenses	7				
6100	Sales and marketing		(226,733)	(3)	(167,223)	(3)
6200	General and administrative		(327,488)	(5)	(293,308)	(5)
6300	Research and development		(595,048)	(8)	(505,868)	(9)
6450	Expected credit gains (losses)	6(22)	(11,422)	-	397	-
	Total operating expenses		(1,160,691)	(16)	(966,002)	(17)
6900	Operating income		437,514	6	85,615	1
7000	Non-operating incomes and expenses					
7100	Interest income	6(25)	9,273	-	13,628	-
7010	Other incomes	6(25),7	19,030	-	64,750	1
7020	Other gains and losses	6(25)	3,927	-	12,474	-
7050	Finance costs	6(25)	(15,173)	-	(28,400)	-
7060	Share of profit or loss of associates and joint ventures	6(8)	(3,553)	-	(33,108)	(1)
	Total non-operating incomes and expenses		13,504	-	29,344	-
7900	Income before income tax		451,018	6	114,959	1
7950	Income tax expense	4,6(27)	(78,410)	(1)	(36,024)	-
8200	Net income		372,608	5	78,935	1
8300	Other comprehensive income (loss)	6(26)				
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translation of foreign operations		(14,213)	-	(3,209)	-
8370	Share of the other comprehensive profit or loss of joint ventures		33	-	1,792	-
	Total other comprehensive income, net of tax		(14,180)	-	(1,417)	-
8500	Total comprehensive income (loss)		\$358,428	5	\$77,518	1
8600	Net income attributable to:					
8610	Shareholders of the parent		\$258,123	3	\$78,844	1
8620	Non-controlling interests		114,485	2	91	-
			\$372,608	5	\$78,935	1
8700	Comprehensive income (loss) attributable to:					
8710	Shareholders of the parent		\$246,515	3	\$73,929	1
8720	Non-controlling interests		111,913	2	3,589	-
			\$358,428	5	\$77,518	1
9750	Earnings per share-basic (in NTD)	6(28)	\$0.57		\$0.18	
9850	Earnings per share-diluted (in NTD)	6(28)	\$0.57		\$0.17	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Statements of Changes in Equity

For the three-month periods ended March 31, 2021 and 2020 (Reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Code	Items	Equity Attributable to Shareholders of the Parent									Non-controlling Interests	Total Equity
		Common Stock	Capital Surplus	Retained Earnings			Others		Treasury Stock	Total		
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Unearned Employee Benefit				
3100	3200	3310	3320	3350	3410	3490	3500	31XX	36XX	3XXX		
A1	Balance as of January 1, 2020	\$4,510,738	\$6,637,742	\$3,647,505	\$100,384	\$10,882,980	\$(183,404)	\$(28,592)	\$(332)	\$25,567,021	\$3,270,679	\$28,837,700
B5	Appropriation and distribution of 2019 earnings											
	Cash dividends-common shares					(451,039)				(451,039)		(451,039)
D1	Net income for the three-month period ended March 31, 2020					78,844				78,844	91	78,935
D3	Other comprehensive income (loss), net of tax, for the three-month period ended March 31, 2020						(4,915)			(4,915)	3,498	(1,417)
D5	Total comprehensive income (loss)	-	-	-	-	78,844	(4,915)	-	-	73,929	3,589	77,518
O1	Non-controlling interests										(121,916)	(121,916)
T1	Employee restricted shares for cancellation and others	(348)	(4,918)					11,300	(628)	5,406		5,406
Z1	Balance as of March 31, 2020	<u>\$4,510,390</u>	<u>\$6,632,824</u>	<u>\$3,647,505</u>	<u>\$100,384</u>	<u>\$10,510,785</u>	<u>\$(188,319)</u>	<u>\$(17,292)</u>	<u>\$(960)</u>	<u>\$25,195,317</u>	<u>\$3,152,352</u>	<u>\$28,347,669</u>
A1	Balance as of January 1, 2021	\$4,508,625	\$6,632,030	\$3,647,505	\$183,405	\$10,882,082	\$(181,015)	\$(2,837)	\$(143)	\$25,669,652	\$3,519,907	\$29,189,559
B5	Appropriation and distribution of 2020 earnings											
	Cash dividends-common shares					(450,847)				(450,847)		(450,847)
D1	Net income for the three-month period ended March 31, 2021					258,123				258,123	114,485	372,608
D3	Other comprehensive income (loss), net of tax, for the three-month period ended March 31, 2021						(11,608)			(11,608)	(2,572)	(14,180)
D5	Total comprehensive income (loss)	-	-	-	-	258,123	(11,608)	-	-	246,515	111,913	358,428
O1	Non-controlling interests										(243,831)	(243,831)
T1	Employee restricted shares for cancellation and others	(152)	68					2,239	110	2,265		2,265
Z1	Balance as of March 31, 2021	<u>\$4,508,473</u>	<u>\$6,632,098</u>	<u>\$3,647,505</u>	<u>\$183,405</u>	<u>\$10,689,358</u>	<u>\$(192,623)</u>	<u>\$(598)</u>	<u>\$(33)</u>	<u>\$25,467,585</u>	<u>\$3,387,989</u>	<u>\$28,855,574</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
Kinsus Interconnect Technology Corp. and Subsidiaries
Consolidated Statements of Cash Flows
For the three-month periods ended March 31, 2021 and 2020 (Reviewed but unaudited)
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	For the three-month periods		Code	Items	For the three-month periods	
		2021	2020			2021	2020
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Income before income tax	\$451,018	\$114,959	B00040	Disposal (acquisition) of financial assets measured at amortized cost	256	(491,804)
A20000	Adjustments:			B02700	Acquisition of property, plant and equipment	(3,000,986)	(442,115)
A20010	Income and expense adjustments:			B02800	Proceeds from disposal of property, plant and equipment	1,622	24
A20100	Depreciation (including right-of-use assets)	1,038,017	1,116,167	B03800	Decrease (increase) in refundable deposits	15,362	(3,362)
A20200	Amortization	10,320	12,681	B04500	Acquisition of intangible assets	(9,101)	(5,875)
A20300	Expected credit losses (gain on recovery)	11,422	(397)	BBBB	Net cash provided by (used in) investing activities	(2,992,847)	(943,132)
A20400	Net gain of financial assets at fair value through P/L	(921)	(1,610)				
A20900	Interest expense	15,173	28,400	CCCC	Cash flows from financing activities:		
A21200	Interest income	(9,273)	(13,628)	C00100	Increase in (repayment of) short-term loans	7,224	(520,581)
A21900	Cost of share based payment	2,265	6,621	C01600	Increase in long-term loans	1,550,000	505,000
A22300	Share of profit or loss of associates and joint ventures	3,553	33,108	C01700	Repayments of long-term loans	(365,089)	(394,414)
A22500	Loss (gain) on disposal of property, plant and equipment	(1,622)	1,911	C03000	Increase (decrease) in deposits received	(1,334)	(7,791)
A29900	Gain on lease modification	(408)	(55)	C04020	Cash payments for the principal portion of the lease liability	(11,424)	(37,348)
A29900	Gain on government grants	(1,530)	(585)	CCCC	Net cash provided by (used in) financing activities	1,179,377	(455,134)
A30000	Changes in operating assets and liabilities:						
A31110	Financial assets at fair value through P/L	890,820	111,000	DDDD	Effect of exchange rate changes	(8,983)	(6,366)
A31130	Notes receivable	(543)	4,918				
A31150	Accounts receivable	(236,119)	(210,136)	EEEE	Increase (decrease) in cash and cash equivalents	(485,622)	(416,457)
A31160	Accounts receivable - related parties	(694)	24,906	E00100	Cash and cash equivalents at beginning of period	11,664,932	10,712,103
A31180	Other receivables	(114,750)	212,630	E00200	Cash and cash equivalents at end of period	\$11,179,310	\$10,295,646
A31190	Other receivables - related parties	3,697	283				
A31200	Inventories	(9,669)	(71,754)				
A31220	Prepayments	(35,024)	(29,737)				
A31240	Other current assets	36,317	37,202				
A32125	Contract liabilities	16,843	37,081				
A32130	Notes payable	(3,143)	1,983				
A32150	Accounts payable	(261,776)	(175,767)				
A32180	Other payables	(378,786)	(223,646)				
A32230	Other current liabilities	(3,115)	(749)				
A32240	Net defined benefit liability	(1,093)	(1,041)				
A32990	Refund liability	(49,579)	2,013				
A33000	Cash generated from (used in) operations	1,371,400	1,016,758				
A33100	Interest received	9,342	14,367				
A33300	Interest paid	(12,374)	(29,560)				
A33500	Income tax paid	(31,537)	(13,390)				
AAAA	Net cash provided by (used in) operating activities	1,336,831	988,175				

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

1. HISTORY AND ORGANIZATION

Kinsus Interconnect Technology Corp. (referred to “the Company”) was established on September 11, 2000. Its main business activities include the manufacture of electronic products, the whole-sale and retail-sale of electronic materials, and the consultation services of business operation and management. The Company’s stocks have been governmentally approved on May 20, 2004 to be listed and traded in Taiwan Stock Exchange starting November 1, 2004. The registered business premise and main operation address is at No. 1245, Chung Hua Rd., Hsinwu District, Taoyuan City, Taiwan 32747.

Pegatron Corporation is the ultimate controller of the Group to which the Company belongs.

2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The consolidated financial statements of the Company and its subsidiaries (“the Group”) were authorized to be issued in accordance with a resolution of the Board of Directors’ meeting held on April 26, 2021.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2021. The new standards and amendments had no material impact on the Group.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16)	April 1, 2021

(a) Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16)

This amendment extends the practical expedient in paragraph 46A of IFRS 16 Leases for one year. This amendment that are applicable for annual periods beginning on or after April 1, 2021 have no material impact on the Group.

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
d	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022
e	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
f	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023

(A) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended

so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(B) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(C) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(D) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

(a) Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

(b) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

(c) Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

(d) Annual Improvements to IFRS Standards 2018 - 2021

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

(e) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(f) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Group assesses that there will be no significant impact on the Group's financial statements then.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements for the three-month periods ended March 31, 2021 and 2020 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and IAS 34 Interim Financial Reporting as endorsed and became effective by the FSC.

Except for the following 4(4)~4(5), the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2020. For more details, please refer to Note 4 of the Company’s consolidated financial statements for the year ended December 31, 2020.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in thousands of New Taiwan Dollars (“NT\$”) unless otherwise specified.

(3) Basis of consolidation

The same principles of consolidation have been applied in the Company’s consolidated financial statements as those applied in the Company’s consolidated financial statements for the year ended December 31, 2020. For the principles of consolidation, please refer to Note 4(3) of the Company’s consolidated financial statements for the year ended December 31, 2020.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main business	Percentage of Ownership (%), as of		
			Mar. 31, 2021	Dec. 31, 2020	Mar. 31, 2020
The Company	KINSUS CORP. (USA)	Designing substrates, formulating marketing strategy analysis, developing new customers, researching and development new product technology	100.00%	100.00%	100.00%
The Company	KINSUS HOLDING (SAMOA) LIMITED	Investing activities	100.00%	100.00%	100.00%
The Company	KINSUS INVESTMENT CO., LTD.	Investing activities	100.00%	100.00%	100.00%
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Investing activities	100.00%	100.00%	100.00%
KINSUS HOLDING (SAMOA) LIMITED	PIOTEK HOLDINGS LTD. (CAYMAN)	Investing activities	51.00%	51.00%	51.00%
KINSUS INVESTMENT CO., LTD.	PEGAVISION CORPORATION	Manufacture of medical equipment	30.33% (Note)	30.33% (Note)	30.33% (Note)
KINSUS HOLDING (CAYMAN) LIMITED	KINSUS INTERCONNECT TECHNOLOGY SUZHOU CORP.	Manufacturing and selling printed circuit board (PCB) (not high- density fine-line)	100.00%	100.00%	100.00%

KINSUS HOLDING (CAYMAN) LIMITED	XIANG-SHOU (SUZHOU) TRADING LIMITED	Trading of PCB related products and materials (not high- density fine-line)	100.00%	100.00%	100.00%
PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDING LIMITED	Investing activities	100.00%	100.00%	100.00%
PIOTEK HOLDINGS LIMITED	PIOTEK COMPUTER (SUZHOU) CO., LTD.	Researching, developing, producing and selling electronic components, PCBs and related products and providing after- sale services	100.00%	100.00%	100.00%
PIOTEK HOLDINGS LIMITED	PIOTEK (H.K.) TRADING LIMITED	Trading activities	100.00%	100.00%	100.00%
PEGAVISION CORPORATION	PEGAVISION HOLDINGS CORPORATION	Investing activities	Not applicable	-% (Note 1)	100.00%
PEGAVISION CORPORATION	PEGAVISION JAPAN INC.	Selling medical equipment	100.00%	100.00%	100.00%
PEGAVISION CORPORATION	Aquamax Corporation	Selling medical equipment	100.00%	100.00%	Not (Note 2) applicable
PEGAVISION CORPORATION	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	Selling medical equipment	100.00%	100.00%	Not (Note 3) applicable
PEGAVISION CORPORATION	Pegavision (Jiangsu) Limited	producing and Selling medical equipment	100.00%	Not applicable	Not applicable

PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	Selling medical equipment	100.00%	100.00%	100.00%
Aquamax Corporation	Aquamax Vision Corporation	Selling medical equipment	100.00%	100.00%	Not (Note 4) applicable

Note: The Group had 30.33% ownership of Pegavision Corporation as of March 31, 2021, December 31, 2020 and March 31, 2020. However the Group possesses control over the entity as it has been the single largest shareholder since the Group invested in Pegavision Corporation. The Group and the parent company hold more than 45% of voting right while the remaining equity is individually held by numerous shareholders without contractual rights. The Group therefore has control over the entity.

Note 1: For the consideration of reorganization, the equity of Pegavision Holdings Corporation was struck off the register at September 2, 2020.

Note 2: The board of directors decided to set up Aquamax Corporation which is 100% held by Pegavision Corporation at February 10, 2020. The registration was completed at June 15, 2020.

Note 3: For the consideration of reorganization, the equity of Pegavision Contact Lenses (Shanghai) Corporation was transferred to Pegavision Corporation from Pegavision Holdings Corporation. The registration was completed at May 13, 2020.

Note 4: The board of directors decided to set up Aquamax Vision Corporation which is 100% held by the Aquamax Corporation at February 10, 2020. The registration was completed at July 29, 2020.

Note 5: The board of directors decided to set up Pegavision (Jiangsu) Limited which is 100% held by Pegavision Corporation at October 26, 2020. The registration was completed at March 15, 2021.

(4) Post-employment benefits

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

(5) Income tax

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. Only current income tax expense is using the estimated average annual effective income tax rate while deferred income tax is recognized and measured in consistent with annual financial reporting in accordance with IAS 12, "Income Tax." The impact of tax rate change in interim period, if any, is recognized in earnings, other comprehensive income or directly equity.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The same significant accounting judgments, estimates and assumptions have been applied in the Company's consolidated financial statements for the three-month period ended March 31, 2021 as those applied in the Company's consolidated financial statements for the year ended December 31, 2020. For significant accounting judgments, estimates and assumptions, please refer to Note 5 of the Company's consolidated financial statements for the year ended December 31, 2020.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of		
	3/31/2021 (NT\$'000)	12/31/2020 (NT\$'000)	3/31/2020 (NT\$'000)
Cash and petty cash	\$3,363	\$3,689	\$3,266
Checking and saving	3,192,268	3,259,153	2,289,710
Time deposit	7,983,679	8,402,090	8,002,670
Total	<u>\$11,179,310</u>	<u>\$11,664,932</u>	<u>\$10,295,646</u>

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

	As of		
	3/31/2021 (NT\$'000)	12/31/2020 (NT\$'000)	3/31/2020 (NT\$'000)
Mandatorily measured at fair value through profit or loss:			
Money market fund	\$679,936	\$1,546,518	\$1,185,235
Valuation adjustment	24,228	47,545	44,207
Total	<u>\$704,164</u>	<u>\$1,594,063</u>	<u>\$1,229,442</u>
Current	<u>\$704,164</u>	<u>\$1,594,063</u>	<u>\$1,229,442</u>
Non-current	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

No financial assets at fair value through profit or loss was pledged as collateral.

(3) Financial assets measured at amortized cost

	As of		
	3/31/2021 (NT\$'000)	12/31/2020 (NT\$'000)	3/31/2020 (NT\$'000)
Time deposits	\$423,057	\$423,057	\$914,861
Restricted deposits	43,854	44,110	-
Total	<u>\$466,911</u>	<u>\$467,167</u>	<u>\$914,861</u>

Current	<u>\$466,911</u>	<u>\$467,167</u>	<u>\$914,861</u>
Non-current	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

The Group transacts with financial institutions with good credit rating. Consequently, there is no significant credit risk.

Please refer to Note 8 for more details on financial assets measured at amortized cost pledged as collateral.

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

	As of		
	3/31/2021 (NT\$'000)	12/31/2020 (NT\$'000)	3/31/2020 (NT\$'000)
Equity instruments investments measured at fair value through other comprehensive income – Non-current:			
Unlisted company stocks	<u>\$51,000</u>	<u>\$51,000</u>	<u>\$50,000</u>

No financial assets at fair value through other comprehensive income was pledged as collateral.

(5) Notes receivable

	As of		
	3/31/2021 (NT\$'000)	12/31/2020 (NT\$'000)	3/31/2020 (NT\$'000)
Notes receivable arising from operating activities	\$1,725	\$1,182	\$-
Less: loss allowance	-	-	-
Total	<u>\$1,725</u>	<u>\$1,182</u>	<u>\$-</u>

Notes receivables were not pledged.

The Group follows the requirement of IFRS9 to assess the impairment. Please refer to Note 6(22) for more details on loss allowance and Note 12 for details on credit risk.

(6)Accounts receivable and accounts receivable - related parties, net

A. Accounts receivable, net

	As of		
	3/31/2021 (NT\$'000)	12/31/2020 (NT\$'000)	3/31/2020 (NT\$'000)
Accounts receivable, gross	\$4,633,289	\$4,397,170	\$3,845,845
Less: allowance against doubtful accounts	(31,436)	(20,015)	(25,741)
Net of allowances	4,601,853	4,377,155	3,820,104
Accounts receivable - related parties, gross	25,556	24,862	86,417
Less: allowance against doubtful accounts	-	-	-
Net of allowances	25,556	24,862	86,417
Total accounts receivable, net	\$4,627,409	\$4,402,017	\$3,906,521

B. Accounts receivable were not pledged.

C. The Group entered into factoring agreements with banks. Accounts receivable from selected customers are transferred to banks without recourse. Details of the agreed credit limits and accounts receivables transferred were as follows:

	Financial Institution	Accounts receivable de-recognized (NT\$'000)	Interest Rate	Advance received (NT\$'000)	Collateral	Credit Limit
3/31/2021	Mega International Commercial Bank - LanYa Branch	\$465,125	0.38%~0.49%	\$463,918	None	Note
12/31/2020	Mega International Commercial Bank - LanYa Branch	\$480,175	0.42%~0.51%	\$479,599	None	Note

3/31/2020	Mega	\$307,749	1.86%~2.41%	\$272,187	None	Note
	International					
	Commercial					
	Bank - LanYa					
	Branch					

Note: The credit limits were US\$30,000 thousand as of March 31, 2021, December 31, 2020 and March 31, 2020.

D. Accounts receivable are generally on 30-90 day terms. The total carrying amount as of March 31, 2021, December 31, 2020 and March 31, 2020, are NT\$4,658,845, NT\$4,422,032 and NT\$3,932,262, respectively. Please refer to Note 6 (22) for more details on loss allowance of accounts receivable for the periods ended March 31, 2021 and 2020. Please refer to Note 12 for more details on credit risk management.

(7) Inventories

A. Details of inventory:

	As of		
	3/31/2021	12/31/2020	3/31/2020
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Raw material	\$636,229	\$708,425	\$548,369
Supplies	65,050	67,033	45,581
Work in process	1,481,577	1,408,262	1,316,624
Finished goods	642,991	647,654	500,363
Merchandises	72,839	57,643	113,792
Total	\$2,898,686	\$2,889,017	\$2,524,729

B. For the three-month periods ended March 31, 2021 and 2020 the Group recognized NT\$5,627,781 thousand and NT\$4,840,716 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

Item	For the three-month period ended March 31,	
	2021 (NT\$'000)	2020 (NT\$'000)
Loss from inventory market decline	\$145,878	\$13,280
Loss from physical	15,895	2,109
Loss in inventory write-off obsolescence	623,623	602,355
Total	\$785,396	\$617,744

C. The inventories were not pledged.

(8) Investments accounted for under the equity method

Investees	As of					
	3/31/2021		12/31/2020		3/31/2020	
	Carrying amount (NT\$'000)	Percentage of ownership (%)	Carrying amount (NT\$'000)	Percentage of ownership (%)	Carrying amount (NT\$'000)	Percentage of ownership (%)
Investments in associates:						
FuYang Technology Corp.	<u>\$295,269</u>	35.65%	<u>\$298,789</u>	35.65%	<u>\$506,943</u>	35.65%

A. The Company invested cash in FuYang Technology Corp. during May 2016 for interest ownership of 36%. The investment is accounted for as an investment in associates due to the Company's ability to exercise its significant influence.

In May 2017, the Company participated in FuYang's cash offering by unproportionately investing NT\$479,422 thousand for 19,176,872 shares of FuYang and, therefore, recognized a capital surplus amounting to NT\$7,484 thousand. As a result of the offering, the Company's share interest on FuYang decreased to 35.65%.

B. Investments in associates

As of March 31, 2021, December 31, 2020 and March 31, 2020, the aggregate carrying amount of the Group's interests in FuYang Technology Corp. is NT\$295,269 thousand, NT\$298,789 thousand, NT\$506,943 thousand, respectively. The aggregate financial information based on Group's share of FuYang Technology Corp. is as follows:

	For the three-month period ended March 31,	
	2021 (NT\$'000)	2020 (NT\$'000)
Profit or loss from continuing operations	\$(3,553)	\$(33,108)
Other comprehensive income (post-tax)	33	1,792
Total comprehensive income	\$(3,520)	\$(31,316)

There were no contingent liabilities or capital commitments with respect to the investment in the associate as of March 31, 2021, December 31, 2020 and March 31, 2020. Nor any of the Group's share interest on FuYang was pledged as collateral.

C. The Group's investment accounted for under equity method as of March 31, 2021 and 2020 amounted to NT\$295,269 thousand and NT\$506,943 thousand, respectively. The share of the profit or loss of these associates and joint ventures accounted for using the equity method amount to NT\$(3,553) thousand and NT\$(33,108) thousand for the three-month periods ended March 31, 2021 and 2020, respectively. The share of other comprehensive income of these associates and joint ventures accounted for using the equity method amount to NT\$33 thousand and NT\$1,792 thousand for the three-month periods ended March 31, 2021 and 2020, respectively. They were measured based on the un-reviewed financial statements of the investee.

D. No investment accounted for under equity method was pledged as collateral as of March 31, 2021, December 31, 2020 and March 31, 2020.

(9)Property, plant and equipment

	As of		
	3/31/2021 (NT\$'000)	12/31/2020 (NT\$'000)	3/31/2020 (NT\$'000)
Owner occupied property, plant and equipment	\$18,964,742	\$18,080,810	\$19,094,257

A. Property, plant and equipment for own-use

	Land	Buildings	Machinery	Office Equipment	Vehicle	Other Equipment	Construction in progress and equipment awaiting inspection (including prepaid equipment)	Total
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)
Cost:								
As of 1/1/2021	\$2,979,392	\$8,639,244	\$26,982,667	\$259,713	\$20,043	\$7,684,122	\$2,597,912	\$49,163,093
Addition	-	-	1,133	20	-	46,156	3,203,047	3,250,356
Disposals	-	-	(275,562)	-	-	(47,786)	-	(323,348)
Effect of EX rate	-	(2,599)	(10,696)	(268)	(67)	(4,759)	756	(17,633)
Reclassification	-	-	274,330	1,266	-	192,442	(468,038)	-
As of 3/31/2021	<u>\$2,979,392</u>	<u>\$8,636,645</u>	<u>\$26,971,872</u>	<u>\$260,731</u>	<u>\$19,976</u>	<u>\$7,870,175</u>	<u>\$5,333,677</u>	<u>\$52,072,468</u>
As of 1/1/2020	\$2,979,392	\$8,703,739	\$25,976,638	\$241,294	\$17,922	\$7,348,928	\$1,745,970	\$47,013,883
Addition	-	-	54	72	-	34,245	327,538	361,909
Disposals	-	-	(10,068)	(6,267)	-	(22,137)	-	(38,472)
Effect of EX rate	-	9,921	20,108	(145)	(66)	(2,198)	(409)	27,211
Reclassification	-	1,973	383,017	4,189	422	48,905	(438,506)	-
As of 3/31/2020	<u>\$2,979,392</u>	<u>\$8,715,633</u>	<u>\$26,369,749</u>	<u>\$239,143</u>	<u>\$18,278</u>	<u>\$7,407,743</u>	<u>\$1,634,593</u>	<u>\$47,364,531</u>
Depreciation and impairment:								
As of 1/1/2021	\$-	\$3,085,988	\$20,478,512	\$211,312	\$15,629	\$5,094,500	\$-	\$28,885,941
Depreciation	-	92,393	690,166	6,879	477	234,488	-	1,024,403
Impairment loss	-	-	-	-	-	-	-	-
Disposal	-	-	(275,562)	-	-	(47,786)	-	(323,348)
Effect of EX rate	-	(541)	(7,594)	(261)	(56)	(4,347)	-	(12,799)
Reclassification	-	-	-	-	-	-	-	-
As of 3/31/2021	<u>\$-</u>	<u>\$3,177,840</u>	<u>\$20,885,522</u>	<u>\$217,930</u>	<u>\$16,050</u>	<u>\$5,276,855</u>	<u>\$-</u>	<u>\$29,574,197</u>

Kinsus Interconnect Technology Corp.

Notes to Consolidated Financial Statements (Continued)

As of 1/1/2020	\$-	\$2,757,524	\$18,364,210	\$190,436	\$14,447	\$4,427,400	\$-	\$25,754,017
Depreciation	-	93,564	742,710	8,160	363	234,740	-	1,079,537
Impairment								
loss	-	-	-	-	-	-	-	-
Disposal	-	-	(8,133)	(6,267)	-	(22,137)	-	(36,537)
Effect of EX	-	5,977	20,196	(175)	(61)	(2,343)	-	23,594
rate								
Reclassification	-	-	-	-	-	-	-	-
As of								
3/31/2020	\$-	\$2,857,065	\$19,118,983	\$192,154	\$14,749	\$4,637,660	\$-	\$26,820,611

Net carrying amount:

As of								
3/31/2021	\$2,979,392	\$5,458,805	\$6,086,350	\$42,801	\$3,926	\$2,593,320	\$5,333,677	\$22,498,271
As of								
12/31/2020	\$2,979,392	\$5,553,256	\$6,504,155	\$48,401	\$4,414	\$2,589,622	\$2,597,912	\$20,277,152
As of								
3/31/2020	\$2,979,392	\$5,858,568	\$7,250,766	\$46,989	\$3,529	\$2,770,083	\$1,634,593	\$20,543,920

B. “Significant components” of buildings primarily comprised the main buildings and the facilities, which are depreciated based on their respective useful economic life of 20 to 25 years and 3 to 20 years.

C. Details of property, plant & equipment and prepayment for machinery is as follows:

	As of		
	3/31/2021	12/31/2020	3/31/2020
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Property, plant and equipment	\$18,964,742	\$18,080,810	\$19,094,257
Prepayment for acquiring machinery	3,533,529	2,196,342	1,449,663
Total	\$22,498,271	\$20,277,152	\$20,543,920

D. Please refer to Note 8 for details on property, plant and equipment pledged as collaterals.

E. The Company purchased 40 parcels of land with a total area of 36,115.24 square meters. Lands are located at the addresses of No. 1113, 1114, 1438 to 1443, 1479, 1486 to 1487 at

ShiLeiZi Sub-section, ShiLeiZi Section, No. 1044, 1047 to 1049 at QingHua Section, and No. 0001, 697 to 700 and 712 to 726 at RongHua Section, XinFeng Village. Due to regulatory restrictions, the agricultural land cannot be registered under the Company's name while it has been temporarily registered under the general manager's name and, to secure the Company's right to the land, mortgage registration has been set aside with the Company being the obligee.

(10) Intangible assets

	Computer software (NT\$'000)
<u>Cost:</u>	
As of 1/1/2021	\$64,197
Additions – acquired separately	9,101
Derecognized upon retirement	(8,006)
Reclassification	-
Effect of exchange rate changes	(18)
As of 3/31/2021	<u>\$65,274</u>
As of 1/1/2020	\$82,532
Additions – acquired separately	5,875
Derecognized upon retirement	(26,949)
Reclassification	-
Effect of exchange rate changes	86
As of 3/31/2020	<u>\$61,544</u>
<u>Amortization and Impairment:</u>	
As of 1/1/2021	\$32,092
Amortization	10,320
Derecognized upon retirement	(8,006)
Reclassification	-
Effect of exchange rate changes	(12)
As of 3/31/2021	<u>\$34,394</u>
As of 1/1/2020	\$51,779
Amortization	12,681
Derecognized upon retirement	(26,949)

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Kinsus Interconnect Technology Corp.
Notes to Consolidated Financial Statements (Continued)

Reclassification	-
Effect of exchange rate changes	69
As of 3/31/2020	<u>\$37,580</u>

Carrying amount, net:

As of 3/31/2021	<u>\$30,880</u>
As of 12/31/2020	<u>\$32,105</u>
As of 3/31/2020	<u>\$23,964</u>

Amounts of amortization recognized for intangible assets are as follows:

	<u>For the three-month period ended March 31,</u>	
	2021	2020
	(NT\$'000)	(NT\$'000)
Cost of goods sold	\$61	\$7
Selling	141	11
General and administrative	9,916	12,576
Research and development	202	87
Total	<u>\$10,320</u>	<u>\$12,681</u>

(11) Other non-current assets

	<u>As of</u>		
	3/31/2021	12/31/2020	3/31/2020
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Refundable deposits	<u>\$105,559</u>	<u>\$120,921</u>	<u>\$91,431</u>

(12) Short-term loans

	Interest interval	<u>As of</u>		
		3/31/2021	12/31/2020	3/31/2020
	(%)	(NT\$'000)	(NT\$'000)	(NT\$'000)
Unsecured bank loans	0.38%~1.27%	<u>\$2,647,531</u>	<u>\$2,640,307</u>	<u>\$3,575,520</u>

The Group's unused short-term lines of credits amount to NT\$5,313,341 thousand, NT\$5,614,413 thousand and NT\$6,583,249 thousand, as at March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

(13) Other payables

	As of		
	3/31/2021 (NT\$'000)	12/31/2020 (NT\$'000)	3/31/2020 (NT\$'000)
Accrued expense	\$2,598,077	\$2,733,032	\$2,146,647
Dividend Payable	450,847	-	451,039
Equipment payable	1,446,875	1,197,505	470,122
Accrued interest	2,182	2,672	4,482
Total	\$4,497,981	\$3,933,209	\$3,072,290

(14) Other current liabilities

	As of		
	3/31/2021 (NT\$'000)	12/31/2020 (NT\$'000)	3/31/2020 (NT\$'000)
Other current liabilities	\$101,372	\$104,488	\$78,905
Current portion of long-term loans	813,031	967,737	1,174,206
Deferred revenue	7,883	4,444	2,777
Total	\$922,286	\$1,076,669	\$1,255,888

(15) Refund liability

	As of		
	3/31/2021 (NT\$'000)	12/31/2020 (NT\$'000)	3/31/2020 (NT\$'000)
Refund liability	\$156,938	\$206,517	\$76,878

(16) Long-term loans

Details of long-term loans were as follows:

Debtor	Type of Loan	Maturity	Loan Balance	Repayment
			As of 3/31/2021 (NT\$'000)	
The Shanghai Commercial & Savings Bank – ZhongLi Branch	Credit loan	2021.04.23- 2027.09.15	\$1,507,970	Notes 2, 3 and 8
The Shanghai Commercial & Savings Bank – ZhongLi Branch	Secured loan	2030.10.15	9,798	Note 12
Mega International Commercial Bank – LanYa Branch	Credit loan	2021.09.05- 2026.12.31	1,029,596	Notes 1, 5, 10 and 11
Chang Hwa Commercial Bank – Beitou Branch	Credit loan	2025.03.15- 2028.09.15	547,717	Notes 5 and 7
Standard Chartered Bank – Xinwu Branch	Credit loan	2021.09.28	150,000	Note 4
The Bank of Taiwan – Peitou Branch	Credit loan	2026.11.04- 2027.09.30	1,531,493	Notes 6 and 9
Total			4,776,574	
Less: current portion			(813,031)	
Non-current portion			<u>\$3,963,543</u>	

Debtor	Type of Loan	Maturity	Loan Balance	
			As of 12/31/2020	
			(NT\$'000)	Repayment
Mega International Commercial Bank – LanYa Branch	Credit loan	2021.09.05- 2026.12.31	\$584,975	Notes 1 and 5
The Shanghai Commercial & Savings Bank – ZhongLi Branch	Credit loan	2021.04.23- 2027.09.15	1,617,293	Notes 2, 3 and 8
The Shanghai Commercial & Savings Bank – ZhongLi Branch	Secured loan	2020.11.10- 2030.10.15	9,786	Note 12
Standard Chartered Bank – Xinwu Branch	Credit loan	2021.09.28	300,000	Note 4
Chang Hwa Commercial Bank – BeiTou Branch	Credit loan	2025.03.15- 2027.08.15	152,815	Notes 5 and 7
The Bank of Taiwan – BeiTou Branch	Credit loan	2026.11.04- 2027.09.30	944,679	Note 6
Total			3,609,548	
Less: current portion			(967,737)	
Non-current portion			\$2,641,811	

Debtor	Type of Loan	Maturity	Loan Balance	
			As of 3/31/2020	
			(NT\$'000)	Repayment
Mega International Commercial Bank – LanYa Branch	Credit loan	2020.04.02- 2026.12.31	\$954,662	Notes 1 and 5
The Shanghai Commercial & Savings Bank – ZhongLi Branch	Credit loan	2021.04.23- 2027.03.15	1,059,520	Notes 2 and 3

Standard Chartered Bank –Xinwu Branch	Credit loan	2021.09.28	450,000	Note 4
Chang Hwa Commercial Bank –Beitou Branch	Credit loan	2025.03.15	4,901	Note 7
The Bank of Taiwan – Peitou Branch	Credit loan	2026.11.04- 2026.12.31	666,570	Note 6
Total			3,135,653	
Less: current portion			(1,174,206)	
Non-current portion			<u>\$1,961,447</u>	

Note 1: A term is defined as every 3 months starting from the initial draw-down date. Loan period is 5 years. Grace period is 1 year (4 terms). Interest shall be paid monthly with principal repaid every 3 months. The rest is repayable in installments of equal amount for 16 terms.

Note 2: A term is defined as every 3 months starting from the initial draw-down date. Grace period is 1 years (4 terms). The rest is repayable in installments of equal amount for 8 terms.

Note 3: A term is defined as every month starting from the initial draw-down date. The principal and interest are repayable in installments of equal amount for 84 terms.

Note 4: Grace period is 18 months from the initial draw-down date. 18 months after the initial draw-down date is considered the 1st term and the following terms are defined as every 6 months since then. The principal and interest are repayable in installments of equal amount for 4 terms.

Note 5: Grace period is 3 years from the initial draw-down date. A term is defined as every month since the forth year. The principal and interest are repayable in installments of equal amount for 48 terms.

Note 6: Grace period is 2 years from the initial draw-down date. A term is defined as every month since the third year. The principal and interest are repayable in installments of equal amount for 60 terms.

Note 7: A term is defined as every month starting from the initial draw-down date. Grace period is 3 years (36 terms). The rest is repayable in installments of equal amount for 24 terms.

Note 8: A term is defined as every 3 months starting from the initial draw-down date. The principal and interest are repayable in installments of equal amount for 16 terms.

Note 9: A term is defined as every month starting from the initial draw-down date. Grace period is 11 months. Interest shall be paid monthly with principal repaid every month. The rest is repayable in installments of equal amount for 60 terms.

Note 10: A term is defined as every month starting from the initial draw-down date. Grace period is 21 months. Interest shall be paid monthly with principal repaid every month. The rest is repayable in installments of equal amount for 48 terms.

Note 11: A term is defined as every month starting from the initial draw-down date. Grace period is 22 months. Interest shall be paid monthly with principal repaid every month. The rest is repayable in installments of equal amount for 48 terms.

Note 12: A term is defined as every month starting from the initial draw-down date. Grace period is 2 years (24 terms). The rest is repayable in installments of equal amount for 96 terms.

A. Please refer to Note 8 for details on assets pledged as collaterals.

B. As of March 31, 2021, December 31, 2020 and March 31, 2020, the interest rate intervals for long-term loans were 0.4%~1.19%, 0.4%~1.236% and 0.6%~2.81%, respectively.

The Group obtained from the Ministry of Economy a low-interest government loan amounting NT\$3,731,000 thousands with a term of 5~7 years and annual interest rates of 0.3~0.9% and monthly interest payment on the 15th of each month. The loan was recorded under the caption of other liabilities-deferred government grants income. The Group shall recognize the government grant income when it is reasonably assured that the Group satisfy all the terms of the government grant agreement.

(17) Other non-current liabilities

(a) Details of other non-current liabilities were as follows:

	As of		
	3/31/2021 (NT\$'000)	12/31/2020 (NT\$'000)	3/31/2020 (NT\$'000)
Net defined benefit liability	\$29,273	\$30,366	\$24,730
Deposits received	71,901	73,235	36,045
Deferred revenue	42,706	26,068	19,693
Total	\$143,880	\$129,669	\$80,468

(b) The details of the deferred government grants income for the three-month period ended March 31, 2021 and 2020 are as follows:

	For the three-month ended March 31,	
	2021	2020
	(NT\$'000)	(NT\$'000)
Beginning balance	\$30,512	\$-
Received during the period	21,607	23,055
Released to the statement of comprehensive income	(1,530)	(585)
Ending Balance	<u>\$50,589</u>	<u>\$22,470</u>
Current	<u>\$7,883</u>	<u>\$2,777</u>
Non-current	<u>\$42,706</u>	<u>\$19,693</u>

(c) Please refer to Note 6(16) for details on interest rate of deferred government grants income.

(18) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended March 31, 2021 and 2020 were NT\$43,971 thousand and NT\$36,109 thousand, respectively.

Defined benefits plan

Expenses under the defined benefits plan for the three-month periods ended March 31, 2021 and 2020 were NT\$35 thousand and NT\$65 thousand, respectively.

(19) Equity

A. Common shares

As of March 31, 2021, December 31, 2020 and March 31, 2020, the Company's authorized capital was NT\$6,000,000 thousand, each share at par value of NT\$10, divided into 600,000 thousand shares. As of March 31, 2021, December 31, 2020 and March 31, 2020, the

Company's paid-in capital were NT\$4,508,473 thousand, NT\$4,508,625 thousand and NT\$4,510,390 thousand, respectively, divided into 450,847 thousand shares, 450,863 thousand shares and 451,039 thousand shares, respectively. Each share represents a voting right and a right to receive dividends.

On January 29, 2018 and May 29, 2018, the Company's board of directors and shareholders' meetings resolved to increase the capital through an issuance of new 5,500,000 shares of restricted stock for employees. The application has been governmentally approved by FSC in the Order No. Financial-Supervisory-Securities-Corporate-1070324628 issued on July 10, 2018. The measurement date was at August 28, 2018, and issued 4,841 thousand shares of restricted stock for employees.

On February 18, 2019, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT\$786 thousand. The measurement date was at March 17, 2019.

On April 29, 2019, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT\$600 thousand. The measurement date was at May 2, 2019.

On July 29, 2019, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT\$1,395 thousand. The measurement date was at August 1, 2019.

On October 28, 2019, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT\$876 thousand. The measurement date was at October 30, 2019.

On February 10, 2020, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT\$348 thousand. The measurement date was at February 12, 2020.

On April 27, 2020, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT\$1,238 thousand. The measurement date was at April 29, 2020.

On July 27, 2020, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT\$399 thousand. The measurement date was at July 29, 2020.

On October 26, 2020, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT\$128 thousand. The measurement date was at October 28, 2020.

On January 29, 2021, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT\$152 thousand. The measurement date was at February 1, 2020.

In addition, on February 18, 2019, the board of directors resolved to issue 659,000 shares of restricted stock. The measurement date was at March 18, 2019 and issued 598,500 shares of restricted stock.

As of March 31, 2021, the restricted stocks plan has expired while there were 3 thousand shares to be cancelled yet.

B. Capital surplus

	As of		
	3/31/2021 (NT\$'000)	12/31/2020 (NT\$'000)	3/31/2020 (NT\$'000)
Additional paid-in capital	\$6,011,436	\$6,011,409	\$5,959,846
Differences between purchase price and carrying amount arising from acquisition or disposal of subsidiaries	50,925	50,925	50,925
All changes in interests in subsidiaries	529,959	529,959	529,959
Change in joint ventures accounted for using equity method	7,484	7,484	7,484
Shared-Based Payment	8,371	8,371	8,371
Restricted stocks for employees	23,923	23,882	76,239
Total	<u>\$6,632,098</u>	<u>\$6,632,030</u>	<u>\$6,632,824</u>

According to the Taiwan Company Act, the capital surplus shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain

percentage of paid-in capital. The said capital surplus could be distributed in cash to its shareholders in proportion to the number of shares being held by each of them. Capital surplus related to long-term equity investments cannot be used for any purpose.

C. Treasury stock

Treasury stock amounted to NT\$33 thousand, NT\$143 thousand and NT\$960 thousand, respectively, divided into 3 thousand shares, 14 thousand shares and 96 thousand shares, respectively, as of March 31, 2021, December 31, 2020 and March 31, 2020

Purpose of repurchase	Beginning balance	Addition	Decrease	Ending balance
<u>For the three-month period ended March 31, 2021</u>				
Recover failed restricted stocks	14	4	15	3
<u>For the three-month period ended March 31, 2020</u>				
Recover failed restricted stocks	33	98	35	96

According to the Securities and Exchange Law of the R.O.C., total treasury stock shall not exceed 10% of the Company's issued stock, and the total purchase amount shall not exceed the sum of the retained earnings, additional paid-in capital-premiums and realized additional paid-in capital. As such, the ceiling number of shares of treasury stock that the Company could hold as of March 31, 2021 were 45,085 thousand shares, with the maximum payments of NT\$20,348,299 thousand.

In compliance with Securities and Exchange Law of the R.O.C., treasury stock should not be pledged, nor should it be entitled to voting rights or receiving dividends.

D. Appropriation of earnings and dividend policies

(a) Earning distribution

According to the Company's Articles of Incorporation revised by the shareholders' meeting on May 28, 2020, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount as legal reserve.
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

If the above-mentioned dividends are distributed to shareholders in the form of cash, the Board of Directors have been authorized to approve by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, and report to the shareholder's meeting.

(b) Dividend policies

The Company is in an industry with versatile environment. For long-term finance planning requirements and to meet the shareholders' demand for cash, the Company's dividend policy aims for steadiness and balancing. Shareholder extra dividend each year cannot be less than 10% of distributed surplus earnings and cash dividends distributed each year cannot be less than 10% of the gross amount of dividends.

(c) Legal reserve

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. If the Company does not incur any loss, the portion of legal reserve exceeding 25% of the paid-in capital may be distributed to shareholders by issuing new shares or by cash in proportion to the number of shares held by each shareholder.

(d) Special reserve

Following the adoption of T-IFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The Company did not incur any special reserve upon the first-time adoption of T-IFRS.

- (e) The appropriations of earnings and dividend per share for the Year 2020 and 2019 were approved and resolved through the Board of Directors' meetings held on January 29, 2021 and shareholders' meetings held on May 28, 2020, respectively. The details of the distributions are as follows:

	Appropriation of earnings		Dividend per share (in NT\$)	
	2020 (NT\$'000)	2019 (NT\$'000)	2020	2019
Legal reserve	\$53,316	\$-		
Special reserve	(2,389)	83,021		
Cash dividend (Note)	450,847	451,039	\$1.00	\$1.00
Total	<u>\$501,774</u>	<u>\$534,060</u>		

Note: As stipulated in the Articles of Incorporation, a special resolution was passed at a Board of Directors meeting held on January 29, 2021 to distribute the 2020 common stock dividend in cash.

Please refer to Note 6(24) for details on employees' compensation and remuneration to directors and supervisors.

E. Non-controlling interests

	For the three-month period ended March 31,	
	2021	2020
	(NT\$'000)	(NT\$'000)
Beginning balance	\$3,519,907	\$3,270,679
Net profit attributable to NCIs	114,485	91
Other comprehensive income attributable to NCIs:		
Exchange differences arising on translation of foreign operations	(2,572)	3,498
Non-controlling interests increase/(decrease)	(243,831)	(121,916)
Ending balance	\$3,387,989	\$3,152,352

(20) Share-based payment plans

Restricted stocks plan for employees

A. On May 29, 2018, the shareholders' meetings resolved to issue of 5,500 thousand shares of restricted stocks for employees. The grantee is limited to employees who meet certain conditions. The restricted stocks have been approved by the Securities and Futures Bureau. On July 30, 2018, the board of directors resolved to issue 4,947 thousand shares. The measurement date was at August 28, 2018 and total shares issued were 4,841 thousand. The unit market price as of the granted date was NT\$49.1.

On February 18, 2019, the board of directors resolved to issue 659 thousand shares. The measurement date was at March 18, 2019, while total shares issued 599 thousand shares. The unit market price as of the granted date was NT\$43.45.

The employees who acquire the above shares can subscribe shares at the price of NT\$10 per shares while the vesting conditions are as below.

Vesting conditions	Proportion of vested shares
Within one month starting the granted date	20%
April 25, 2019	20%
September 25, 2019	15%
April 25, 2020	15%
September 25, 2020	15%
April 25, 2021	15%

Restriction on employee's right after granted but before vested:

- (a) The granted employee commit to the custodian institution, and shall not sell, pledge, transfer, donate, or dispose in any other ways, the right of restricted stocks before achieving the vesting conditions.
- (b) After new shares of restricted stock are issued, the granted employee should immediately commit to the custodian institution, and not to ask the trustee to return the restricted stock in any other reasons or ways before achieving the vesting conditions.
- (c) The restricted stock for employees can participate in receiving dividends during the vesting period.
- (d) The right to vote and elect in a shareholders' meeting shall be executed by custodian institution in accordance with related regulations.

On August 28, 2018, the issuance of 4,841 thousand restricted shares for employees resulted in the increase of capital reserve—employee stock option amounting to NT\$184,530 thousand. The restricted stocks plan was invalidated as of March 31, 2021 and 544 thousand shares were recalled. As a result, capital reserve increased by NT\$5,441 thousand and the unearned employee compensation was NT\$534 thousand.

On March 18, 2019, the issuance of 599 thousand restricted shares for employees resulted in the increase of capital reserve—employee stock option amounting to NT\$19,396

thousand. The restricted stocks plan was invalidated as of March 31, 2021 and 51 thousand shares were recalled. As a result, capital reserve increased by NT\$512 thousand and the unearned employee compensation was NT\$64 thousand.

B. The expense recognized for employee services received is shown in the following table.

	For the three-month period ended March 31,	
	2021 (NT\$'000)	2020 (NT\$'000)
Total expense arising from equity-settled share-based payment transactions	\$2,265	\$6,621

C. The Company did not modify the share-based payment plan for the three-month ended March 31, 2021 and 2020.

(21)Sale

	For the three-month period ended March 31,	
	2021 (NT\$'000)	2020 (NT\$'000)
Revenue from contracts with customers		
Sale of goods	\$7,133,624	\$5,833,655
Other operating revenue	92,362	58,678
Total	\$7,225,986	\$5,892,333

Analysis of revenue from contracts with customers during the three-month periods ended March 31, 2021 and 2020 are as follows:

A. Disaggregation of revenue

	For the three-month period ended March 31, 2021			
	IC Substrate (NT\$'000)	PCB (NT\$'000)	Optics (NT\$'000)	Total (NT\$'000)
Sale of goods	\$5,427,091	\$560,737	\$1,145,796	\$7,133,624
Other	92,362	-	-	92,362
Total	\$5,519,453	\$560,737	\$1,145,796	\$7,225,986

The timing for revenue recognition:

At a point in time	<u>\$5,519,453</u>	<u>\$560,737</u>	<u>\$1,145,796</u>	<u>\$7,225,986</u>
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For the three-month period ended March 31, 2020

	<u>IC Substrate</u>	<u>PCB</u>	<u>Optics</u>	<u>Total</u>
	<u>(NT\$'000)</u>	<u>(NT\$'000)</u>	<u>(NT\$'000)</u>	<u>(NT\$'000)</u>
Sale of goods	\$4,787,960	\$324,249	\$721,446	\$5,833,655
Other	58,678	-	-	58,678
Total	<u>\$4,846,638</u>	<u>\$324,249</u>	<u>\$721,446</u>	<u>\$5,892,333</u>

The timing for revenue recognition:

At a point in time	<u>\$4,846,638</u>	<u>\$324,249</u>	<u>\$721,446</u>	<u>\$5,892,333</u>
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B. Contract balances

(a) Contract liabilities

	As of		
	<u>3/31/2021</u>	<u>12/31/2020</u>	<u>3/31/2020</u>
	<u>(NT\$'000)</u>	<u>(NT\$'000)</u>	<u>(NT\$'000)</u>
Sales of goods	\$163,599	\$146,450	\$93,529
Customer loyalty programs	14,975	15,281	16,178
Total	<u>\$178,574</u>	<u>\$161,731</u>	<u>\$109,707</u>

The significant changes in the Group's balances of contract liabilities for the three-month periods ended March 31, 2021 are as follows:

	<u>Sales of goods</u>	<u>Customer loyalty programs</u>
The opening balance transferred to revenue	\$(76,535)	\$(15,281)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	93,684	14,975

The significant changes in the Group's balances of contract liabilities for the three-month periods ended March 31, 2020 are as follows:

	Sales of goods	Customer loyalty programs
The opening balance transferred to revenue	\$(56,147)	\$(14,848)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	91,898	16,178

(22) Expected credit losses/ (gains)

	For the three-month period ended March 31,	
	2021	2020
	(NT\$'000)	(NT\$'000)
Operating expenses – Expected credit losses/(gains)		
Account receivables	\$11,422	\$(397)

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its contract assets and trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance are as follow:

A. The Group considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix. Details are as follow.

As of March 31, 2021,

Group 1	Neither past due (Note) (NT\$'000)	Past due					Total (NT\$'000)
		<=30 days (NT\$'000)	31-60 days (NT\$'000)	61-90 days (NT\$'000)	91-120 days (NT\$'000)	121-150 days (NT\$'000)	
Gross carrying amount	\$4,054,305	\$121,880	\$1,347	\$40	\$21,233	\$-	\$4,198,805
Loss ratio	0.26%	5%	15%	30%	50%	75%	
Lifetime expected credit losses	(10,575)	(6,068)	(202)	(12)	(10,617)	-	(27,474)
Subtotal	4,043,730	115,812	1,145	28	10,616	-	4,171,331

Group 2	Neither past due (Note) (NT\$'000)	Past due					Total (NT\$'000)
		<=30 days	31-60 days	61-90 days	91-120 days	121-150 days	
		(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	
Gross carrying amount	\$457,044	\$4,721	\$-	\$-	\$-	\$-	\$461,765
Loss ratio	0.86%	1%	0%	0%	0%	0%	
Lifetime expected credit losses	(3,915)	(47)	-	-	-	-	(3,962)
Subtotal	453,129	4,674	-	-	-	-	457,803
Carrying amount of trade receivables	\$4,496,759	\$120,486	\$1,145	\$28	\$10,716	\$-	\$4,629,134

As of December 31, 2020,

Group 1	Neither past due (Note) (NT\$'000)	Past due					Total (NT\$'000)
		<=30 days	31-60 days	61-90 days	91-120 days	121-150 days	
		(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	
Gross carrying amount	\$3,656,542	\$162,200	\$7,759	\$16,081	\$-	\$-	\$3,842,582
Loss ratio	-%	5%	15%	30%	50%	75%	
Lifetime expected credit losses	-	(8,110)	(1,164)	(4,824)	-	-	(14,098)
Subtotal	3,656,542	154,090	6,595	11,257	-	-	3,828,484

Group 2	Neither past due (Note) (NT\$'000)	Past due					Total (NT\$'000)
		<=30 days	31-60 days	61-90 days	91-120 days	121-150 days	
		(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	
Gross carrying amount	\$570,762	\$9,870	\$-	\$-	\$-	\$-	\$580,632
Loss ratio	1.02%	1%	0%	0%	0%	0%	
Lifetime expected credit losses	(5,818)	(99)	-	-	-	-	(5,917)
Subtotal	564,944	9,771	-	-	-	-	574,715
Carrying amount of trade receivables	\$4,221,486	\$163,861	\$6,595	\$11,257	\$-	\$-	\$4,403,199

As of March 31, 2020,

Group 1	Neither past due		Past due				Total
	(Note)	<=30 days	31-60 days	61-90 days	91-120 days	121-150 days	
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	
Gross carrying amount	\$3,261,368	\$401,264	\$14,585	\$252	\$-	\$498	\$3,677,967
Loss ratio	0.01%	5%	15%	30%	50%	75%	
Lifetime expected credit losses	(350)	(20,063)	(2,188)	(76)	-	(374)	(23,051)
Subtotal	3,261,018	381,201	12,397	176	-	124	3,654,916
Group 2	Neither past due		Past due				Total
	(Note)	<=30 days	31-60 days	61-90 days	91-120 days	121-150 days	
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	
Gross carrying amount	\$209,738	\$38,761	\$5,796	\$-	\$-	\$-	\$254,295
Loss ratio	0.96%	1%	5%	0%	0%	0%	
Lifetime expected credit losses	(2,013)	(387)	(290)	-	-	-	(2,690)
Subtotal	207,725	38,374	5,506	-	-	-	251,605
Carrying amount of trade receivables	\$3,468,743	\$419,575	\$17,903	\$176	\$-	\$124	\$3,906,521

Note: all the Group's note receivables were not past due.

B. The movement in the provision for impairment of note receivables and trade receivables during the three-month periods ended March 31, 2021 and 2020 are as follows:

	Note receivables (NT\$'000)	Account receivables (NT\$'000)
Beginning balance as of January 1, 2021	\$-	\$20,015
Addition/(reversal) for the current period	-	11,422
Effect of exchange rate	-	(1)
Ending balance as of March 31, 2021	\$-	\$31,436
	Note receivables (NT\$'000)	Account receivables (NT\$'000)
Beginning balance as of January 1, 2020	\$-	\$26,144
Addition/(reversal) for the current period	-	(397)
Effect of exchange rate	-	(6)
Ending balance as of March 31, 2020	\$-	\$25,741

(23) Leases

A. Group as a lessee

The Group leases various property (land and buildings), machinery and equipment, transportation equipment. These leases have terms of between 1 and 50 years. The Group may not allow to privately lend, sublease, sell, use by others in other disguised form, or transfer the lease to another person.

The effect that leases have on the financial position, financial performance and cash flows of the Group are as follow:

(a) Amounts recognized in the balance sheet

a. Right-of-use asset

	Land	Buildings	Machinery and equipment	Transportation equipment	Total
<u>Cost:</u>					
As of 1/1/2021	\$277,004	\$164,586	\$17,793	\$2,490	\$461,873
Addition	-	83,991	-	-	83,991
Disposals	-	(102,111)	-	(2,490)	(104,601)
Transfer	-	-	-	-	-
Effect of EX rate	(478)	(253)	-	-	(731)
As of 3/31/2021	\$276,526	\$146,213	\$17,793	\$-	\$440,532
As of 1/1/2020	\$285,201	\$276,415	\$17,793	\$2,490	\$581,899
Addition	-	18,300	-	-	18,300
Disposals	-	(5,774)	-	-	(5,774)
Transfer	-	-	-	-	-
Effect of EX rate	701	(84)	-	-	617
As of 3/31/2020	\$285,902	\$288,857	\$17,793	\$2,490	\$595,042
<u>Depreciation and impairment:</u>					
As of 1/1/2021	\$72,006	\$62,519	\$13,776	\$1,840	\$150,141
Depreciation	1,407	10,432	1,722	53	13,614
Impirment	-	-	-	-	-

Kinsus Interconnect Technology Corp.

Notes to Consolidated Financial Statements (Continued)

Disposals	-	(36,873)	-	(1,893)	(38,766)
Transfer	-	-	-	-	-
Effect of EX rate	(110)	(164)	-	-	(274)
As of 3/31/2021	<u>\$73,303</u>	<u>\$35,914</u>	<u>\$15,498</u>	<u>\$-</u>	<u>\$124,715</u>
As of 1/1/2020	\$68,656	\$123,449	\$6,888	\$815	\$199,808
Depreciation	1,742	32,910	1,722	256	36,630
Disposals	-	(2,610)	-	-	(2,610)
Transfer	-	-	-	-	-
Effect of EX rate	195	(15)	-	-	180
As of 3/31/2020	<u>\$70,593</u>	<u>\$153,734</u>	<u>\$8,610</u>	<u>\$1,071</u>	<u>\$234,008</u>
<u>Net carrying amount:</u>					
As of 3/31/2021	<u>\$203,223</u>	<u>\$110,299</u>	<u>\$2,295</u>	<u>\$-</u>	<u>\$315,817</u>
As of 12/31/2020	<u>\$204,998</u>	<u>\$102,067</u>	<u>\$4,017</u>	<u>\$650</u>	<u>\$311,732</u>
As of 3/31/2020	<u>\$215,309</u>	<u>\$135,123</u>	<u>\$9,183</u>	<u>\$1,419</u>	<u>\$361,034</u>

b. Lease liability

	As of		
	3/31/2021	12/31/2020	3/31/2020
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Lease liability	<u>\$112,767</u>	<u>\$106,246</u>	<u>\$150,253</u>
Current	\$42,413	\$41,846	\$89,902
Non-current	<u>70,354</u>	<u>64,400</u>	<u>60,351</u>
Total	<u>\$112,767</u>	<u>\$106,246</u>	<u>\$150,253</u>

Please refer to Note 6(25) (D) for the interest on lease liability recognized during the three-month period ended March 31, 2021 and 2020 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at March 31, 2021, December 31, 2020, and March 31, 2020.

(b) Income and costs relating to leasing activities

	For the three-month period ended March 31,	
	2021	2020
	(NT\$'000)	(NT\$'000)
The expense relating to short-term leases (rent expenses)	\$(35,769)	\$(5,749)
The expense relating to leases of low-value assets (Not including the expense relating to short-term leases of low-value assets)	(729)	(5,946)
Income from subleasing right-of-use assets	212	307

As of March 31, 2021, December 31, 2020, and March 31, 2020, the portfolio of short-term leases of the Group to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed above and the amount of its lease commitments is NT\$0.

As of March 31, 2020, no derivative financial instruments was held by the Group. For the year ended December 31, 2020, the Company recognized NT\$407 thousand as income to account the rent concession arising as a direct consequence of the covid-19 pandemic as a variable lease payment.

(c) Cash outflow relating to leasing activities

During the three-month period ended March 31, 2021 and 2020, the Group's total cash outflow for leases amounting to NT\$47,922 thousand and NT\$49,043 thousand, respectively.

B. Group as a lessor

The Group has entered leases on plants. These leases have terms of between one and three years. These leases are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the three-month period ended	
	March 31,	
	2021	2020
	(NT\$'000)	(NT\$'000)
Lease income for operating leases		
Income relating to fixed lease payments	\$6,097	\$12,557

For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of March 31, 2021, December 31, 2020 and March 31, 2020 are as follow:

	As of		
	3/31/2021	12/31/2020	3/31/2020
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Less than one year	\$1,698	\$42,602	\$43,055
More than one year but less than five years	-	35,316	67,100
Total	\$1,698	\$77,918	\$110,155

(24) Summary statement of employee benefits, depreciation and amortization by function is as follows:

Function	For the three-month period ended March 31, 2021 (NT\$'000)			For the three-month period ended March 31, 2020 (NT\$'000)		
	Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
Nature						
Employee benefit						
Salaries & wages	\$1,169,135	\$301,166	\$1,470,301	\$928,048	\$234,355	\$1,162,403
Labor and health insurance	90,273	19,680	109,953	69,044	18,099	87,143
Pension	33,208	10,798	44,006	26,419	9,755	36,174
Other employee benefit	54,205	14,981	69,186	46,002	11,798	57,800
Depreciation	958,456	79,561	1,038,017	1,034,291	81,876	1,116,167
Amortization	61	10,259	10,320	7	12,674	12,681

According to the resolution, not lower than 10% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable

as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered.

The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition, a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profitability and following the rule of not lower than 10% and not higher than 1%, the Company incurred the employees' compensation and the remuneration to directors and supervisors, respectively, for the three-month period ended March 31, 2021 and recorded them as employee benefits. As such, employees' compensation and remuneration to directors and supervisors for the three-month period ended March 31, 2021 amounted to NT\$ 37,705 thousand and NT\$2,295 thousand, respectively. The employees' compensation and remuneration to directors and supervisors for the three-month period ended March 31, 2020 amount to NT\$10,206 thousand and NT\$621 thousand, respectively. The employees' compensation and remuneration to directors and supervisors were recognized as salaries.

The Company's Board of Directors' meeting has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$70,857 thousand and NT\$4,313 thousand, respectively, in a meeting held on January 29, 2021. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2020.

For the year ended December 31, 2019, the Company incurred accumulated loss and therefore did not to accrue the employees' compensation and remuneration to directors and supervisors.

(25) Non-operating incomes and expenses

A. Interest incomes

	For the three-month period ended March 31,	
	2021 (NT\$'000)	2020 (NT\$'000)
Interest income		
Financial assets measured at amortized cost	\$9,273	\$13,628

B. Other incomes

	For the three-month period ended March 31,	
	2021 (NT\$'000)	2020 (NT\$'000)
Government grants	\$1,530	\$585
Other income – others	17,500	64,165
Total	\$19,030	\$64,750

C. Other gains and losses

	For the three-month period ended March 31,	
	2021 (NT\$'000)	2020 (NT\$'000)
Gain (losses) from disposal of property, plant and equipment	\$1,622	\$(1,911)
Foreign exchange gains, net	4,525	15,105
Lease modification gains	408	55
Financial assets at fair value through profit	921	1,610
Other expenses	(3,549)	(2,385)
Total	\$3,927	\$12,474

D. Finance costs

	For the three-month period ended March 31,	
	2021 (NT\$'000)	2020 (NT\$'000)
Interests on bank loans	\$14,887	\$27,893
Interests on lease liabilities	286	507
Total	\$15,173	\$28,400

(26) Components of other comprehensive income (OCI)

For the three-month period ended March 31, 2021

	Arising during the period (NT\$'000)	Reclassification during the period (NT\$'000)	Subtotal (NT\$'000)	Income tax benefit (expense) (NT\$'000)	OCI, Net of tax (NT\$'000)
<u>To be reclassified to profit or loss in subsequent period:</u>					
Exchange differences arising on translation of foreign operations	\$(14,213)	\$-	\$(14,213)	\$-	\$(14,213)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	33	-	33	-	33
Total OCI	\$(14,180)	\$-	\$(14,180)	\$-	\$(14,180)

For the three-month period ended March 31, 2020

	Arising during the period (NT\$'000)	Reclassification during the period (NT\$'000)	Subtotal (NT\$'000)	Income tax benefit (expense) (NT\$'000)	OCI, Net of tax (NT\$'000)
<u>To be reclassified to profit or loss in subsequent period:</u>					
Exchange differences arising on translation of foreign operations	\$(3,209)	-	\$(3,209)	-	\$(3,209)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	1,792	-	1,792	-	1,792
Total OCI	<u>\$(1,417)</u>	<u>-</u>	<u>\$(1,417)</u>	<u>-</u>	<u>\$(1,417)</u>

(27) Income tax

A. The major components of income tax expense (income) are as follows:

Income tax expense (benefit) recognized in profit or loss

	For the three-month period ended March 31,	
	2021	2020
	(NT\$'000)	(NT\$'000)
Current income tax expense (benefit):		
Current income tax expense	\$81,522	\$34,849
Adjustments in respect of current income tax of prior periods	(4,669)	(166)
Deferred tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	1,557	1,341
Total income tax expense	<u>\$78,410</u>	<u>\$36,024</u>

B. The assessment of income tax return

As of March 31, 2021, the assessment status of income tax returns of the Company and subsidiaries was as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2017
Subsidiary - Pegavision Corporation	Assessed and approved up to 2018
Subsidiary - Kinsus Investment Co., Ltd.	Assessed and approved up to 2017
Subsidiary - Aquamax Corporation	The established was at June 15, 2020, so there is no income tax return.

(28) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

A. Basic earnings per share

	<u>For the three-month period ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Net income available to common shareholders of the parent (in NT\$'000)	<u>\$258,123</u>	<u>\$78,844</u>
Weighted average number of common shares outstanding (in thousand shares)	<u>450,198</u>	<u>448,857</u>
Basic earnings per share (in NT\$)	<u>\$0.57</u>	<u>\$0.18</u>

B. Diluted earnings per share

	For the three-month period ended March 31,	
	2021	2020
Net income available to common shareholders of the parent (in NT\$'000)	\$258,123	\$78,844
Net income available to common shareholders of the parent after dilution (in NT\$'000)	\$258,123	\$78,844
Weighted average number of common shares outstanding (in thousand shares)	450,198	448,857
Effect of dilution:		
Employee bonus – stock (in thousand shares)	629	252
Restricted stocks (in thousand shares)	1,098	1,656
Weighted average number of common shares outstanding after dilution (in thousand shares)	451,925	450,765
Diluted earnings per share (in NT\$)	\$0.57	\$0.17

No other transactions that would significantly change the outstanding common shares or potential common shares incurred during the period after reporting date and up to the approval date of financial statements.

(29) Subsidiary that has material non-controlling interests

Proportion of equity interest held by non-controlling interests:

Name	Country	As of		
		3/31/2021	12/31/2020	3/31/2020
Piotek Holdings Ltd. and its subsidiary	China	49.00%	49.00%	49.00%
Pegavision Corporation and its subsidiary	Taiwan	69.67%	69.67%	69.67%

Accumulated balances of material non-controlling interest:

	As of		
	3/31/2021 (NT\$'000)	12/31/2020 (NT\$'000)	3/31/2020 (NT\$'000)
Piotek Holdings Ltd. and its subsidiary	\$267,474	\$318,252	\$386,979
Pegavision Corporation and its subsidiary	\$3,111,515	\$3,201,655	\$2,765,373

Profit (loss) allocated to material non-controlling interest:

	For the three-month period ended March 31,	
	2021 (NT\$'000)	2020 (NT\$'000)
Piotek Holdings Ltd. and its subsidiary	\$(41,980)	\$(63,451)
Pegavision Corporation and its subsidiary	\$156,465	\$63,542

The summarized financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarized Piotek Holdings Ltd. and its subsidiary information of profit or loss is as follows:

	For the three-month period ended March 31,	
	2021 (NT\$'000)	2020 (NT\$'000)
Operating revenue	\$560,770	\$324,270
Profit/loss from continuing operation	(85,664)	(129,478)
Total comprehensive income for the period	(85,262)	(121,717)

Summarized Pegavision Corporation and its subsidiary information of profit or loss is as follows:

	For the three-month period ended March 31,	
	2021	2020
	(NT\$'000)	(NT\$'000)
Operating revenue	\$1,145,797	\$721,446
Profit/loss from continuing operation	224,594	91,210
Total comprehensive income for the period	220,612	90,764

Summarized Piotek Holdings Ltd. and its subsidiary information of financial position is as follows:

	As of		
	3/31/2021	12/31/2020	3/31/2020
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Current assets	\$1,176,909	\$1,146,983	\$946,213
Non-current assets	1,080,840	1,115,410	1,327,426
Current liabilities	1,074,906	996,237	1,391,753
Non-current liabilities	618,613	616,664	92,121

Summarized Pegavision Corporation and its subsidiary information of financial position is as follows:

	As of		
	3/31/2021	12/31/2020	3/31/2020
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Current assets	\$2,923,626	\$2,890,778	\$2,047,823
Non-current assets	3,689,837	3,525,253	3,247,439
Current liabilities	2,036,118	1,716,965	1,247,017
Non-current liabilities	111,018	103,350	78,776

Summarized Piotek Holdings Ltd. and its subsidiary cash flows information is as follows:

	For the three-month period ended March 31,	
	2021 (NT\$'000)	2020 (NT\$'000)
Operating activities	\$(42,148)	\$(26,880)
Investing activities	(16,673)	(6,555)
Financing activities	2,489	4,728
Net increase/(decrease) in cash and cash equivalents	(57,076)	(32,970)

Summarized Pegavision Corporation and its subsidiary cash flows information is as follows:

	For the three-month period ended March 31,	
	2021 (NT\$'000)	2020 (NT\$'000)
Operating activities	\$894,437	\$268,559
Investing activities	(269,718)	(540,423)
Financing activities	(72,774)	(54,334)
Net increase/(decrease) in cash and cash equivalents	547,654	(326,644)

7. RELATED PARTY TRANSACTIONS

(1) Deal with related parties as of the end of the reporting period

Related parties and Relationship

<u>Related parties</u>	<u>Relationship</u>
Pegatron Corporation	Parent company
FuYang Technology Corp.	Associate
PEGATRON JAPAN INC	Other related parties
Maintek Computer (Suzhou) Co., Ltd	Other related parties
GNDC Co., Ltd.	Other related parties
DIGITEK (CHONGQING) LIMITED	Other related parties
COTEK ELECTRONICS(SUZHOU) CO., LTD.	Other related parties
ASIAROCK TECHNOLOGY LIMITED	Other related parties
PEGATRON CZECH S.R.O	Other related parties

(2) Significant transactions with related parties

A. Sales to

	For the three-month period ended March 31,	
	2021 (NT\$'000)	2020 (NT\$'000)
Parent company	\$651	\$1,422
Other related parties	23,088	68,976
Total	\$23,739	\$70,398

Selling prices and collection terms to related parties are similar to those to third party customers for the three-month periods ended March 31, 2021 and 2020. The collection terms are 30 to 90 days from the end of delivery month by telegraphic transfer.

B. Lease-related parties

(a) Right-of-use asset

Related parties	Nature	As of		
		3/31/2021 (NT\$'000)	12/31/2020 (NT\$'000)	3/31/2020 (NT\$'000)
Parent company	Buildings	\$-	\$-	\$37,222
Other related parties	Buildings	395	635	-
Total		\$395	\$635	\$37,222

(b) Lease liability

Related parties	As of		
	3/31/2021 (NT\$'000)	12/31/2020 (NT\$'000)	3/31/2020 (NT\$'000)
Parent company	\$-	\$-	\$40,945
Other related parties	401	643	1,292
Total	\$401	\$643	\$42,237

(c) Lease payment(Rental expense)

Related parties	Nature of lease	For the three-month period ended March 31,	
		2021 (NT\$'000)	2020 (NT\$'000)
Parent company	Various Facilities	\$-	\$234
Parent company	Buildings	25,212	-
Total		\$25,212	\$234

(d) Interest expense

Related parties	For the three-month period ended March 31,	
	2021 (NT\$'000)	2020 (NT\$'000)
Parent company	\$-	\$159
Other related parties	2	5
Total	\$2	\$164

C. For the three-month periods ended March 31, 2021 and 2020, the Group recognized operating expenses of NT\$31 thousand and NT\$708 thousand, respectively, for services provided by other related parties.

Moreover, for the three-month periods ended March 31, 2021 and 2020, the Group recognized operating expenses of NT\$83 thousand and NT\$113 thousand (tax included), respectively, for services provided by the Parent.

In addition, for the three-month periods ended March 31, 2021 and 2020, the Group incurred operating expenses of NT\$28,628 thousand and NT\$22,547 thousand (tax included), respectively, for utility bills paid by the Parent on behalf of the Group.

For the three-month period ended March 31, 2021 and 2020, the Group recognized operating expense of NT\$224 thousand and NT\$643 thousand, respectively, due to subcontracting maintenance and repair on factories to its associate.

D. For the three-month periods ended March 31, 2021 and 2020, the Group recognized rent income of NT\$227 thousand and NT\$214 thousand, respectively, for plants leased to other related parties.

For the three-month periods ended March 31, 2021 and 2020, the Group recognized rent income of NT\$3,538 thousand and NT\$10,904 thousand, respectively, for plants leased to the associate.

E. For the three-month period ended March 31, 2021 and 2020, the Group recognized other income in amount of NT\$361 thousand and NT\$4,598 thousand, respectively, due to paying utilities on behalf of associate.

For the three-month period ended March 31, 2021, the Group recognized expense of NT\$1,325 thousand for providing services to other related parties.

F. Accounts receivable - related parties

	As of		
	3/31/2021 (NT\$'000)	12/31/2020 (NT\$'000)	3/31/2020 (NT\$'000)
Parent company	\$1,760	\$1,240	\$538
Other related parties	23,796	23,622	85,879
Total	25,556	24,862	86,417
Less: allowance for doubtful accounts	-	-	-
Net	\$25,556	\$24,862	\$86,417

G. Other receivables

	As of		
	3/31/2021 (NT\$'000)	12/31/2020 (NT\$'000)	3/31/2020 (NT\$'000)
Associate	\$180	\$3,859	\$5,396
Other related parties	237	255	222
Total	\$417	\$4,114	\$5,618

H. Refundable deposits

	As of		
	3/31/2021 (NT\$'000)	12/31/2020 (NT\$'000)	3/31/2020 (NT\$'000)
Parent company	\$10,000	\$10,000	\$10,000
Other related parties	352	-	352
Total	<u>\$10,352</u>	<u>\$10,000</u>	<u>\$10,352</u>

I. Accrued expenses

	As of		
	3/31/2021 (NT\$'000)	12/31/2020 (NT\$'000)	3/31/2020 (NT\$'000)
Parent company	\$18,291	\$19,705	\$16,384
Associate	-	467	450
Other related parties	9	499	559
Total	<u>\$18,300</u>	<u>\$20,671</u>	<u>\$17,393</u>

L. Salaries and rewards to key management of the Group

	For the three-month period ended March 31,	
	2021 (NT\$'000)	2020 (NT\$'000)
Short-term employee benefits	\$15,825	\$15,225
Post-employee benefits	234	216
Total	<u>\$16,059</u>	<u>\$15,441</u>

8. PLEDGED ASSETS

The following assets of the Group are pledged as collaterals:

Item	Carrying Amount As of			Purpose
	3/31/2021 (NT\$'000)	12/31/2020 (NT\$'000)	3/31/2020 (NT\$'000)	
Property, plant and equipment – land	\$-	\$-	\$1,317,565	Long-term secured loans
Property, plant and equipment – buildings (carrying amount)	60,193	61,249	64,417	Long-term secured loans
Financial assets measured at amortized cost	43,854	44,110	-	Guarantee of provisional attachment
Refundable deposits	2,000	2,000	2,000	Security deposit to custom authority
Total	<u>\$106,047</u>	<u>\$107,359</u>	<u>\$1,383,982</u>	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) The Group's unused letters of credit (LC) as of March 31, 2021 were as follows:

Currency	LC Amount (in thousand)	Security (in thousand)
JPY	JPY \$5,793,435	\$-
USD	USD 4,865	-
EUR	EUR 3,556	-

(2) Details of significant constructions in progress and outstanding contracts of property, plant and equipment as of March 31, 2021 were as follows:

Nature of Contract	Contract Amount (NT\$'000)	Amount Paid (NT\$'000)	Outstanding Balance (NT\$'000)
Machinery and construction contracts	<u>\$9,611,469</u>	<u>\$3,193,238</u>	<u>\$6,418,231</u>

(3) The Group has disputes with Wuxi Land Environmental Technology Co.,LTD. ("Wuxi Land Company" hereinafter) regarding the hazardous waste clean up and recycle contract. In June

2020, Wuxi Land Company filed a lawsuit and requested returning security deposit of RMB 1,000 thousand and prepayment of RMB 9,081 thousand. As of March 31, 2021, the Group received RMB 14,392 thousand from Wuxi Land Company, and the payment was listed under receipts in advance. Wuxi Land Company filed to freeze the advance receipt in August 2020. The People's Court of Huqiu District, Suzhou City ruled to freeze RMB 10,100 thousand, which the Group accounted for under restricted assets. As of April 26, 2021, the Group filed an appeal. The case is still pending in court. It is assessed that the aforementioned lawsuits have no significant impact on the Group.

10. SIGNIFICANT DISASTER LOSS

None

11. SIGNIFICANT SUBSEQUENT EVENT

None

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of		
	3/31/2021	12/31/2020	3/31/2020
	(NT\$'000)	(NT\$'000)	(NT\$'000)
Financial assets at fair value through profit or loss:			
Mandatorily measured at fair value through P/L	\$704,164	\$1,594,063	\$1,229,442
Financial assets at fair value through OCI	51,000	51,000	50,000
Financial assets measured at amortized cost:			
Cash and petty cash	11,179,310	11,664,932	10,295,646
Time deposit	423,057	423,057	914,861
Restricted deposits	43,854	44,110	-
Accounts receivable	4,629,134	4,403,199	3,906,521
Other receivables	256,257	145,275	124,872
Total	<u>\$17,286,776</u>	<u>\$18,325,636</u>	<u>\$16,521,342</u>

Financial liabilities

	As of		
	3/31/2021 (NT\$'000)	12/31/2020 (NT\$'000)	3/31/2020 (NT\$'000)
Financial liabilities at amortized cost:			
Short-term borrowings	\$2,647,531	\$2,640,307	\$3,575,520
Trade and other payables	6,638,287	6,338,434	5,160,253
Long-term borrowings (including current portion with maturity less than 1 year)	4,776,574	3,609,548	3,135,653
Lease liabilities (including current portion with maturity less than 1 year)	112,767	106,246	150,253
Total	<u>\$14,175,159</u>	<u>\$12,694,535</u>	<u>\$12,021,679</u>

(2) Objectives and policies of financial risk management

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures, and manages the risks based on its policy and risk preferences.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies always.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk (e.g. equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to foreign currency risk relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign operations. The Group has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. Thus, hedge accounting is not adopted.

Foreign currency sensitivity analysis of possible change in foreign exchange rates on the Group's profit/loss and equity is performed on significant monetary items denominated in foreign currencies as of the reporting period-end. The Group's foreign currency risk is mainly related to volatility in the exchange rates of US dollars. It is stated as follows:

If NT dollars appreciates/depreciates against US dollars by 1%, net income (loss) for the three-month periods ended March 31, 2021 and 2020 would increase/decrease by NT\$9,281 thousand and NT\$121 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to the Group's investments with variable interest rates and loans with fixed and variable interest rates, which are all categorized as loans and receivables.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and loans with variable interest rates. If interest rate increases/decreases by 0.1%, the net income (loss) for the three-month periods ended March 31, 2021 and 2020 would decrease/increase by NT\$4,235 thousand and decrease/increase by NT\$4,457 thousand, respectively.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and from its financing activities including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit risk of all customers are assessed based on a comprehensive review of the customers' financial status, credit ratings from credit institutions, past transactions, current economic conditions and the Group's internal credit ratings. The Group also employs some credit enhancement instruments (e.g. prepayment or insurance) to reduce certain customers' credit risk.

As of March 31, 2021, December 31, 2020 and March 31, 2020, receivables from the top ten customers were accounted for 49.41%, 44.04% and 52.57% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

Credit risk from balances with banks and other financial instruments is managed by the Group's finance division in accordance with the Group's policy. The counterparties that the Group transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions, corporate and government agencies with investment-grade credit ratings. Thus, there is no significant default risk. Conclusively, no significant credit risk is expected by the Group.

The Group adopted IFRS 9 to assess the expected credit losses. Except for trade receivables, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories. The Group makes an assessment at each reporting date as to whether the credit risk still meets the conditions of low credit risk and then further determines the method of measuring the loss allowance and the loss ratio.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(5) Liquidity risk management

The Group maintains financial flexibility using cash and cash equivalents, highly-liquid marketable securities, bank loans, etc. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year (NT\$'000)	1 to 2 years (NT\$'000)	2 to 3 years (NT\$'000)	3 to 4 years (NT\$'000)	4 to 5 years (NT\$'000)	More than 5 years (NT\$'000)	Total (NT\$'000)
<u>As of March 31, 2021</u>							
Loans	\$3,508,975	\$762,214	\$831,096	\$894,197	\$854,971	\$669,721	\$7,521,174
Payables	6,638,287	-	-	-	-	-	6,638,287
Lease liabilities	43,333	28,073	15,086	7,677	4,781	16,355	115,305
<u>As of December 31, 2020</u>							
Loans	\$3,654,003	\$652,545	\$511,944	\$539,216	\$535,089	\$453,533	\$6,346,330
Payables	6,338,434	-	-	-	-	-	6,338,434
Lease liabilities	42,787	26,382	11,655	5,684	4,763	17,553	108,824
<u>As of March 31, 2020</u>							
Loans	\$4,846,053	\$698,047	\$354,863	\$252,598	\$253,497	\$443,100	\$6,848,158
Payables	5,160,253	-	-	-	-	-	5,160,253
Lease liabilities	91,038	31,064	16,354	6,529	2,156	5,331	152,472

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the 3-month period ended March 31, 2021:

	Short-term borrowings (NT\$'000)	Long-term borrowings (NT\$'000)	Refundable deposits (NT\$'000)	Leases liabilities (NT\$'000)	Total liabilities from financing activities (NT\$'000)
As of January 1, 2021	\$2,640,307	\$3,609,548	\$73,235	\$106,246	\$6,429,336
Cash flows	7,224	1,184,911	(1,334)	(11,424)	1,179,377
Non-cash changes					
Lease range changes	-	-	-	17,748	17,748
Interests on lease liabilities	-	-	-	286	286
Other	-	(18,603)	-	-	(18,603)
Currency rate change	-	718	-	(89)	629
As of March 31, 2021	\$2,647,531	\$4,776,574	\$71,901	\$112,767	\$7,608,773

Movement schedule of liabilities for the 3-month period ended March 31, 2020:

	Short-term borrowings	Long-term borrowings	Refundable deposits	Leases liabilities	Total liabilities from financing activities
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)
As of January 1, 2020	\$4,096,101	\$3,046,550	\$43,836	\$172,080	\$7,358,567
Cash flows	(520,581)	110,586	(7,791)	(37,348)	(455,134)
Non-cash changes					
Lease range changes	-	-	-	15,081	15,081
Interests on lease liabilities	-	-	-	507	507
Other	-	(22,470)	-	-	(22,470)
Currency rate change	-	987	-	(67)	920
As of March 31, 2020	<u>\$3,575,520</u>	<u>\$3,135,653</u>	<u>\$36,045</u>	<u>\$150,253</u>	<u>\$6,897,471</u>

(7) Fair values of financial instruments

A. The evaluation methods and assumptions applied in determining the fair value

Fair value is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between willing market participants (not under coercion or liquidation). The following methods and assumptions are used by the Group in estimating the fair values of financial assets and liabilities:

- (a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturity terms.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed equity securities, beneficiary certificates, bonds and futures etc.) at the report date.
- (c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of

identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

- (d) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measure at amortized cost approximates their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Group’s assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group’s assets and liabilities measured at fair value on a recurring basis is as follows:

As of March 31, 2021

	Level 1	Level 2	Level 3	Total
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Funds	\$704,164	\$-	\$-	\$704,164
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	-	-	51,000	51,000

Financial liabilities:

None

As of December 31, 2020

	Level 1 (NT\$'000)	Level 2 (NT\$'000)	Level 3 (NT\$'000)	Total (NT\$'000)
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Funds	\$1,594,063	\$-	\$-	\$1,594,063
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	-	-	51,000	51,000
<u>Financial liabilities:</u>				
None				

As of March 31, 2020

	Level 1 (NT\$'000)	Level 2 (NT\$'000)	Level 3 (NT\$'000)	Total (NT\$'000)
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Funds	\$1,229,442	\$-	\$-	\$1,229,442
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	-	-	50,000	50,000
<u>Financial liabilities:</u>				
None				

Transfers between Level 1 and Level 2 during the period

For the three-month periods ended March 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value hierarchy.

Reconciliations for fair value measurement on a recurring basis in Level 3 hierarchy

For the three-month periods ended March 31, 2021 and 2020, there were not movement of fair value measurements.

(9) Significant financial assets and liabilities denominated in foreign currencies

Information regarding the Group's significant financial assets and liabilities denominated in foreign currencies was listed below: (In Thousands)

	As of					
	3/31/2021			12/31/2020		
	Foreign Currencies (\$'000)	Exchange Rate	NTD (NT\$'000)	Foreign Currencies (\$'000)	Exchange Rate	NTD (NT\$'000)
<u>Financial assets</u>						
Monetary items:						
USD	\$172,969	28.5220	\$4,933,432	\$159,309	28.4965	\$4,539,756
CNY	\$160,991	4.3280	\$696,763	\$185,771	4.3674	\$811,327
<u>Financial liabilities</u>						
Monetary items:						
USD	\$140,379	28.5325	\$4,005,365	\$121,365	28.4965	\$3,458,474
CNY	\$201,141	4.3420	\$873,352	\$189,148	4.3674	\$826,074

	As of		
	3/31/2020		
	Foreign Currencies (\$'000)	Exchange Rate	NTD (NT\$'000)
<u>Financial assets</u>			
Monetary items:			
USD	\$143,009	30.233	\$4,323,596
CNY	\$89,540	4.2685	\$382,205
<u>Financial liabilities</u>			
Monetary items:			
USD	\$138,366	30.243	\$4,184,588
CNY	\$139,120	4.2685	\$593,836

The above information is disclosed based on the carrying amount of foreign currency (after being converted to functional currency).

Foreign exchange gain/loss on monetary financial assets and liabilities is shown as below.

Foreign currency resulting in exchange gain or loss	For the three-month period ended March 31,	
	2021 (NT\$'000)	2020 (NT\$'000)
USD	\$3,345	\$15,947
Other	1,180	(842)

(10) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value. The Group manages and adjusts its capital structure considering changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

- A. Financing provided to others: None.
- B. Endorsement/Guarantee provided to others: Please refer to attachment 1.
- C. Marketable securities held as of March 31, 2021 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 2.
- D. Individual securities acquired or disposed of with accumulated amount of at least NT\$ 300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2021: None.
- E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2021: Please refer to attachment 3.
- F. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2021: None.
- G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2021: Please refer to attachment 4.
- H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of March 31, 2021: None.
- I. Derivative instrument transactions: None.
- J. Intercompany relationships and significant intercompany transactions for the three-month period ended March 31, 2021: Please refer to attachment 10.

(2) Information on investees

- A. Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 5.

B. Investees over which the Company exercises control shall be disclosed of information under Note 13(1):

(a) Financing provided to others: None.

(b) Endorsement/Guarantee provided to others: None.

(c) Marketable securities held as of March 31, 2021 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 6.

(d) Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2021: Please refer to attachment 7.

(e) Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2021: None.

(f) Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2021: None.

(g) Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2021: Please refer to attachment 8.

(h) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of March 31, 2021: Please refer to attachment 9.

(i) Derivative instrument transactions: None.

(3) Information on investments in Mainland China:

A. Name of investee in China, main business, paid-in capital, method of investment, investment flows, percentage of ownership, investment gain or loss, carrying amount at the end of reporting period, inward remittance of earning or loss and the upper limit on investment in China:

(In Thousands of New Taiwan Dollars)

Name of Investee in China	Main Business	Paid-in Capital (NT\$'000)	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2021 (NT\$'000)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Mar. 31, 2021 (NT\$'000)	Profit/ Loss of Investee (NT\$'000)	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss (NT\$'000)	Carrying Amount as of Mar. 31, 2021 (NT\$'000)	Accumulated Inward Remittance of Earnings as of Mar. 31, 2021 (NT\$'000)	Accumulated Outflow of Investment from Taiwan to Mainland China as of Mar. 31, 2021 (NT\$'000)	Investment Amounts Authorized by Investment Commission, MOEA (NT\$'000)	Upper Limit on Investment in China by Investment Commission, MOEA (NT\$'000)
					Outflow (NT\$'000)	Inflow (NT\$'000)									
Kinsus Interconnect Technology Suzhou Corp.	Manufacturing and selling PCB (not high-density fine-line)	\$1,997,275 (Note 2)	(2)	\$1,997,275 (Note 2)	\$-	\$-	\$1,997,275 (Note 2)	\$82,556 (Note 2 and Note 4)	100%	\$82,556 (Note 2, Note 4 and Note 7)	\$1,763,474 (Note 2, Note 4 and Note 7)	\$-	\$1,997,275 (Note 2)	\$1,997,275 (Note 2)	No upper limit (Note 5)

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Notes to Consolidated Financial Statements (Continued)

Piotek Computer (Suzhou) Co., Ltd.	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	\$4,756,368 (Note 2)	(2)	\$2,689,294 (Note 2)	\$-	\$-	\$2,689,294 (Note 2)	\$(84,577) (Note 2 and Note 4)	51%	\$(43,134) (Note 2, Note 4 and Note 7)	\$251,839 (Note 2, Note 4 and Note 7)	\$-	\$2,689,294 (Note 2)	\$2,689,294 (Note 2)	
Xiang-Shuo (Suzhou) Trading Limited	Trading of PCB (not high-density fine-line) and material for related products	\$57,065 (Note 2)	(2)	\$57,065 (Note 2)	\$-	\$-	\$57,065 (Note 2)	\$(239) (Note 2 and Note 4)	100%	\$(239) (Note 2, Note 4 and Note 7)	\$59,180 (Note 2, Note 4 and Note 7)	\$-	\$57,065 (Note 2)	\$57,065 (Note 2)	
Pegavision Contact Lenses (Shanghai) Corporation	Selling medical equipment	\$112,559 (USD3,600)	(1)	\$112,559	\$-	\$-	\$112,559	\$5,394 (Note 2 and Note 4)	30.33%	\$1,636 (Note 2, Note 4 and Note 7)	\$33,644 (Note 2, Note 4 and Note 7)	\$-	\$112,559	\$112,559	\$2,679,796 (Note 6)

Kinsus Interconnect Technology Corp.

Notes to Consolidated Financial Statements (Continued)

Gemvisoon Technology (Zhejiang) Limited	Selling medical equipment	\$43,420 (RMB10,000) (Note 2)	(3) (Note3)	\$-	\$-	\$-	\$-	\$5,222 (Note 2 and Note 4)	30.33%	\$1,584 (Note 2, Note 4 and Note 7)	\$29,702 (Note 2, Note 4 and Note 7)	\$-	\$-	\$-
Pegavision (Jiangsu) Limited	producing and Selling medical equipment	\$85,620 (USD3,000) (Note 2)	(1)	\$-	\$85,620	\$-	\$85,620	\$(2) (Note 2 and Note 4)	30.33%	\$-	\$25,961 (Note 2, Note 4 and Note 7)	\$-	\$85,620	\$85,620

Note 1: The investment methods are divided into the following three types, just indicate the types:

- (1) Go directly to the mainland for investment.
- (2) Reinvest in mainland China through a third-region company.
- (3) Other methods.

Note 2: Amounts in foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

Note 3: Pegavision Contact Lenses (Shanghai) Corporation recognized the profit/loss and carrying amount of Gemvisoon Technology (Zhejiang) Limited.

Note 4: Gain/loss on investment is recognized based on the financial statements which were reviewed by the independent auditors of the parent company in Taiwan.

Note 5: The Company meets the conditions of corporate operation headquarter in the Principle of Evaluation for Investment and Technical Cooperation in Mainland China. Thus, there is no upper limit on investment amount.

Note 6: The upper limit on investment for Pegavision Contact Lenses (Shanghai) Corporation, Gemvisoon Technology (Zhejiang) Limited and Pegavision (Jiangsu) Limited is calculated as 60% of the net value of the recent financial statements reviewed by independent auditors of Pagavision Corporation.

Note 7: Transactions are eliminated upon preparation of consolidated financial statements.

B. Significant transactions with investees in China:

- (a) Purchase and balances of related accounts payable as of March 31, 2021: Please refer to attachment 10 for details.
- (b) Sale and balance of related accounts receivable as of March 31, 2021: Please refer to attachment 10 for details.
- (c) Property transaction amounts and resulting gain or loss:

Variety	Related parties	Carrying Value	Price	Gain on disposal	Reference basis for price decision
Machinery	Kinsus Interconnect				Negotiated price
	Technology Suzhou Corp	<u>\$247,416</u>	<u>\$285,972</u>	<u>\$38,556</u> (Note)	
Machinery	Kinsus Interconnect				Negotiated price
	Technology Suzhou Corp	<u>\$14,156</u>	<u>\$25,285</u>	<u>\$11,129</u> (Note 1)	

Note: For the three-month ended, December 31, 2019, the company wrote off NT\$38,556 thousand due to the unrealized gain on disposal of property, plant and equipment. As of March 31, 2021, unrealized gain on disposal of property, plant and equipment is NT\$22,485 thousand, that recongnized as the credit balance of investments accounted for using the equity method.

Note 1: For the three-month ended, March 31, 2021, the company wrote off NT\$11,129 thousand due to the unrealized gain on disposal of property, plant and equipment. As of March 31, 2021, unrealized gain on disposal of property, plant and equipment is NT\$11,129 thousand, that recongnized as the credit balance of investments accounted for using the equity method.

- (d) Ending balance of endorsements/guarantees or collateral provided and the purposes: None.
- (e) Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: None.

(f) Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered: Please refer to attachment 10 for details.

(g) Above transactions are eliminated upon preparation of consolidated financial statements. Please refer to attachment 10 for details.

(4) Information on major shareholders:

Ownership of shares		
Name	Number of shares held	Ownership ratio
Asus Investment Co., Ltd.	60,128,417	13.33%
Asustek Investment Co., Ltd.	58,233,091	12.91%
Asuspower Investment	55,556,221	12.32%
New Labor Pension Fund for the second time in 2018 fully authorize FuHwa investment account	33,756,000	7.48%

14. OPERATING SEGMENT

For management purposes, the Group is organized into operating segments based on different products and services and has three reportable operating segments as follows:

IC Substrate: This segment produces and manufactures BGA substrates and sells the products to manufacturers of electronic products.

Printed Circuit Board (PCB): This segment produces and manufactures PCBs and sells the products to manufacturers of electronic products.

Optics: This segment produces, manufactures and sells contact lens.

No operating segments have been aggregated to form the above reportable operating segments.

The Group's operating segments adopts the same accounting policies as the ones in Note 4. Management monitors the operating results of its business units separately for decision-making on resource allocation and performance assessment. Segment performance is evaluated based on

operating profit or loss and measured consistently with methods applied to operating profit or loss in the consolidated financial statements.

(1) Segment income (loss), assets and liabilities

For the three-month period ended March 31, 2021

	IC Substrate (NT\$'000)	PCB (NT\$'000)	Optics (NT\$'000)	Elimination (NT\$'000)	Consolidated (NT\$'000)
External customer	\$5,519,453	\$560,737	\$1,145,796	\$-	\$7,225,986
Inter-segment	-	-	-	-	-
Total revenue	\$5,519,453	\$560,737	\$1,145,796	\$-	\$7,225,986
Segment income (loss)	\$233,683	\$(85,669)	\$224,594	\$-	\$372,608

For the three-month period ended March 31, 2020

	IC Substrate (NT\$'000)	PCB (NT\$'000)	Optics (NT\$'000)	Elimination (NT\$'000)	Consolidated (NT\$'000)
External customer	\$4,846,638	\$324,249	\$721,446	-	\$5,892,333
Inter-segment	-	-	-	-	-
Total revenue	\$4,846,638	\$324,249	\$721,446	-	\$5,892,333
Segment income (loss)	\$117,108	\$(129,383)	\$91,210	-	\$78,935

Details of assets and liabilities under the Group's operating segments are as follows:

<u>Segment assets</u>	IC Substrate (NT\$'000)	PCB (NT\$'000)	Optics (NT\$'000)	Elimination (NT\$'000)	Consolidated (NT\$'000)
As of 03/31/2021	\$35,030,204	\$2,317,199	\$6,613,463	\$-	\$43,960,866
As of 12/31/2020	\$34,046,545	\$2,321,376	\$6,416,031	\$-	\$42,783,952
As of 03/31/2020	\$33,306,802	\$2,333,024	\$5,295,262	\$-	\$40,935,088

<u>Segment liabilities</u>	IC Substrate (NT\$'000)	PCB (NT\$'000)	Optics (NT\$'000)	Elimination (NT\$'000)	Consolidated (NT\$'000)
As of 03/31/2021	\$11,370,645	\$1,693,680	\$2,040,967	\$-	\$15,105,292
As of 12/31/2020	\$10,160,915	\$1,613,162	\$1,820,316	\$-	\$13,594,393
As of 03/31/2020	\$9,830,510	\$1,484,200	\$1,272,709	\$-	\$12,587,419

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Endorsement/Guarantee Provided to Others

For the three-month period ended March 31, 2021

Attachment 1

(In Thousands of Foreign Currency / New Taiwan Dollars)

Endorsement/ Guarantee Provider		Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
No. (Note 1)	Name	Name	Nature of Relationship										
-	-	-	-	-	\$-	\$-	\$-	\$-	-%	-	-	-	-

Note 1: Kinsus Interconnect Technology Corp. is coded "0".

Note 2: The endorsement and guaranteed amount of the Company and the consolidated subsidiary is NT\$110,881 thousand.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Marketable Securities Held as of March 31, 2021

Attachment 2

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	March 31, 2021			Fair Value (Note)	Note
				Shares / Units	Carrying Amount	Shareholding %		
Kinsus Interconnect Technology Corp.	Money market funds:							
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	21,355,432	\$257,508	-%	\$270,338	
	Jih Sun Money Market	-	Financial assets at fair value through profit or loss	17,776,549	255,443	-%	265,969	
	Subtotal				512,951		536,307	
	Add: Valuation adjustments of financial assets at fair value through profit or loss					23,356		
Total					536,307			

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Acquisition of Individual Real Estate with Amount of at Least NT\$ 300 million or 20% of the Paid-in Capital as of March 31, 2021

Attachment 3

(In Thousands of New Taiwan Dollars)

Acquiring Company	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
Kinsus Interconnect Technology Corp.	Land, houses and buildings	2021.02.05	<u>\$4,409,385</u>	By Contract	WINTEK CORPORATION	None	None	None	None	None	By Bidding	For production capacity expansion and company operation plan.	None

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Related Party Transactions with Purchase or Sales Amount of At least NT\$ 100 Million or 20% of the Paid-in Capital

For the three-month period ended March 31, 2021

Attachment 4

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note	
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance		% to Total
Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	Investee accounted for using equity method indirectly	Purchase	\$692,667	26.47%	Payment within 30 days from the end of delivery month	Specs of goods purchased are different from others. Cannot be reasonably compared.	Other vendors also enjoy payment within 30~90 days from the end of delivery month	Accounts payable \$(267,505)	(18.68)%	Note

Note: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Investees over Which the Company Exercise Significant Influence or Control Directly or Indirectly (Excluding Investees in Mainland China)

As of March 31, 2021

Attachment 5

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Ending balance			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2020	As of March 31, 2021	Shares	%	Carrying Value			
Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	CA U.S.A.	Designing substrates, formulating marketing strategy analysis, developing new customers, researching and development new product technology	USD500	USD500	500,000	100.00%	\$63,057	\$2,565	\$2,565	Note
Kinsus Interconnect Technology Corp.	KINSUS HOLDING (SAMOA) LIMITED	Samoa	Investing activities	USD166,309	USD166,309	166,308,720	100.00%	\$2,110,411	\$38,251	\$38,251	Note
Kinsus Interconnect Technology Corp.	Kinsus Investment Co., Ltd.	Taoyuan City	Investing activities	\$1,600,000 (Note 1)	\$1,600,000 (Note 1)	160,000,000	100.00%	\$2,338,580	\$64,666	\$64,666	Note
Kinsus Investment Co., Ltd.	Pegavision Corporation	Taoyuan City	Manufacturing medical equipment	\$252,455 (Note 2)	\$252,455 (Note 2)	21,233,736	30.33%	\$1,354,812	\$224,594	\$68,128	Note
Kinsus Investment Co., Ltd.	FuYang Technology Corp.	Hsinchu County	Electronic Parts and Components Manufacturing	\$929,422	\$929,422	64,176,872	35.65%	\$295,269	\$(9,965)	\$(3,553)	
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Cayman Islands	Investing activities	USD72,000	USD72,000	72,000,000	100.00%	USD 63,880	USD 2,885	USD 2,885	Note
KINSUS HOLDING (SAMOA) LIMITED	PIOTEK HOLDINGS LTD. (CAYMAN)	Cayman Islands	Investing activities	USD94,309	USD94,309	95,755,000	51.00%	USD 10,085	USD (3,016)	USD (1,538)	Note
PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDING LIMITED	British Virgin Islands	Investing activities	USD139,841	USD139,841	139,840,790	100.00%	USD 19,775	USD (3,016)	USD (3,016)	Note
PIOTEK HOLDING LIMITED	PIOTEK (H.K.) TRADING LIMITED	Hong Kong	Trading activities	USD26	USD26	200,000	100.00%	USD 2,468	USD (52)	USD (52)	Note
Pegavision Corporation	Aquamax Corporation	Taoyuan City	Selling Medical facility	\$40,000	\$40,000	4,000,000	100.00%	\$35,615	\$(2,072)	\$(2,072)	Note
Pegavision Corporation	PEGAVISION JAPAN INC.	JAPAN	Selling Medical facility	JPY 9,900	JPY 9,900	198	100.00%	\$47,758	\$5,234	\$5,234	Note
Aquamax Corporation	Aquamax Vision Corporation	U.S.A.	Selling Medical facility	USD 600	USD 600	6,000,000	100.00%	\$13,502	\$(1,586)	\$(1,586)	Note

Note: Transactions are eliminated when preparing the consolidated financial statements.

Note 1: The Company's original investment in Kinsus Investment Co., Ltd. was NT\$500,000 thousand. Kinsus Investment Co., Ltd. reduced capital by NT\$102,000 thousand to offset deficits in 2013, And increased capital by NT\$602,000 thousand and NT\$600,000 thousand in 2016 and 2017, respectively. After the increases, the Company's investment amount increased to NT\$1,600,000 thousand.

Note 2 : Kinsus Investment Co., Ltd. invested Pegavision Corporation in cost of NT\$286,418 thousand.

As Pegavision Corporation has become a listed company since October, 2019, Kinsus Investment Co., Ltd decreased its investment by NT\$33,963 thousand in selling 855 thousand shares.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Marketable Securities Held (Excluding Investments in Subsidiaries, Associates and Joint Ventures)

As of March 31, 2021

Attachment 6

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	As of March 31, 2021				Guarantee, Pledge or Other Restricted Conditions		
				Shares (Unit)	Carrying Amount	%	Fair Value	Shares	Carrying Amount	Note
Kinsus Investment Co., Ltd.	Money market funds:									
	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss	829,070	\$11,315	-%	\$11,880	-	\$-	
	Valuation adjustments of financial assets held for trading				565					
	Total				\$11,880					
Pegavision Corporation	Money market funds:									
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss	6,455,094	\$98,485	-%	\$98,509	-	\$-	
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss	3,493,908	57,185	-%	57,468	-	-	
	Valuation adjustments of financial assets held for trading				307					
	Total				\$155,977		\$155,977		\$-	
Kinsus Investment Co., Ltd.	Stocks:									
	Yi-Shuo Creative Co., Ltd.	-	Measured at fair value through other comprehensive income	5,000,000	\$50,000	7.49%	\$50,000	-	\$-	
	Li Chang Finery Inc	-	Measured at fair value through other comprehensive income	20,408	1,000	1.12%	1,000	-	-	
	Total				\$51,000		\$51,000		\$-	

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Individual Securities acquired and disposed of with accumulated amount of least NT\$300 Million or 20% of The Paid-In Capital

For the three-month period ended March 31, 2021

Attachment 7

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
Pegavision Corporation	Stock: Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	33,387,514	\$509,270	9,831,675	\$150,000	36,764,095	\$561,000	\$560,785	\$215	6,455,094	\$98,485

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Related Party Transactions with Purchase or Sales Amount of At least NT\$ 100 Million or 20% of the Paid-in Capital

As of March 31, 2021

Attachment 8

(In Thousands of US/NTD Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	Sales	USD 24,212	84.98%	Payment within 30 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 9,892	79.72%	Note
Pegavision Corporation	Pegavision Japan Inc.	Subsidiary	Sales	\$426,310	37.73%	Payment within 90 days from the end of delivery month	Similar to those to third party customers.	Payment within 90 days from telegraphic transfer.	Accounts receivable \$211,143	26.67%	Note
									Contract liabilities \$(12,444)	21.55%	Note
Pegavision Corporation	Aquamax Corporation	Subsidiary	Sales	\$235,560	20.85%	Payment within 180 days from the end of delivery month	Similar to those to third party customers.	Payment within 90 days from telegraphic transfer.	Accounts receivable \$269,976	34.11%	Note

Note: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Receivables from Related Parties of at Least NT\$ 100 Million or 20% of the Paid-in Capital

As of March 31, 2021

Attachment 9

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Loss Allowance
					Amount	Action Taken		
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	USD 9,892 <u>(Note and Note 1)</u>	10.13	\$-	-	\$-	\$-
Pegavision Corporation	Pegavision Japan Inc.	Subsidiary	\$211,143 <u>(Note and Note 1)</u>	6.02	\$-	-	\$152,257	\$-
Pegavision Corporation	Gemvision Technology (Zhejiang) Limited	Subsidiary	\$107,089 <u>(Note and Note 1)</u>	(0.29)	\$-	-	\$55,183	\$-
Pegavision Corporation	Aquamax Corporation	Subsidiary	\$269,976 <u>(Note and Note 1)</u>	6.93	\$-	-	\$16,391	\$-

Note: Accounts receivable.

Note 1: Transactions are eliminated when preparing the consolidated financial statements.

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transaction			Percentage to Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statement Account	Amount	Terms	
	<u>2021.03.31</u>						
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Accrued expense	\$3,407	Payment within 30 days from the end of delivery month by TT	0.01%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Accounts payable	\$267,505	Payment within 30 days from the end of delivery month	0.61%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Other receivables	\$29,300	-	0.07%
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	1	Other receivables	\$119	-	-%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Purchase	\$692,667	Payment within 30 days from the end of delivery month	9.59%
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Commission expense	\$10,199	Payment within 30 days from the end of delivery month by TT	0.14%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Sales revenue	\$4,378	Payment within 30 days from the end of delivery month	0.06%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Other income	\$127	-	-%
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	1	Other income	\$119	-	-%
0	Kinsus Interconnect Technology Corp.	PIOTEK (H.K.) TRADING LIMITED	1	Other income	\$142	-	-%
1	Piotek Computer (Suzhou) Co., Ltd.	PIOTEK (H.K.) TRADING LIMITED	3	Sales revenue	USD 1,150	Payment within 60-90 days from the end of delivery month	0.45%
1	Piotek Computer (Suzhou) Co., Ltd.	PIOTEK (H.K.) TRADING LIMITED	3	Accounts receivable	USD 399	Payment within 60-90 days from the end of delivery month	0.03%
1	Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	3	Payable to equipment suppliers	RMB 9	-	-%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Other receivables	RMB 9	Payment within 60-90 days from the end of delivery month	-%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Accounts payable	RMB 7	Payment within 60-90 days from the end of delivery month	-%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Sales revenue	RMB 10	Payment within 60-90 days from the end of delivery month	-%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Purchase	RMB 6	Payment within 60-90 days from the end of delivery month	-%
2	Pegavision Corporation	Pegavision Japan Inc.	1	Sales revenue	\$426,310	Payment within 90 days from the end of delivery month	5.90%
2	Pegavision Corporation	Pegavision Japan Inc.	1	Accounts receivable	\$211,143	Payment within 90 days from the end of delivery month	0.48%
2	Pegavision Corporation	Pegavision Japan Inc.	1	Contract liabilities	\$12,444	-	0.03%
2	Pegavision Corporation	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	1	Sales revenue	\$2,161	Payment within 180 days from the end of delivery month	0.03%
2	Pegavision Corporation	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	1	Accounts receivable	\$8,128	Payment within 180 days from the end of delivery month	0.02%
2	Pegavision Corporation	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	1	Sales revenue	\$(11,969)	Payment within 180 days from the end of delivery month	-0.17%
2	Pegavision Corporation	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	1	Accounts receivable	\$107,089	Payment within 180 days from the end of delivery month	0.24%
2	Pegavision Corporation	Aquamax Corporation	1	Sales revenue	\$235,560	Payment within 180 days from the end of delivery month	3.26%
2	Pegavision Corporation	Aquamax Corporation	1	Other operating income	\$46,200	Payment within 180 days from the end of delivery month	0.64%
2	Pegavision Corporation	Aquamax Corporation	1	Accounts receivable	\$269,976	Payment within 180 days from the end of delivery month	0.61%
2	Pegavision Corporation	Aquamax Corporation	1	Other receivables	\$2,339	Payment within 180 days from the end of delivery month	-%
2	Pegavision Corporation	Aquamax Corporation	1	Other payable	\$37	Payment within 180 days from the end of delivery month	-%
2	Pegavision Corporation	Aquamax Corporation	1	Deposits received	\$4	-	-%
2	Pegavision Corporation	Aquamax Corporation	1	Rent revenue	\$6,155	10th of the month	0.09%
2	Pegavision Corporation	Aquamax Corporation	1	Other income	\$3	-	-%
3	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	1	Other operating income	\$6,558	-	0.09%
3	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	1	Accounts receivable	\$2,301	Payment within 180 days from the end of delivery month	0.01%

Note 1: Transaction information between Parent company and its subsidiaries should be disclosed by codes below:

- (1) Parent company is coded "0".
- (2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relationship are divided into the following three types and the types are required to be indicated:

- (1) From the parent company to a subsidiary.
- (2) From a subsidiary to the parent company.
- (3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated operating revenues or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items; and based on interim accumulated amount to consolidated net revenue for income statement items.