

**ASSOCIATED INDUSTRIES CHINA, INC.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

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

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

To the Board of Directors of Associated Industries China, Inc.:

Introduction

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

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the 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 the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$35,573 thousand and \$39,757 thousand, constituting 4.88% and 4.71% of consolidated total assets; and the total liabilities amounting to \$19,865 thousand and \$8,108 thousand, constituting 6.49% and 2.54% of consolidated total liabilities as of September 30, 2020 and 2019, respectively, and the total comprehensive income (loss) amounting to \$125 thousand, \$(4,209) thousand, \$(7,090) thousand and \$(12,161) thousand, constituting 2.20%, 23.45%, 31.45% and 27.30% of the absolute value of consolidated total comprehensive income (loss) for the three months and nine months ended September 30, 2020 and 2019, respectively.

Furthermore, as stated in Note 6(f), the other equity accounted investments of the Group in its investee companies of \$26,525 thousand and \$107,663 thousand as of September 30, 2020 and 2019, respectively, and its equity in net earnings on the investee companies amounting to \$132 thousand, \$(384) thousand, \$(1,977) thousand and \$(7,436) thousand for the three months and nine months ended September 30, 2020 and 2019, respectively, were recognized solely on the financial statements prepared by the investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months and nine months ended September 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Yiu-Kwan Au and Kuan-Ying Kuo.

KPMG

Taipei, Taiwan (Republic of China)
November 4, 2020

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the 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.

The independent auditors’ review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors’ review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Reviewed only, not audited in accordance with generally accepted auditing standards as of September 30, 2020 and 2019

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

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

(Expressed in Thousands of New Taiwan Dollars)

		September 30, 2020		December 31, 2019		September 30, 2019				September 30, 2020		December 31, 2019		September 30, 2019	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Assets															
Current assets:															
1100	Cash and cash equivalents (note 6(a))	\$ 87,637	12	75,792	10	55,372	7	2100	Short-term borrowings (note 6(k))	\$ 192,006	27	174,032	23	189,593	23
1110	Current financial assets at fair value through profit or loss (note 6(b))	-	-	-	-	401	-	2120	Current financial liabilities at fair value through profit or loss (note 6(b))	22	-	-	-	-	-
1170	Notes and accounts receivable, net (note 6(d))	53,733	7	61,636	8	66,127	8	2130	Current contract liabilities (note 6(t))	647	-	671	-	77	-
1200	Other receivables	1,174	-	126	-	51	-	2170	Notes and accounts payable	38,645	5	70,241	9	33,815	4
1300	Inventories, net (note 6(e))	218,226	30	265,822	35	281,822	33	2200	Other payables	51,317	7	52,135	7	66,236	8
1410	Prepayments	18,361	3	17,330	2	16,671	2	2250	Current provisions (note 6(l))	2,597	-	2,600	-	2,362	-
1470	Other current assets (note 8)	1,366	-	1,619	-	802	-	2280	Current lease liabilities (note 6(m))	6,940	1	8,709	1	8,744	1
		<u>380,497</u>	<u>52</u>	<u>422,325</u>	<u>55</u>	<u>421,246</u>	<u>50</u>	2300	Other current liabilities	1,445	-	1,741	-	1,700	-
										<u>293,619</u>	<u>40</u>	<u>310,129</u>	<u>40</u>	<u>302,527</u>	<u>36</u>
Non-current assets:															
1510	Non-current financial assets at fair value through profit or loss (note 6(c) and 7)	20,000	3	10,000	1	-	-		Non-current liabilities:						
1550	Investments accounted for using the equity method (note 6(f))	26,525	4	28,502	4	107,663	13	2580	Non-current lease liabilities (note 6(m))	11,355	2	15,144	2	17,261	2
1600	Property, plant and equipment (notes 6(g) and 8)	119,009	16	120,609	16	121,179	14	2600	Other non-current liabilities	891	-	891	-	-	-
1755	Right-of-use assets (note 6(h))	17,792	3	23,480	3	25,709	3			<u>12,246</u>	<u>2</u>	<u>16,035</u>	<u>2</u>	<u>17,261</u>	<u>2</u>
1760	Investment property, net (notes 6(i) and 8)	162,762	22	163,650	21	163,945	20		Total liabilities	<u>305,865</u>	<u>42</u>	<u>326,164</u>	<u>42</u>	<u>319,788</u>	<u>38</u>
1780	Intangible assets (note 6(j))	1,893	-	3,040	-	3,920	-		Equity attributable to owners of parent: (notes 6(q) and (r))						
1900	Other non-current assets	551	-	879	-	891	-	3110	Common stock	538,066	74	543,506	70	543,590	64
		<u>348,532</u>	<u>48</u>	<u>350,160</u>	<u>45</u>	<u>423,307</u>	<u>50</u>	3200	Capital surplus	26,154	4	25,330	4	25,323	3
									Retained earnings:						
								3310	Legal reserve	52,704	7	52,704	7	52,704	6
								3320	Special reserve	79,510	11	79,510	10	79,510	9
								3350	Unappropriated retained earnings (accumulated deficits)	(138,213)	(19)	(112,809)	(15)	(37,694)	(4)
										<u>(5,999)</u>	<u>(1)</u>	<u>19,405</u>	<u>2</u>	<u>94,520</u>	<u>11</u>
								3400	Other equity interest	(110,226)	(15)	(117,089)	(15)	(116,248)	(14)
								3500	Treasury shares	(24,831)	(4)	(24,831)	(3)	(22,420)	(2)
									Total equity	<u>423,164</u>	<u>58</u>	<u>446,321</u>	<u>58</u>	<u>524,765</u>	<u>62</u>
Total assets		<u>\$ 729,029</u>	<u>100</u>	<u>772,485</u>	<u>100</u>	<u>844,553</u>	<u>100</u>	Total liabilities and equity		<u>\$ 729,029</u>	<u>100</u>	<u>772,485</u>	<u>100</u>	<u>844,553</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Reviewed only, not audited in accordance with generally accepted auditing standards

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

	For the three months ended September 30				For the nine months ended September 30				
	2020		2019		2020		2019		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenues, net (note 6(t)):								
4110	\$	142,682	99	142,245	99	366,694	99	431,433	99
4310		1,275	1	1,191	1	3,825	1	3,213	1
		143,957	100	143,436	100	370,519	100	434,646	100
5000	Operating costs (notes 6(e) and 12)								
5950		92,095	64	92,072	64	243,897	66	285,337	66
		51,862	36	51,364	36	126,622	34	149,309	34
	Operating expenses (notes 6(o) and 12):								
6100		29,163	20	36,445	24	91,018	25	107,231	25
6200		17,179	12	17,983	13	47,799	13	54,957	13
6300		3,152	2	3,340	2	10,257	3	10,751	2
		49,494	34	57,768	39	149,074	41	172,939	40
		2,368	2	(6,404)	(3)	(22,452)	(7)	(23,630)	(6)
	Net operating income (loss)								
	Non-operating income and expenses:								
7100		442	-	12	-	1,044	-	100	-
7190		133	-	147	-	2,490	1	266	-
7230		347	-	(2,095)	(2)	(309)	-	(1,535)	-
7235		(1,275)	(1)	1,306	1	(1,389)	-	2,270	1
7510		(903)	-	(973)	(1)	(2,646)	(1)	(2,173)	-
7770		132	-	(384)	-	(1,977)	(1)	(7,436)	(2)
		(1,124)	(1)	(1,987)	(2)	(2,787)	(1)	(8,508)	(1)
7900	Profit (Loss) before tax								
7950		1,244	1	(8,391)	(5)	(25,239)	(8)	(32,138)	(7)
		498	-	1,383	1	165	-	5,556	1
		746	1	(9,774)	(6)	(25,404)	(8)	(37,694)	(8)
8300	Other comprehensive income (loss):								
8360	Items that may be reclassified subsequently to profit or loss:								
8361		4,940	3	(8,173)	(6)	2,862	1	(6,858)	(2)
8300		4,940	3	(8,173)	(6)	2,862	1	(6,858)	(2)
8500	Comprehensive income (loss)								
		5,686	4	(17,947)	(12)	(22,542)	(7)	(44,552)	(10)
	Earnings (losses) per share (note 6(s))								
9750		0.02		(0.19)		(0.51)		(0.73)	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Reviewed only, not audited in accordance with generally accepted auditing standards

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Other equity interest										
	Retained earnings					Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unearned employee benefit	Total other equity interest	Treasury stock	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (Accumulated deficits)						
Balance at January 1, 2019	\$ 524,790	27,000	51,494	45,440	35,280	(65,016)	(33,710)	(14)	(98,740)	-	585,264
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	1,210	-	(1,210)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	34,070	(34,070)	-	-	-	-	-	-
Loss for the nine months ended September 30, 2019	-	-	-	-	(37,694)	-	-	-	-	-	(37,694)
Other comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	(6,858)	-	-	(6,858)	-	(6,858)
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	(37,694)	(6,858)	-	-	(6,858)	-	(44,552)
Other changes in capital surplus:											
Share-based payment transactions	18,800	(2,256)	-	-	-	-	-	(10,650)	(10,650)	-	5,894
Donation from shareholders	-	579	-	-	-	-	-	-	-	-	579
Purchase of treasury share	-	-	-	-	-	-	-	-	-	(22,420)	(22,420)
Balance at September 30, 2019	\$ 543,590	25,323	52,704	79,510	(37,694)	(71,874)	(33,710)	(10,664)	(116,248)	(22,420)	524,765
Balance at January 1, 2020	\$ 543,506	25,330	52,704	79,510	(112,809)	(74,693)	(33,710)	(8,686)	(117,089)	(24,831)	446,321
Loss for the nine months ended September 30, 2020	-	-	-	-	(25,404)	-	-	-	-	-	(25,404)
Other comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	2,862	-	-	2,862	-	2,862
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	(25,404)	2,862	-	-	2,862	-	(22,542)
Other changes in capital surplus:											
Share-based payment transactions	(5,440)	653	-	-	-	-	-	4,001	4,001	-	(786)
Donation from shareholders	-	171	-	-	-	-	-	-	-	-	171
Balance at September 30, 2020	\$ 538,066	26,154	52,704	79,510	(138,213)	(71,831)	(33,710)	(4,685)	(110,226)	(24,831)	423,164

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Reviewed only, not audited in accordance with generally accepted auditing standards

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2020	2019
Cash flows from (used in) operating activities:		
Loss before tax	\$ (25,239)	(32,138)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	9,533	9,993
Amortization expense	1,147	950
Expected credit loss (gain)	104	24
Interest expense	2,646	2,173
Interest income	(1,044)	(100)
Share-based payments transactions	(786)	5,894
Share of loss of associates and joint ventures accounted for using the equity method	1,977	7,436
Total adjustments to reconcile profit (loss)	13,577	26,370
Changes in operating assets and liabilities:		
Acquisition of financial assets at fair value through profit or loss	-	(401)
Decrease in notes and accounts receivable	7,799	32,409
Decrease (increase) in other receivables	(44)	368
Decrease (increase) in inventories	47,596	(76,740)
Increase in prepayments	(131)	(4,605)
Decrease in other current assets	253	371
Acquisition of financial liabilities at fair value through profit or loss	22	-
Decrease in contract liabilities	(24)	(587)
Decrease in notes and accounts payable	(31,596)	(9,037)
Increase (decrease) in other payables	5,976	(4,323)
Increase (decrease) in provisions	15	(58)
Decrease in other current liabilities	(296)	(643)
Total changes in operating assets and liabilities	29,570	(63,246)
Total adjustments	43,147	(36,876)
Cash inflows (outflows) generated from operations	17,908	(69,014)
Interest received	45	100
Interest paid	(2,629)	(2,183)
Income taxes paid	(7,881)	(7,601)
Net cash flows from (used in) operating activities	7,443	(78,698)
Cash flows from (used in) investing activities:		
Acquisition of non-current financial assets at fair value through profit or loss	(10,000)	-
Acquisition of property, plant and equipment	(134)	(243)
Decrease (increase) in refundable deposits	328	(209)
Acquisition of intangible assets	-	(1,400)
Net cash flows used in investing activities	(9,806)	(1,852)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	17,974	72,145
Decrease in guarantee deposits received	-	(945)
Payment of lease liabilities	(6,778)	(6,932)
Cost of increase in treasury stock	-	(22,420)
Other financing activities	171	579
Net cash flows from financing activities	11,367	42,427
Effect of exchange rate changes on cash and cash equivalents	2,841	(6,819)
Net increase (decrease) in cash and cash equivalents	11,845	(44,942)
Cash and cash equivalents at beginning of period	75,792	100,314
Cash and cash equivalents at end of period	\$ 87,637	55,372

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Reviewed only, not audited in accordance with generally accepted auditing standards

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Associated Industries China, Inc. (the “Company”) was incorporated in May 18, 1978 as a company limited by shares, and registered under the Ministry of Economic Affairs, in the Republic of China. The Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The major business activities of the Group are the research, development and sale of LCD monitors, and related components, sale of medical equipment, and real estate rental business.

(2) Approval date and procedures of the consolidated financial statements

These consolidated financial statements were authorized for issuance by the board of directors on November 4, 2020.

(3) New standards, amendments and interpretations adopted

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020
Amendments to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

- (b) The impact of IFRS issued by the FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2021:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	January 1, 2021

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group assesses that the adoption of the abovementioned amendments would not have any material impact on its consolidated financial statements.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”	January 1, 2021

Those which may be relevant to the Group are set out below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 23, 2020	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2019. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2019.

(b) Basis of consolidation

List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2020	December 31, 2019	September 30, 2019	
The Company	AG Neovo International Ltd. (AG Neovo International, formerly named as GMF)	Investment	100 %	100 %	100 %	(Note 1 and 2)
The Company	AG Neovo Technology. BV. (AG Neovo B.V)	Sale of LCD monitors	100 %	100 %	100 %	
The Company	AG Neovo Investment Co., Ltd. (AG Neovo Investment)	Investment	100 %	100 %	100 %	(Note 1)
AG Neovo Investment	AG Neovo Technology (Shanghai) Co., Ltd. (AG Neovo Shanghai)	Sale of LCD monitors	100 %	100 %	100 %	''
AG Neovo International (formerly named as GMF)	AG Neovo International Ltd. (AG Neovo International)	Investment	- %	100 %	100 %	(Note 1 and 2)
AG Neovo International (formerly named as GMF)	AG Neovo Technology Corp. (AG Neovo USA)	Sale of LCD monitors and medical equipment	100 %	100 %	100 %	(Note 1 and 2)

Note 1: A non-significant subsidiary, wherein its financial statements have not been reviewed.

Note 2: The sub-subsidiary, AG Neovo International had, completed its liquidation procedures on April 30, 2020. Thereafter, the subsidiary, GMF, was renamed AG Neovo International Ltd. on June 30, 2020.

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(c) Government grants

The Group recognizes an unconditional government grant as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(d) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Except for the following, the preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2019.

The accounting policies involved significant judgments and the information that have significant effect on the amounts recognized in the consolidated financial statements are as follows:

Judgment of whether the Group has substantive control over its investees

The Group holds 26.3% voting shares of Taiwan Biophotonic Corporation (tBPC), but only has 3 of 7 directors of tBPC. The industry category of The Group is different from tBPC. The operating and financial activities of tBPC are led by its operating and technology teams. The Group only participates in the Board of Directors to supervise tBPC, and there is no one leads the financial, personnel, operating and other relative activities of tBPC. Hence, The Group only has significant influence on tBPC.

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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(6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2019. Please refer to note 6 of the 2019 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Petty cash, checking accounts and demand deposits	\$ 84,737	72,421	51,801
Time deposits	<u>2,900</u>	<u>3,371</u>	<u>3,571</u>
	<u>\$ 87,637</u>	<u>75,792</u>	<u>55,372</u>

Please refer to note 6(v) for the exchange rate risk, the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

(b) Financial assets and liabilities at fair value through profit or loss-current

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Mandatorily measured at fair value through profit or loss			
Derivative instruments not used for hedging:			
Forward exchange contracts	\$ <u>-</u>	<u>-</u>	<u>401</u>
Financial liabilities held-for-trading			
Derivative instruments not used for hedging:			
Forward exchange contracts	\$ <u>22</u>	<u>-</u>	<u>-</u>

The Group holds derivative financial instruments to hedge certain foreign exchange risk the Group is exposed to, arising from its operating activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss:

	<u>September 30, 2020</u>		
	<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>
Financial liabilities:			
Forward exchange sold	EUR <u>315</u>	EUR to USD	2020.10.27~2020.11.27

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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	September 30, 2019		
	Contract amount (in thousands)	Currency	Maturity date
Financial assets:			
Forward exchange sold	EUR <u>479</u>	EUR to USD	2019.10.04~2019.10.16

(c) Financial assets at fair value through profit or loss-non-current

	September 30, 2020	December 31, 2019	September 30, 2019
Mandatorily designated at fair value through profit or loss			
Convertible bond—tBPC	\$ <u>20,000</u>	<u>10,000</u>	<u>-</u>

The Group acquired 100 units of secured convertible bonds and unsecured convertible bonds issued by tBPC in June 2020 and October 2019, respectively, at a par value of \$100 per share, with a duration of one year; and they are expected to be converted into common stock of tBPC. The host contracts of the hybrid financial instrument, which must be classified as mandatorily measured at fair value through profit or loss, are financial assets within the scope of IFRS 9.

As of September 30, 2020, December 31 and September 30, 2019, the Group did not provide any of the aforementioned financial assets as collaterals for its loans.

(d) Notes and accounts receivable

	September 30, 2020	December 31, 2019	September 30, 2019
Notes receivable from operating activities	\$ 673	374	14
Accounts receivable-measured as amortized cost	<u>53,210</u>	<u>61,308</u>	<u>66,164</u>
	53,883	61,682	66,178
Less: Loss allowance	<u>(150)</u>	<u>(46)</u>	<u>(51)</u>
	<u>\$ 53,733</u>	<u>61,636</u>	<u>66,127</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision was determined as follows:

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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	September 30, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 44,448	0%	-
1 to 30 days past due	2,579	0.62%	16
31 to 90 days past due	6,840	1.83%	125
More than 90 days past due	<u>16</u>	56.25%	<u>9</u>
	<u>\$ 53,883</u>		<u>150</u>
	December 31, 2019		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 51,310	0%	-
1 to 30 days past due	9,965	0.41%	41
31 to 90 days past due	198	2.53%	5
More than 90 days past due	<u>209</u>	0%	<u>-</u>
	<u>\$ 61,682</u>		<u>46</u>
	September 30, 2019		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 55,472	0%	-
1 to 30 days past due	10,397	0.39%	41
31 to 90 days past due	<u>309</u>	3.24%	<u>10</u>
	<u>\$ 66,178</u>		<u>51</u>

The movement in the allowance for notes and accounts receivable was as follows:

	For the nine months ended September 30,	
	2020	2019
Balance at January 1	\$ 46	27
Impairment losses recognized	<u>104</u>	<u>24</u>
Balance at September 30	<u>\$ 150</u>	<u>51</u>

As of September 30, 2020, December 31 and September 30, 2019, the Group did not provide any of the aforementioned notes and accounts receivable as collaterals for its loans.

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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(e) Inventories

	September 30, 2020	December 31, 2019	September 30, 2019
Merchandise inventories	<u>\$ 218,226</u>	<u>265,822</u>	<u>281,822</u>

The details of cost of sales for the three months and nine months ended September 30, 2020 and 2019, were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Cost of goods sold and expenses	\$ 91,740	93,687	239,736	286,776
Inventory valuation loss and obsolescence (reversed)	<u>(42)</u>	<u>(2,013)</u>	<u>2,973</u>	<u>(2,629)</u>
	<u>\$ 91,698</u>	<u>91,674</u>	<u>242,709</u>	<u>284,147</u>

For the nine months ended September 30, 2020, the write-down of inventories to net realizable value amounted to \$2,973. For the three months ended September 30, 2020 and 2019 and nine months ended September 30, 2019, the Group reversed allowance for inventory valuation loss and obsolescence due to sale of obsolete stock amounted to \$42, \$2,013 and \$2,629, respectively.

As of September 30, 2020, December 31 and September 30, 2019, the Group did not provide any inventories as collaterals for its loans.

(f) Investments accounted for using the equity method

The components of investments accounted for using the equity method at the reporting date were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Associate	<u>\$ 26,525</u>	<u>28,502</u>	<u>107,663</u>

(i) Associate

The details of the material associate are as follows:

Name of Associate	Nature of the relationship with the Group	Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights		
			September 30, 2020	December 31, 2019	September 30, 2019
tBPC	Shareholder with significant influence	Taiwan	26.30 %	26.30 %	26.30 %

The following aggregated financial information of the significant affiliate has been adjusted according to individually prepared IFRS financial statement to reflect the fair value adjustments made at the time of acquisition.

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Summarized financial information of tBPC

	September 30, 2020	December 31, 2019	September 30, 2019
Current assets	\$ 39,927	33,412	30,945
Non-current assets	65,966	72,334	73,715
Current liabilities	(24,794)	(16,573)	(4,320)
Non-current liabilities	<u>(12,234)</u>	<u>(12,234)</u>	<u>(15,829)</u>
Net assets	<u>\$ 68,865</u>	<u>76,939</u>	<u>84,511</u>
Net assets attributable to owners of the associate	<u>\$ 68,865</u>	<u>76,939</u>	<u>84,511</u>
		For the nine months ended September 30,	
		2020	2019
Operating revenue		<u>\$ 17,931</u>	<u>10,850</u>
Loss from continuing operations (equal to comprehensive loss)		<u>\$ (8,361)</u>	<u>(19,970)</u>
Total comprehensive loss attributable to owners of the associate		<u>\$ (8,361)</u>	<u>(19,970)</u>
		September 30, 2020	December 31, 2019
Share of net assets of the associate owned by the Group at January 1	\$ 19,888	27,365	27,365
Comprehensive loss attributable to the Group	<u>(1,928)</u>	<u>(7,477)</u>	<u>(5,412)</u>
Share of net assets of the associate to the Group at the period ended	17,960	19,888	21,953
Additional fair value adjustments of patented technology	1,012	1,061	44,970
Additional goodwill	<u>7,553</u>	<u>7,553</u>	<u>40,740</u>
Carrying amounts of the investment	<u>\$ 26,525</u>	<u>28,502</u>	<u>107,663</u>

The Group assessed that there were indications of impairment due to tBPC's continuous loss in operations in recent years. On December 31, 2019, the Group conducted an impairment test, through the assistance of an independent appraisal institute, on the valuation of its value-in-use of net identified assets and its value-in-use of equity in accordance with IAS 36 "Impairment of Asset". Based on the result of assessment, the Group recognized the impairment losses of \$43,235 and \$33,187, in term of the fair value of its patented technology and goodwill, respectively; totaling \$76,422, which was recorded as the carrying amount of investments accounted for using the equity method.

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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(ii) Pledges

As of September 30, 2020, December 31 and September 30, 2019, the Group did not provide any investment accounted for using the equity method as collaterals for its loans.

(g) Property, plant and equipment

	<u>Land</u>	<u>Buildings and building improvement</u>	<u>Machinery and R&D equipment</u>	<u>Molding equipment and other equipment</u>	<u>Total</u>
Carrying amounts:					
Balance at January 1, 2020	\$ <u>95,104</u>	<u>23,221</u>	<u>503</u>	<u>1,781</u>	<u>120,609</u>
Balance at September 30, 2020	\$ <u>95,104</u>	<u>22,460</u>	<u>309</u>	<u>1,136</u>	<u>119,009</u>
Balance at January 1, 2019	\$ <u>95,104</u>	<u>24,235</u>	<u>921</u>	<u>2,585</u>	<u>122,845</u>
Balance at September 30, 2019	\$ <u>95,104</u>	<u>23,474</u>	<u>603</u>	<u>1,998</u>	<u>121,179</u>

There were no significant additions, disposals, or recognitions and reversals of impairment losses of property, plant and equipment for the nine months ended September 30, 2020 and 2019. Information about depreciation for the periods is disclosed in note 12(a). Please refer to note 6(g) of the 2019 annual consolidated financial statements for other related information.

As of September 30, 2020, December 31 and September 30, 2019, the property, plant and equipment has been pledged as collateral for short-term borrowings and credits. Please refer to note 8.

(h) Right-of-use assets

The Group leases many assets including buildings and transportation. Information about leases for which the Group as a lessee is presented below:

	<u>Buildings</u>	<u>Transportation</u>	<u>Total</u>
Cost:			
Balance at January 1, 2020	\$ 22,026	10,783	32,809
Additions	-	1,032	1,032
Effect of change in foreign exchange rates	<u>64</u>	<u>174</u>	<u>238</u>
Balance at September 30, 2020	\$ <u>22,090</u>	<u>11,989</u>	<u>34,079</u>
Balance at January 1, 2019	\$ 22,927	10,762	33,689
Effect of change in foreign exchange rates	<u>(503)</u>	<u>(382)</u>	<u>(885)</u>
Balance at September 30, 2019	\$ <u>22,424</u>	<u>10,380</u>	<u>32,804</u>
Depreciation:			
Balance at January 1, 2020	\$ 5,803	3,526	9,329
Depreciation for the period	4,284	2,618	6,902
Effect of change in foreign exchange rates	<u>(37)</u>	<u>93</u>	<u>56</u>
Balance at September 30, 2020	\$ <u>10,050</u>	<u>6,237</u>	<u>16,287</u>
Balance at January 1, 2019	\$ -	-	-
Depreciation for the period	4,532	2,703	7,235
Effect of change in foreign exchange rates	<u>(67)</u>	<u>(73)</u>	<u>(140)</u>
Balance at September 30, 2019	\$ <u>4,465</u>	<u>2,630</u>	<u>7,095</u>

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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	<u>Buildings</u>	<u>Transportation</u>	<u>Total</u>
Carrying amounts:			
Balance at January 1, 2020	\$ <u>16,223</u>	<u>7,257</u>	<u>23,480</u>
Balance at September 30, 2020	\$ <u>12,040</u>	<u>5,752</u>	<u>17,792</u>
Balance at January 1, 2019	\$ <u>22,927</u>	<u>10,762</u>	<u>33,689</u>
Balance at September 30, 2019	\$ <u>17,959</u>	<u>7,750</u>	<u>25,709</u>

(i) Investment property

Details of the investment property were summarized as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Carrying amounts:			
Balance at January 1, 2020	\$ <u>111,400</u>	<u>52,250</u>	<u>163,650</u>
Balance at September 30, 2020	\$ <u>111,400</u>	<u>51,362</u>	<u>162,762</u>
Balance at January 1, 2019	\$ <u>111,400</u>	<u>53,433</u>	<u>164,833</u>
Balance at September 30, 2019	\$ <u>111,400</u>	<u>52,545</u>	<u>163,945</u>

There were no significant additions, disposals, or recognitions and reversals of impairment losses of investment property for the nine months ended September 30, 2020 and 2019. Information on depreciation for the periods is disclosed in note 12(a). Please refer to note 6(i) of the 2019 annual consolidated financial statements for other related information.

The fair value of the investment property is not significantly different from that disclosed in note 6(i) of the 2019 annual consolidated financial statements.

As of September 30, 2020, December 31 and September 30, 2019, the investment property has been pledged as collateral for short-term borrowings and credits. Please refer to note 8.

(j) Intangible Assets

	<u>Computer software and others</u>
Carrying amounts:	
Balance at January 1, 2020	\$ <u>3,040</u>
Balance at September 30, 2020	\$ <u>1,893</u>
Balance at January 1, 2019	\$ <u>3,470</u>
Balance at September 30, 2019	\$ <u>3,920</u>

There were no significant additions, disposals, or recognitions and reversals of impairment losses of intangible assets for the nine months ended September 30, 2020 and 2019. Information on amortization for the periods is disclosed in note 12(a). Please refer to note 6(j) of the 2019 annual consolidated financial statements for other related information.

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As of September 30, 2020, December 31 and September 30, 2019, the Group did not provide any intangible assets as collaterals for its loans.

(k) Short-term borrowings

The details of short-term borrowings were as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Unsecured bank loans	\$ 85,006	76,032	81,593
Secured bank loans	107,000	98,000	108,000
	<u>\$ 192,006</u>	<u>174,032</u>	<u>189,593</u>
Unused credit lines	<u>\$ 251,638</u>	<u>270,149</u>	<u>259,253</u>
Range of interest rates	<u>1.10%~1.83%</u>	<u>1.10%~3.38%</u>	<u>1.10%~3.38%</u>

Please refer to note 6(v) for the interest risk, foreign currency exchange rate risk, and liquidity risk information of the Group.

The Group provided property, plant and equipment and investment property as collaterals for its bank loans. Please refer to note 8.

(l) Provisions

There were no significant changes in provisions for the nine months ended September 30, 2020 and 2019. Please refer to note 6(l) of the 2019 annual consolidated financial statements for the related information.

Provisions related to sale of products are assessed based on historical information.

(m) Lease liabilities

The details of lease liabilities were as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Current	\$ 6,940	8,709	8,744
Non-current	<u>11,355</u>	<u>15,144</u>	<u>17,261</u>

For the maturity analysis, please refer to note 6(v).

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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The amounts recognized in profit or loss were as follows:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Interest expenses arising from lease liabilities	\$ <u>86</u>	<u>120</u>	<u>280</u>	<u>344</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>971</u>	<u>1,057</u>	<u>2,778</u>	<u>2,612</u>
Expenses relating to short-term leases	\$ <u>252</u>	<u>533</u>	<u>874</u>	<u>1,204</u>

The amounts recognized in the statement of cash flows for the Group were as follows:

	For the nine months ended	
	September 30,	
	2020	2019
Total cash outflow from leases	\$ <u>10,710</u>	<u>11,092</u>

(i) Real estate lease

The Group leases buildings for its office space. The leases of office space typically run for three to seven years.

(ii) Other leases

The Group leases transportation, with lease terms of two to five years.

The Group also leases office equipment with contract terms of less than one year. These leases are short-term leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(n) Operating lease

The Group leases out its investment property. The Group has classified these leases as operating leases because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(i) sets out information about the operating leases of investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date was as follows:

	September	December 31,	September
	30, 2020	2019	30, 2019
Less than one year	\$ 5,090	5,090	-
One to two years	<u>1,273</u>	<u>5,090</u>	<u>-</u>
Total undiscounted lease payments	\$ <u>6,363</u>	<u>10,180</u>	<u>-</u>

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(o) Employee benefits

The Company allocates no less than 6% of each employee's monthly wages to the labor pension personal account at Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

Overseas subsidiaries recognized the pension expenses and made the periodical payments under the defined contribution method by local laws.

The expenses recognized in profit or loss for the Group were as follows:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Selling expenses	\$ 470	423	1,356	1,242
Administrative expenses	407	404	1,192	1,235
Research and development expenses	167	173	515	550
	<u>\$ 1,044</u>	<u>1,000</u>	<u>3,063</u>	<u>3,027</u>

(p) Income taxes

(i) Income tax expenses

The amounts of income tax were as follows:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Current income tax expenses	\$ <u>498</u>	<u>1,383</u>	<u>165</u>	<u>5,556</u>

(ii) The Company's income tax returns for the years through 2018 have been examined by the tax authorities.

(q) Capital and other equities

Except for the following disclosures, there were no significant changes in capital and other equity for the nine months ended September 30, 2020 and 2019. Please refer to note 6(q) of the 2019 annual consolidated financial statements for the related information.

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(i) Capital surplus

The balances of capital surplus were as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Additional paid-in capital	\$ 20,986	20,986	20,986
Restricted employee shares	(1,603)	(2,256)	(2,265)
Employee stock options	-		5,343
Employee stock options-expired	5,343	5,343	-
Donation from shareholders	<u>1,428</u>	<u>1,257</u>	<u>1,259</u>
	<u>\$ 26,154</u>	<u>25,330</u>	<u>25,323</u>

(ii) Retained Earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and the others are supposed to be set aside or reversed as the special reserve in accordance with laws and regulations. And then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company adopts the residual dividend policy. In consideration of the expansion of operations and the need of cash flows in the future, when the Company plans to distribute its dividends, the distributable amounts cannot be less than 50% of the cumulative distributable surplus. Moreover, at least 10% of the dividends should be distributed in cash.

Based on the resolutions made during the annual stockholders' meeting held on June 17, 2020, and June 19, 2019, respectively, there will be no distribution of dividends in 2019 and 2018, respectively, due to the losses incurred by the Company.

(r) Share-based payment

Except for the following disclosures, there were no significant changes in share-based payment for the nine months ended September 30, 2020 and 2019. Please refer to note 6(r) of the 2019 annual consolidated financial statements for the related information.

During the stockholders' meeting on June 17, 2020, the Company decided to award 1,200 thousand shares restricted shares to its full-time employees who meet the certain requirements. The restricted shares have been approved by the Securities and Futures Bureau of the Financial Supervisory Commission on October 13, 2020.

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During the stockholders' meeting on June 13, 2018, the Company decided to award 2,000 thousand shares of employee restricted shares to the Company's full-time employees who meet the certain requirements. The restricted shares have been approved by the Securities and Futures Bureau of the Financial Supervisory Commission. At the directors' meeting held on November 7, 2018, the Board of Directors decided to issue the first restricted shares of 1,880 thousand shares, and the effective date of the share issuance was on January 14, 2019.

The 1,880 thousand shares of the aforementioned restricted shares, approved by the Board of Directors on November 7, 2018, were issued without consideration. 20%, 20%, 30%, and 30% of the restricted shares were vested when the employees continue to provide service for at least 1 year, 2 years, 3 years, and 4 years from the registration and the effective date, and at the same time, meet the performance requirement. After the issuance, the restricted shares are kept by a trust, which is appointed by the Company, before they are vested. These restricted shares shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian shall act based on the law and regulations.

If the shares remain unvested after the vesting period, the Company will purchase all the unvested shares without consideration and cancel the shares thereafter. Restricted shares could be distributed as cash or stock dividends. Employees who are given restricted shares are entitled to partake in the cash injection plan of the Company. The aforementioned new shares are also kept by a trust. If the employees of the Company fail to meet the vesting requirements, the cash or stock dividends will be withdrawn in the form of cash, and a shares cancellation procedure will be performed. However, if employees are able to meet such requirements, the cash or stock dividends will be paid to individual accounts from the trust.

The information of the Company's restricted stock was as follows:

	Unit: in thousand shares	
	For the nine months ended September 30,	
	2020	2019
Outstanding units at period beginning	1,880	8
Issued units during the period	-	1,880
Forfeited units during the period	(544)	-
Outstanding units at period ended	<u>1,336</u>	<u>1,888</u>

As of September 30, 2020 and 2019, the unearned employee compensation balances were \$4,685 and \$10,664, respectively. A total of 544 thousand employee restricted shares was retrieved and cancelled due to failure or loss of qualifications to meet the vesting requirements for the nine months ended September 30, 2020. The effective date of capital reduction was March 18, 2020, and the related registration procedures have been completed.

The expenses incurred (reversed) by the Company for employee restricted shares were \$(786) and \$5,894 for the nine months ended September 30, 2020 and 2019, respectively.

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Earnings (losses) per share

The Group's basic earnings (losses) per share was computed as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Basic earnings (losses) per share				
Net profit (loss)	\$ <u>746</u>	<u>(9,774)</u>	<u>(25,404)</u>	<u>(37,694)</u>
Weighted-average number of outstanding shares (in thousands)	<u>49,711</u>	<u>50,663</u>	<u>49,711</u>	<u>51,722</u>
Basic earnings (losses) per share (dollars) \$	<u>0.02</u>	<u>(0.19)</u>	<u>(0.51)</u>	<u>(0.73)</u>

The employee restricted shares have an anti-dilutive effect; hence, they were not included in the computation of the weighted-average number of shares (diluted).

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Primary geographical markets:				
Netherlands	\$ 13,381	25,183	47,595	68,493
Germany	39,883	38,471	106,023	122,894
United States	22,828	12,988	49,122	38,736
Other	<u>67,865</u>	<u>66,794</u>	<u>167,779</u>	<u>204,523</u>
	<u>\$ 143,957</u>	<u>143,436</u>	<u>370,519</u>	<u>434,646</u>
Major products / services lines:				
LED monitors	\$ 138,484	139,160	356,437	420,367
Medical equipment	782	1,215	2,138	4,503
Other accessories	3,417	1,870	8,120	6,563
Rental revenues	<u>1,274</u>	<u>1,191</u>	<u>3,824</u>	<u>3,213</u>
	<u>\$ 143,957</u>	<u>143,436</u>	<u>370,519</u>	<u>434,646</u>

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balances

- 1) For details on notes and accounts receivable and allowance for impairment, please refer to note 6(d).
- 2) Contract liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
Contract liabilities			
(Unearned sales revenue)	\$ 647	671	77

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied, when merchandise inventories are transferred or service is provided, and the payment to be received.

(u) Employees compensation and directors' and supervisors' remuneration

According to the Company's articles of incorporation which, before revised, require that earning shall first be offset against any deficit, then, a minimum of 10% will be distributed as employee remuneration and a maximum of 2% will be allocated as directors' and supervisors' remuneration. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirement.

Due to loss before tax for the nine months ended September 30, 2020 and 2019, no employees compensation and directors' and supervisors' remuneration was recognized.

(v) Financial Instruments

Except for the contention mentioned below, there were no significant changes in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. Please refer to note 6(v) of the 2019 annual consolidated financial statements for other related information.

(i) Credit risk of accounts receivable

For credit risk exposure information of notes and accounts receivable, please refer to note 6(d).

Other financial assets at amortized cost including cash and cash equivalents, other receivables, and guaranteed deposits, are considered to have low credit risk, and thus, the impairment provisions recognized during the periods are limited to 12 months expected losses.

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity Risk

The following table shows the contractual maturities of financial liabilities, excluding effect on estimated interest payments:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over 1 years</u>
September 30, 2020				
Non-derivative financial liabilities:				
Short-term borrowings	\$ 192,006	(192,006)	(192,006)	-
Notes and accounts payable	38,645	(38,645)	(38,645)	-
Lease liabilities (including current and non-current)	18,295	(18,788)	(7,192)	(11,596)
Other payables	46,457	(46,457)	(46,457)	-
Guarantee deposits	891	(891)	-	(891)
Derivative financial liabilities:				
Forward exchange contracts	22			
Outflow	-	(10,791)	(10,791)	-
Inflow	-	10,769	10,769	-
	<u>\$ 296,316</u>	<u>(296,809)</u>	<u>(284,322)</u>	<u>(12,487)</u>
December 31, 2019				
Non-derivative financial liabilities:				
Short-term borrowings	\$ 174,032	(174,032)	(174,032)	-
Notes and accounts payable	70,241	(70,241)	(70,241)	-
Lease liabilities (including current and non-current)	23,853	(24,588)	(9,050)	(15,538)
Other payables	46,858	(46,858)	(46,858)	-
Guarantee deposits	891	(891)	-	(891)
	<u>\$ 315,875</u>	<u>(316,610)</u>	<u>(300,181)</u>	<u>(16,429)</u>
September 30, 2019				
Non-derivative financial liabilities:				
Short-term borrowings	\$ 189,593	(189,593)	(189,593)	-
Notes and accounts payable	33,815	(33,815)	(33,815)	-
Lease liabilities (including current and non-current)	26,005	(26,851)	(9,123)	(17,728)
Other payables	62,064	(62,064)	(62,064)	-
	<u>\$ 311,477</u>	<u>(312,323)</u>	<u>(294,595)</u>	<u>(17,728)</u>

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group does not expect the cash flows included in the maturity analysis, to occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Currency risk (expressed in thousands for foreign currencies)

The Group's significant exposure to foreign currency risk was as follows:

	September 30, 2020			December 31, 2019			September 30, 2019		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets									
Monetary items									
USD	\$ 943	USD/NTD =29.10	27,450	1,364	USD/NTD =29.98	40,881	250	USD/NTD =31.04	7,756
USD	51	USD/EUR =1.1735	1,486	55	USD/EUR =1.1204	1,662	57	USD/EUR =1.0938	1,772
Financial liabilities									
Monetary items									
USD	831	USD/NTD =29.10	24,190	1,862	USD/NTD =29.98	55,808	1,126	USD/NTD =31.04	34,962
USD	-	USD/EUR =1.1735	-	-	USD/EUR =1.1204	-	800	USD/EUR =1.0938	24,832

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, short-term borrowings, notes and accounts payable, and other payables that are denominated in foreign currency.

A weakening (strengthening) 5% of each foreign currency against the functional currency, under other conditions remain the same, profit before tax for the nine months ended 2020 and 2019 would have been affected as follows:

	September 30, 2020	September 30, 2019
USD (against NTD)		
Appreciate 5%	\$ 163	(1,360)
Depreciate 5%	(163)	1,360
USD (against EUR)		
Appreciate 5%	74	(1,153)
Depreciate 5%	(74)	1,153

The analysis is performed on the same basis for both periods.

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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3) Foreign exchange gains and losses on monetary items

As the Group deals in diverse foreign currencies, gains and losses on foreign exchange were summarized as a single amount for disclosure. For the three months and nine months ended September 30, 2020 and 2019, the foreign exchange gains (losses), including realized and unrealized ones, amounted to \$347, \$(2,095), \$(309) and \$(1,535), respectively.

(iv) Interest rate analysis

Please refer to liquidity risk for the details of financial assets and liabilities exposed to interest rate risk.

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents management of the Group's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25%, the net loss before tax would have increased or decreased by \$249 and \$288 for the nine months ended September 30, 2020 and 2019, which would mainly result from the bank savings and short-term borrowings with variable interest rates at the reporting date.

(v) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss are measured on a recurring basis.

The following table provides relevant analysis of financial instruments measured at fair value upon initial recognition, and it is divided into levels 1 to 3 based on the observability of fair value.

Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for the assets or liabilities that are not based on observable market data.

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and lease liabilities, disclosure of fair value information is not required :

	September 30, 2020				Total
	Book value	Fair Value			
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss:					
Mandatorily designated at fair value through profit or loss	\$ 20,000	-	-	20,000	20,000
Financial assets measured at amortized cost:					
Cash and cash equivalents	87,637	-	-	-	-
Notes and accounts receivable	53,733	-	-	-	-
Other receivables	1,174	-	-	-	-
Restricted bank deposits (recorded under other current assets)	326	-	-	-	-
	<u>142,870</u>				
	<u>\$ 162,870</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 22	-	22	-	22
Financial liabilities measured at amortized cost:					
Short-term borrowings	192,006	-	-	-	-
Notes and accounts payable	38,645	-	-	-	-
Lease liabilities	18,295				
Other payables	46,457	-	-	-	-
Guaranteed deposits	891				
	<u>296,294</u>				
	<u>\$ 296,316</u>				

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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	December 31, 2019				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Mandatorily designated at fair value through profit or loss	\$ <u>10,000</u>	-	-	10,000	10,000
Financial assets measured at amortized cost:					
Cash and cash equivalents	75,792	-	-	-	-
Notes and accounts receivable	61,636	-	-	-	-
Other receivables	126	-	-	-	-
Restricted bank deposits (recorded under other current assets)	<u>326</u>	-	-	-	-
	<u>137,880</u>				
	<u>\$ 147,880</u>				
Financial liabilities measured at amortized cost:					
Short-term borrowings	\$ 174,032	-	-	-	-
Notes and accounts payable	70,241	-	-	-	-
Lease liabilities	23,853	-	-	-	-
Other payables	46,858	-	-	-	-
Guaranteed deposits	<u>891</u>	-	-	-	-
	<u>\$ 315,875</u>				
September 30, 2019					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Mandatorily measured at fair value through profit or loss:					
Derivative financial assets	\$ <u>401</u>	-	401	-	401
Financial assets measured at amortized cost:					
Cash and cash equivalents	55,372	-	-	-	-
Notes and accounts receivable	66,127	-	-	-	-
Other receivables	51	-	-	-	-
Restricted bank deposits (recorded under other current assets)	<u>129</u>	-	-	-	-
	<u>121,679</u>				
	<u>\$ 122,080</u>				

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	September 30, 2019				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost:					
Short-term borrowings	\$ 189,593	-	-	-	-
Notes and accounts payable	33,815	-	-	-	-
Lease liabilities	26,005	-	-	-	-
Other payables	62,064	-	-	-	-
	\$ 311,477				

- 2) Fair value valuation technique for financial instruments not measured at fair value

The book value of financial assets and liabilities at amortized cost in the consolidated report is approximately its fair value.

- 3) Fair value valuation technique for financial instruments measured at fair value

- a) Non-derivative financial instruments

A financial instrument will use the public quoted price from active market as the fair value if it has the public quoted price from active market.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by using a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

- b) Derivative financial instruments

Measurement of fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. Fair value of forward currency exchange is usually determined by using the forward currency rate.

- 4) There was no transfer among fair value hierarchies for the nine months ended September 30, 2020 and 2019.

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Reconciliation of level 3 financial assets

	Non-derivative financial assets mandatorily measured at fair value through profit or loss
Balance on January 1, 2020	\$ 10,000
Additions	10,000
Balance on September 30, 2020	<u><u>\$ 20,000</u></u>

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure the fair value include "financial assets measured at fair value through profit or loss – convertible bonds".

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through profit or loss – convertible bonds	Revenue method (Discounted Cash Flow Method)	Discounted rate in lack of market liquidity as of December 31, 2019 was 35%	The higher the discounted rate is, the lower the fair value will be.

(w) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(w) of the 2019 annual consolidated financial statements.

(x) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2019. Also, management believes that there were no significant changes in the Group's capital management information as disclosed in the consolidated financial statements for the year ended December 31, 2019. Please refer to note 6(x) of the 2019 annual consolidated financial statements for other related information.

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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(y) Investing and financing activities not affecting current cash flow

- (i) The Group's investing and financing activity which did not affect the current cash flow for the nine months ended September 30, 2020 and 2019 is the acquisition of right-of-use assets by lease, please refer to note 6(h).
- (ii) Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flows	Non-cash changes		September 30, 2020
			Additions	Foreign exchange movement	
Short-term borrowings	\$ 174,032	17,974	-	-	192,006
Guaranteed deposits	891	-	-	-	891
Lease liabilities	23,853	(6,778)	1,032	188	18,295
Total liabilities from financing activities	<u>\$ 198,776</u>	<u>11,196</u>	<u>1,032</u>	<u>188</u>	<u>211,192</u>

	January 1, 2019	Cash flows	Non-cash changes		September 30, 2019
			Additions	Foreign exchange movement	
Short-term borrowings	\$ 117,448	72,145	-	-	189,593
Lease liabilities	33,689	(6,932)	-	(752)	26,005
Total liabilities from financing activities	<u>\$ 151,137</u>	<u>65,213</u>	<u>-</u>	<u>(752)</u>	<u>215,598</u>

(7) Related-party transactions:

- (a) Names and relationship with related parties

The followings are entities that have had transactions with the Group during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Taiwan Biophotonic Corporation (tBPC)	An associate

- (b) Significant transactions with related parties

- (i) Acquisitions of financial assets

The 100 units of convertible bonds issued by tBPC and acquired by the Group each amounted to \$10,000 in June 2020 and October 2019, respectively, which were classified as financial assets measured at fair value through profit or loss. Please refer to note 6(c).

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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(c) Key management personnel transactions

Key management personnel compensation was comprised as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Short-term employee benefits	\$ 3,922	4,003	12,324	12,877
Post-employment benefits	168	148	483	446
	<u>\$ 4,090</u>	<u>4,151</u>	<u>12,807</u>	<u>13,323</u>

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledged assets	Object	September 30, 2020	December 31, 2019	September 30, 2019
Land and buildings	Guarantee for short-term loans and credit lines	\$ 117,564	118,325	116,056
Investment property	"	162,762	163,650	163,945
Restricted bank deposits	Warranty guarantee	326	326	129
		<u>\$ 280,652</u>	<u>282,301</u>	<u>280,130</u>

(9) Significant commitments and contingencies:

As of September 30, 2020, December 31 and September 30, 2019, the unused balance of the Group's letters of credit amounted to \$5,356, \$4,818 and \$154, respectively.

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Other:

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By function	For the three months ended September 30,					
	2020			2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	-	25,826	25,826	-	27,346	27,346
Labor and health insurance	-	2,807	2,807	-	3,366	3,366
Pension	-	1,044	1,044	-	1,000	1,000
Others	-	1,186	1,186	-	1,147	1,147
Depreciation	295	2,921	3,216	305	2,922	3,227
Amortization	141	232	373	-	272	272

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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By function By item	For the nine months ended September 30,					
	2020			2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	-	72,209	72,209	-	82,570	82,570
Labor and health insurance	-	9,222	9,222	-	10,813	10,813
Pension	-	3,063	3,063	-	3,027	3,027
Others	-	2,944	2,944	-	3,462	3,462
Depreciation	887	8,646	9,533	897	9,096	9,993
Amortization	425	722	1,147	135	815	950

Note: The depreciation for the three months and nine months ended September 30, 2020 and 2019 included the depreciation of investment property amounted to \$296, \$295, \$888 and \$887, respectively.

(b) Seasonality of operations

The Group's operations were not significantly affected by seasonality or cyclicity factors.

(13) Other disclosures items:

(a) Information on significant transactions

The followings are the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” of the Group for the nine months ended September 30, 2020:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars and foreign currencies)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance of guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Amount of property pledged for guarantees and endorsements	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount of guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	AG Neovo B.V	100% owned subsidiary	423,164	150,000	150,000	15,424	-	35.45 %	423,164	Yes	No	No
0	"	AG Neovo USA	"	423,164	30,000	30,000	11,953	-	7.09 %	423,164	Yes	No	No

Note : According to the Company's Procedures for Endorsement and Guarantee, the total amount of endorsements and guarantees, which the Company or the Group is permitted to provide, shall not exceed 100% of the Company's net worth.

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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- (iii) Information regarding securities held at the reporting date (excluding subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars and shares (units))

Company holding securities	Security type and name	Relationship with the Company	Account	September 30, 2020				Remark
				Shares/Units	Carrying value	Percentage of ownership	Fair value	
The Company	IRONYUN INCORPORATED	-	Financial assets measured at fair value through other comprehensive income – non-current	6,025	-	6.79 %	-	Note
"	Convertible bonds (tBPC)	-	Financial assets measured at fair value through profit or loss-non-current	200	20,000	- %	20,308	

Note: Stocks are comprised of 5,512 thousand preferred shares and 513 thousand common shares at the reporting date.

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Company name	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Remark
			Purchase /Sale	Amount	Percentage of total purchases (sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	AG Neovo B.V	100% owned subsidiary	(Sale)	(188,806)	(93) %	90 days net from date of invoice	The price is not comparable with that of the general customers.	90 days net from date of invoice; actual payments would depend on the capital demand.	Note 1	-%	Note 2

Note 1 : As of September 30, 2020, the amount of unearned sales revenue was \$126,375.

Note 2 : The left transactions have been eliminated in the preparation of consolidated financial statements.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (ix) Trading in derivative instruments: Please refer to note 6(b).

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (x) Significant transactions and business relationship between the parent company and its subsidiaries:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Accounts	Amount	Terms	
0	The Company	AG Neovo B.V	1	Operating revenues	188,806	The price is marked up based on the cost; and the payment terms depends on the capital demand.	50.96 %
0	"	"	1	Unearned sales revenue	126,375	"	17.33 %

Note 1: The numbers filled in as follows:

- 1.0 represents the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Relationship with the transactions labeled as follows:

- 1 represents the transactions from the parent company to its subsidiaries.
- 2 represents the transactions between the subsidiaries and the parent company.
- 3 represents the transactions between subsidiaries.

- (b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars/ foreign currencies and thousand units)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Ending Balance as of September 30, 2020			Net income (loss) of the Investee (Note2)	Investment income (loss) recognized by the investor (Note2)	Remark
				September 30, 2020 (Note 1)	December 31, 2019 (Note 1)	Shares	Percentage of ownership	Carrying value (Note 1)			
The Company	AG Neovo International (formerly named as GMF)	British Virgin Islands	Investment	313,522	313,522	0.7	100 %	5,479	(6,171)	(6,171)	Note 3, 4
"	AG Neovo B.V	Netherlands	Sales of LCD monitors	187,013	187,013	4.8	100 %	188,235	(2,906)	(2,906)	Note 3
"	AG Neovo Investment	British Virgin Islands	Investment	14,796	14,796	0.5	100 %	8,727	58	58	"
"	Taiwan Biophotonic Corporation	Taiwan	Manufacturing and sale of medical equipment	81,527	81,527	8,153	26 %	26,525	(8,361)	(1,977)	"
AG Neovo International (formerly named as GMF)	AG Neovo International	British Virgin Islands	Investment	- (US \$-)	14,222 (US\$ 480)	-	-	- (US\$ -)	(7) (US\$ -)	Recognized by shareholding percentage by AG Neovo International (formerly named as GMF)	Note 3, 4
"	AG Neovo USA	U.S.A.	Sales of LCD monitors and medical equipment	59,260 (US\$ 2,000)	59,260 (US\$ 2,000)	701	100 %	3,688 (US\$ 127)	(6,686) (US\$ (224))	"	"

Note1: The amounts in New Taiwan Dollars were translated at the exchange rates of USD29.1 at reporting date.

Note2: The amounts in New Taiwan Dollars were translated at the exchange rates of USD29.806 based on the average exchange rate at reporting date.

Note3: The left transactions have been eliminated in the preparation of the consolidated financial statements.

Note4: The sub-subsidiary, AG Neovo International, had completed its liquidation procedures on April 30, 2020. Thereafter, the subsidiary, GMF, was renamed AG Neovo International on June 30, 2020.

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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(c) Information on investment in mainland China:

(i) The related information on investees in Mainland China:

(In Thousands of New Taiwan Dollars/foreign currencies and thousand units)

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 2)	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020 (Note 2)	Investment		Accumulated outflow of investment from Taiwan as of September 30, 2020 (Note 2)	Net income (loss) of the investee company (Note 3)	Percentage of ownership	Investment income (loss) recognized (Note 3)	Carrying value as of September 30, 2020 (Note 2)	Accumulated remittance of earnings as of September 30, 2020
					Outflow	Inflow						
AG Neovo (Shanghai)	Sales of LCD monitors	14,550 (US\$500)	Note 1	14,550 (US\$500)	-	-	14,550 (US\$500)	(181) (US\$(6))	100%	(181) (US\$(6))	9,047 (US\$311)	-

(ii) Upper limit on investment in Mainland China:

(In Thousands of New Taiwan Dollars and foreign currencies)

Accumulated Investment in Mainland China as of September 30, 2020 (Notes 2 and 4)	Investment Amounts Authorized by Investment Commission, MOEA (Notes 2 and 4)	Upper Limit on Investment
117,447 (US\$4,036)	117,447 (US\$4,036)	253,898

Note 1 : Indirect investment in Mainland China through companies registered in the third region.

Note 2 : The amounts in New Taiwan Dollars were translated at the exchange rates of USD29.1 at reporting date.

Note 3 : The amounts in New Taiwan Dollars were translated at the exchange rates of USD29.806 based on the average exchange rate at reporting date.

Note 4 : Including the withdrawn amount of investment from the Shanghai CIMC Baowell Industries Co., Ltd.

(iii) Significant transactions: None.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Top Group Holdings, Ltd.		8,156,294	15.15 %
David Pi		3,335,541	6.19 %
Associated Industries China, Inc. (Treasury shares, etc.)		2,760,000	5.12 %

(14) Segment information:

The Group's operating segment information and reconciliation are as follows:

	For the three months ended September 30, 2020					
	Europe	America	Taiwan	Others	Adjustment & Elimination	Total
Revenue						
Revenue from external customers	\$ 111,899	21,487	4,383	6,188	-	143,957
Revenue from segments	<u>1,953</u>	<u>678</u>	<u>80,696</u>	<u>1</u>	<u>(83,328)</u>	<u>-</u>
	<u>\$ 113,852</u>	<u>22,165</u>	<u>85,079</u>	<u>6,189</u>	<u>(83,328)</u>	<u>143,957</u>
Reportable segment profit (loss)	<u>\$ 1,638</u>	<u>(911)</u>	<u>746</u>	<u>895</u>	<u>(1,124)</u>	<u>1,244</u>

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	For the three months ended September 30, 2019					
	<u>Europe</u>	<u>America</u>	<u>Taiwan</u>	<u>Others</u>	<u>Adjustment & Elimination</u>	<u>Total</u>
Revenue						
Revenue from external customers	\$ 125,720	11,765	4,509	1,442	-	143,436
Revenue from segments	<u>2,197</u>	<u>78</u>	<u>75,456</u>	<u>-</u>	<u>(77,731)</u>	<u>-</u>
	<u>\$ 127,917</u>	<u>11,843</u>	<u>79,965</u>	<u>1,442</u>	<u>(77,731)</u>	<u>143,436</u>
Reportable segment profit (loss)	<u>\$ (2,663)</u>	<u>(3,209)</u>	<u>(9,774)</u>	<u>(1,114)</u>	<u>8,369</u>	<u>(8,391)</u>
	For the nine months ended September 30, 2020					
	<u>Europe</u>	<u>America</u>	<u>Taiwan</u>	<u>Others</u>	<u>Adjustment & Elimination</u>	<u>Total</u>
Revenue						
Revenue from external customers	\$ 304,378	41,989	12,824	11,328	-	370,519
Revenue from segments	<u>8,856</u>	<u>678</u>	<u>190,358</u>	<u>8</u>	<u>(199,900)</u>	<u>-</u>
	<u>\$ 313,234</u>	<u>42,667</u>	<u>203,182</u>	<u>11,336</u>	<u>(199,900)</u>	<u>370,519</u>
Reportable segment profit (loss)	<u>\$ (2,765)</u>	<u>(6,147)</u>	<u>(25,404)</u>	<u>58</u>	<u>9,019</u>	<u>(25,239)</u>
	For the nine months ended September 30, 2019					
	<u>Europe</u>	<u>America</u>	<u>Taiwan</u>	<u>Others</u>	<u>Adjustment & Elimination</u>	<u>Total</u>
Revenue						
Revenue from external customers	\$ 384,884	33,361	12,819	3,582	-	434,646
Revenue from segments	<u>8,444</u>	<u>251</u>	<u>240,297</u>	<u>-</u>	<u>(248,992)</u>	<u>-</u>
	<u>\$ 393,328</u>	<u>33,612</u>	<u>253,116</u>	<u>3,582</u>	<u>(248,992)</u>	<u>434,646</u>
Reportable segment profit (loss)	<u>\$ (5,568)</u>	<u>(8,821)</u>	<u>(37,694)</u>	<u>(3,629)</u>	<u>23,574</u>	<u>(32,138)</u>