

**ARES INTERNATIONAL CORP. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2020 AND 2019**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Ares International Corp.

Introduction

We have reviewed the accompanying consolidated balance sheets of Ares International Corp. and subsidiaries (the “Group”) as at September 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. 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 by the Financial Supervisory Commission. 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 the Statement of Auditing Standards No. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity” in 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 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

The accompanying consolidated financial statements included certain non-significant consolidated subsidiaries and investments accounted for using equity method, which statements reflect total assets (including investments accounted for using equity method) amounting to NT\$129,481 thousand and NT\$122,275 thousand, constituting 10.54% and 10.59% of the consolidated total assets, and total liabilities amounting to NT\$4,239 thousand and NT\$13,130 thousand, constituting 0.87% and 3.01% of the consolidated total liabilities as of September 30, 2020 and 2019, respectively, and total comprehensive income (including share of profit of associates and joint ventures accounted for using

equity method) amounting to NT\$6,797 thousand, NT\$3,993 thousand, NT\$15,147 thousand and NT\$8,843 thousand, constituting 12.12%, 30.36%, 23.98% and 18.92% of consolidated total comprehensive income for the three months and nine months then ended, respectively. These amounts and the related information disclosed in the accompanying consolidated financial statements were based on the unreviewed financial statements of these consolidated subsidiaries and investments accounted for using equity method.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and investments accounted for using equity method been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, 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 at September 30, 2020 and 2019, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine months 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 by the Financial Supervisory Commission.

CPA Lin, Yi-Fan

CPA Yu, Shu-Fen

For and on behalf of PricewaterhouseCoopers, Taiwan

November 10, 2020

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than 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, PricewaterhouseCoopers 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.

ARES INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2020, DECEMBER 31, 2019 AND SEPTEMBER 30, 2019
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of September 30, 2020 and 2019 are unaudited)

Assets	Notes	September 30, 2020		December 31, 2019		September 30, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 484,553	40	\$ 538,406	44	\$ 436,014	38
1136	Financial assets at amortised cost - current	6(2) and 8	320,250	26	292,757	24	324,480	28
1140	Contract assets - current	6(16)	100,643	8	72,065	6	60,301	5
1150	Notes receivable, net	6(3)	1,733	-	668	-	-	-
1170	Accounts receivable, net	6(3)	114,527	9	102,352	8	105,962	9
1180	Accounts receivable - related parties, net	7	-	-	1,339	-	-	-
1200	Other receivables		1,320	-	2,630	-	2,599	1
1210	Other receivables - related parties	7	10	-	-	-	-	-
1410	Prepayments	6(4) and 7	31,158	3	30,163	2	36,134	3
1470	Other current assets	8	38,899	3	49,773	4	48,248	4
11XX	Total current assets		<u>1,093,093</u>	<u>89</u>	<u>1,090,153</u>	<u>88</u>	<u>1,013,738</u>	<u>88</u>
Non-current assets								
1517	Financial assets at fair value through other comprehensive income - non-current	6(5)	24	-	1,785	-	1,835	-
1550	Investments accounted for using the equity method	6(6)	81,484	7	78,168	6	71,347	6
1600	Property, plant and equipment, net	6(7)	6,238	-	7,017	1	6,826	-
1755	Right-of-use assets	6(8)	8,193	1	18,118	1	22,454	2
1780	Intangible assets		-	-	96	-	384	-
1840	Deferred income tax assets		32,212	2	31,363	3	30,087	3
1900	Other non-current assets	8	7,679	1	7,682	1	7,666	1
15XX	Total non-current assets		<u>135,830</u>	<u>11</u>	<u>144,229</u>	<u>12</u>	<u>140,599</u>	<u>12</u>
1XXX	Total assets		<u>\$ 1,228,923</u>	<u>100</u>	<u>\$ 1,234,382</u>	<u>100</u>	<u>\$ 1,154,337</u>	<u>100</u>

(Continued)

ARES INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2020, DECEMBER 31, 2019 AND SEPTEMBER 30, 2019
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of September 30, 2020 and 2019 are unaudited)

Liabilities and Equity	Notes	September 30, 2020		December 31, 2019		September 30, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2130	Contract liabilities - current	6(16)	\$ 193,443	16	\$ 151,481	12	\$ 142,839	12
2150	Notes payable		14	-	-	-	-	-
2170	Accounts payable	6(9)	38,950	3	40,157	3	40,798	4
2180	Accounts payable - related parties	7	235	-	3,262	-	3,507	-
2200	Other payables	6(10)	89,648	7	116,939	10	79,083	7
2230	Current income tax liabilities		7,671	1	14,663	1	8,904	1
2250	Provisions for liabilities - current	6(12)	8,255	1	1,101	-	1,422	-
2280	Current lease liabilities		7,259	-	16,810	2	17,388	2
21XX	Total current liabilities		<u>345,475</u>	<u>28</u>	<u>344,413</u>	<u>28</u>	<u>293,941</u>	<u>26</u>
Non-current liabilities								
2580	Non-current lease liabilities		1,130	-	1,652	-	5,371	-
2640	Accrued pension liabilities		140,484	12	142,326	12	137,371	12
25XX	Total non-current liabilities		<u>141,614</u>	<u>12</u>	<u>143,978</u>	<u>12</u>	<u>142,742</u>	<u>12</u>
2XXX	Total liabilities		<u>487,089</u>	<u>40</u>	<u>488,391</u>	<u>40</u>	<u>436,683</u>	<u>38</u>
Equity attributable to owners of parent								
	Share capital	6(13)						
3110	Common stock		472,539	38	472,539	38	472,539	41
	Capital surplus	6(14)						
3200	Capital surplus		142,897	11	142,897	11	142,877	12
	Retained earnings	6(15)						
3310	Legal reserve		59,516	5	51,866	4	51,866	4
3320	Special reserve		9,242	1	7,708	1	7,708	1
3350	Unappropriated retained earnings		64,037	5	76,501	6	46,875	4
	Other equity interest							
3400	Other equity interest		(10,009)	-	(9,243)	-	(7,835)	-
31XX	Equity attributable to owners of the parent		<u>738,222</u>	<u>60</u>	<u>742,268</u>	<u>60</u>	<u>714,030</u>	<u>62</u>
36XX	Non-controlling interest		<u>3,612</u>	<u>-</u>	<u>3,723</u>	<u>-</u>	<u>3,624</u>	<u>-</u>
3XXX	Total equity		<u>741,834</u>	<u>60</u>	<u>745,991</u>	<u>60</u>	<u>717,654</u>	<u>62</u>
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	Total liabilities and equity		<u>\$ 1,228,923</u>	<u>100</u>	<u>\$ 1,234,382</u>	<u>100</u>	<u>\$ 1,154,337</u>	<u>100</u>

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

ARES INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share data)
(UNAUDITED)

	Items	Notes	Three months ended September 30				Nine months ended September 30			
			2020		2019		2020		2019	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(16) and 7	\$ 201,588	100	\$ 167,002	100	\$ 528,464	100	\$ 499,660	100
5000	Operating costs	6(20)(21)								
		and 7	(101,816)	(50)	(99,487)	(60)	(323,555)	(61)	(292,761)	(58)
5950	Gross profit		<u>99,772</u>	<u>50</u>	<u>67,515</u>	<u>40</u>	<u>204,909</u>	<u>39</u>	<u>206,899</u>	<u>42</u>
	Operating expenses	6(20)(21)								
		and 7								
6100	Selling expenses		(17,668)	(9)	(17,424)	(10)	(48,863)	(9)	(49,758)	(10)
6200	General and administrative expenses		(20,044)	(10)	(13,947)	(8)	(44,989)	(9)	(39,752)	(8)
6300	Research and development expenses		(20,572)	(10)	(22,705)	(14)	(63,620)	(12)	(69,987)	(14)
6450	Reversal of (provision for) expected credit losses	6(20) and 12(2)	<u>792</u>	<u>-</u>	(<u>287</u>)	<u>-</u>	(<u>3,822</u>)	(<u>1</u>)	<u>409</u>	<u>-</u>
6000	Total operating expenses		(<u>57,492</u>)	(<u>29</u>)	(<u>54,363</u>)	(<u>32</u>)	(<u>161,294</u>)	(<u>31</u>)	(<u>159,088</u>)	(<u>32</u>)
6900	Operating profit		<u>42,280</u>	<u>21</u>	<u>13,152</u>	<u>8</u>	<u>43,615</u>	<u>8</u>	<u>47,811</u>	<u>10</u>
	Non-operating income and expenses									
7100	Interest income	6(17)	1,310	-	2,155	2	5,071	1	6,717	1
7010	Other income	6(18)	17,828	9	143	-	21,305	4	558	-
7020	Other gains and losses	6(19)	(1,772)	(1)	(4,627)	(3)	(8,220)	(1)	(343)	-
7050	Finance costs	6(8)	(73)	-	(190)	-	(262)	-	(660)	-
7060	Share of profit of associates and joint ventures accounted for using equity method	6(6)	<u>5,523</u>	<u>3</u>	<u>3,387</u>	<u>2</u>	<u>10,944</u>	<u>2</u>	<u>5,036</u>	<u>1</u>
7000	Total non-operating income and expenses		<u>22,816</u>	<u>11</u>	<u>868</u>	<u>1</u>	<u>28,838</u>	<u>6</u>	<u>11,308</u>	<u>2</u>
7900	Profit before income tax		<u>65,096</u>	<u>32</u>	<u>14,020</u>	<u>9</u>	<u>72,453</u>	<u>14</u>	<u>59,119</u>	<u>12</u>
7950	Income tax expense	6(22)	(<u>8,631</u>)	(<u>4</u>)	(<u>2,952</u>)	(<u>2</u>)	(<u>8,197</u>)	(<u>2</u>)	(<u>12,142</u>)	(<u>3</u>)
8200	Profit for the period		<u>\$ 56,465</u>	<u>28</u>	<u>\$ 11,068</u>	<u>7</u>	<u>\$ 64,256</u>	<u>12</u>	<u>\$ 46,977</u>	<u>9</u>

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ARES INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share data)
(UNAUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2020		2019		2020		2019	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Other comprehensive income									
Components of other comprehensive income that will not be reclassified to profit or loss									
8316	Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income	6(5)							
		\$ -	-	\$ -	-	(\$ 382)	-	\$ 254	-
8349	Income tax relating to components of other comprehensive income	6(22)				76	-	(51)	-
8310	Other comprehensive (loss) income that will not be reclassified to profit or loss					(306)	-	203	-
Other comprehensive income that will be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations					(906)	-	(533)	-
8399	Income tax relating to components of other comprehensive income	6(22)				115	-	83	-
8360	Other comprehensive loss that will be reclassified to profit or loss					(791)	-	(450)	-
8500	Total comprehensive income for the period					\$ 56,105	28	\$ 9,503	6
	Profit (loss) attributable to:					\$ 63,159	12	\$ 46,730	9
8610	Owners of the parent					\$ 56,323	28	\$ 11,137	7
8620	Non-controlling interest					142	-	(69)	-
						\$ 56,465	28	\$ 11,068	7
	Total comprehensive income (loss) attributable to:					\$ 64,256	12	\$ 64,256	12
8710	Owners of the parent					\$ 56,230	28	\$ 9,729	6
8720	Non-controlling interest					(125)	-	(226)	-
						\$ 56,105	28	\$ 9,503	6
						\$ 63,159	12	\$ 46,730	9
Earnings per share (in dollars)									
9750	Basic earnings per share	6(23)				\$ 1.19		\$ 0.24	
9850	Diluted earnings per share	6(23)				\$ 1.18		\$ 0.23	
						\$ 1.36		\$ 1.34	
						\$ 0.99		\$ 0.98	

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

ARES INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Equity attributable to owners of the parent										
	Notes	Retained Earnings					Other Equity Interest			Non-controlling interest	Total equity
		Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total		
<u>Nine months ended September 30, 2019</u>											
Balance at January 1, 2019		\$ 472,539	\$ 146,592	\$ 45,439	\$ 2,858	\$ 64,267	(\$ 2,704)	(\$ 5,004)	\$ 723,987	\$ 3,642	\$ 727,629
Profit for the period		-	-	-	-	46,875	-	-	46,875	102	46,977
Other comprehensive income (loss) for the period		-	-	-	-	-	(330)	203	(127)	(120)	(247)
Total comprehensive income (loss)		-	-	-	-	46,875	(330)	203	46,748	(18)	46,730
Appropriation of 2018 earnings	6(15)										
Legal reserve		-	-	6,427	-	(6,427)	-	-	-	-	-
Special reserve		-	-	-	4,850	(4,850)	-	-	-	-	-
Cash dividends		-	-	-	-	(52,990)	-	-	(52,990)	-	(52,990)
Capital surplus distributed as dividends	6(14)	-	(3,715)	-	-	-	-	-	(3,715)	-	(3,715)
Balance at September 30, 2019		\$ 472,539	\$ 142,877	\$ 51,866	\$ 7,708	\$ 46,875	(\$ 3,034)	(\$ 4,801)	\$ 714,030	\$ 3,624	\$ 717,654
<u>Nine months ended September 30, 2020</u>											
Balance at January 1, 2020		\$ 472,539	\$ 142,897	\$ 51,866	\$ 7,708	\$ 76,501	(\$ 4,402)	(\$ 4,841)	\$ 742,268	\$ 3,723	\$ 745,991
Profit for the period		-	-	-	-	64,036	-	-	64,036	220	64,256
Other comprehensive loss for the period		-	-	-	-	-	(460)	(306)	(766)	(331)	(1,097)
Total comprehensive income (loss)		-	-	-	-	64,036	(460)	(306)	63,270	(111)	63,159
Appropriation of 2019 earnings	6(15)										
Legal reserve		-	-	7,650	-	(7,650)	-	-	-	-	-
Special reserve		-	-	-	1,534	(1,534)	-	-	-	-	-
Cash dividends		-	-	-	-	(67,316)	-	-	(67,316)	-	(67,316)
Balance at September 30, 2020		\$ 472,539	\$ 142,897	\$ 59,516	\$ 9,242	\$ 64,037	(\$ 4,862)	(\$ 5,147)	\$ 738,222	\$ 3,612	\$ 741,834

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

ARES INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Nine months ended September 30	
		2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 72,453	\$ 59,119
Adjustments			
Adjustments to reconcile profit (loss)			
Provision for (reversal of) expected credit loss impairment	6(20) and 12(2)	3,822	(409)
Depreciation of property, plant and equipment	6(7)(20)	2,127	2,184
Depreciation of right-of-use asset	6(8)(20)	12,555	12,793
Interest income	6(17)	(5,071)	(6,717)
Interest expense	6(8)	262	660
Amortization	6(20)	96	863
Share of profit of associates and joint ventures accounted for using equity method	6(6)	(10,944)	(5,036)
Loss on disposal of property, plant and equipment	6(18)	-	47
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(1,064)	4,871
Accounts receivable		(44,576)	(1,797)
Accounts receivable - related parties		1,339	1,539
Other receivables		(1,191)	1,437
Other receivables - related parties		(10)	-
Prepayments		(5,444)	3,457
Other current assets		10,897	2,697
Changes in operating liabilities			
Contract liabilities		41,962	46,614
Notes payable		14	-
Accounts payable		(1,207)	(8,455)
Accounts payable - related parties		(3,027)	(302)
Other payables		(27,291)	(19,914)
Provisions for liabilities - current		7,154	(730)
Accrued pension liabilities		(1,842)	1,426
Cash inflow generated from operations		51,014	94,347
Interest received		6,133	7,498
Income tax paid		(10,758)	(6,479)
Net cash flows from operating activities		<u>46,389</u>	<u>95,366</u>

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ARES INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	<u>Nine months ended September 30</u>	
		<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial assets at amortised cost-current		(\$ 311,404)	(\$ 319,905)
Decrease in financial assets at amortised cost-current		283,888	227,334
Financial assets at fair value through other comprehensive income - proceeds from capital reduction	6(5)	1,379	1,194
Dividends received		7,521	5,085
Acquisition of property, plant and equipment	6(7)	(1,350)	(939)
Decrease (increase) in refundable deposits (shown in other non-current assets)		<u>3</u>	<u>(16)</u>
Net cash flows used in investing activities		<u>(19,963)</u>	<u>(87,247)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Payment of lease liability	6(24)	(12,963)	(13,143)
Cash dividends paid	6(15)	(67,316)	(52,990)
Capital surplus distributed as cash dividends	6(14)	<u>-</u>	<u>(3,715)</u>
Net cash flows used in financing activities		<u>(80,279)</u>	<u>(69,848)</u>
Net decrease in cash and cash equivalents		(53,853)	(61,729)
Cash and cash equivalents at beginning of period		<u>538,406</u>	<u>497,743</u>
Cash and cash equivalents at end of period		<u>\$ 484,553</u>	<u>\$ 436,014</u>

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

ARES INTERNATIONAL CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

1. HISTORY AND ORGANISATION

Ares International Corp. (hereinafter referred to as ‘the Company’) was established on December 3, 1980. The Company and subsidiaries (hereinafter referred to as ‘the Group’) are engaged in the design, sales, lease, maintenance and technology consultation of computer equipment, internet and related software, and analysis, design, modification, installment and maintenance of application software. The Company’s stock was traded at the Taipei Exchange from March 1999, and was listed at the Taiwan Stock Exchange after the application of listing was approved.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on November 10, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by the FSC.

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

Amendment to IFRS 16, ‘Covid-19-related rent concessions’

This amendment provides a practical expedient for lessees from assessing whether a rent concession related to COVID-19, and that meets all of the following conditions, is a lease modification:

- (a) Changes in lease payments result in the revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- (c) There is no substantive change to other terms and conditions of the lease.
- (2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

- (3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to 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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact on the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2019, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standard 34, ‘Interim financial reporting’ as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2019.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets at fair value through other comprehensive income.
 - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements are consistent with those of the year ended December 31, 2019.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			September 30, 2020	December 31, 2019	September 30, 2019	
Ares International Corp.	APLUSOFT CO., LTD.	Computer installation and information software service	100%	100%	100%	
Ares International Corp.	ARES GROUP CORP.	Investment business	100%	100%	100%	
APLUSOFT CO., LTD.	WELJOIN TECHNOLOGIES LIMITED (BVI)	Investment business	100%	100%	100%	
ARES GROUP CORP.	SHARP KEEN MANAGEMENT LIMITED	Investment business	100%	100%	100%	
WELJOIN TECHNOLOGIES LIMITED (BVI)	APLUSOFT (SUZHOU) CORPORATION	Research, development and sales in business management software	95.88%	95.88%	95.88%	

The financial statements of the entity were not reviewed by independent auditors as the entity did not meet the definition of a significant subsidiary.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Employee benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

(5) Income taxes

If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

There was no significant change during the reporting period. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2019.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Cash on hand and revolving funds	\$ 170	\$ 370	\$ 112
Checking accounts and demand deposits	269,333	259,860	252,540
Time deposits	<u>215,050</u>	<u>278,176</u>	<u>183,362</u>
	<u>\$ 484,553</u>	<u>\$ 538,406</u>	<u>\$ 436,014</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. As of September 30, 2020, December 31, 2019 and September 30, 2019, cash and cash equivalents were restricted to the bid bonds and performance guarantee. Please refer to Note 8.

(2) Financial assets at amortised cost

<u>Items</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Current items:			
Time deposits with maturity over three months	\$ 315,675	\$ 288,182	\$ 319,905
Pledged time deposits	<u>4,575</u>	<u>4,575</u>	<u>4,575</u>
	<u>\$ 320,250</u>	<u>\$ 292,757</u>	<u>\$ 324,480</u>
Interest rate range of time deposits	0.35%~1.95%	0.15%~2.65%	0.15%~3.30%

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	<u>Three months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Interest income	<u>\$ 1,030</u>	<u>\$ 1,938</u>
	<u>Nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Interest income	<u>\$ 3,386</u>	<u>\$ 4,300</u>

B. As at September 30, 2020, December 31, 2019 and September 30, 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group were \$320,250, \$292,757 and \$324,480, respectively.

C. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(3) Notes and accounts receivable

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Notes receivable	\$ 1,733	\$ 668	\$ -
Less: Allowance for uncollectible accounts	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,733</u>	<u>\$ 668</u>	<u>\$ -</u>
Accounts receivable	\$ 120,607	\$ 104,607	\$ 109,622
Less: Allowance for uncollectible accounts	<u>(6,080)</u>	<u>(2,255)</u>	<u>(3,660)</u>
	<u>\$ 114,527</u>	<u>\$ 102,352</u>	<u>\$ 105,962</u>

A. The ageing analysis of notes and accounts receivable that were past due but not impaired is as follows:

	<u>September 30, 2020</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Up to 90 days	\$ 101,527	\$ 1,733
91 to 180 days	6,870	-
181 to 365 days	6,138	-
Over 365 days	<u>6,072</u>	<u>-</u>
	<u>\$ 120,607</u>	<u>\$ 1,733</u>
	<u>December 31, 2019</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Up to 90 days	\$ 84,478	\$ 668
91 to 180 days	10,784	-
181 to 365 days	7,292	-
Over 365 days	<u>2,053</u>	<u>-</u>
	<u>\$ 104,607</u>	<u>\$ 668</u>
	<u>September 30, 2019</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Up to 90 days	\$ 81,859	\$ -
91 to 180 days	12,986	-
181 to 365 days	11,383	-
Over 365 days	<u>3,394</u>	<u>-</u>
	<u>\$ 109,622</u>	<u>\$ -</u>

The above ageing analysis was based on the invoice payment due date.

B. As of September 30, 2020, December 31, 2019 and September 30, 2019, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2019, the balance of receivables from contracts with customers amounted to \$113,522.

C. The Group has no notes and accounts receivable pledged to others.

D. The Group has no discounted notes receivable.

E. The Group does not hold any collateral as security.

F. As at September 30, 2020, December 31, 2019 and September 30, 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents notes and accounts receivable held by the Group was \$116,260, \$103,020 and \$105,962, respectively.

G. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4) Prepayments

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Prepaid project cost	\$ 26,660	\$ 22,483	\$ 27,752
Other prepayments	4,498	7,680	8,382
	<u>\$ 31,158</u>	<u>\$ 30,163</u>	<u>\$ 36,134</u>

(5) Financial assets at fair value through other comprehensive income-non-current

<u>Items</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Non-current items:			
Equity instruments			
Unlisted stocks	\$ 5,065	\$ 6,444	\$ 6,444
Valuation adjustment	(5,041)	(4,659)	(4,609)
	<u>\$ 24</u>	<u>\$ 1,785</u>	<u>\$ 1,835</u>

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$24, \$1,785 and \$1,835 as at September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

B. For the three months and nine months ended September 30, 2020 and 2019, the Group recognised the amount of \$0, \$0, (\$382) and \$254, respectively, in profit or loss and other comprehensive income.

C. The Group received proceeds from capital reduction of the equity instruments in the amounts of \$1,379 and \$1,194 in June 2020 and August 2019, respectively.

D. The Group has no financial assets at fair value through other comprehensive income pledged to others.

(6) Investments accounted for using the equity method

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Associates:			
BLITZ IT CONSULTANTS PTE. LTD.	\$ 15,659	\$ 14,512	\$ 12,616
ARES INTERNATIONAL (THAILAND) CO., LTD.	5,856	7,831	7,760
ARGO INTERNATIONAL CORPORATION	22,068	20,712	20,395
M-Power Information Co., Ltd.	37,901	35,113	30,576
	<u>\$ 81,484</u>	<u>\$ 78,168</u>	<u>\$ 71,347</u>

A. The basic information of the associates of the Group is as follows:

Company name	Principal place of business	Ownership (%)			Nature of relationship	Method of measurement
		September 30, 2020	December 31, 2019	September 30, 2019		
BLITZ IT CONSULTANTS PTE. LTD.	Singapore	25.00%	25.00%	25.00%	-	Equity method
ARES INTERNATIONAL (THAILAND) CO., LTD.	Thailand	49.00%	49.00%	49.00%	Note 2	Equity method
ARGO INTERNATIONAL CORPORATION	Taiwan	34.83%	34.83%	34.83%	Note 1	Equity method
M-Power Information Co., Ltd.	Taiwan	24.39%	24.39%	24.39%	Note 2	Equity method

Note 1: The Group made purchases from this associate company.

Note 2: The Group had sales to this associate company.

B. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

As of September 30, 2020, December 31, 2019 and September 30, 2019, the carrying amounts of the Group's individually immaterial associates amounted to \$81,484, \$78,168 and \$71,347, respectively.

	Three months ended September 30	
	2020	2019
Profit for the period from continuing operations	\$ 5,523	\$ 3,387
Other comprehensive income, net of tax	-	-
Total comprehensive income	\$ 5,523	\$ 3,387
	Nine months ended September 30	
	2020	2019
Profit for the period from continuing operations	\$ 10,944	\$ 5,036
Other comprehensive income, net of tax	-	-
Total comprehensive income	\$ 10,944	\$ 5,036

C. For the three months and nine months ended September 30, 2020 and 2019, the Group recognised share of profit of associates in the amounts of \$5,523, \$3,387, \$10,944 and \$5,036, respectively, which were based on the financial statements which were not reviewed by independent auditors of the same period.

D. The Group is the single largest shareholder of ARGO INTERNATIONAL CORPORATION and M-Power Information with a 34.83% and 24.39% equity interest, respectively. Which the Group has no current ability to direct the relevant activities of ARGO INTERNATIONAL CORPORATION and M-Power Information, the Group has no control, but only has significant influence, over the investee.

(7) Property, plant and equipment

	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Other facilities</u>	<u>Total</u>
<u>At January 1, 2020</u>						
Cost	\$ 9,914	\$ 12,190	\$ 1,681	\$ 5,335	\$ 1,014	\$ 30,134
Accumulated depreciation	(9,150)	(7,348)	(1,355)	(4,981)	(283)	(23,117)
	<u>\$ 764</u>	<u>\$ 4,842</u>	<u>\$ 326</u>	<u>\$ 354</u>	<u>\$ 731</u>	<u>\$ 7,017</u>
<u>2020</u>						
At January 1	\$ 764	\$ 4,842	\$ 326	\$ 354	\$ 731	\$ 7,017
Additions	1,350	-	-	-	-	1,350
Depreciation charges	(434)	(1,241)	(108)	(212)	(132)	(2,127)
Net exchange differences	(2)	-	-	-	-	(2)
At September 30	<u>\$ 1,678</u>	<u>\$ 3,601</u>	<u>\$ 218</u>	<u>\$ 142</u>	<u>\$ 599</u>	<u>\$ 6,238</u>
<u>At September 30, 2020</u>						
Cost	\$ 11,140	\$ 12,190	\$ 1,681	\$ 5,335	\$ 918	\$ 31,264
Accumulated depreciation	(9,462)	(8,589)	(1,463)	(5,193)	(319)	(25,026)
	<u>\$ 1,678</u>	<u>\$ 3,601</u>	<u>\$ 218</u>	<u>\$ 142</u>	<u>\$ 599</u>	<u>\$ 6,238</u>

	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Other facilities</u>	<u>Total</u>
<u>At January 1, 2019</u>						
Cost	\$ 11,341	\$ 12,058	\$ 1,681	\$ 5,335	\$ 269	\$ 30,684
Accumulated depreciation	(10,143)	(6,307)	(1,205)	(4,699)	(207)	(22,561)
	<u>\$ 1,198</u>	<u>\$ 5,751</u>	<u>\$ 476</u>	<u>\$ 636</u>	<u>\$ 62</u>	<u>\$ 8,123</u>
<u>2019</u>						
At January 1	\$ 1,198	\$ 5,751	\$ 476	\$ 636	\$ 62	\$ 8,123
Additions	193	-	-	-	746	939
Disposals	(47)	-	-	-	-	(47)
Depreciation charges	(433)	(1,393)	(114)	(212)	(32)	(2,184)
Net exchange differences	(5)	-	-	-	-	(5)
At September 30	<u>\$ 906</u>	<u>\$ 4,358</u>	<u>\$ 362</u>	<u>\$ 424</u>	<u>\$ 776</u>	<u>\$ 6,826</u>
<u>At September 30, 2019</u>						
Cost	\$ 9,970	\$ 12,058	\$ 1,681	\$ 5,335	\$ 1,015	\$ 30,059
Accumulated depreciation	(9,064)	(7,700)	(1,319)	(4,911)	(239)	(23,233)
	<u>\$ 906</u>	<u>\$ 4,358</u>	<u>\$ 362</u>	<u>\$ 424</u>	<u>\$ 776</u>	<u>\$ 6,826</u>

A. The Group has no interest capitalization.

B. The Group has no property, plant and equipment pledged to others.

(8) Leasing arrangements – lessee

- A. The Group’s leased assets are buildings. Rental contracts are typically made for periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Right-of-use assets are not recognised for short-term leases with a lease term of 12 months or less for part of leased buildings of the Group.
- C. The carrying amounts of right-of-use assets and the depreciation charge are as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 8,193	\$ 18,118	\$ 22,454
	<u>Three months ended September 30</u>		
	<u>2020</u>		<u>2019</u>
	<u>Depreciation charge</u>		<u>Depreciation charge</u>
Buildings	\$ 4,288	\$ 4,314	
	<u>Nine months ended September 30</u>		
	<u>2020</u>		<u>2019</u>
	<u>Depreciation charge</u>		<u>Depreciation charge</u>
Buildings	\$ 12,555	\$ 12,793	

- D. For the three months and nine months ended September 30, 2020 and 2019, the additions to right-of-use assets were \$2,972, \$0, \$2,972 and \$1,046, respectively.
- E. Information on profit or loss not recognised as depreciation charge but in relation to lease contracts is as follows:

	<u>Three months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 73	\$ 190
Expense on short-term lease contracts	440	439
	<u>\$ 513</u>	<u>\$ 629</u>
	<u>Nine months ended September 30</u>	
	<u>2020</u>	
	<u>2019</u>	
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 262	\$ 660
Expense on short-term lease contracts	783	873
	<u>\$ 1,045</u>	<u>\$ 1,533</u>

- F. For the nine months ended September 30, 2020 and 2019, the Group’s total cash outflow for leases were \$13,746 and \$14,016, respectively.

G. The Group has applied the practical expedient to “Covid-19-related rent concessions”, and recognised the gain from changes in lease payments arising from the rent concessions amounting to \$327 by decreasing depreciation charge of right-of-use assets.

(9) Accounts payable

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Accounts payable	\$ 10,668	\$ 8,030	\$ 6,786
Project costs payable	28,282	32,127	34,012
	<u>\$ 38,950</u>	<u>\$ 40,157</u>	<u>\$ 40,798</u>

(10) Other payables

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Wages and bonus payable	\$ 62,654	\$ 85,522	\$ 59,884
Labor and health insurance fees payable	3,631	3,584	3,528
Employees’ compensation and directors’ and supervisors’ remuneration payable	9,778	13,338	3,745
Other accrued expenses	13,585	14,495	11,926
	<u>\$ 89,648</u>	<u>\$ 116,939</u>	<u>\$ 79,083</u>

(11) Pensions

A. Defined benefit plan

- (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognised pension costs of \$864, \$938, \$2,594 and \$2,814 for the three months and nine months ended September 30, 2020 and 2019, respectively.
- (c) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2021 amount to \$1,780.

B. Defined contribution plans:

- (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount no less than 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Group for the three months and nine months ended September 30, 2020 and 2019 were \$3,091, \$2,922, \$9,131 and \$8,745, respectively.
- (b) The Company’s mainland China subsidiary, APLUSOFT (SUZHOU) CORPORATION, has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage was 7% for the three months and nine months ended September 30, 2020 and 2019. Other than the monthly contributions, the Group has no further obligations. The pension costs under the defined contribution pension plan of APLUSOFT (SUZHOU) CORPORATION for the three months and nine months ended September 30, 2020 and 2019 were \$110, \$65, \$239 and \$184, respectively.

(12) Provisions

	Warranty	
	2020	2019
Balance at January 1	\$ 1,101	\$ 2,152
Additional provisions	8,236	1,286
Used during the period	(509)	(650)
Unused amounts reversed	(573)	(1,366)
Balance at September 30	<u>\$ 8,255</u>	<u>\$ 1,422</u>

Analysis of total provisions:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Current	<u>\$ 8,255</u>	<u>\$ 1,101</u>	<u>\$ 1,422</u>

The Group provides warranties on project contract. Provision for warranty is estimated based on historical warranty data.

(13) Share capital

As of September 30, 2020, the Company’s authorised capital was \$1,156,000 (including 10 million shares reserved for employee stock options and 20 million shares reserved for convertible bonds issued by the Company), and the paid-in capital was \$472,539, consisting of 47,254 thousand shares of ordinary stock, with a par value of \$10 (in dollars) per share.

(14) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2020				
	<u>Share premium</u>	<u>Treasury share transactions</u>	<u>Donated assets received</u>	<u>Changes in equity of associates and joint ventures accounted for using equity method</u>	<u>Total</u>
At January 1 and September 30	\$ 92,839	\$ 48,738	\$ 141	\$ 1,179	\$ 142,897
	2019				
	<u>Share premium</u>	<u>Treasury share transactions</u>	<u>Donated assets received</u>	<u>Changes in equity of associates and joint ventures accounted for using equity method</u>	<u>Total</u>
At January 1	\$ 96,554	\$ 48,738	\$ 121	\$ 1,179	\$ 146,592
Cash dividends from capital surplus	(3,715)	-	-	-	(3,715)
At September 30	\$ 92,839	\$ 48,738	\$ 121	\$ 1,179	\$ 142,877

(15) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed in the following methods and order:

- (a) Pay all taxes.
- (b) Offset prior years' operating losses.
- (c) 10% of the remaining amount shall be set aside as legal reserve.
- (d) Set aside or reverse a special reserve in accordance with related laws.

The remaining earnings to be distributed as dividends to shareholders shall be proposed by the Board of Directors and resolved by the shareholders. The Board of Directors may decide not to distribute earnings for operation needs.

B. As the Company is engaged in information technology, which is a rapidly advance and growing market, the dividend policy of the Company is based on the Company's capital expenditure requirement and optimal financial plan for long-term operations. When the Board of Directors

propose the distribution of retained earnings after deducting (a)~(d) above, the Board of Directors will propose the distribution of cash dividends and share dividends based on the operating requirements. Cash dividends shall comprise not less than 10% of total dividends distributed. However, the proportion of cash dividends could be adjusted based on the operating situation of current year.

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. Distribution of retained earnings:

On June 19, 2020, the shareholders during their meeting resolved the distribution of 2019 retained earnings, and on June 21, 2019, the shareholders during their meeting resolved the distribution of 2018 retained earnings. The distribution of retained earnings is as follows:

	<u>Year ended December 31, 2019</u>		<u>Year ended December 31, 2018</u>	
	<u>Amount</u>	<u>Dividend per share (in dollars)</u>	<u>Amount</u>	<u>Dividend per share (in dollars)</u>
Legal reserve	\$ 7,650		\$ 6,427	
Appropriation for special reserve	1,534		4,850	
Cash dividends	67,316	\$ 1.42	52,990	\$ 1.12

(16) Operating revenue

	<u>Three months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
<u>Revenue from contracts with customers</u>		
Sales revenue	\$ 9,659	\$ 16,311
Services revenue	191,929	150,691
	<u>\$ 201,588</u>	<u>\$ 167,002</u>
	<u>Nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
<u>Revenue from contracts with customers</u>		
Sales revenue	\$ 40,124	\$ 34,641
Services revenue	488,340	465,019
	<u>\$ 528,464</u>	<u>\$ 499,660</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major geographical regions:

Three months ended					
September 30, 2020 (Note)	Asia	America	Taiwan	Others	Total
Total segment revenue					
Revenue from external customer contracts	\$ 28,046	\$ 61	\$ 173,043	\$ 438	\$ 201,588
Inter-segment	9,140	-	-	-	9,140
	<u>\$ 37,186</u>	<u>\$ 61</u>	<u>\$ 173,043</u>	<u>\$ 438</u>	<u>\$ 210,728</u>
Timing of revenue recognition					
At a point in time	\$ 1,633	\$ -	\$ 8,026	\$ -	\$ 9,659
Over time	26,413	61	165,017	438	191,929
	<u>\$ 28,046</u>	<u>\$ 61</u>	<u>\$ 173,043</u>	<u>\$ 438</u>	<u>\$ 201,588</u>
Three months ended					
September 30, 2019 (Note)	Asia	America	Taiwan	Others	Total
Total segment revenue					
Revenue from external customer contracts	\$ 32,279	\$ 191	\$ 134,347	\$ 185	\$ 167,002
Inter-segment	1,226	-	-	-	1,226
	<u>\$ 33,505</u>	<u>\$ 191</u>	<u>\$ 134,347</u>	<u>\$ 185</u>	<u>\$ 168,228</u>
Timing of revenue recognition					
At a point in time	\$ 4,973	\$ 130	\$ 11,208	\$ -	\$ 16,311
Over time	27,306	61	123,139	185	150,691
	<u>\$ 32,279</u>	<u>\$ 191</u>	<u>\$ 134,347</u>	<u>\$ 185</u>	<u>\$ 167,002</u>
Nine months ended					
September 30, 2020 (Note)	Asia	America	Taiwan	Others	Total
Total segment revenue					
Revenue from external customer contracts	\$ 65,350	\$ 216	\$ 462,288	\$ 610	\$ 528,464
Inter-segment	12,201	-	-	-	12,201
	<u>\$ 77,551</u>	<u>\$ 216</u>	<u>\$ 462,288</u>	<u>\$ 610</u>	<u>\$ 540,665</u>
Timing of revenue recognition					
At a point in time	\$ 3,537	\$ 14	\$ 36,573	\$ -	\$ 40,124
Over time	61,813	202	425,715	610	488,340
	<u>\$ 65,350</u>	<u>\$ 216</u>	<u>\$ 462,288</u>	<u>\$ 610</u>	<u>\$ 528,464</u>

Nine months ended September 30, 2019 (Note)	September 30, 2019 (Note)				
	Asia	America	Taiwan	Others	Total
Total segment revenue					
Revenue from external customer contracts	\$ 102,344	\$ 690	\$ 396,441	\$ 185	\$ 499,660
Inter-segment	4,383	-	-	-	4,383
	<u>\$ 106,727</u>	<u>\$ 690</u>	<u>\$ 396,441</u>	<u>\$ 185</u>	<u>\$ 504,043</u>
Timing of revenue recognition					
At a point in time	\$ 7,618	\$ 529	\$ 26,494	\$ -	\$ 34,641
Over time	94,726	161	369,947	185	465,019
	<u>\$ 102,344</u>	<u>\$ 690</u>	<u>\$ 396,441</u>	<u>\$ 185</u>	<u>\$ 499,660</u>

Note: Segmental information is provided in Note 14.

B. Contract assets and liabilities

(a) The Group has recognised the following revenue-related contract assets and liabilities:

	September 30, 2020	December 31, 2019
Contract assets - customer contract	<u>\$ 100,643</u>	<u>\$ 72,065</u>
Contract liabilities - advance receipt from customers	<u>\$ 193,443</u>	<u>\$ 151,481</u>
	September 30, 2019	January 1, 2019
Contract assets - customer contract	<u>\$ 60,301</u>	<u>\$ 55,406</u>
Contract liabilities - advance receipt from customers	<u>\$ 142,839</u>	<u>\$ 96,225</u>

(b) Revenue recognised that was included in the contract liability balance at the beginning of the period

	Three months ended September 30	
	2020	2019
Revenue recognised that was included in the contract liabilities balance at the beginning of the period		
Advance receipt	<u>\$ 27,480</u>	<u>\$ 7,012</u>
	Nine months ended September 30	
	2020	2019
Revenue recognised that was included in the contract liabilities balance at the beginning of the period		
Advance receipt	<u>\$ 56,623</u>	<u>\$ 46,765</u>

The Group does not expect to have any contracts wherein the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year or contracts that are billed in accordance with actual service hour. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(17) Interest income

	Three months ended September 30	
	2020	2019
Interest income:		
Interest income from bank deposits	\$ 280	\$ 217
Interest income from financial assets measured at amortised cost	1,030	1,938
	<u>\$ 1,310</u>	<u>\$ 2,155</u>
	Nine months ended September 30	
	2020	2019
Interest income:		
Interest income from bank deposits	\$ 1,685	\$ 2,417
Interest income from financial assets measured at amortised cost	3,386	4,300
	<u>\$ 5,071</u>	<u>\$ 6,717</u>

(18) Other income

	Three months ended September 30	
	2020	2019
Other income	<u>\$ 17,828</u>	<u>\$ 143</u>
	Nine months ended September 30	
	2020	2019
Commission income	\$ 242	\$ -
Other income	21,063	558
	<u>\$ 21,305</u>	<u>\$ 558</u>

For the nine months ended September 30, 2020, the Group received government grant income of \$17,471 from the Ministry of Economic Affairs as eligible for the ‘Special Act for Relief and Revitalization Measures for Industries Affected by COVID-19 Handled by the Ministry of Economic Affairs’.

(19) Other gains and losses

	Three months ended September 30	
	2020	2019
Losses on disposals of property, plant and equipment	\$ -	(\$ 47)
Foreign exchange losses	(1,736)	(4,394)
Miscellaneous disbursements	(36)	(186)
	<u>(\$ 1,772)</u>	<u>(\$ 4,627)</u>

	Nine months ended September 30	
	2020	2019
Losses on disposals of property, plant and equipment	\$ -	(\$ 47)
Foreign exchange losses	(7,985)	(17)
Miscellaneous disbursements	(235)	(279)
	<u>(\$ 8,220)</u>	<u>(\$ 343)</u>

(20) Expenses by nature

	Three months ended September 30	
	2020	2019
Employee benefit expense	\$ 104,979	\$ 91,920
Depreciation charges on property, plant and equipment	670	728
Depreciation charges on right-of-use assets	4,288	4,314
Amortizations	-	287
Advertising costs	67	181
Operating lease payments	440	439
Traveling expense	1,382	1,618
Service fees	2,580	1,666
Outsourcing software	33,113	38,003
Reversal of (provision for) expected credit losses	(792)	287
Other expenses	5,633	2,166
Cost of sales	6,948	12,241
Operating costs and expenses	<u>\$ 159,308</u>	<u>\$ 153,850</u>

	Nine months ended September 30	
	2020	2019
Employee benefit expense	\$ 304,084	\$ 282,901
Depreciation charges on property, plant and equipment	2,127	2,184
Depreciation charges on right-of-use assets	12,555	12,793
Amortizations	96	863
Advertising costs	429	542
Operating lease payments	783	873
Traveling expense	3,506	4,337
Service fees	6,302	6,320
Outsourcing software	107,216	103,840
Provision for (reversal of) expected credit losses	3,822	(409)
Other expenses	11,802	12,796
Cost of sales	32,127	24,809
Operating costs and expenses	<u>\$ 484,849</u>	<u>\$ 451,849</u>

(21) Employee benefit expense

	Three months ended September 30	
	2020	2019
Wages and salaries	\$ 92,040	\$ 78,634
Labor and health insurance fees	5,367	6,426
Pension costs	3,947	3,925
Other personnel expenses	3,625	2,935
	<u>\$ 104,979</u>	<u>\$ 91,920</u>
	Nine months ended September 30	
	2020	2019
Wages and salaries	\$ 263,120	\$ 242,076
Labor and health insurance fees	18,915	19,669
Pension costs	11,846	11,743
Other personnel expenses	10,203	9,413
	<u>\$ 304,084</u>	<u>\$ 282,901</u>

As of September 30, 2020 and 2019, the Group had 310 and 307 employees, respectively.

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employee's 'compensation and directors' and 'supervisors' remuneration. The ratio shall not be lower than 5% and not higher than 15% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. For the three months and nine months ended September 30, 2020 and 2019, employees' compensation was accrued at \$6,578, \$736, \$7,333 and \$3,121, respectively; while directors' and supervisors' remuneration was accrued at \$2,192, \$147, \$2,444 and \$624, respectively. The aforementioned amounts were recognised in salary expenses.

Employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 9% and 3% of distributable profit of current year, respectively.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended September 30	
	2020	2019
Current tax:		
Current tax on profits for the period	\$ 8,525	\$ 3,438
Prior year income tax overestimation	(117)	-
Total current tax	<u>8,408</u>	<u>3,438</u>
Deferred tax:		
Origination and reversal of temporary differences	223	(486)
Income tax expense	<u>\$ 8,631</u>	<u>\$ 2,952</u>
	Nine months ended September 30	
	2020	2019
Current tax:		
Current tax on profits for the period	\$ 8,977	\$ 12,543
Prior year income tax (over) underestimation	(123)	1,556
Total current tax	<u>8,854</u>	<u>14,099</u>
Deferred tax:		
Origination and reversal of temporary differences	(657)	(1,957)
Income tax expense	<u>\$ 8,197</u>	<u>\$ 12,142</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income and loss is as follows:

	Three months ended September 30	
	2020	2019
Currency translation differences	\$ 23	\$ 352
	Nine months ended September 30	
	2020	2019
Changes in fair value of financial assets at fair value through other comprehensive income	\$ 76	(\$ 51)
Currency translation differences	115	83

B. As of September 30, 2020, the Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

C. ARES GROUP CORP., WELJOIN TECHNOLOGIES LIMITED (BVI) and SHARP KEEN MANAGEMENT LIMITED are companies that were established in Seychelles and British Virgin Islands, respectively. These companies have no income tax.

(23) Earnings per share

	<u>Three months ended September 30, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 56,323</u>	<u>47,254</u>	<u>\$ 1.19</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 56,323	47,254	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>391</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 56,323</u>	<u>47,654</u>	<u>\$ 1.18</u>
	<u>Three months ended September 30, 2019</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 11,137</u>	<u>47,254</u>	<u>\$ 0.24</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 11,137	47,254	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>528</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 11,137</u>	<u>47,782</u>	<u>\$ 0.23</u>

Nine months ended September 30, 2020

	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 64,036	47,254	\$ 1.36
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 64,036	47,254	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	391	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 64,036	\$ 47,645	\$ 1.34

Nine months ended September 30, 2019

	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 46,875	47,254	\$ 0.99
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 46,875	47,254	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	528	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 46,875	47,782	\$ 0.98

(24) Changes in liabilities from financing activities

	2020		2019	
	Liabilities from financing		Liabilities from financing	
	Lease liabilities	activities-gross	Lease liabilities	activities-gross
At January 1	\$ 18,462	\$ 18,462	\$ 34,262	\$ 34,262
Changes in cash flow from financing activities	(12,963)	(12,963)	(13,143)	(13,143)
Impact of changes in foreign exchange rate	(344)	(344)	(66)	(66)
Changes in other non-cash items	3,234	3,234	1,706	1,706
At September 30	<u>\$ 8,389</u>	<u>\$ 8,389</u>	<u>\$ 22,759</u>	<u>\$ 22,759</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
ARGO INTERNATIONAL CORPORATION	Associate
M-Power Information Co., Ltd.	Associate
ARES INTERNATIONAL (THAILAND) CO., LTD.	Associate
MiTAC INC.	Key management
SHUTTLE INC.	Other related party

(2) Significant related party transactions

A. Operating revenue

	Three months ended September 30	
	2020	2019
Sales of goods:		
-Associates	\$ -	\$ 47
-Other related parties	68	68
-Key management	94	44
	<u>\$ 162</u>	<u>\$ 159</u>
	Nine months ended September 30	
	2020	2019
Sales of goods:		
-Associates	\$ -	\$ 142
-Other related parties	622	203
-Key management	184	134
	<u>\$ 806</u>	<u>\$ 479</u>

Most of the transactions in relation to sales, services and maintenance made with related parties are separate cases, thus the transaction prices are determined based on mutual agreement. Except for the payment term of 60 days after monthly billings, other terms would be available to third

parties.

B. Purchases

	<u>Three months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Purchases of goods:		
-Associates	\$ -	\$ 2,506
Purchases of services:		
-Associates	<u>1,290</u>	<u>4,671</u>
	<u>\$ 1,290</u>	<u>\$ 7,177</u>
	<u>Nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Purchases of goods:		
-Associates	\$ 1,292	\$ 6,502
Purchases of services:		
-Associates	<u>16,608</u>	<u>15,943</u>
	<u>\$ 17,900</u>	<u>\$ 22,445</u>

- (a) The Group's purchases are made for each system integration projects and are only purchased from related parties. Therefore, the purchase price is determined based on mutual agreement. Except for the payment term of 60 days after monthly billings, other terms would be available to third parties.
- (b) Most of the transactions in relation to services and maintenance made with related parties are separate cases, thus the transaction prices are determined based on mutual agreement. Except for the payment term of 60 days after monthly billings, other terms would be available to third parties.

C. Receivables from related parties

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Accounts receivable			
-ARES INTERNATIONAL (THAILAND) CO., LTD.	<u>\$ -</u>	<u>\$ 1,339</u>	<u>\$ -</u>
Other receivables			
-ARGO INTERNATIONAL CORPORATION	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ -</u>

D. Payables to related parties

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Accounts payable			
-ARGO			
INTERNATIONAL			
CORPORATION	\$ 235	\$ 3,262	\$ 3,507

E. Prepayments

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Associates	\$ 60	\$ -	\$ 60

F. In 2018, the Group entered into a three-year Argo ERP maintenance contract with an associate in the amount of \$720. The aforementioned amount was recognised in prepayments amounting to \$60 as of September 30, 2020 and 2019, and recognised in operating expenses both amounting to \$180 for the three months and nine months then ended.

G. The Group paid the service fee to associate. For the three months and nine months ended September 30, 2020 and 2019, operating expense was recognised amounting to \$0, \$0, \$60 and \$72, respectively.

(3) Key management compensation

	<u>Three months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	\$ 16,708	\$ 11,055
	<u>Nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	\$ 43,502	\$ 35,235

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>			<u>Purpose</u>
	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>	
Pledged as time deposits (shown as financial assets at amortised cost - current)	\$ 4,575	\$ 4,575	\$ 4,575	Bid bond
Guarantee deposits paid (shown as other current assets)	38,899	49,773	48,248	Bid bond and performance bond
Guarantee deposits paid (shown as other non- current assets)	7,679	7,682	7,666	Guarantees provided for leasing
	<u>\$ 51,153</u>	<u>\$ 62,030</u>	<u>\$ 60,489</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(4) Contingencies

A complainant purchased a software package and hardware from the Company, and commissioned the Company to customise a software. However, there was a disagreement between both parties, and the complainant terminated the agreement, and claimed that the Company did not complete its obligation. The complainant filed a civil lawsuit against the company claiming for compensation in the amount of \$ 7,483 in October, 2014. The Company has commissioned a lawyer to deal with this lawsuit, and it is still under the court's assessment. The Company has not accrued and recognised any amount for possible loss because the amount cannot be reliably assessed. This case will not impact the Company's operating and financial condition based on the Company's assessment.

(5) Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Software products	<u>\$ 8,258</u>	<u>\$ 6,334</u>	<u>\$ 10,092</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On August 10, 2020, the merger plan between the Company and the wholly-owned subsidiary, APLUSOFT CO., LTD., was resolved by the Board of Directors during its meeting. The registrations of the merger of the Company and the dissolution of APLUSOFT CO., LTD. were filed on October 16, 2020 and are expected to be completed by the end of 2020.

12. OTHERS

(1) Capital management

There was no significant change during the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2019.

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<u>Financial assets</u>			
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	\$ 24	\$ 1,785	\$ 1,835
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	484,553	538,406	436,014
Current financial assets at amortised cost	320,250	292,757	324,480
Notes receivable	1,733	668	-
Accounts receivable	114,527	102,352	105,962
Accounts receivable due from related parties	-	1,339	-
Other receivables	1,320	2,630	2,599
Other receivables due from related parties	10	-	-
Guarantee deposits paid (shown as other current assets)	38,899	49,773	48,248
Guarantee deposits paid (shown as other non-current assets)	7,679	7,682	7,666
	<u>\$ 968,995</u>	<u>\$ 997,392</u>	<u>\$ 926,804</u>
	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Notes payable	\$ 14	\$ -	\$ -
Accounts payable	38,950	40,157	40,798
Accounts payable to related parties	235	3,262	3,507
Other payables	89,648	116,939	79,083
Lease liabilities	8,389	18,462	22,759
	<u>\$ 137,236</u>	<u>\$ 178,820</u>	<u>\$ 146,147</u>

B. Financial risk management policies

There was no significant change during the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2019.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.
- iii. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	September 30, 2020		
	Foreign currency amount <u>(in thousands)</u>	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 7,963	29.10	\$ 231,723
HKD:NTD	11,169	3.75	41,884
AUD:NTD	480	20.72	9,946
EUR:NTD	114	34.15	3,893
RMB:NTD	20,562	4.27	87,800
<u>Non-monetary items</u>			
USD:NTD	540	29.10	15,714
THB:NTD	6,336	0.92	5,829

December 31, 2019			
Foreign currency			
	amount	Exchange	Book value
	(in thousands)	rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 8,192	29.98	\$ 245,596
HKD:NTD	10,093	3.85	38,858
AUD:NTD	477	21.01	10,022
EUR:NTD	114	33.59	3,829
RMB:NTD	20,083	4.31	86,558
<u>Non-monetary items</u>			
USD:NTD	486	29.98	14,570
THB:NTD	7,755	1.01	7,833

September 30, 2019			
Foreign currency			
	amount	Exchange	Book value
	(in thousands)	rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 7,760	31.04	\$ 240,870
HKD:NTD	9,275	3.96	36,729
AUD:NTD	476	20.97	9,982
EUR:NTD	114	33.95	3,870
RMB:NTD	20,009	4.35	87,039
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	409	31.04	12,695
THB:NTD	7,604	1.02	7,756

- iv. Please refer to the following table for the details of unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group.

Three months ended September 30, 2020			
Exchange gain (loss)			
	Foreign currency amount	Exchange	Book value
	(In thousands)	rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD		29.10	(\$ 1,002)
HKD:NTD		3.75	(369)
AUD:NTD		20.72	577
EUR:NTD		34.15	(119)
RMB:NTD		4.27	(3,381)

<u>Three months ended September 30, 2019</u>		
<u>Exchange loss</u>		
<u>Foreign currency amount</u>	<u>Exchange</u>	<u>Book value</u>
<u>(In thousands)</u>	<u>rate</u>	<u>(NTD)</u>
(Foreign currency: functional currency)		
<u>Financial assets</u>		
<u>Monetary items</u>		
USD:NTD	31.04	(\$ 1,826)
HKD:NTD	3.96	(648)
AUD:NTD	20.97	(366)
EUR:NTD	33.95	(176)
RMB:NTD	4.35	(1,876)
<u>Nine months ended September 30, 2020</u>		
<u>Exchange gain (loss)</u>		
<u>Foreign currency amount</u>	<u>Exchange</u>	<u>Book value</u>
<u>(In thousands)</u>	<u>rate</u>	<u>(NTD)</u>
(Foreign currency: functional currency)		
<u>Financial assets</u>		
<u>Monetary items</u>		
USD:NTD	29.10	\$ 3,735
HKD:NTD	3.75	420
AUD:NTD	20.72	(237)
EUR:NTD	34.15	(123)
RMB:NTD	4.27	(2,122)
<u>Nine months ended September 30, 2019</u>		
<u>Exchange loss</u>		
<u>Foreign currency amount</u>	<u>Exchange</u>	<u>Book value</u>
<u>(In thousands)</u>	<u>rate</u>	<u>(NTD)</u>
(Foreign currency: functional currency)		
<u>Financial assets</u>		
<u>Monetary items</u>		
USD:NTD	31.04	(\$ 195)
HKD:NTD	3.96	(176)
AUD:NTD	20.97	(394)
EUR:NTD	33.95	(88)
RMB:NTD	4.35	(2,865)

- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Nine months ended September 30, 2020			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1.00%	\$ 2,317	\$ -
HKD:NTD	1.00%	419	-
AUD:NTD	1.00%	99	-
EUR:NTD	1.00%	39	-
RMB:NTD	1.00%	878	-
<u>Non-monetary items</u>			
USD:NTD	1.00%	-	157
THB:NTD	1.00%	-	58
Nine months ended September 30, 2019			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1.00%	\$ 2,409	\$ -
HKD:NTD	1.00%	367	-
AUD:NTD	1.00%	100	-
EUR:NTD	1.00%	39	-
RMB:NTD	1.00%	870	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1.00%	-	127
THB:NTD	1.00%	-	78

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

- ii. The Group's investments in equity securities comprise domestic beneficiary certificates and equity instrument issued by foreign listed companies. The prices of equity securities would change due to the variation of the future value of investee companies. If the prices of these equity securities had increased or decreased by 1% with all other variables held constant, post-tax profit for the nine months ended September 30, 2020 and 2019 would have increased or decreased by \$0 and \$18, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- v. The Group classifies customers' accounts receivable and contract assets in accordance with customer types. The Group applies the simplified approach using the provision matrix, loss rate methodology to estimate expected credit loss.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to

cause a default.

vii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable and contract assets. On September 30, 2020, December 31, 2019 and September 30, 2019, the provision matrix and loss rate methodology are as follows:

<u>Group 1</u>	<u>Not past due</u>	<u>Up to 90 days</u>	<u>91-180 days</u>	<u>181-270 days</u>	<u>Over 270 days</u>	<u>Total</u>
<u>September 30, 2020</u>						
Expected loss rate	0%	0.01%~ 0.04%	0.07%~ 0.22%	0.66%~ 16.23%	100%	
Total book value	\$ 84,288	\$ 6,717	\$ 5,722	\$ 416	\$ 6,072	\$ 103,215
Loss allowance	\$ 1	\$ 1	\$ 3	\$ 3	\$ 6,072	\$ 6,080

<u>Group 1</u>	<u>Not past due</u>	<u>Up to 90 days</u>	<u>91-180 days</u>	<u>181-270 days</u>	<u>Over 270 days</u>	<u>Total</u>
<u>December 31, 2019</u>						
Expected loss rate	0%	0.05%~ 0.17%	0.25%~ 1.37%	3.3%~ 33.33%	100.00%	
Total book value	\$ 56,912	\$ 10,784	\$ 2,962	\$ 3,790	\$ 2,053	\$ 76,501
Loss allowance	\$ 2	\$ 7	\$ 7	\$ 186	\$ 2,053	\$ 2,255

<u>Group 1</u>	<u>Not past due</u>	<u>Up to 90 days</u>	<u>91-180 days</u>	<u>181-270 days</u>	<u>Over 270 days</u>	<u>Total</u>
<u>September 30, 2019</u>						
Expected loss rate	0%	0.05%~ 0.17%	0.25%~ 1.37%	3.3%~ 33.33%	100.00%	
Total book value	\$ 69,649	\$ 12,986	\$ 9,250	\$ 1,593	\$ 3,394	\$ 96,872
Loss allowance	\$ 3	\$ 8	\$ 19	\$ 531	\$ 3,099	\$ 3,660

	<u>Group 2</u>	<u>Group 3</u>	<u>Total</u>
<u>September 30, 2020</u>			
Expected loss rate	0%	0%	
Total book value	\$ 11,510	\$ 5,882	\$ 17,392
Loss allowance	\$ -	\$ -	\$ -

	<u>Group 2</u>	<u>Group 3</u>	<u>Total</u>
<u>December 31, 2019</u>			
Expected loss rate	0%	0%	
Total book value	\$ 12,703	\$ 15,403	\$ 28,106
Loss allowance	\$ -	\$ -	\$ -

	<u>Group 2</u>		<u>Group 3</u>		<u>Total</u>
<u>September 30, 2019</u>					
Expected loss rate		0%		0%	
Total book value	\$	7,934	\$	4,816	\$ 12,750
Loss allowance	\$	-	\$	-	-

Group 1: General business

Group 2: Government-owned corporation

Group 3: Government organisations

As of September 30, 2020, December 31, 2019 and September 30, 2019, contract assets amounted to \$100,643, \$72,065 and \$60,301, respectively, and loss allowance was \$0 if measured at expected credit loss rate of 0%.

- ix. Movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable and contract assets are as follows:

	<u>2020</u>		
	<u>Accounts receivable</u>	<u>Contract assets</u>	<u>Notes receivable</u>
At January 1	\$ 2,255	\$ -	\$ -
Impairment loss	3,822	-	-
Effects of foreign exchange	3	-	-
At September 30	<u>\$ 6,080</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>2019</u>		
	<u>Accounts receivable</u>	<u>Contract assets</u>	<u>Notes receivable</u>
At January 1	\$ 4,069	\$ -	\$ -
Reversal of impairment loss	(409)	-	-
At September 30	<u>\$ 3,660</u>	<u>\$ -</u>	<u>\$ -</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>Non-derivative financial liabilities:</u>	Less than	Between 3	Between 2 and
September 30, 2020	3 months	months and 2 years	5 years
Notes payable	\$ 14	\$ -	\$ -
Accounts payable	38,850	100	-
Accounts payable to related parties	235	-	-
Other payables	59,704	29,944	-
Lease liabilities	4,439	4,028	-
<u>Non-derivative financial liabilities:</u>	Less than	Between 3	Between 2 and
December 31, 2019	3 months	months and 2 years	5 years
Accounts payable	\$ 38,899	\$ 1,111	\$ 147
Accounts payable to related parties	3,262	-	-
Other payables	71,416	45,523	-
Lease liabilities	4,442	14,321	-
<u>Non-derivative financial liabilities:</u>	Less than	Between 3	Between 2 and
September 30, 2019	3 months	months and 2 years	5 years
Accounts payable	\$ 39,140	\$ 1,658	\$ -
Accounts payable to related parties	3,507	-	-
Other payables	53,128	25,955	-
Lease liabilities	4,420	18,799	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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.

B. Financial instruments not measured at fair value

Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, notes payable, accounts payable and other payables are approximate to their fair values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

September 30, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income	\$ <u>-</u>	\$ <u>-</u>	\$ <u>24</u>	\$ <u>24</u>
December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,785</u>	\$ <u>1,785</u>
September 30, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,835</u>	\$ <u>1,835</u>

D. The methods and assumptions the Group used to measure fair value are as follows:

- (a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Closed-end fund</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Closing price	Net asset value

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

- E. For the nine months ended September 30, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- F. For the nine months ended September 30, 2020 and 2019, there was no transfer into or out from Level 3.
- G. Finance segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the

- exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- H. Valuation techniques of fair value that the Group used in level 3 are net asset value and market comparable companies. The significant unobservable input of market comparable companies is the discount for lack of marketability. If the input and discount for lack of marketability are higher, the fair value will be lower.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 2.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 3.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 4.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

There is no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information during this period.

(2) Segment information

The Group's segment profit and loss is measured with the operating income and loss, which is used as a basis for the Group in assessing the performance of the operating segments. The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

Nine months ended September 30, 2020:

	<u>Commercial segment</u>	<u>Financial segment</u>	<u>Project segment</u>	<u>Total</u>
Revenue from external customers	\$ 263,102	\$ 175,828	\$ 89,534	\$ 528,464
Inter-segment revenue	<u>12,201</u>	<u>-</u>	<u>-</u>	<u>12,201</u>
Total segment revenue	<u>\$ 275,303</u>	<u>\$ 175,828</u>	<u>\$ 89,534</u>	<u>\$ 540,665</u>
Segment income	<u>\$ 36,354</u>	<u>\$ 12,215</u>	<u>\$ 7,247</u>	<u>\$ 55,816</u>
Segment income (loss), including:				
Depreciation and amortisation	<u>(\$ 6,144)</u>	<u>(\$ 5,559)</u>	<u>(\$ 3,075)</u>	<u>(\$ 14,778)</u>

Nine months ended September 30, 2019:

	<u>Commercial segment</u>	<u>Financial business segment</u>	<u>Project segment</u>	<u>Total</u>
Revenue from external customers	\$ 261,553	\$ 139,818	\$ 98,289	\$ 499,660
Inter-segment revenue	<u>4,383</u>	<u>-</u>	<u>-</u>	<u>4,383</u>
Total segment revenue	<u>\$ 265,936</u>	<u>\$ 139,818</u>	<u>\$ 98,289</u>	<u>\$ 504,043</u>
Segment income	<u>\$ 12,863</u>	<u>\$ 34,097</u>	<u>\$ 5,234</u>	<u>\$ 52,194</u>
Segment income (loss), including:				
Depreciation and amortisation	<u>(\$ 6,471)</u>	<u>(\$ 5,462)</u>	<u>(\$ 3,907)</u>	<u>(\$ 15,840)</u>

The Group did not disclose the information in relation to segment assets and segment liabilities as this information is not provided to the Chief Operating Decision-Maker.

(3) Reconciliation for segment income and loss

The segment operating income reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. The Group did not provide the amounts of total assets and total liabilities to the Chief Operating Decision-Maker for making operating decisions. The reconciliation on segment revenue, operating revenue, segment income/loss and income/loss before tax from continuing operations of reportable segment are as follows:

<u>Profit or loss</u>	<u>Nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Total reportable segment revenue	\$ 540,665	\$ 504,043
Write-off of inter-segment revenue	(12,201)	(4,383)
Operating revenue	<u>\$ 528,464</u>	<u>\$ 499,660</u>

<u>Profit or loss</u>	<u>Nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Segment income	\$ 55,816	\$ 52,194
Adjustments and write-offs	(12,201)	(4,383)
Non-operating income and expenses	<u>28,838</u>	<u>11,308</u>
Income before tax from continuing operations	<u>\$ 72,453</u>	<u>\$ 59,119</u>

Ares International Corp.
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Nine months ended September 30, 2020

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of September 30, 2020				
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
Ares International Corp.	Common shares/Technology Partner IV Venture Capital Corp.	-	Financial assets at fair value through other comprehensive income	140,676	\$ 24	2.16%	\$ 24	-
Ares International Corp.	Common shares/Formosa First Country Club	-	Financial assets at fair value through other comprehensive income	2,025	-	0.01%	-	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities in accordance with IAS 39, 'Financial instruments: recognition and measurement'.

Note 2: Leave the column blank if the issuer of marketable securities is a non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Ares International Corp.
Names, locations, and related information on investees (excluding information on investment in Mainland China)
Nine months ended September 30, 2020

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Note 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2020			Net profit (loss) of the investee for the nine months ended September 30, 2020 (Note 2(2))	Investment income (loss) recognised by the Company for the nine months ended September 30, 2020 (Note 2(3))	Footnote
				Balance as at September 30, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
Ares International Corp.	ARGO INTERNATIONAL CORPORATION	Taiwan	Provides professional service of computer application software and sells computer peripheral equipments	\$ 14,014	\$ 14,014	1,567,476	34.83	\$ 22,068	\$ 12,607	\$ 4,391	
Ares International Corp.	M-Power Information Co., Ltd.	Taiwan	Agency and sale of database system and professional service of software	21,493	21,493	2,438,527	24.39	37,901	29,833	7,275	
Ares International Corp.	ARES GROUP CORP.	Seychelles	Investment business	35,029	35,029	1,500,000	100	16,037	596	596	Subsidiary
Ares International Corp.	APLUSOFT CO., LTD.	Taiwan	Installation of computer and consultant of information software	30,889	30,889	1,500,000	100	40,087	4,575	4,575	Subsidiary
Ares International Corp.	ARES INTERNATIONAL (THAILAND) CO., LTD.	Thailand	Provides professional service of computer application software and sells computer peripheral equipments	6,865	6,865	1,470,000	49	5,856 (2,754) (1,350)	
APLUSOFT CO., LTD.	WELJOIN TECHNOLOGIES LIMITED (BVI)	British Virgin Islands	Investment business	26,177	26,177	50,000	100	39,724	4,423	Note3	Second-tire subsidiary
ARES GROUP CORP.	SHARP KEEN MANAGEMENT LIMITED	British Virgin Islands	Investment business	34,115	34,115	1,120,000	100	15,720	629	Note3	Second-tire subsidiary
SHARP KEEN MANAGEMENT LIMITED	BLITZ IT CONSULTANTS PTE LTD.	Singapore	Agency of computer software and internet	33,256	33,256	484,000	25	15,659	2,515	Note3	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at September 30, 2020' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2)The 'Net profit (loss) of the investee for the nine months ended September 30, 2020' column should fill in amount of net profit (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognised by the Company for the nine months ended September 30, 2020' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note 3: Investment income (loss) for the period was recognised by subsidiaries of investees.

Ares International Corp.
Information on investments in Mainland China
Nine months ended September 30, 2020

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 3)	Investment method	Investment flows			Ending balance of accumulated outflow of investment from Taiwan	Net income of investee as of September 30, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2020 (Note 2)	Book value of investments in Mainland China as of September 30, 2020	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2020	Note
				Beginning balance of accumulated outflow of investment from Taiwan	Remitted to Mainland China	Remitted back to Taiwan							
APLUSOFT (SUZHOU) CORPORATION.	Research and development of enterprise management software and sale of self-produce product of the Company	\$ 25,228	Note 1	\$ 23,806	-	-	\$ 23,806	\$ 5,329	95.88	\$ 5,115	\$ 30,885	-	Note 4

Note 1: Through investing in an existing company in the third area, which then invested in the investee in Mainland China. The investee in the third area is WELJOIN TECHNOLOGIES LIMITED (BVI).

Note 2: The financial statements were not reviewed by independent auditors.

Note 3: The paid-in capital of Aplusoft (Suzhou) Corporation amounted to RMB5,215,000 (USD750,592).

Note 4: In August 2020, APLUSOFT (SUZHOU) CORPORATION remitted its earnings amounting to RMB1,400,039.76 to the investee in the third area, WELJOIN TECHNOLOGIES LIMITED (BVI).

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Ares International Corp.	\$ 49,446	\$ 49,446	\$ 442,933
APLUSOFT CO., LTD.	23,806	23,806	

Ares International Corp.
Major shareholders information
September 30, 2020

Table 4

Name of major shareholders	Name of shares held	Shares	Ownership (%)
YU, HONG-YANG	\$	3,282,449	6.94%

Note1: (1) The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may be different from the actual number of shares issued in dematerialised form because of the different calculation basis or the differences.

(2) If the aforementioned data contains shares which were held in trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with the Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, at the same time, the shareholders have the power to decide how to allocate the trust assets. For the information on reported share equity of insider, please refer to Market Observation Post System.