

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 30, 2020

DIODES INCORPORATED
(Exact name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

002-25577
(Commission
File Number)

95-2039518
(IRS Employer
Identification No.)

4949 Hedgcoxe Road, Suite 200, Plano, TX
(Address of Principal Executive Offices)

75024
(Zip Code)

Registrant's Telephone Number, Including Area Code: (972) 987-3900

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value \$0.66 2/3	DIOD	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

EXPLANATORY NOTE

This Current Report on Form 8-K/A amends the Current Report on Form 8-K filed by Diodes Incorporated (the "Company") with the Securities and Exchange Commission (the "Commission") on December 4, 2020 (the "Original 8-K"), regarding the completion of the acquisition (the "Acquisition") of Lite-On Semiconductor Corporation ("LSC").

The Company is filing this amendment to provide unaudited pro forma financial information required to be filed under Item 9.01 of Form 8-K in connection with the Acquisition. We are also providing LSC's unaudited consolidated financial statements for the nine months ended September 30, 2020 and September 30, 2019.

(b) Pro forma financial information.

The following pro forma financial information and related notes are filed herewith as Exhibit 99.1:

- Unaudited pro forma condensed combined balance sheet as of September 30, 2020 and accompanying explanatory notes;
- Unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2020 and accompanying explanatory notes; and
- Unaudited pro forma condensed combined statement of operations for the twelve months ended December 31, 2019 and accompanying explanatory notes.

The unaudited pro forma condensed combined financial information is presented for informational purposes only. The pro forma data is not necessarily indicative of what the Company's financial position or results of operations actually would have been had the Company completed the Acquisition as of the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the consolidated company.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Unaudited pro forma financial information
99.2	Unaudited Lite-On Semiconductor Corporation and Subsidiaries Consolidated Financial Statements for the Nine Months Ended September 30, 2020 and September 30, 2019
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: February 16, 2021

DIODES INCORPORATED

By /s/ Brett R. Whitmire
Brett R. Whitmire
Chief Financial Officer

DIODES INCORPORATED
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

On November 30, 2020, Diodes Incorporated (the “Company”) completed its acquisition (the “Acquisition”) of Lite-On Semiconductor Corporation (“LSC”) pursuant to the Share Swap Agreement dated as of August 8, 2019. Each LSC shareholder received TWD 42.50 or, based on November 30, 2020 exchange rates, approximately \$1.49 per share, representing aggregate consideration of approximately \$453 million. As a result of the transaction’s close, the common stock of LSC will no longer be listed for trading on the Taiwan Stock Exchange.

The following unaudited pro forma condensed combined financial statements are based upon the historical condensed consolidated financial statements and notes thereto of the Company (as adjusted for the Acquisition).

The unaudited pro forma condensed combined balance sheet gives pro forma effect to the Acquisition as if it had been completed on September 30, 2020 and combines the Company’s September 30, 2020 unaudited consolidated balance sheet with LSC’s unaudited consolidated balance sheet as of September 30, 2020. The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2020, gives pro forma effect to the Acquisition as if it had been completed on January 1, 2019 and combines the Company’s unaudited condensed consolidated statement of operations for the nine months ended September 30, 2020 and LSC’s unaudited condensed consolidated statement of operations for the nine months ended September 30, 2020. The unaudited pro forma condensed combined statement of operations for the twelve months ended December 31, 2019, gives pro forma effect to the transactions as if they had been completed on January 1, 2019 and combines the Company’s unaudited consolidated statement of operations for the twelve months ended December 31, 2019 and LSC’s audited consolidated statement of operations for the twelve months ended December 31, 2019.

The unaudited pro forma financial information is presented for informational purposes only and do not reflect changes that are the result of Release No. 33-10786, issued on May 20, 2020. The historical condensed combined financial information has been adjusted to give effect to pro forma events that are: 1) directly attributable to the Acquisition; 2) factually supportable; and 3) with respect to the statement of income, expected to have a continuing impact on the combined results. It does not purport to indicate the results that would have actually been attained had the Acquisition occurred on the assumed dates or for the periods presented, or which may be realized in the future. The pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable under the circumstances. A final determination of fair values relating to the Acquisition may differ materially from the preliminary estimates and will include management’s final valuation of the fair value of assets acquired and liabilities assumed. This final valuation will be based on the actual net assets of LSC that existed as of the date of the completion of the Acquisition. Any adjustments to the preliminary estimated fair value amounts could have a significant impact on the unaudited pro forma condensed combined financial information contained herein, and our future results of operations and financial position.

These unaudited pro forma condensed combined financial statements should be read in conjunction with the historical consolidated financial statements and related notes contained in the annual, quarterly and other reports filed by the Company with the United States Securities and Exchange Commission (“SEC”) and with LSC’s historical consolidated financial statements and related notes contained in the Form 8-K filed by the Company with the SEC on December 4, 2020 in addition to the unaudited interim financial statements filed with this 8-K/A.

Diodes Incorporated
Unaudited Pro Forma Condensed Combined Balance Sheet
As of September 30, 2020

	Historical Diodes	Historical LSC As Adjusted (Note 2)	Pro Forma Adjustments	Note (3)	Pro Forma Combined
Assets					
Current assets:					
Cash and cash equivalents	\$ 587,643	\$ 112,739	\$ (453,426)	a	\$ 246,956
Short-term investments	3,014	1,129	-		4,143
Accounts receivable, net	261,782	45,087	(2,274)	d	304,595
Inventories	260,289	56,355	2,514	b	319,158
Prepaid expenses and other	101,961	10,472	115	f	112,548
Total current assets	1,214,689	225,782	(453,071)		987,400
Property, plant and equipment, net	453,487	85,484	(28,190)	b	510,781
Deferred income tax	23,566	27,335	(11,978)	f	38,923
Goodwill	155,492	-	-		155,492
Intangible assets, net	114,306	647	(647)	b	114,306
Other long-term assets	71,112	214,500	(174,650)	e	110,962
Total assets	\$ 2,032,652	\$ 553,748	\$ (668,536)		\$ 1,917,864
Liabilities					
Current liabilities:					
Line of credit	\$ 70,746	\$ 72,165	\$ -		\$ 142,911
Accounts payable	127,315	42,843	(166)	d	169,992
Accrued liabilities and other	103,259	39,710	3,818	g	146,787
Income tax payable	5,235	6,619	(342)	f	11,512
Current portion of long-term debt	14,978	-	-		14,978
Total current liabilities	321,533	161,337	3,310		486,180
Long-term debt, net of current portion	330,766	-	-		330,766
Deferred tax liabilities	14,445	59,841	(51,523)	f	22,763
Other long-term liabilities	114,857	10,493	-		125,350
Total liabilities	781,601	231,671	(48,213)		965,059
Commitments and contingencies	-	-	-		-
Stockholders' equity					
Common stock	35,628	107,373	(107,373)	e	35,628
Additional paid-in capital	440,944	75,815	(75,815)	e	440,944
Retained earnings	858,311	167,619	(169,017)	c,g	856,913
Treasury stock, at cost	(39,205)	(7,427)	(289,381)	c,e	(336,013)
Accumulated other comprehensive loss	(97,105)	(21,263)	21,263	e	(97,105)
Total stockholders' equity	1,198,573	322,117	(620,323)		900,367
Noncontrolling interest	52,478	(40)	-		52,438
Total equity	1,251,051	322,077	(620,323)		952,805
Total liabilities and stockholders' equity	\$ 2,032,652	\$ 553,748	\$ (668,536)		\$ 1,917,864

Diodes Incorporated
Unaudited Pro Forma Condensed Combined Statement of Operations
For the Nine Months Ended September 30, 2020

	Historical Diodes	Historical LSC As Adjusted	Pro Forma Adjustments	Note (4)	Pro Forma Combined
		Note (2)			
Net sales	\$ 878,845	\$ 164,270	\$ (9,920)	a	\$ 1,033,195
Cost of goods sold	570,421	146,226	(10,093)	a,c	706,554
Gross profit	308,424	18,044	173		326,641
Operating expenses					
Selling, general and administrative	132,238	14,997	(1,552)	b,c	145,683
Research and development	69,469	8,633	-		78,102
Amortization of acquisition related intangible assets	12,249	2,090	(2,090)	c	12,249
Impairment of fixed assets	-	3,107	(3,107)	i	-
Other operating (income) expense	(108)	(301)	-		(409)
Total operating expense	213,848	28,526	(6,749)		235,625
Income from operations	94,576	(10,482)	6,922		91,016
Other income (expense)					
Interest income	579	1,216	-		1,795
Interest expense	(7,643)	(1,145)	(5,969)	g	(14,757)
Foreign currency loss, net	(6,143)	(538)	-		(6,681)
Other income	2,902	97,637	(93,900)	h,j	6,639
Total other expense	(10,305)	97,170	(99,869)		(13,004)
Income before income taxes and noncontrolling interest	84,271	86,688	(92,947)		78,012
Income tax provision	15,097	8,161	(18,589)	d	4,669
Net income	69,174	78,527	(74,358)		73,343
Less net (income) loss attributable to noncontrolling interest	(821)	881	-		60
Net income attributable to common stockholders	\$ 68,353	\$ 79,408	\$ (74,358)		\$ 73,403
Earnings per share attributable to common stockholders:					
Basic	\$ 1.33				\$ 1.68
Diluted	\$ 1.30				\$ 1.64
Number of shares used in earnings per share computation:					
Basic	51,563		(7,766)	e	43,797
Diluted	52,612		(7,766)	f	44,846

Diodes Incorporated
Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2019

	Historical Diodes	Historical LSC As Adjusted	Pro Forma Adjustments	Note (5)	Pro Forma Combined
		Note (2)			
Net sales	\$ 1,249,130	\$ 359,303	\$ (161,432)	a,j	\$ 1,447,001
Cost of goods sold	783,323	278,561	(99,971)	a,c,j	961,913
Gross profit	465,807	80,742	(61,461)		485,088
Operating expenses					
Selling, general and administrative	181,343	31,719	(16,371)	b,c,j	196,691
Research and development	88,517	32,635	(23,243)	j	97,909
Amortization of acquisition related intangible assets	18,041	5,723	(5,723)	c	18,041
Impairment of fixed assets	-	297	(297)	i	-
Gain on disposal of fixed assets	(24,429)	-	-		(24,429)
Other operating (income) expense	1,727	(34)	-		1,693
Total operating expense	265,199	70,340	(45,634)		289,905
Income from operations	200,608	10,402	(15,827)		195,183
Other income (expense)					
Interest income	2,189	4,708	263	j	7,160
Interest expense	(7,893)	(2,854)	(11,130)	g	(21,877)
Foreign currency loss, net	(3,737)	1,221	-		(2,516)
Other income	7,079	21,148	(26,628)	h,j	1,599
Total other expense	(2,362)	24,223	(37,495)		(15,634)
Income before income taxes and noncontrolling interest	198,246	34,625	(53,322)		179,549
Income tax provision	44,131	6,056	(10,665)	d	39,522
Net income	154,115	28,569	(42,657)		140,027
Less net (income) loss attributable to noncontrolling interest	(865)	(14,241)	14,682	j	(424)
Net income attributable to common stockholders	\$ 153,250	\$ 14,328	\$ (27,975)		\$ 139,603
Earnings per share attributable to common stockholders:					
Basic	\$ 3.02				\$ 3.24
Diluted	\$ 2.96				\$ 3.17
Number of shares used in earnings per share computation:					
Basic	50,787		(7,766)	e	43,021
Diluted	51,860		(7,766)	f	44,094

Pro Forma Adjustments Relating to the acquisition of LSC

Note 1. Basis of Presentation

The Acquisition of LSC by Diodes was considered a business combination under ASC 805, and accounted for using the acquisition method of accounting in accordance with U.S. GAAP. Diodes recorded the fair value of assets acquired and liabilities assumed from LSC.

Management has made significant estimates and assumptions in its determination of the pro forma adjustments. As the unaudited pro forma condensed combined financial information has been prepared based on these preliminary estimates, the final amounts recorded may differ materially from the information presented.

The unaudited pro forma condensed combined financial information does not give effect to any anticipated synergies, operating efficiencies, tax savings or cost savings that may be associated with the Acquisition.

The pro forma adjustments reflecting the completion of the Acquisition are based on certain currently available information and certain assumptions and methodologies that Diodes believes are reasonable under the circumstances. The unaudited condensed pro forma adjustments, which are described in the accompanying notes, may be revised as additional information becomes available and is evaluated.

Therefore, it is likely that the actual adjustments will differ from the pro forma adjustments and it is possible the difference may be material. Diodes believes that its assumptions and methodologies provide a reasonable basis for presenting all of the significant effects of the Acquisition based on information available to management at this time and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined financial information is not necessarily indicative of what the actual results of operations and financial position would have been had the Acquisition taken place on the dates indicated, nor are they indicative of the future consolidated results of operations or financial position of the post-combination company. They should be read in conjunction with the historical financial statements and notes thereto of Diodes and LSC.

Note 2. Adjustments to Historical LSC Financial Information

The historical financial information of LSC was prepared in accordance with IFRS and presented in Taiwan Dollars (TWD). The historical financial information was translated from TWD to U.S. dollars using the following historical exchange rates:

	<u>TWD to USD</u>
Period end exchange rate as of September 30, 2020	0.03436
Average exchange rate for the nine months ended September 30, 2020	0.03354
Average exchange rate for the year ended December 31, 2019	0.03235

In addition, adjustments were made to convert LSC's financial information from IFRS to U.S. GAAP and to align LSC's accounting policies to those applied by Diodes. Refer to tables below for impacted line items and adjustment amounts in the pro forma condensed combined balance sheet and statements of operations.

Impact on pro forma balance sheet as of September 30, 2020:

	As of September 30, 2020			As of September 30, 2020		As of September 30, 2020	
	Historical IFRS LSC (TWD)	Total IFRS to US GAAP Adjustments (TWD)	Reclassification Adjustments	Historical US GAAP LSC (TWD)	Historical US GAAP LSC (USD)	Historical US GAAP LSC (USD)	Historical US GAAP LSC (USD)
Assets							
Current assets:							
Cash and cash equivalents	\$ 3,280,716	\$ -	\$ -	\$ 3,280,716	\$ -	\$ 112,739	\$ -
Short-term investments	32,861	-	-	32,861	-	1,129	-
Accounts receivable, net	1,312,035	-	-	1,312,035	-	45,087	-
Inventories	1,639,945	-	-	1,639,945	-	56,355	-
Other Accounts Receivable	113,326	-	(113,326)	-	-	-	-
Assets for sale	17,946	-	(17,946)	-	-	-	-
Prepaid expenses and other	173,460	-	131,272	304,732	-	10,472	-
Total current assets	6,570,289	-	-	6,570,289	-	225,782	-
Property, plant and equipment, net	2,566,583	(79,005) A	-	2,487,578	-	85,484	-
Financial assets	5,443,346	-	(5,443,346)	-	-	-	-
Right-of-use assets	148,822	40,155 A	(188,977)	-	-	-	-
Investment properties	345,848	-	(345,848)	-	-	-	-
Deferred income tax	795,461	-	-	795,461	-	27,335	-
Goodwill	-	-	-	-	-	-	-
Intangible assets, net	18,833	-	-	18,833	-	647	-
Other long-term assets	137,985	125,789 A,C	5,978,171	6,241,945	-	214,500	-
Total assets	\$ 16,027,167	\$ 86,939	\$ -	\$ 16,114,106	\$ -	\$ 553,748	\$ -
Liabilities							
Current liabilities:							
Line of credit	\$ 2,100,000	\$ -	\$ -	\$ 2,100,000	\$ -	\$ 72,165	\$ -
Financial Liabilities	916	-	(916)	-	-	-	-
Accounts payable	1,246,734	-	-	1,246,734	-	42,843	-
Accrued liabilities and other	1,143,072	-	12,507	1,155,579	-	39,710	-
Lease liabilities - current	10,762	829 A	(11,591)	-	-	-	-
Income tax payable	192,618	-	-	192,618	-	6,619	-
Current portion of long-term debt	-	-	-	-	-	-	-
Total current liabilities	4,694,102	829	-	4,694,931	-	161,337	-
Long-term debt, net of current portion	-	-	-	-	-	-	-
Lease liabilities - non-current	226,781	(66,483) A	(160,298)	-	-	-	-
Deferred tax liabilities	1,741,366	-	-	1,741,366	-	59,841	-
Other long-term liabilities	141,444	3,607 A, B	160,298	305,349	-	10,493	-
Total liabilities	6,803,693	(62,047)	-	6,741,646	-	231,671	-
Commitments and contingencies	-	-	-	-	-	-	-
Stockholders' equity							
Common stock	3,124,567	-	-	3,124,567	-	107,373	-
Additional paid-in capital	2,206,214	-	-	2,206,214	-	75,815	-
Retained earnings	4,728,740	148,986 A,B,C	-	4,877,726	-	167,619	-
Treasury stock, at cost	(216,136)	-	-	(216,136)	-	(7,427)	-
Accumulated other comprehensive loss	(618,759)	-	-	(618,759)	-	(21,263)	-
Total stockholders' equity	9,224,626	148,986	-	9,373,612	-	322,117	-
Noncontrolling interest	(1,152)	-	-	(1,152)	-	(40)	-
Total equity	9,223,474	148,986	-	9,372,460	-	322,077	-
Total liabilities and stockholders' equity	\$ 16,027,167	\$ 86,939	\$ -	\$ 16,114,106	\$ -	\$ 553,748	\$ -

Impact on pro forma income statement for the nine months ended September 30, 2020:

	For the nine months ended September 30, 2020		IFRS to US GAAP Adjustments (TWD)	Reclassification Adjustments	For the nine months ended September 30, 2020		For the nine months ended September 30, 2020	
	Historical IFRS LSC (TWD)				Historical US GAAP LSC (TWD)	Historical LSC As Adjusted		
				D				
Net sales	\$ 4,898,948	\$ -	\$ -	\$ (774)	\$ 4,898,174	\$ -	\$ 164,270	
Cost of goods sold	4,360,333	-	-	(203)	4,360,130	-	146,226	
Gross profit	538,615	-	-	(571)	538,044	-	18,044	
Operating expenses								
Selling, general and administrative	468,581	3,339	A	(24,735)	447,185	-	14,997	
Research and development	282,325	-	-	(24,915)	257,410	-	8,633	
Amortization of acquisition related intangible assets	-	-	-	62,331	62,331	-	2,090	
Impairment of fixed assets	-	-	-	92,645	92,645	-	3,107	
Reversal of expected credit losses	574	-	-	(574)	-	-	-	
Other operating (income) expense	-	-	-	(8,989)	(8,989)	-	(301)	
Total operating expense	751,480	3,339	-	95,763	850,582	-	28,526	
Income from operations	(212,865)	(3,339)		(96,334)	(312,538)		(10,482)	
Other income (expense)								
Interest income	-	-	-	36,270	36,270	-	1,216	
Other gains and losses	2,431,780	-	-	(2,431,780)	-	-	-	
Finance costs	(38,206)	3,339	A	34,867	-	-	-	
Interest expense	-	-	-	(34,149)	(34,149)	-	(1,145)	
Foreign currency loss, net	-	-	-	(16,052)	(16,052)	-	(538)	
Share of profit of associates	310,430	-	-	(310,430)	-	-	-	
Other income	102,606	-	-	2,808,719	2,911,325	-	97,637	
Total other expense	2,806,610	3,339	-	87,445	2,897,394	-	97,170	
Income before income taxes and noncontrolling interest	2,593,745	-		(8,889)	2,584,856		86,688	
Income tax provision	251,783	-	-	(8,445)	243,338	-	8,161	
Net income	2,341,962	-		(444)	2,341,518		78,527	
Less net (income) loss attributable to noncontrolling interest	25,815	-	-	444	26,259	-	881	
Net income attributable to common stockholders	\$ 2,367,777	\$ -		\$ -	\$ 2,367,777		\$ 79,408	

Impact on pro forma income statement for the year ended December 31, 2019:

	For the year ended December 31, 2019		Reclassification Adjustments	For the year ended December 31, 2019	
	Historical IFRS LSC (TWD)	IFRS to US GAAP Adjustments (TWD)		Historical US GAAP LSC (TWD)	Historical LSC As Adjusted
			D		
Net sales	\$ 11,107,856	\$ -	\$ -	\$ 11,107,856	\$ 359,303
Cost of goods sold	8,611,756	-	(47)	8,611,709	278,561
Gross profit	2,496,100	-	47	2,496,147	80,742
Operating expenses					
Selling, general and administrative	1,080,025	11,545	A (110,989)	980,581	31,719
Research and development	1,075,058	-	(66,135)	1,008,923	32,635
Amortization of acquisition related intangible assets	-	-	176,924	176,924	5,723
Impairment of fixed assets	-	-	9,167	9,167	297
Reversal of expected credit losses	(536)	-	536	-	-
Other operating (income) expense	-	-	(1,039)	(1,039)	(34)
Total operating expense	2,154,547	11,545	8,464	2,174,556	70,340
Income from operations	341,553	(11,545)	(8,417)	321,591	10,402
Other income (expense)					
Interest income	-	-	145,539	145,539	4,708
Other gains and losses	(149,862)	-	149,862	-	-
Finance Costs	(101,237)	11,545	A 89,692	-	-
Interest expense	-	-	(88,226)	(88,226)	(2,854)
Foreign currency loss, net	-	-	37,743	37,743	1,221
Share of profit of associates	722,751	-	(722,751)	-	-
Other income	257,225	-	396,558	653,783	21,148
Total other expense	728,877	11,545	8,417	748,839	24,223
Income before income taxes and noncontrolling interest	1,070,430	-	-	1,070,430	34,625
Income tax provision	187,233	-	-	187,233	6,056
Net income	883,197	-	-	883,197	28,569
Less net (income) loss attributable to noncontrolling interest	(440,272)	-	-	(440,272)	(14,241)
Net income attributable to common stockholders	\$ 442,925	\$ -	\$ -	\$ 442,925	\$ 14,328

(A) Reflects adjustments to convert LSC from IAS 19 to ASC 842.

(B) Reflects adjustments to align LSC pension accounting under IAS 19 to ASC 715.

(C) Reflects adjustments to convert LSC investment valuation methodology under IFRS to US GAAP.

(D) To reclassify LSC financial statement line items to align with Diodes financial statement line items.

Note 3. Reflects pro forma adjustments for the Diodes and LSC unaudited pro forma condensed combined Balance Sheet as of September 30, 2020 as follows:

- (a) Reflects the funding of cash consideration for the purchase of outstanding shares of LSC by Diodes using cash on hand. The purchase price was calculated as follows:

LSC Outstanding Shares		307,371,139	(a1)
Price Per Share (TWD)	\$	42.50	(a2)
Purchase Price (TWD 000's)	\$	13,063,273	
Exchange Rate		0.03471	(a3)
Purchase Price (USD 000's)	\$	453,426	
Less: Settlement of Pre-existing Relationships		(299,395)	(a4)
Adjusted Purchase Consideration (USD 000's)	\$	154,031	

(a1) The shares represent the outstanding shares of LSC acquired by Diodes which represents 100% of the outstanding shares as of the acquisition date.

(a2) Price per share, in TWD, is purchase price as agreed to within the Share Swap Agreement ("Agreement") between Diodes and LSC.

(a3) Exchange rate as of November 30, 2020.

(a4) LSC held 7,765,778 shares, or approximately 15% of Diodes outstanding stock at September 30, 2020. In accordance with ASC 805, Management concluded that the repurchase of shares constituted settlement of a pre-existing relationship which was a transaction separate and apart from the business combination along with payables and receivables between Diodes and LSC. The Company allocated a total of \$299.4 million to settle pre-existing relationships with LSC. The pre-existing relationships consisted of \$296.8 million related to the transaction to reacquire Company stock valued using the closing price on the date the major terms were agreed to and \$2.6 million for the settlement of a net receivables due from Diodes to LSC leaving \$154.0 million as the purchase price for the business acquisition. The reacquired shares are accounted for as treasury stock on the balance sheet.

- (b) Under the acquisition method of accounting, the identifiable assets acquired and liabilities assumed of LSC are recorded at the acquisition date fair values. The pro forma adjustments are preliminary and based on estimates of the fair value and useful lives of the assets acquired and liabilities assumed and have been prepared to illustrate the estimated effect of the Acquisition.

For all assets acquired and liabilities assumed other than identified intangible assets, inventory, and property, plant and equipment, the carrying value was assumed to equal fair value. The final determination of the fair value of certain assets and liabilities will be completed within the one-year measurement period as required by ASC 805. The size and breadth of the Acquisition may necessitate the use of this measurement period to adequately analyze and assess a number of the factors used in establishing the asset and liability fair values as of the acquisition date. Any potential adjustments made could be material in relation to the preliminary values presented.

Accordingly, the pro forma purchase price allocation is subject to further adjustment as additional information becomes available and as additional analyses and final valuations are completed. There can be no assurances that these additional analyses and final valuations will not result in significant changes to the adjustments to book value set forth below to estimate fair value (in millions):

Inventory	2.5	(b1)
Property, plant and equipment	(30.0)	(b2)
Intangible assets	(0.6)	(b3)

(b1) Reflects adjustment of the historical LSC inventory balance of \$2.5 million. This adjustment has no impact to the pro forma combined statement of operations because it does not have a continuing impact. The acquired inventory was evaluated and adjusted for a reasonable profit allowance, which is intended to report only the profits normally associated with the activities following the acquisition as it relates to the work-in-progress and finished goods inventory.

(b2) Represents a decrease to property and equipment by \$30.0 million due to the balance being adjusted to estimated fair value. The expected useful lives, by asset class are as follows:

Buildings	5-30 years
Leasehold Improvements	2-5 years
Land	N/A
Machinery & Equipment	1-15 years

(b3) Represents a decrease to intangible assets by \$0.6 million due to the balance being adjusted to write-off the intangible assets that were previously recorded by LSC. The fair values of the developed technology intangible assets were determined by using an "income approach," specifically the relief-from-royalty approach, which is a commonly accepted valuation approach. This approach is based on the assumption that in lieu of ownership, a firm would be willing to pay a royalty in order to exploit the related benefits of this asset. As a result of this valuation, management has preliminarily determined that the intangible assets have no value.

- (c) Reflects the elimination of the historical equity of LSC.
- (d) Reflects the elimination of approximately \$2.3 million of accounts receivable and \$0.2 million of accounts payable, representing receivables and payables between Diodes and LSC that are eliminated in consolidation as a result of the acquisition.
- (e) As mentioned in (a4) above, LSC held 7,765,778 shares, or approximately 15% of Diodes outstanding stock at September 30, 2020. This adjustment reflects the fair value of the Diodes stock owned by LSC, the removal of the book value of the shares on LSC's books, and the reclassification of those shares to Treasury stock in the amount of \$296.8 million.
- (f) Reflects the preliminary estimate of deferred income taxes resulting from the fair value adjustments related to the identifiable intangible assets, inventory, and property, plant and equipment partially offset by the reversal of existing LSC goodwill deferred tax liabilities. The estimate of deferred income taxes is preliminary and is subject to change based upon final determination of the fair value of assets acquired and liabilities assumed and the statutory rates in the jurisdictions where the assets and liabilities driving taxable income are generated.
- (g) To reflect estimated remaining costs related directly to the transaction of approximately \$1.4 million for estimated legal fees, accounting fees, and other external costs in addition to \$2.4 million of additional accrued expenses for social insurance and IT related costs.

Note 4. Reflects pro forma adjustments for the Diodes and LSC Statement of Operations for the nine months ended September 30, 2020 as follows:

- (a) Reflects the elimination of revenue and related cost of goods sold from LSC to Diodes. During the nine months ended September 30, 2020, LSC recorded revenues from Diodes of \$9.9 million and related cost of goods sold of \$6.3 million.
- (b) Reflects the removal of transaction costs of \$1.1 million incurred as a result of Diodes acquisition of LSC that are not expected to have an ongoing impact to the operations of Diodes.
- (c) Reflects the removal of previously recorded amortization and depreciation expense of \$6.3 million as a result of the purchase price accounting adjustments to intangibles and property, plant and equipment.
- (d) Reflects income tax effect of the adjustments described above based on a combined estimated effective tax rate of 20.0% for the nine months ended September 30, 2020.
- (e) Pro forma basic shares used in computing net income per share give effect of Diodes reacquisition of its outstanding shares held by LSC. Diodes will include those shares in Treasury Stock and therefore they have been excluded from the number of shares used in the computation of earnings per share for basic shares.

Numerator:	
Pro forma net income	\$ 73,403
Denominator:	
Weighted average common share outstanding	51,563
Diodes shares reacquired	(7,766)
Pro forma shares used in computing basic earnings per share	<u>43,797</u>
Pro forma basic net income per share	\$ 1.68

- (f) Pro forma diluted shares used in computing net income per share give effect of Diodes reacquisition of its outstanding shares held by LSC. Diodes will include those shares in Treasury Stock and therefore they have been excluded from the number of shares used in earnings per share computation for diluted shares.

Numerator:	
Pro forma net income	\$ 73,403
Denominator:	
Weighted average common share outstanding	52,612
Diodes shares reacquired	(7,766)
Pro forma shares used in computing basic earnings per share	<u>44,846</u>
Pro forma diluted net income per share	\$ 1.64

- (g) Reflects additional interest expense of \$6.0 million related to the draws on the Company's amended and restated credit agreement totaling \$444.0 million to fund the acquisition, had the draws occurred on January 1, 2019.
- (h) Reflects the removal of profits recorded in the statement of operations during the nine months ended September 30, 2020 as a result of LSC's investment in Diodes.
- (i) Reflects the removal of fixed asset impairment charges.

(j) In January 2020, LSC disposed of their investment in On-Bright Electronics Co., Ltd (On-Bright). Adjustments reflect the removal of the operations of On-Bright as On-Bright was not included in the assets acquired.

Note 5. Reflects pro forma adjustments for the Diodes and LSC Statement of Operations for the year ended December 31, 2019 as follows:

- (a) Reflects the elimination of revenue and related cost of goods sold from LSC to Diodes. During the year ended December 31, 2019, LSC recorded revenues from Diodes of \$13.7 million and related cost of goods sold of \$9.0 million.
- (b) Reflects the removal of transaction costs of \$1.0 million incurred as a result of Diodes acquisition of LSC that are not expected to have an ongoing impact to the operations of Diodes.
- (c) Reflects the removal of previously recorded amortization and depreciation expense of \$8.8 million as a result of the purchase price accounting adjustments to intangibles and property, plant and equipment.
- (d) Reflects income tax effect of the adjustments described above based on a combined estimated effective tax rate of 20.0% for the year ended December 31, 2019.
- (e) Pro forma basic shares used in computing net income per share give effect of Diodes reacquisition of its outstanding shares held by LSC. Diodes will include those shares in Treasury Stock and therefore they have been excluded from the number of shares used in earnings per share computation for basic shares.

Numerator:		
Pro forma net income	\$	139,603
Denominator:		
Weighted average common share outstanding		50,787
Diodes shares reacquired		(7,766)
Pro forma shares used in computing basic earnings per share		43,021
Pro forma basic net income per share	\$	3.24

- (f) Pro forma diluted shares used in computing net income per share give effect of Diodes reacquisition of its outstanding shares held by LSC. Diodes will include those shares in Treasury Stock and therefore they have been excluded from the number of shares used in earnings per share computation for diluted shares.

Numerator:		
Pro forma net income	\$	139,603
Denominator:		
Weighted average common share outstanding		51,860
Diodes shares reacquired		(7,766)
Pro forma shares used in computing basic earnings per share		44,094
Pro forma diluted net income per share	\$	3.17

- (g) Reflects additional interest expense of \$11.1 million related to the draws on the Company's amended and restated credit agreement totaling \$444.0 million to fund the acquisition, had the draws occurred on January 1, 2019.

- (h) Reflects the removal of profits recorded in the statement of operations during the year ended December 31, 2019 as a result of LSC's investment in Diodes.
- (i) Reflects the removal of fixed asset impairment charges.
- (j) In January 2020, LSC disposed of their investment in On-Bright Electronics Co., Ltd (On-Bright). Adjustments reflect the removal of operations of On-Bright as On-Bright was not included in the assets acquired.

Lite-On Semiconductor Corporation and Subsidiaries

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2020 and 2019**

LITE-ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars) (unaudited)

ASSETS	September 30, 2020		December 31, 2019		September 30, 2019	
	Amount	%	Amount	%	Amount	%
Cash and cash equivalents (Note 6)	\$ 3,280,716	21	\$ 4,794,536	22	\$ 4,195,246	20
Financial assets at fair value through profit or loss (FVTPL) (Note 7)	32,863	-	16,328	-	7,720	-
Financial assets at amortized cost (Notes 9 and 35)	-	-	1,686,883	8	1,810,278	9
Notes receivable (Note 10)	2,922	-	7,336	-	3,840	-
Trade receivables (Note 10)	971,753	6	1,511,397	7	1,595,346	8
Trade receivables from related parties (Notes 10 and 34)	337,360	2	414,690	2	465,498	2
Other receivables (Note 34)	113,325	1	106,553	1	119,612	-
Inventories (Note 13)	1,639,945	10	2,422,694	11	2,489,390	12
Non-current assets held for sale (Note 12)	17,946	-	-	-	-	-
Other current assets	173,460	1	171,177	1	180,652	1
Total current assets	6,570,290	41	11,131,594	52	10,867,582	52
NON-CURRENT ASSETS						
Financial assets at FVTPL (Note 7)	283,009	2	336,553	2	321,280	2
Financial assets at fair value through other comprehensive income (FVTOCI) (Note 8)	77,834	-	77,834	-	77,834	-
Financial assets at amortized cost (Notes 9 and 35)	200	-	200	-	9,700	-
Investments accounted for using the equity method (Note 14)	5,082,303	32	4,902,642	23	4,736,657	23
Property, plant and equipment, net (Note 15)	2,566,583	16	3,121,317	14	3,004,855	14
Right-of-use assets (Note 16)	148,823	1	235,077	2	352,181	2
Investment properties (Note 17)	345,848	2	338,638	2	342,645	2
Goodwill (Note 15)	-	-	110,591	-	-	-
Other intangible assets (Note 19)	18,833	-	39,420	-	41,763	-
Deferred tax assets (Note 4)	795,461	5	800,690	4	683,188	3
Prepayments for business facilities (Note 15)	125,082	1	158,302	1	227,808	1
Prepayments for real estate (Note 20)	-	-	117,345	-	119,757	1
Other non-current assets	12,902	-	13,331	-	13,035	-
Total non-current assets	9,456,878	59	10,351,940	48	9,930,703	48
TOTAL	\$ 16,027,168	100	\$ 21,483,534	100	\$ 20,798,285	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 21)	\$2,100,000	13	\$2,913,786	14	\$2,811,003	14
Short-term bills payable (Note 21)	199,682	1	199,893	1	199,975	1
Financial liabilities at FVTPL (Note 7)	916	-	21,898	-	34,139	-
Trade payables	967,249	6	1,317,959	6	1,181,395	6
Trade payables to related parties (Note 34)	79,804	1	107,775	1	102,407	1
Other payables (Notes 22 and 34)	1,038,434	6	1,195,232	6	1,093,872	5
Current tax liabilities (Note 4)	192,618	1	98,539	-	66,419	-
Lease liabilities - current (Note 16)	10,762	-	73,268	-	69,667	-
Provisions	25,658	-	40,250	-	52,244	-
Current portion of long-term borrowings (Note 21)	-	-	1,250,000	6	1,250,000	6
Other current liabilities	78,987	1	265,320	1	141,764	1
Total current liabilities	4,694,110	29	7,483,920	35	6,983,585	34
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 21)	-	-	1,250,000	6	1,250,000	6
Deferred tax liabilities (Note 4)	1,741,366	11	1,916,334	9	1,855,408	9
Lease liabilities - non-current (Note 16)	226,781	1	321,894	1	342,096	1
Net defined benefit liabilities (Note 4)	132,566	1	161,873	1	155,908	1
Other non-current liabilities	8,878	-	8,735	-	8,744	-
Total non-current liabilities	2,109,591	13	3,658,836	17	3,612,156	17
Total liabilities	6,803,701	42	11,142,756	52	10,595,741	51
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY (Note 24)						
Ordinary shares	3,124,567	19	3,124,567	15	3,124,567	15
Capital surplus	2,206,215	14	2,210,565	10	2,191,319	10
Retained earnings						
Legal reserve	1,094,167	7	1,044,598	5	1,044,598	5
Special reserve	610,716	4	285,905	1	285,905	2
Unappropriated earnings	3,023,858	19	1,418,061	7	1,290,009	6
Total retained earnings	4,728,741	30	2,748,564	13	2,620,512	13
Other equity	(618,759)	(4)	(610,717)	(3)	(409,228)	(2)
Treasury shares	(216,130)	(1)	-	-	-	-
Total equity attributable to owners of the parent company	9,223,467	58	7,472,979	35	7,527,170	36
NON-CONTROLLING INTERESTS (Notes 13 and 24)	(1,161)	-	2,867,799	13	2,675,374	13
Total equity	9,223,467	58	10,340,778	48	10,202,544	49
TOTAL	\$ 16,027,168	100	\$ 21,483,534	100	\$ 20,798,285	100

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

LITE-ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share) (unaudited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 34)	\$ 1,754,501	100	\$ 2,881,054	100	\$ 4,898,174	100	\$ 8,373,983	100
OPERATING COSTS (Notes 11, 25 and 34)	(1,514,489)	(86)	(2,218,153)	(77)	(4,359,922)	(89)	(6,409,814)	(77)
GROSS PROFIT	240,012	14	662,901	23	538,252	11	1,964,169	23
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	-	-	-	-	(1,405)	-	(2,855)	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	-	-	-	-	1,405	-	2,855	-
REALIZED GROSS PROFIT	240,012	14	662,901	23	538,252	11	1,964,169	23
OPERATING EXPENSES (Notes 25 and 34)								
Selling and marketing expenses	(67,763)	(4)	(139,400)	(5)	(207,562)	(4)	(429,202)	(5)
General and administrative expenses	(98,612)	(6)	(141,399)	(5)	(263,061)	(5)	(384,812)	(5)
Research and development expenses	(94,923)	(5)	(286,280)	(10)	(280,747)	(6)	(842,736)	(10)
Expected credit loss	(66)	-	2,802	-	(574)	-	(2,455)	-
Total operating expenses	(261,364)	(15)	(564,277)	(20)	(751,944)	(15)	(1,659,205)	(20)
(LOSS)/PROFIT FROM OPERATIONS	(21,352)	(1)	98,624	3	(213,692)	(4)	304,964	3
NON-OPERATING INCOME AND EXPENSES (Note 25)								
Interest income	12,382	1	35,785	1	36,270	1	112,830	1
Other income	45,670	2	39,715	2	66,336	1	85,458	1
Other gains and losses	(71,823)	(4)	(33,148)	(1)	2,427,865	50	(53,267)	-
Finance costs	(7,192)	(1)	(25,687)	(1)	(38,206)	(1)	(75,860)	(1)
Share of profit of associates	119,942	7	180,994	6	306,286	6	504,523	6
Total non-operating income and expenses	98,979	5	197,659	7	2,798,551	57	573,684	7
PROFIT BEFORE INCOME TAX	77,627	4	296,283	10	2,584,859	53	878,648	10
INCOME TAX EXPENSE (Notes 4 and 26)	(22,860)	(1)	(95,790)	(3)	(243,339)	(5)	(181,300)	(2)
NET PROFIT FOR THE PERIOD	\$ 54,767	3	\$ 200,493	7	\$ 2,341,520	48	\$ 697,348	8

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

LITE-ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share) (unaudited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME/(LOSS)								
(Notes 24 and 26)								
Items that will not be reclassified subsequently to profit or loss:								
Share of other comprehensive gain (loss) of associates accounted for using the equity method	\$ 1,196	-	\$ (31,122)	(1)	\$ (23,149)	(1)	\$ (54,727)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(239)	-	6,224	-	4,564	-	10,945	-
	957	-	(24,898)	(1)	(18,585)	(1)	(43,782)	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	28,552	2	(290,043)	(10)	(85,162)	(3)	(147,137)	(3)
Share of other comprehensive gain (loss) of associates accounted for using the equity method	98,640	6	(40,730)	(2)	74,898	2	(62,461)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss	(25,463)	(2)	50,323	2	2,011	-	31,338	1
	101,729	6	(280,450)	(10)	(8,253)	-	(178,260)	(3)
Other comprehensive income/(loss) for the period, net of income tax	102,686	6	(305,340)	(11)	(36,838)	(1)	(222,042)	(3)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	\$ 157,453	9	\$ (104,855)	(6)	\$ 2,314,682	47	\$ 475,300	6
NET PROFIT/(LOSS) ATTRIBUTABLE TO:								
Owners of the Company	65,182	4	96,258	3	2,367,779	48	386,844	4
Non-controlling interests	(10,415)	(1)	104,235	4	(26,259)	-	310,498	4
	\$ 54,767	3	200,493	7	2,341,520	48	697,342	8
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 167,991	10	\$ (130,470)	(5)	\$ 2,341,152	48	\$ 217,731	3
Non-controlling interests	(10,538)	(1)	25,621	1	(26,470)	(1)	257,569	3
	\$ 157,453	9	\$ (104,855)	(6)	\$ 2,314,682	47	\$ 475,300	6

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

LITE-ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended September 30				For the Three Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
EARNINGS PER SHARE								
(Note 27)								
Basic	\$ 0.21		\$ 0.31		\$ 7.70		\$ 1.24	
Diluted	\$ 0.21		\$ 0.31		\$ 7.68		\$ 1.24	

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

LITE-ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (unaudited)

	Equity Attributable to Owners of the Parent Company						Other Equity			
	Ordinary Shares		Capital Surplus	Legal Reserve	Retained Earnings Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Gain (Loss) on Cash Flow Hedging Instruments	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares
	Shares (In Thousands)	Amount								
BALANCE AT JANUARY 1, 2019	312,226	\$ 3,122,267	\$ 2,178,620	\$ 957,408	\$ -	\$ 2,034,589	\$ (219,886)	\$ 13,254	\$ (79,273)	\$ -
Effect of retrospective application and restatement	-	-	0	0	0	(27,395)	-	0	0	0
BALANCE AT JANUARY 1, 2019 AS RESTATED	312,226	3,122,267	2,178,620	957,408	-	2,007,194	(219,886)	13,254	(79,273)	-
Appropriation of 2018 earnings	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	87,100	-	(87,100)	-	-	-	-
Special reserve	-	-	-	-	285,905	(285,905)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(687,152)	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus	-	-	-	-	-	-	-	-	-	-
Donations from shareholders	-	-	18	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	11,127	-	-	-	-	-	-	-
Changes in percentage of ownership interests in subsidiaries	-	-	13	-	-	-	-	-	-	-
Disposal of investments accounted for using the equity method	-	-	-	-	-	-	2,127	-	(119)	-
Net profit for the nine months ended September 30, 2019	-	-	-	-	-	386,844	-	-	-	-
Other comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	(43,782)	(118,446)	(11,906)	21	-
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	343,062	(118,446)	(11,906)	21	-
Issuance of ordinary shares under employee share options	230	2,300	1,541	-	-	-	-	-	-	-
BALANCE AT SEPTEMBER 30, 2019	312,456	\$ 3,124,567	\$ 2,191,139	\$ 1,044,598	\$ 285,905	\$ 1,290,009	\$ (331,205)	\$ 1,348	\$ (79,252)	\$ -
BALANCE AT JANUARY 1, 2020	312,456	3,124,567	2,210,565	1,044,598	285,905	1,418,061	(530,827)	(919)	(79,371)	-
Appropriation of 2019 earnings	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	49,569	-	(49,569)	-	-	-	-
Special reserve	-	-	-	-	324,811	(324,811)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(568,845)	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus	-	-	-	-	-	-	-	-	-	-
Donations from shareholders	-	-	(63)	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	(16,692)	-	-	-	-	-	-	-
Disposal of investments accounted for using equity method (Note 14) / Disposal of subsidiaries (Note 30)	-	-	(745)	-	-	-	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	1,150	-	-	-	-	-	-	-
Changes in percentage of ownership interests in subsidiaries (Note 31)	-	-	-	-	-	(172)	-	-	-	-
Net profit (loss) for the nine months ended September 30, 2020	-	-	-	-	-	2,367,779	-	-	-	-
Other comprehensive loss for the nine months ended September 30, 2020	-	-	-	-	-	(8,585)	(6,442)	(1,600)	-	-
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	2,349,194	(6,442)	(1,600)	-	-
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	-	(216,156)
BALANCE AT SEPTEMBER 30, 2020	312,456	\$ 3,124,567	\$ 2,206,215	\$ 1,094,167	\$ 610,716	\$ 3,023,858	\$ (537,269)	\$ (2,119)	\$ (79,371)	\$ (216,156)

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

LITE-ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars) (unaudited)

	For the Nine Months Ended	
	September 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,584,859	\$ 878,648
Adjustments for:		
Depreciation expenses	532,904	608,610
Amortization expenses	8,363	13,865
Expected credit loss recognized on trade receivables	574	2,455
Net loss on fair value changes of financial assets at FVTPL	1,705	47,891
Finance costs	38,206	75,860
Interest income	(36,270)	(112,830)
Dividend income	(13,477)	(14,974)
Share of profit of associates accounted for using the equity method	(306,286)	(504,523)
Net gain on disposal of property, plant and equipment	(9,016)	(785)
Loss on disposal of non-current assets held for sale	-	1,011
Net gain on disposal of financial assets	(43,682)	-
Net (gain) loss on disposal of associates	(23,714)	4,514
Write-downs of inventories	72,704	38,097
Impairment loss recognized on non-financial assets	3,445	-
Impairment loss recognized on goodwill	110,591	-
Unrealized gain on transactions with associates	1,405	2,855
Realized gain on transactions with associates	(1,405)	(2,855)
Net (gain) loss on foreign currency exchange	(804)	3,842
Impairment loss recognized on non-current assets held for sale	-	9,168
Gain on disposal of subsidiaries (loss of control)	(2,525,041)	-
Loss on termination of lease contract	27	-
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at FVTPL	47,397	7,841
Notes receivable	4,414	3,754
Trade receivables	(127,230)	(17,987)
Trade receivables from related parties	82,680	(3,507)
Other receivables	(12,050)	(6,143)
Inventories	(136,724)	372,650
Other current assets	(35,049)	(19,750)
Financial instruments held for trading	(45,414)	6,476
Trade payables	146,492	(131,783)
Trade payables to related parties	3,500	8,846
Other payables	(60,878)	(171,011)
Provisions	(14,592)	9,475
Other current liabilities	21,763	71,867
Net defined benefit liabilities	(20,991)	(32,497)
Cash generated from operations	248,406	1,149,080

(Continued)

LITE-ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars) (unaudited)

	For the Nine Months Ended	
	September 30	
	2020	2019
Interest paid	\$ (41,832)	\$ (75,192)
Income tax paid	(42,010)	(129,610)
Net cash generated from operating activities	<u>164,564</u>	<u>944,278</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in financial assets measured at amortized cost	651,544	583,444
Proceeds from sale of financial assets at fair value through profit or loss	1,886,373	-
Net cash outflow on disposal of subsidiaries (Note 30)	(458,034)	-
Proceeds from disposal of investments accounted for using the equity method	12,056	-
Proceeds from disposal of non-current assets held for sale	-	66,865
Payments for property, plant and equipment	(91,608)	(177,103)
Proceeds from disposal of property, plant and equipment	12,507	5,985
Increase in refundable deposits	(1,312)	-
Decrease in refundable deposits	-	148
Payments for intangible assets	(2,730)	(11,956)
Payments for right-of-use assets	-	(21,644)
Increase in prepayments for equipment	(112,413)	(172,201)
Interests received	23,688	107,567
Dividends received	13,477	15,654
Net cash generated from investing activities	<u>1,933,548</u>	<u>396,759</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	652,914
Repayments of proceeds from short-term borrowings	(777,611)	-
Proceeds from short-term bills payable	-	9
Repayments of short-term bills payable	(211)	-
Repayments of long-term borrowings	(2,500,000)	-
Proceeds from guarantee deposits received	143	7
Repayments of the principal portion of lease liabilities	(13,249)	(48,667)
Dividends paid to owners of the Company	-	(687,152)
Dividends paid to non-controlling interests	-	(230,710)
Exercise of employee share options	-	3,841
Payments for buy-back of ordinary shares	(216,136)	-
Decrease in non-controlling interests (Note 31)	(82,112)	-
Donations from shareholders	(63)	-
Net cash used in financing activities	<u>(3,589,239)</u>	<u>(309,758)</u>

(Continued)

LITE-ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars) (unaudited)

	<u>For the Nine Months Ended</u>	
	<u>September 30</u>	
	<u>2020</u>	<u>2019</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	\$ (22,693.00)	\$(111,393.00)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,513,820)	919,886
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4,794,536	3,275,360
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 3,280,716</u>	<u>\$4,195,246</u>

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

LITE-ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (unaudited)

1. GENERAL INFORMATION

Lite-On Semiconductor Corporation (the "Company") was established in April 1990 under the Company Law of the Republic of China. Earlier, in December 2000, the Company merged with Lite-On Power Semiconductor Corporation, and in June 2005 the Company merged with Antek Semiconductor Corporation, with the Company as the survivor entity. The Company mainly designs, develops, packs and tests a wide series of green power related semiconductor components that are mainly applied on communications, information, consumer electronics products' switching power supply and system power supply.

The Company's shares have been listed on Taiwan Stock Exchange (TWSE) since July 2004.

The Company disposed of 9,237 thousand shares of On-Bright Electronics Incorporated on January 14, 2020. At the same time, since the transfer of shares held during the term of office of directors exceeds one-half of the Company's shares at the time of appointment, the Company Act stipulates that the Company shall be discharged from all seats of the board of directors. The Company lost control to direct the financing and operating decisions and ceased to include On-Bright Electronics Incorporated in the consolidated financial statements since the date of loss of control.

On October 25, 2019, the share swap agreement with Diodes Technologies Taiwan Co., Ltd. was approved by the shareholders in the special shareholders' meeting and by the relevant competent authority, and the reference date of the share swap agreement is November 30, 2020. The Company applied to TWSE for delisting according to operating rules of the TWSE, and the Company was notified on October 8, 2020 that it will be delisted on the reference date of the share swap agreement. The Financial Supervisory Commission (FSC) has approved the delisting of the Company starting from November 30, 2020.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on November 6, 2020.

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

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) issued by the International Accounting Standards Board (IASB) (collectively, the "IFRSs")

The initial application of the IFRSs issued into effect did not have material impact on the Group's accounting policies.

b. New IFRSs in issue but not yet effective

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with IFRS. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of financial assets at fair value through profit or loss.

See Note 13 and Tables 6 and 7 for detailed information on subsidiaries, including the percentages of ownership and main businesses.

d. Other significant accounting policies

Except for the following, for the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2019.

1) Retirement benefits

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

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Refer to the consolidated financial statements for the year ended December 31, 2019 for the critical accounting judgments and key sources of estimation uncertainty.

6. CASH AND CASH EQUIVALENTS

	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand and working capital	\$313	\$666	\$560
Bank check and demand deposits	1,019,582	2,565,768	2,001,334
Cash equivalents			
Bank time deposit with original maturities of less than 3 months	<u>2,260,821</u>	<u>2,228,102</u>	<u>2,193,352</u>
	<u>\$ 3,280,716</u>	<u>\$ 4,794,536</u>	<u>\$ 4,195,246</u>

7. FINANCIAL INSTRUMENTS AT FVTPL

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial assets at FVTPL - current</u>			
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	\$32,863	\$16,328	\$4,070
Currency swap contracts	-	-	<u>3,650</u>
	<u>\$32,863</u>	<u>\$16,328</u>	<u>\$7,720</u>
<u>Financial assets at FVTPL - non-current</u>			
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Domestic quoted shares	\$ 247,669	\$ 291,393	\$ 276,120
Domestic unlisted shares	<u>35,340</u>	<u>45,160</u>	<u>45,160</u>
	<u>\$ 283,009</u>	<u>\$ 336,553</u>	<u>\$ 321,280</u>
<u>Financial liabilities at FVTPL - current</u>			
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	\$916	\$3,358	\$29,819
Currency swap contracts	-	<u>18,540</u>	<u>4,320</u>
	<u>\$916</u>	<u>\$21,898</u>	<u>\$34,139</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>September 30, 2020</u>			
Foreign exchange forward contracts	USD/RMB	2020.10.13-2020.02.18	USD49,000/RMB342,705
<u>December 31, 2019</u>			
Foreign exchange forward contracts	USD/RMB	2020.01.08-2020.05.13	USD41,000/RMB289,047
Currency swap contracts	NTD/USD	2020.02.07-2020.02.14	NTD376,200/USD12,000
<u>September 30, 2019</u>			
Foreign exchange forward contracts	USD/RMB	2019.10.08-2020.04.09	USD37,000/RMB258,103
Currency swap contracts	NTD/USD	2019.10.01-2020.02.24	NTD527,500/USD17,000

The Group entered derivative contracts to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered by the Group did not meet the criteria for hedge accounting. Thus, the derivative contracts are classified as financial assets or financial liabilities at FVTPL.

8. FINANCIAL ASSETS AT FVTOCI

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Non-current</u>			
Domestic investments			
Unlisted shares - ordinary shares			
Pushi venture capital investment corporation	\$843	\$843	\$843
Luchu Development corporation	<u>74,609</u>	<u>74,609</u>	<u>74,609</u>
	75,452	75,452	75,452
Foreign investments			
Unlisted shares - preference shares			
Global strategic investment Inc. (Samoa)	<u>2,382</u>	<u>2,382</u>	<u>2,382</u>
	<u>\$ 77,834</u>	<u>\$ 77,834</u>	<u>\$ 77,834</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2020	December 31, 2019	September 30, 2019
Restricted assets (a)	\$200	\$ 1,357,239	\$ 1,710,355
Time deposit with original due date over 3 months (b)	=	<u>329,844</u>	<u>109,623</u>
	<u>\$200</u>	<u>\$ 1,687,083</u>	<u>\$ 1,819,978</u>
Current	\$-	\$ 1,686,883	\$ 1,810,278
Non-current	<u>200</u>	<u>200</u>	<u>9,700</u>
	<u>\$200</u>	<u>\$ 1,687,083</u>	<u>\$ 1,819,978</u>

a. Restricted assets mainly refers to the tariff security provided to the Taipei Customs, Customs Administration, Ministry of Finance by the subsidiary, and the guaranteed income type deposit products that the subsidiary undertakes to the bank, are measured at amortized cost and should not be withdrawn or used during the contract period.

b. The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 1.015%-2.5% per annum as of December 31, 2019 and September 30, 2019.

c. Refer to Note 35 for information on the pledge of financial assets measured by amortized cost.

10. NOTES AND TRADE RECEIVABLES

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	\$2,922	\$7,336	\$3,840
Less: Allowance for impairment loss	-	-	-
	<u>\$2,922</u>	<u>\$7,336</u>	<u>\$3,840</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$989,803	\$ 1,535,598	\$ 1,619,455
Less: Allowance for impairment loss	(18,050)	(24,201)	(24,109)
	<u>\$971,753</u>	<u>\$ 1,511,397</u>	<u>\$ 1,595,346</u>

Trade receivables at amortized cost

The average credit period for the Company's sales of goods is 60 to 90 days, and no interest was charged on trade receivables. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix. September 30, 2020

	Not Past Due	Less Than and Including 60 Days	61 to 90 Days	91 to 120 Days	More Than 120 Days	Total
Expected credit loss rate	0%-0%	0%-0%	0%-0%	0%-0.78%	0%-100%	
Gross carrying amount	\$ 1,300,570	\$6,808	\$-	\$-	\$19,785	\$ 1,327,163
Loss allowance (Lifetime ECL)	<u>(5,881)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,169)</u>	<u>(18,050)</u>
Amortized cost	<u>\$ 1,294,689</u>	<u>\$6,808</u>	<u>\$-</u>	<u>\$-</u>	<u>\$7,616</u>	<u>\$ 1,309,113</u>

December 31, 2019

	Not Past Due	Less Than and Including 60 Days	61 to 90 Days	91 to 120 Days	More Than 120 Days	Total
Expected credit loss rate	0%-1%	0%-3%	0%-10%	0%-20%	0%-100%	
Gross carrying amount	\$ 1,924,012	\$8,762	\$27	\$1,776	\$15,711	\$ 1,950,288
Loss allowance (Lifetime ECL)	<u>(8,201)</u>	<u>(318)</u>	<u>(3)</u>	<u>(10)</u>	<u>(15,669)</u>	<u>(24,201)</u>
Amortized cost	<u>\$ 1,915,811</u>	<u>\$8,444</u>	<u>\$24</u>	<u>\$1,766</u>	<u>\$42</u>	<u>\$ 1,926,087</u>

September 30, 2019

	Not Past Due	Less Than and Including 60 Days	61 to 90 Days	91 to 120 Days	More Than 120 Days	Total
Expected credit loss rate	0%-1%	0%-3%	0%-10%	0%-20%	100%	
Gross carrying amount	\$ 2,060,094	\$10,274	\$-	\$62	\$14,523	\$ 2,084,953
Loss allowance (Lifetime ECL)	<u>(9,194)</u>	<u>(392)</u>	<u>-</u>	<u>-</u>	<u>(14,523)</u>	<u>(24,109)</u>
Amortized cost	<u>\$ 2,050,900</u>	<u>\$9,882</u>	<u>\$-</u>	<u>\$62</u>	<u>\$-</u>	<u>\$ 2,060,844</u>

The movements of the loss allowance of trade receivables were as follows:

	For the Nine Months Ended	
	<u>September 30</u> 2020	2019
Beginning of year balance	\$ 24,201	\$ 21,809
Add: Net remeasurement of loss allowance	574	2,455
Disposal of subsidiary	(6,723)	-
Difference from foreign currency translation	(2)	(155)
End of year balance	<u>\$ 18,050</u>	<u>\$ 24,109</u>

11. INVENTORIES

	September 30, 2020	December 31, 2019	September 30, 2019
Raw materials	\$533,617	\$634,257	\$759,924
Supplies	44,178	40,849	64,254
Semi-finished goods	170,026	169,402	169,364
Work in progress	346,788	646,859	628,214
Finished goods	531,361	894,826	841,566
Inventory in transit	<u>13,975</u>	<u>36,501</u>	<u>26,068</u>
	<u>\$ 1,639,945</u>	<u>\$ 2,422,694</u>	<u>\$ 2,489,390</u>

For the three months ended September 30, 2020 and 2019, the costs of inventories recognized as cost of goods sold were \$1,514,489 thousand and \$2,218,153 thousand, respectively. For the nine months ended September 30, 2020 and 2019, the costs of inventories recognized as cost of goods sold were \$4,359,922 thousand and \$6,409,814 thousand, respectively.

For the three months ended September 30, 2020 and 2019, the costs of goods sold included inventory write-downs were \$45,828 thousand and \$31,478 thousand, respectively. For the nine months ended September 30, 2020 and 2019, the costs of goods sold included inventory write-downs were \$72,704 thousand and \$38,097 thousand, respectively.

12. NON-CURRENT ASSETS HELD FOR SALE

	September 30, 2020	December 31, 2019	September 30, 2019
Investments accounted for using the equity method held for sale	<u>\$ 17,946</u>	<u>\$-</u>	<u>\$-</u>

On August 24, 2020, the Company signed an equity transfer agreement with Waichi Group and agreed to sell 3,000 thousand shares of Dynacard Co., Ltd. held at the price of \$6 per share to Waichi Group. When investments accounted for using the equity method are reclassified to non-current assets held for sale, the fair value of such investments was more than the carrying amounts, and there were no impairment losses identified.

On June 3, 2019, the Company's board of directors approved to dispose all shares of Lite-On Japan Ltd. held to Lite-On Technology Corporation at the price of JPY240 per share. When investments accounted for using the equity method are reclassified to non-current assets held for sale, the fair value of such investment was less than the carrying amounts, and the differences from the previous carrying amounts were recognized as impairment losses, which are presented in other gains and losses.

This transaction was completed on July 26, 2019. The net proceeds of disposal were \$66,865 thousand and loss on disposal recognized was \$1,011 thousand.

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	% of Ownership			Remark
			September 30, 2020	December 31, 2019	September 30, 2019	
The Company	On-Bright Electronics Incorporated	Investment	-	31.19	31.19	2) and 3)
	Dyna International Holding Co., Ltd.	Investment	100.00	100.00	100.00	
	Smart Power Holdings Group Co., Ltd.	Investment	100.00	100.00	100.00	
	Dyna Image Corporation	IC designing	51.70	75.92	-	
	Lyra Semiconductor Incorporated	IC designing	50.01	49.92	-	5)
Dyna International Holding Co., Ltd.	Dyna International Co., Ltd.	Investment and trading	100.00	100.00	100.00	
Dyna International Co., Ltd.	Lite-On Semiconductor (HK) Limited	Investment	100.00	100.00	100.00	
On-Bright Electronics Incorporated	On-Bright Electronics (Hong Kong) Co., Ltd.	Investment	N/A	100.00	100.00	
	On-Brilliant Electronics (Hong Kong) Co., Limited	Investment	N/A	100.00	100.00	
Lite-On Semiconductor (HK) Limited	Lite-On Semiconductor (Wuxi) Co., Ltd.	Manufacturing and sale of photoelectric devices, rectifiers and power semiconductors	100.00	100.00	100.00	
	Lite-On Microelectronics (Wuxi) Co., Ltd.	Develop of MOS semiconductor technology and bipolar process technology circuits	100.00	100.00	100.00	
	Shanghai Seefull Electronic Co., Ltd.	Manufacturing of diodes and bridge rectifiers	100.00	100.00	100.00	
	WBG Power System (Cayman) Co., Ltd.	Investment	65.00	65.00	65.00	
WBG Power System (Cayman) Co., Ltd.	WBG Power System (Hong Kong) Co., Ltd.	Investment	100.00	100.00	-	6)
On-Bright Electronics (Hong Kong) Co., Ltd.	On Bright Electronics (Shanghai) Co., Ltd.	Provides technical consultancy and service to the design, production and sales of integrated circuit products and new electronic components.	N/A	100.00	100.00	
On-Brilliant Electronics (Hong Kong) Co., Ltd.	Taiwan On-Bright Electronics Incorporated	Electronic component manufacturing, product design, and international trade, all business that are not prohibited or restricted by law, except those that are subject to special approval.	N/A	100.00	100.00	
On Bright Electronics (Shanghai) Co., Ltd.	Guangzhou On-Bright Electronic Co., Ltd.	Provides technical consultancy and service to the design, production and sales of integrated circuit products and new electronic components.	N/A	100.00	100.00	1)
	Lian Hua Zhi Yen (Guangzhou) Co., Ltd.	Software and information technology service	N/A	100.00	100.00	4)
Taiwan On-Bright Electronics Incorporated	SynMOS Technologies International, Inc.	Design of integrated circuit, wholesale of electronic materials and retail business	N/A	99.67	99.67	

Remark:

- Through the arrangement of framework contract, On-Bright Electronics (Shanghai) Co., Ltd. appointed the general manager of the Company, Chen, Zhi-Liang, to hold the equity of Guangzhou On-Bright Electronic Co., Ltd., and the shareholding ratio was 7.5% on December 31, and September 30, 2019. Under the framework of the contract, the rights and obligations of On-Bright Electronics (Shanghai) Co., Ltd. are fully guaranteed.
- The Group was considered having control over the company and included it as a subsidiary, based on management's judgement. The Group disposed of 9,237 thousand shares of On-Bright Electronics Incorporated on January 14, 2020. At the same time, since the transfer of shares held during the term of office of directors exceeds one-half of the Company's shares at the time of appointment, the Company Act stipulates that the Group shall be discharged from all seats of the board of directors. The Group lost control to direct the financing and operating decisions and ceased to include On-Bright Electronics Incorporated in the consolidated financial statements since the date of loss of control.
- On-Bright Electronics Incorporated is a subsidiary that has material non-controlling interests.

- 4) In February 2019, the Group set up a subsidiary Lian Hua Zhi Yen (Guangzhou) Co., Ltd. at RMB10,000 thousands, issuing ordinary shares of 1,000 thousand shares. The Group's percentage of ownership was 100%.
- 5) The Group held a 50.01% interest in Lyra Semiconductor Incorporated. The remaining interest in Lyra Semiconductor Incorporated was dispersed and held by shareholders that are unrelated to the Group. The directors of the Company considered the Group's absolute size of shareholding in Lyra Semiconductor Incorporated and the relative size of and dispersion of the shareholdings owned by other shareholders and concluded that the Group has the practical ability to direct the relevant activities of Lyra Semiconductor Incorporated and, therefore, the Group has control over Lyra Semiconductor Incorporated.
- 6) In September 2019, the Group participated in establishing WBG PowerSystem (Cayman) Co., Ltd. for US\$975 thousand. The Company issued 1,500 thousand ordinary shares and the Group held 65% of the shares.
- b. Subsidiaries excluded from the consolidated financial statements: None.
- c. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	December 31, 2019	September 30, 2019
On-Bright Electronics Incorporated	68.81%	68.81%

See Table 6 for the information on main operating activities, place of incorporation and principal place of business.

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019	December 31, 2019	September 30, 2019
On-Bright Electronics Incorporated	\$25,828	\$257,816	\$ 2,747,334	\$ 2,659,107
Others	(207)	(247)	<u>120,465</u>	<u>16,267</u>
	<u>\$25,621</u>	<u>\$257,569</u>	<u>\$ 2,867,799</u>	<u>\$ 2,675,374</u>

The summarized financial information below represents amounts before intragroup eliminations.

On-Bright Electronics Incorporated and On-Bright Electronics Incorporated's subsidiaries:

	December 31, 2019	September 30, 2019
Current assets	\$ 5,089,335	\$ 4,752,051
Non-current assets	537,354	559,445
Current liabilities	(1,358,144)	(1,157,601)
Non-current liabilities	(275,841)	(289,479)
Equity	<u>\$ 3,992,704</u>	<u>\$ 3,864,416</u>
Equity attributable to:		
Owners of On-Bright Electronics Incorporated	\$ 1,245,304	\$ 1,205,313
Non-controlling interests of On-Bright Electronics Incorporated	2,747,334	2,659,107
Non-controlling interests of On-Bright Electronics Incorporated's subsidiaries	66	(4)
	<u>\$ 3,992,704</u>	<u>\$ 3,864,416</u>
	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Revenue	<u>\$ 1,178,683</u>	<u>\$ 3,386,095</u>
Net profit for the period	\$151,494	\$451,269
Other comprehensive loss for the period	(113,981)	(76,654)
Total comprehensive income for the period	<u>\$37,513</u>	<u>\$374,615</u>
Net profit attributable to:		
Owners of On-Bright Electronics Incorporated	\$47,259	\$140,771
Non-controlling interests of On-Bright Electronics Incorporated	104,258	310,561
Non-controlling interests of On-Bright Electronics Incorporated's subsidiaries	(23)	(63)
	<u>\$151,494</u>	<u>\$451,269</u>
Total comprehensive income attributable to:		
Owners of On-Bright Electronics Incorporated	\$11,708	\$116,862
Non-controlling interests of On-Bright Electronics Incorporated	25,828	257,816
Non-controlling interests of On-Bright Electronics Incorporated's subsidiaries	(23)	(63)
	<u>\$37,513</u>	<u>\$374,615</u>

(Continued)

	For the Months September 30, 2019	Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Net cash flow from:			
Operating activities	\$433,521		\$770,091
Investing activities		531,560	309,777
Financing activities		(371,479)	(386,844)
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		(55,032)	(36,314)
Net cash inflow	<u>\$538,570</u>		<u>\$656,710</u>

(Concluded)

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD Investments in Associates

	September 30, 2020	December 31, 2019	September 30, 2019
Material associates			
Diodes, Inc.	\$ 5,082,303	\$ 4,902,642	\$ 4,736,657
Associates that are not individually material			
Dynacard Co., Ltd.	-	-	-
Dyna Image Corporation	-	-	-
Lite-On Japan Ltd.	-	-	-
	<u>\$ 5,082,303</u>	<u>\$ 4,902,642</u>	<u>\$ 4,736,657</u>

a. Material associates

Name of Associate	<u>Proportion of Ownership and Voting Rights</u>		
	September 30, 2020	December 31, 2019	September 30, 2019
Diodes, Inc.	14.95%	15.17%	15.22%

Refer to Table 6 "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the associates.

Fair values (Level 1) of investments in associates with available published price quotations are summarized as follows:

Name of Associate	September 30, 2020	December 31, 2019	September 30, 2019
Diodes, Inc.	<u>\$ 12,734,886</u>	<u>\$ 13,102,064</u>	<u>\$9,662,558</u>

The Group is considered having significant influence over the company, based on management's judgement. Then the associate is accounted for using the equity method.

b. Aggregate information of associates that are not individually material

The Group held a 12.23% interest in Dynacard Co., Ltd. and accounted for the investment using the equity method. In September 2020, the Group disposed of 4.91% of its interest in Dynacard Co., Ltd. and lost its significant influence over the company. The Group held a remaining interest of 7.32% at fair value of \$17,946 thousand at the date of disposal, which was reclassified as financial assets at FVTPL. After that, the Group has signed an equity transfer agreement with other non-related parties, refer to Note 12 for disclosure of non-current assets held for sale. This transaction resulted in the recognition of a gain, which is calculated as follows:

Proceeds from disposal of investments	\$ 12,056
Plus: Fair value of retained investment	17,946
Less: Carrying amount of investment on the date of loss of significant influence	-
Plus: Changes in capital surplus from investments accounted for using the equity method	<u>745</u>
Gain recognized	<u>\$ 30,747</u>

On June 3, 2019, the Company's board of directors approved to dispose all shares of Lite-On Japan Ltd. held to Lite-On Technology Corporation and reclassified investments accounted for using the equity method to non-current assets held for sale. Refer to Note 12 to the consolidated financial statements for the year ended December 31, 2019 for non-current assets held for sale.

In 2018, the Group held a 27.43% interest in Dyna Image Corporation and accounted for the investment as an associate. In November 2019, the Group acquired 75.92% of its interest in Dyna Image Corporation from a third party and consequently gained control over Dyna Image Corporation. This transaction resulted in the recognition of a gain, which is calculated as follows:

Fair value of interests held before business combination (27.43%)	\$-
Less: Carrying amount of investment on the date of gain of acquisition of subsidiary	-
Plus: Changes in capital surplus from investments accounted for using the equity method	<u>2,168</u>
Gain recognized	<u>\$2,168</u>

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Computer Equipment	Test Equipment	Lease Improvement	Other Equipment	Total
<u>Cost</u>								
January 1, 2019	\$59,169	\$ 2,232,971	\$ 8,944,694	\$57,788	\$503,827	\$17,375	\$ 3,152,747	\$ 14,968,571
Additions	-	-	214,616	1,081	17,632	-	103,286	336,615
Disposals	-	-	(90,458)	-	-	-	(65,569)	(156,027)
Effect of foreign currency exchange differences	-	(25,112)	(97,892)	-	(\$ 117)	-	(22,993)	(126,114)
September 30, 2019	<u>\$59,169</u>	<u>\$ 2,207,859</u>	<u>\$ 8,970,960</u>	<u>\$58,869</u>	<u>\$516,342</u>	<u>\$17,375</u>	<u>\$ 3,160,471</u>	<u>\$ 14,991,045</u>
<u>Accumulated depreciation</u>								
January 1, 2019	\$-	\$ 1,143,008	\$ 7,400,929	\$53,992	\$405,726	\$4,260	\$ 2,704,022	\$ 11,711,937
Disposals	-	-	(89,471)	-	-	-	(61,356)	(150,827)
Depreciation expense	-	60,746	320,422	2,006	27,222	4,344	130,707	545,447
Effect of foreign currency exchange differences	-	(17,230)	(78,548)	-	(4,322)	-	(20,260)	(120,362)
September 30, 2019	<u>\$-</u>	<u>\$ 1,186,524</u>	<u>\$ 7,553,332</u>	<u>\$55,998</u>	<u>\$428,619</u>	<u>\$8,604</u>	<u>\$ 2,753,113</u>	<u>\$ 11,986,190</u>
September 30, 2019, net	<u>\$59,169</u>	<u>\$ 1,021,335</u>	<u>\$ 1,417,628</u>	<u>\$2,871</u>	<u>\$87,723</u>	<u>\$8,771</u>	<u>\$407,358</u>	<u>\$ 3,004,855</u>

(Continued)

Cost	Freehold Land	Buildings	Machinery Equipment	Computer Equipment	Test Equipment	Lease Improvement	Other Equipment	Total
January 1, 2020	\$198,350	\$2,197,680	\$ 9,017,008	\$60,747	\$534,292	\$19,107	\$ 3,196,509	\$ 15,223,693
Additions	-	-	128,130	1,597	10,632	466	65,482	206,307
Disposals	-	-	(104,970)	-	(19,344)	(174)	(67,590)	(322,078)
Disposal of subsidiary	-	(241,383)	-	-	(118,947)	-	(68,872)	(429,202)
Effect of foreign currency exchange differences	z	(6,891)	(28,085)	z	(947)	(1)	(6,959)	(42,883)
September 30, 2020	\$198,350	\$ 1,949,406	\$ 9,012,083	\$62,344	\$405,686	\$19,398	\$ 3,118,570	\$ 14,765,837
<u>Accumulated depreciation</u>								
January 1, 2020	\$-	\$ 1,188,483	\$ 7,604,092	\$56,624	\$450,771	\$10,863	\$ 2,791,543	\$ 12,102,376
Disposals	-	-	(102,659)	-	(18,224)	(114)	(67,590)	(388,587)
Depreciation expense	-	53,972	297,875	1,906	19,119	4,743	127,803	505,418
Impairment loss	-	-	3,445	-	-	-	-	3,445
Disposal of subsidiary	-	(34,912)	-	-	(99,132)	-	(56,566)	(190,610)
Effect of foreign currency exchange differences	z	(4,571)	(20,792)	z	(853)	z	(6,572)	(32,788)
September 30, 2020	\$-	\$ 1,202,972	\$ 7,781,961	\$58,530	\$351,681	\$15,492	\$ 2,788,618	\$ 12,199,254
January 1, 2020, net	\$198,350	\$ 1,009,197	\$ 1,412,916	\$4,123	\$85,521	\$8,244	\$404,966	\$ 3,121,217
September 30, 2020, net	\$198,350	\$746,434	\$ 1,230,122	\$3,814	\$54,005	\$3,906	\$329,952	\$ 2,566,583

The additions to property, plant and equipment included the transfer from prepayment of equipment, at the amount of \$131,926 thousand and \$183,370 thousand, respectively, for the nine months ended September 30, 2020 and 2019.

Considering the Group's future operating plans and current capacity requirements or some plants and equipment that were not aligned with production requirements, the Group determined the amount of assets using the value in use of these assets and expected no future cash inflows. Impairment loss was recognized at the amount of \$3,445 thousand under other gain or loss in the consolidated statements of comprehensive income for the nine months ended September 30, 2020.

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

Buildings	
Main buildings	20-50 years
Others	4-41 years
Machinery equipment	1-10 years
Computer equipment	3 years
Test equipment	1-8 years
Leases improvement	2-3 years
Other equipment	2-20 years

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Carrying amounts</u>			
Land	\$ 143,937	\$ 186,552	\$ 189,036
Buildings	3,930	146,545	160,822
Other equipment	<u>956</u>	<u>1,980</u>	<u>2,323</u>
	<u>\$ 148,823</u>	<u>\$ 335,077</u>	<u>\$ 352,181</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Additions to right-of-use assets	\$-	\$7,292	\$285	\$ 28,936
Depreciation charge for right-of-use assets				
Land	\$1,245	\$1,549	\$3,765	\$4,472
Buildings	3,550	15,762	10,856	45,139
Other equipment	189	343	715	1,030
	\$4,984	\$ 17,654	\$ 15,336	\$ 50,641

Except for the addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the nine months ended September 30, 2020 and 2019.

b. Lease liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Carrying amounts</u>			
Current	\$10,762	\$73,268	\$69,667
Non-current	\$ 226,781	\$ 321,894	\$ 342,096

Range of discount rate for lease liabilities was as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Land	1.80%	1.80%	1.80%
Buildings	1.797%-2.616%	0.216%-4.78%	1.52%-4.78%
Other equipment	1.80%	1.80%	1.80%

c. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Expenses relating to short-term leases	\$5,962	\$5,733	\$16,688	\$16,561
Expenses relating to low-value asset leases	\$5	\$2,567	\$148	\$6,433
Total cash outflow for leases	\$ (7,054)	\$ (29,054)	\$ (33,424)	\$ (102,118)

All lease commitments (the Group as a lessee) with lease terms commencing after the balance sheet dates are as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Lease commitments	\$ 236,990	\$ 467,477	\$ 489,505

17. INVESTMENT PROPERTIES

	September 30, 2020	December 31, 2019	September 30, 2019
Investment properties - measurement at cost	<u>\$ 345,848</u>	<u>\$ 338,638</u>	<u>\$ 342,645</u>

- a. Except for recognized depreciation, the Group did not have significant addition, disposal, and impairment of investment properties during the nine months ended September 30, 2020 and 2019.
- b. Investment properties are depreciated using the straight-line method over their estimated useful lives as follows:
- | | |
|----------------|-------------|
| Main buildings | 35-50 years |
| Others | 10-16 years |
- c. The investment property is located in Nangang District, Taipei City. The fair value of investment properties as of December 31, 2019 and 2018 was \$124,108 thousand and \$98,377 thousand, respectively. The management of the Company assessed and determined that there were no significant changes in the fair value of investment properties as of September 30, 2020 and 2019 compared to the fair value of investment properties as of December 31, 2019 and 2018.
- d. The investment property located in Hsinchu Science Park is owned by the Government. The market for comparable properties is inactive and alternative reliable measurements of fair value are not available; therefore, the Group determined that the fair value of the investment property is not reliably measurable.

18. GOODWILL

	September 30, 2020	December 31, 2019	September 30, 2019
<i>Cost</i>			
Balance at the beginning	\$ 181,231	\$ 70,640	\$ 70,640
Additional amounts recognized from business combination that occurred during 2019	-	110,591	-
Disposal of subsidiary	<u>(70,640)</u>	<u>-</u>	<u>-</u>
Balance at the end	<u>\$ 110,591</u>	<u>\$ 181,231</u>	<u>\$ 70,640</u>
<i>Accumulated impairment loss</i>			
Balance at the beginning	\$ (70,640)	\$ (70,640)	\$ (70,640)
Impairment losses recognized	(110,591)	-	-
Disposal of subsidiary	<u>70,640</u>	<u>-</u>	<u>-</u>
Balance at the end	<u>\$ (110,591)</u>	<u>\$ (70,640)</u>	<u>\$ (70,640)</u>
Carrying amounts at the end	<u>\$ -</u>	<u>\$ 110,591</u>	<u>\$ -</u>

The Group assessed the recoverable amount of goodwill in June 2020 and September 2020. In June 2020, the recognized impairment loss of goodwill of Dyna Image Corporation was \$35,789 thousand; in September 2020, the recognized impairment loss of goodwill of Lyra Semiconductor Incorporated was \$74,802 thousand. The main reason for the impairment is that the revenue of some products was not as good as expected, which resulted in a recoverable amount lower than the carrying amount.

The Group acquired Lyra Semiconductor Incorporated and Dyna Image Corporation on October 24, 2019 and November 14, 2019 and recognized goodwill of \$74,802 thousand and \$35,789 thousand relating to the expected benefits from sales growth of power semiconductor products in China and Taiwan. Since the goodwill relates solely to Lyra Semiconductor Incorporated and Dyna Image Corporation as a single cash generating unit, the goodwill was assessed for impairment by calculating the recoverable amount of Lyra Semiconductor Incorporated and Dyna Image Corporation and the carrying amount of its net assets.

Refer to Note 31 to the consolidated financial statements for the year ended December 31, 2019 for business combinations.

The recoverable amount of the goodwill of Lyra Semiconductor Incorporated and Dyna Image Corporation was assessed by the Group in 2019, and no impairment loss was recognized. Based on the value in use, the discount rates used in assessing value in use were 10.25% and 14.06%.

19. OTHER INTANGIBLE ASSETS

	September 30, 2020	December 31, 2019	September 30, 2019
Software	\$ 18,833	\$ 38,266	\$ 41,161
Technology licensing	-	<u>1,154</u>	<u>602</u>
	<u>\$ 18,833</u>	<u>\$ 39,420</u>	<u>\$ 41,763</u>

Except for recognized amortization, the Group did not have significant addition, disposal, or impairment of other intangible assets during the nine months ended September 30, 2020 and 2019. Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Software	1-10 years
Technology licensing	1-5 years

20. PREPAYMENT OF REAL ESTATE

Subsidiary On-Bright Electronics (Shanghai) Co., Ltd. and Shanghai Zhangjiang Venture Source Technology Development Co., Ltd. signed a contract for the office building at No. 6, Cailun Road, and the total purchase price was \$293,363 thousand (RMB68,264 thousand). In June of 2010, 40% of the first payment was paid. Since a wide range of government agencies are involved in the office building, and some of the approval materials are inconsistent with the archives of the government agencies, and the changes to construction structure need to be modified first, resulting in the stretch in time required to complete the transfer. In addition, the legal rights granted by the Shanghai Real Estate Advance Registration Document have not been adversely affected by the Company after evaluation. As of December 31, 2019, the transfer procedure has not been completed, so the account is recognized as prepayments of property.

21. **BORROWINGS**

a. Short-term borrowings

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Unsecured borrowings</u>			
Line of credit borrowings	<u>\$ 2,100,000</u>	<u>\$ 2,913,786</u>	<u>\$ 2,811,003</u>

The range of weighted average effective interest rates on bank loans was 0.88%-1.1%, 1.1%-2.73% and 1.1%-3.1% per annum as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

b. Short-term bills payable

	September 30, 2020	December 31, 2019	September 30, 2019
Commercial paper	\$ 200,000	\$ 200,000	\$ 200,000
Less: Unamortized discounts on bills payable	(318)	(107)	(25)
	<u>\$ 199,682</u>	<u>\$ 199,893</u>	<u>\$ 199,975</u>

c. Long-term borrowings

	Maturity Date	Major Clause	Effective Rate	September 30, 2020	December 31, 2019	September 30, 2019
<u>Unsecured borrowings</u>						
Bank loans (syndicated loan from arrangers Taipei Fubon bank and Chinatrust Commercial Bank) Bank loans	2021.08.11	From February 2020, principals are repayable on a semiannual basis. Repaid all long-term borrowing at June 11, 2020.	1.797%	\$-	\$ 2,500,000	\$ 2,500,000
Less: Current portions				-	<u>1,250,000</u>	<u>1,250,000</u>
				<u>\$-</u>	<u>\$ 1,250,000</u>	<u>\$ 1,250,000</u>

22. **OTHER PAYABLES**

	September 30, 2020	December 31, 2019	September 30, 2019
Payables for salaries or bonuses	\$230,443	\$581,275	\$493,304
Payables for dividends	368,845	-	46,650
Payables for purchases of equipment	42,532	59,794	56,456
Payables for professional service fee	-	34,062	11,869
Others (Remark)	<u>396,614</u>	<u>520,101</u>	<u>485,593</u>
	<u>\$ 1,038,434</u>	<u>\$ 1,195,232</u>	<u>\$ 1,093,872</u>

Remark: Other payables - others mainly refers to utilities expense, insurance expense and other miscellaneous expenses.

23. RETIREMENT BENEFIT PLANS

For the three months ended September 30, 2020 and 2019, employee benefits expense in respect of the Group's defined retirement benefit plans was \$1,040 thousand, and \$1,314 thousand, respectively. For the nine months ended September 30, 2020 and 2019, employee benefits expense in respect of the Group's defined retirement benefit plans were \$3,121 thousand and \$3,943 thousand, respectively. The calculation of the pension cost discount rate was determined using the actuarial calculation on December 31, 2019 and 2018, respectively.

24. EQUITY

a. Share capital
Ordinary shares

	September 30, 2020	December 31, 2019	September 30, 2019
Number of shares authorized (in thousands)	500,000	500,000	500,000
Amount of shares authorized	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Number of shares issued and fully paid (in thousands)	312,456	312,456	312,456
Amount of shares issued	<u>\$ 3,124,567</u>	<u>\$ 3,124,567</u>	<u>\$ 3,124,567</u>

On October 2019, the share swap agreement of the Company with Diodes Technologies Taiwan Co., Ltd. was approved by the shareholders in the special shareholders' meeting, in which Diodes Technologies Taiwan Co., Ltd. will swap at the consideration of \$42.5 per ordinary share of the Company and pay the consideration in cash to all shareholders of the Company to acquire 100% shares of the Company.

On September 2020, the Company's board of directors approved the schedule of share conversion on November 30, 2020, and on that day, the Company will be a 100%-owned subsidiary of Diodes Technologies Taiwan Co., Ltd.

b. Capital surplus

	<u>September 30</u> 2020	2019
May be used to offset a deficit, distributed as cash dividends, or <u>transferred to share capital (1)</u>		
Issuance of ordinary shares	\$50,268	\$50,268
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	1,401,256	1,388,106
Consolidation excess	431,566	431,566
Donations from shareholders	86	149

(Continued)

September 30
2020 **2019**

May be used to offset a deficit only.

Issuance of ordinary shares	\$41,903	\$41,903
Changes in percentage of ownership interests in subsidiaries (2)	125,230	125,230
Expired employee share option	19,192	19,192

May not be used for any purpose

Changes in capital surplus from investments accounted for by using the equity method	<u>136,714</u>	<u>134,905</u>
	<u>\$ 2,206,215</u>	<u>\$ 2,191,319</u>

(Concluded)

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividends policy

The shareholders of the Company held their regular meeting on June 18, 2019 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments stipulate that the board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting.

Under the dividends policy as set forth in the amended Articles, if there is net profit after tax upon the final settlement of account of each fiscal year, the Company shall first offset any previous accumulated losses and set aside a legal reserve at 10% of the net profits; then set aside special reserve in accordance with relevant laws or regulations. The remaining net profit, plus the beginning unappropriated earnings, shall be distributed into dividends to shareholders according to the distribution plan proposed by the board of directors and submitted to the shareholders' meeting for approval. The distribution of earnings, legal reserve and paid-in-capital, which is paid in cash, shall be resolved by two-thirds or more of the directors present in the meeting and shall be resolved in the shareholders' meeting. The earnings, legal reserve and paid-in-capital distributed by issuing new shares shall be resolved in the shareholders' meeting. For the policies on distribution of employees' compensation and remuneration of directors, refer to Note 25 (h) on employee benefits expense.

Under the dividend policy as set forth in the Articles before the amendments, if there is net profit after tax upon the final settlement of account of each fiscal year, the Company shall first offset any previous accumulated losses and set aside a legal reserve at 10% of the net profits; then set aside special reserve in accordance with relevant laws or regulations. The remaining net profit, plus the beginning unappropriated earnings, shall be distributed into dividends to shareholders according to the distribution plan proposed by the board of directors and submitted to the shareholders' meeting for approval.

The Company's dividend policy is designed to meet present and future development projects and takes into consideration the investment environment, funding requirements, international or domestic competitive conditions while simultaneously meeting shareholders' interests. When there is no cumulative loss, the Company shall set aside share dividends at no less than 60% of the net profit. The way to distribute dividends could be either through cash or shares, and cash dividends shall not be less than 80% of the total dividends.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the parent company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2019 and 2018 that were approved in the shareholders' meetings on June 19, 2020 and June 18, 2019, respectively, are as follows:

	Appropriation of Earnings		Dividends Per Share (\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2019	2018	2019	2018
Legal reserve	\$49,569	\$87,190		
Special reserve	324,811	285,905		
Cash dividends	368,845	687,152	\$1.2	\$2.2

d. Other equity items

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

	For the Nine Months Ended	
	September 30	2019
	2020	2019
Balance at January 1	\$ (530,827)	\$ (219,886)
Recognized for the period		
Exchange differences on translating the financial statements of foreign operations	(186,616)	(100,035)
Tax related to exchange differences on translating the financial statements of foreign operations	37,323	20,007
Share from associates accounted for using the equity method	76,898	(47,600)
Tax related to share from associates accounted for using the equity method	(15,380)	9,520
Reclassification adjustment		
Reclassified as held for sale	-	2,659
Tax related to reclassified as held for sale	-	(532)
Disposal of subsidiaries (Note 30)	93,967	-
Tax related to disposal of subsidiaries	(18,793)	-
Disposal of foreign operations	7,698	5,827
Tax related to disposal of foreign operations	(1,539)	(1,165)
Balance at September 30	<u>\$ (537,269)</u>	<u>\$ (331,205)</u>

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

	For the Nine Months Ended	
	<u>September 30</u>	
	2020	2019
Balance at January 1	\$ (79,371)	\$ (79,273)
Recognized for the period		
Share from associates accounted for using the equity method	-	21
Reclassification adjustment		
Disposal of investment accounted for using the equity method	=	(119)
Balance at September 30	<u>\$ (79,371)</u>	<u>\$ (79,371)</u>

3) Cash flow hedges

	For the Nine Months Ended	
	<u>September 30</u>	
	2020	2019
Balance at January 1	\$(519)	\$ 13,254
Recognized for the period		
Share from associates accounted for using the equity method	(2,000)	(14,882)
Tax related to share from associates accounted for using the equity method	<u>400</u>	<u>2,976</u>
Balance at September 30	<u>\$ (2,119)</u>	<u>\$ 1,348</u>

e. Non-controlling interests

	For the Nine Months Ended	
	<u>September 30</u>	
	2020	2019
Balance at January 1	\$ 2,867,799	\$ 2,684,145
Attributable to non-controlling interests:		
Effect of retrospective application and retrospective restatement	-	(5,421)
Share in profit (loss) for the period	(26,259)	310,498
Exchange difference arising on translation of foreign entities	(211)	(52,929)
Disposal of subsidiary (Note 30)	(2,747,400)	-
Changes of percentage of ownership interests in subsidiary (Note 31)	(228)	-
Capital reduction of subsidiary	(81,712)	-
Acquisition of non-controlling interest (Note 31)	(13,150)	-
Cash dividend from On-Bright Electronics Incorporated	-	(277,360)
Acquisition of subsidiaries	-	16,454
Others	=	(13)
Balance at September 30	<u>\$ (1,161)</u>	<u>\$ 2,675,374</u>

f. Treasury shares

Purpose of Buy-back	Buy-back from Dissenting Shareholders of Business Combination (In Thousands of Shares)
Number of shares at January 1, 2020	-
Increase during the period	<u>5,085</u>
Number of shares at September 30, 2020	<u>5,085</u>

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

25. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Interest income

	For the Three Months Ended		For the Nine Months Ended	
	<u>September 30</u>		<u>September 30</u>	
	2020	2019	2020	2019
Bank deposits	<u>\$12,382</u>	<u>\$35,785</u>	<u>\$36,270</u>	<u>\$ 112,830</u>

b. Other income

	For the Three Months Ended		For the Nine Months Ended	
	<u>September 30</u>		<u>September 30</u>	
	2020	2019	2020	2019
Rental income	\$ 7,588	\$ 7,575	\$ 22,646	\$ 22,751
Dividend income	13,477	14,974	13,477	14,974
Others	<u>24,605</u>	<u>17,166</u>	<u>30,213</u>	<u>47,733</u>
	<u>\$45,670</u>	<u>\$39,715</u>	<u>\$66,336</u>	<u>\$85,458</u>

c. Other gains and losses

	For the Three Months Ended		For the Nine Months Ended	
	<u>September 30</u>		<u>September 30</u>	
	2020	2019	2020	2019
Gain on disposal of subsidiaries (loss of control)	\$-	\$-	\$ 2,525,041	\$-
Loss on disposal of non-current assets held for sale	-	(1,011)	-	(1,011)
Impairment losses recognized on property, plant and equipment	-	-	(3,445)	-
Impairment losses recognized on non-current assets held for sale	-	-	-	(9,168)
Gains (losses) on disposal of investments accounted for using equity method	26,882	(1,498)	23,714	(4,514)
Net foreign exchange (losses) gains	(39,698)	36,874	(16,052)	36,748
Gains on disposal of financial instruments at FVTPL	-	-	43,682	-
Fair value changes of financial instruments at FVTPL	32,972	(54,141)	(1,705)	(47,891)
Impairment losses recognized on goodwill	(74,802)	-	(110,591)	-
Gains on disposal of property, plant and equipment	3,156	382	9,016	785
Depreciation on investment properties	(3,773)	(4,169)	(12,150)	(12,522)
Others	<u>(16,560)</u>	<u>(9,585)</u>	<u>(29,645)</u>	<u>(15,694)</u>
	<u>\$ (71,823)</u>	<u>\$ (33,148)</u>	<u>\$ 2,427,865</u>	<u>\$ (53,267)</u>

d. Finance costs

	For the Three Months Ended		For the Nine Months Ended	
	<u>September 30</u>		<u>September 30</u>	
	2020	2019	2020	2019
Interest on bank loans	\$5,944	\$ 22,681	\$ 35,089	\$ 66,753
Interest on obligations under finance leases	1,087	2,877	3,339	8,813
Other finance costs	<u>272</u>	<u>276</u>	<u>761</u>	<u>1,076</u>
Total interest expense for financial liabilities at amortized cost	7,303	25,834	39,189	76,642
Less: Amounts included in the cost of qualifying assets	<u>(111)</u>	<u>(147)</u>	<u>(983)</u>	<u>(782)</u>
	<u>\$7,192</u>	<u>\$ 25,687</u>	<u>\$ 38,206</u>	<u>\$ 75,860</u>

Information about capitalized interest is as follows:

	For the Three Months Ended <u>September 30</u>		For the Nine Months Ended <u>September 30</u>	
	2020	2019	2020	2019
Capitalized interest	\$111	\$147	\$983	\$782
Capitalization rate	1.27%-1.38%	1.65%-1.66%	1.27%-1.38%	1.65%-1.67%

e. Depreciation and amortization

	For the Three Months Ended <u>September 30</u>		For the Nine Months Ended <u>September 30</u>	
	2020	2019	2020	2019
Property, plant and equipment	\$ 166,980	\$ 178,680	\$ 505,418	\$ 545,447
Right-of-use assets	4,984	17,654	15,336	50,641
Investment properties	3,773	4,169	12,150	12,522
Intangible assets	<u>2,810</u>	<u>4,582</u>	<u>8,363</u>	<u>13,865</u>
	<u>\$ 178,547</u>	<u>\$ 205,085</u>	<u>\$ 541,267</u>	<u>\$ 622,475</u>

An analysis of depreciation by function

Operating costs	\$ 153,611	\$ 152,690	\$ 463,703	\$ 470,992
Operating expenses	18,353	43,644	57,051	125,096
Other gains and losses	<u>3,773</u>	<u>4,169</u>	<u>12,150</u>	<u>12,522</u>
	<u>\$ 175,737</u>	<u>\$ 200,503</u>	<u>\$ 532,904</u>	<u>\$ 608,610</u>

An analysis of amortization by function

Operating costs	\$1,180	\$971	\$3,083	\$2,529
Selling and marketing expenses	-	492	-	1,574
General and administrative expenses	1,433	1,437	4,082	4,256
Research and development expenses	<u>187</u>	<u>1,682</u>	<u>1,118</u>	<u>5,506</u>
	<u>\$2,800</u>	<u>\$4,582</u>	<u>\$8,283</u>	<u>\$13,865</u>

f. Operating expenses directly related to investment properties

	For the Three Months Ended <u>September 30</u>		For the Nine Months Ended <u>September 30</u>	
	2020	2019	2020	2019
Direct operating expenses from investment properties generating rental income	<u>\$443</u>	<u>\$65</u>	<u>\$1,657</u>	<u>\$884</u>

g. Employee benefits expense

	For the Three Months Ended		For the Nine Months Ended	
	<u>September 30</u>		<u>September 30</u>	
	2020	2019	2020	2019
Post-employment benefits				
Defined contribution plans	\$10,231	\$50,977	\$31,165	\$154,879
Defined benefit plans (Note 23)	<u>1,040</u>	<u>1,314</u>	<u>3,121</u>	<u>3,943</u>
	<u>11,271</u>	<u>52,291</u>	<u>34,286</u>	<u>158,822</u>
Other employee benefits	<u>438,242</u>	<u>665,126</u>	<u>1,242,499</u>	<u>1,901,982</u>
Total employee benefits expense	<u>\$449,513</u>	<u>\$717,417</u>	<u>\$ 1,276,785</u>	<u>\$ 2,060,804</u>
An analysis of employee benefits expense by function				
Operating costs	\$284,860	\$312,588	\$808,933	\$906,615
Operating expenses	<u>164,653</u>	<u>404,829</u>	<u>467,852</u>	<u>1,154,189</u>
	<u>\$449,513</u>	<u>\$717,417</u>	<u>\$ 1,276,785</u>	<u>\$ 2,060,804</u>

h. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 2.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the nine months ended September 30, 2020 and 2019, the employees' compensation and the remuneration of directors are as follows:

Accrual rate

	For the Nine Months Ended	
	<u>September 30</u>	
	2020	2019
Employees' compensation	(Remark)	3.67%
Remuneration of directors	0.09%	1.15%

Amount

	For the Three Months Ended		For the Nine Months Ended	
	<u>September 30</u>		<u>September 30</u>	
	2020	2019	2020	2019
Employees' compensation	<u>\$ 14,500</u>	<u>\$9,125</u>	<u>\$ 24,700</u>	<u>\$ 19,125</u>
Remuneration of directors	<u>\$2,400</u>	<u>\$2,900</u>	<u>\$2,400</u>	<u>\$6,000</u>

Remark: The Group expected to amend the Articles to adjust the proportion of the distribution of employees' compensation and remuneration of directors in the shareholders' interim meeting after the completion of the share swap. The Group recognized employees' compensation of \$24,700 thousand during January 1, 2020 to September 30, 2020.

issue, the differences are recorded as a change in the accounting estimate.

The appropriations of employees' compensation and remuneration of directors and supervisors for 2019 and 2018 that were resolved by the board of directors on March 20, 2020 and March 20, 2019, respectively, are as shown below:

	For the Year Ended December 31			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amounts approved in the board of directors' meeting	<u>\$ 21,400</u>	<u>\$ 10,500</u>	<u>\$ 43,500</u>	<u>\$ 13,500</u>
Amounts recognized in the annual consolidated financial statements	<u>\$ 21,400</u>	<u>\$ 10,500</u>	<u>\$ 43,500</u>	<u>\$ 13,500</u>

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the TWSE.

i. Gains or losses on foreign currency exchange

	For the Three Months Ended		For the Nine Months Ended	
	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>
	2020	2019	2020	2019
Foreign exchange gains	\$55,259	\$83,872	\$ 136,773	\$ 182,521
Foreign exchange losses	<u>(94,957)</u>	<u>(46,998)</u>	<u>(152,825)</u>	<u>(145,773)</u>
	<u>\$ (39,698)</u>	<u>\$36,874</u>	<u>\$ (16,052)</u>	<u>\$36,748</u>

26. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense recognized in profit or loss are as follows:

	For the Three Months Ended		For the Nine Months Ended	
	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>
	2020	2019	2020	2019
Current income tax expense				
In respect of the current year	\$5,804	\$45,880	\$ 222,106	\$ 117,258
Adjustments for prior years	-	-	-	(68,215)
Deferred income tax expense				
The origination and reversal of temporary differences	<u>17,056</u>	<u>49,910</u>	<u>21,233</u>	<u>132,263</u>
Income tax expense recognized in profit or loss	<u>\$22,860</u>	<u>\$95,790</u>	<u>\$ 243,339</u>	<u>\$ 181,306</u>

Except for On-Bright Electronics (Shanghai) Co., Ltd. and Guangzhou On-Bright Electronic Co., Ltd., the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other entities in the

Group operating in other jurisdictions are based on the tax laws in those jurisdictions.

On-Bright Electronics (Shanghai) Co., Ltd. is entitled to a corporate income tax rate of 15% in 2019 and 2018 based on the "National Key Support for High-Tech Enterprises to Enjoy Preferential Tax Rate". In addition, in 2018, On-Bright Electronics (Shanghai) Co., Ltd. complied with the "Specialized Software Enterprises and IC Design Enterprises in the National Planning Layout to Enjoy Preferential Tax Rate", and is entitled to a corporate income tax at 10%, and receives refund of overflow payment of the tax after the 2019 review.

Guangzhou On-Bright Electronic Co., Ltd. is entitled to a corporate income tax rate of 15% from 2017 in accordance with the "National Key Support for High-Tech Enterprises to Enjoy Preferential Tax Rate" and is entitled to the preferential income tax treatment until 2021.

b. Income tax benefit recognized in other comprehensive income

	For the Three Months Ended		For the Nine Months Ended	
	September 30	2019	September 30	2019
	2020		2020	2019
<u>Deferred income tax</u>				
Translation of foreign operations	\$4,962	\$ (42,546)	\$ (37,323)	\$ (20,007)
Share of other comprehensive loss of associates	<u>19,967</u>	<u>(14,370)</u>	<u>10,416</u>	<u>(23,441)</u>
	<u>24,929</u>	<u>(56,916)</u>	<u>(26,907)</u>	<u>(43,448)</u>
Arising from income and expenses reclassified from equity to profit or loss				
On disposal of subsidiaries	-	-	18,793	-
On disposal of associates accounted for equity method	<u>773</u>	<u>369</u>	<u>1,539</u>	<u>1,165</u>
	<u>773</u>	<u>369</u>	<u>20,332</u>	<u>1,165</u>
Total income tax recognized in other comprehensive income	<u>\$ 25,702</u>	<u>\$ (56,547)</u>	<u>\$ (6,575)</u>	<u>\$ (42,283)</u>

c. Income tax assessments

The tax returns of the Company through 2017 have been assessed by the tax authorities.

27. EARNINGS PER SHARE

Unit: NTS Per Share

	For the Three Months Ended		For the Nine Months Ended	
	September 30	2019	September 30	2019
	2020		2020	2019
Basic earnings per share	<u>\$0.21</u>	<u>\$0.31</u>	<u>\$7.70</u>	<u>\$1.24</u>
Diluted earnings per share	<u>\$0.21</u>	<u>\$0.31</u>	<u>\$7.68</u>	<u>\$1.24</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Earnings used in the computation of basic earnings per share	<u>\$65,182</u>	<u>\$96,258</u>	<u>\$ 2,367,779</u>	<u>\$386,844</u>
Earnings used in the computation of diluted earnings per share	<u>\$65,182</u>	<u>\$96,258</u>	<u>\$ 2,367,779</u>	<u>\$386,844</u>

Weighted Average Number of Ordinary Shares Outstanding

Unit: In Thousand Shares

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	307,371	312,456	307,371	312,401
Effect of potentially dilutive ordinary shares:				
Employees' compensation	<u>588</u>	<u>465</u>	<u>840</u>	<u>825</u>
Weighted average number of ordinary shares outstanding in computation of dilutive earnings per share	<u>307,959</u>	<u>312,921</u>	<u>308,211</u>	<u>313,226</u>

If the Group settles the bonuses or remuneration paid to employees in cash or shares, the Group will presume that the entire amount of the bonus or remuneration will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. The dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

28. SHARE-BASED PAYMENT ARRANGEMENTS Employee Share Option Plan of the Company

The Group did not issue any employee share options during the nine months ended September 30, 2020 and 2019. Information on outstanding employee share options is as follows:

	For the Nine Months Ended September 30			
	2020	2019		
	Number of Options	Weighted-average Exercise Price (\$)	Number of Options	Weighted-average Exercise Price (\$)
Balance at January 1	-	\$-	430	\$ 16.7
Options forfeited	-	-	(30)	16.7
Options exercised	-	-	(230)	16.7
Options expired	-	-	(170)	16.7
Balance at September 30	-	-	-	-
Options exercisable, end of period	-	-	-	-

29. GOVERNMENT GRANTS

For the three months ended September 30, 2019, the government subsidy related to product R&D projects from China was \$28,521 thousand. For the nine months ended September 30, 2019 the government subsidy related to product R&D projects from China was \$51,374 thousand. These amounts have been deducted from each period of R&D expenses and included in other income items during each period.

30. DISPOSAL OF SUBSIDIARIES

In order to expedite the approval of the share swap agreement with Diodes from China, the Company's board of directors held a meeting on January 8, 2020, which approved to sign a share trading contract with Orthosie Investment Holdings Ltd., to dispose all of its 17,464 thousand shares of On-Bright Electronics Incorporated "On-Bright" in stages.

On-Bright's main business was to provide technical consultancy and services to the design, production and sales of integrated circuit products and new electronic components.

The Group disposed of 9,237 thousand shares of On-Bright Electronics Incorporated on January 14, 2020. At the same time, since the transfer of shares held during the term of office of directors exceeds one-half of the Company's shares at the time of appointment, the Company Act stipulates that the Group shall be discharged from all seats of the board of directors. The Group lost control to direct the financing and operating decisions.

a. Analysis of assets and liabilities on the date control was lost

	On-Bright Electronics Incorporation and Subsidiaries
Current assets	
Cash and cash equivalents	\$ 2,491,994
Financial assets at amortized cost - current	1,035,339
Trade receivables	668,283
Inventories	843,093
Other current assets	50,626
Non-current assets	
Property, plant and equipment	238,592
Right-of-use assets	151,430
Other intangible assets	20,112
Refundable deposits	1,683
Prepayment for business facilities	8,192
Prepayment for real estate	117,345
Current liabilities	
Short-term borrowings	(40,000)
Trade payables	(497,202)
Trade payables to related parties	(31,471)
Other payables	(443,699)
Current tax liabilities	(86,023)
Lease liabilities - current	(51,653)
Other current liabilities	(208,096)
Non-current liabilities	
Deferred tax liabilities	(178,002)
Lease liabilities - non-current	(89,523)
Net defined benefit liabilities	(8,316)
Net assets disposed of	<u>\$ 3,992,704</u>

b. Gain on disposals of subsidiaries

	On-Bright Electronics Incorporated and Subsidiaries	
Consideration received	\$ 2,033,960	
Fair value of investment retained in the former subsidiary (remark)	<u>1,830,352</u>	\$ 3,864,312
Net assets disposed of	(3,992,704)	
Non-controlling interests	2,747,400	
Reclassification of other comprehensive income in respect of subsidiaries	<u>(93,967)</u>	<u>(1,339,271)</u>
Gain on disposals		<u>\$ 2,525,041</u>

Remark: The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of financial assets at fair value through profit or loss.

c. Net cash outflow on disposals of subsidiaries

	On-Bright Electronics Incorporation and Subsidiaries
Consideration received in cash and cash equivalents	\$ 2,033,960
Less: Cash and cash equivalent balances disposed of	<u>(2,491,994)</u>
	<u>\$(458,034)</u>

31. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On August 24, 2020, the Group disposed its 24.22% of interest in Dyna Image Corporation to non-controlling interest, decreasing its continuing interest from 75.92% to 51.70%.

On March 5, 2020, the Group purchased ordinary shares of Lyra Semiconductor Incorporated from non-controlling interests, increasing its continuing interest from 49.92% to 50.01%.

The above transactions were accounted for as equity transactions since the Group did not cease to have control over the subsidiary.

	Dyna Image Corporation	Lyra Semiconductor Incorporated	
Consideration received (paid)	\$-	\$(400)	
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	<u>13,150</u>	<u>228</u>	
Differences recognized from equity transactions	<u>\$ 13,150</u>	<u>\$(172)</u>	
	Dyna Image Corporation	Lyra Semiconductor Incorporated	Total
<u>Line items adjusted for equity transactions</u>			
Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	\$ 13,150	\$-	\$ 13,150
Retained earnings	=	(172)	(172)
	<u>\$ 13,150</u>	<u>\$(172)</u>	<u>\$ 12,978</u>

32. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

33. FINANCIAL INSTRUMENTS

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

The management of the Group believes that the carrying amount of financial assets and financial liabilities that are not measured at fair value is expected to be close to their fair value or their fair value cannot be reliably measured.

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

1) Fair value hierarchy
September
30, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	\$-	\$32,863	\$-	\$32,863
Investments in equity				
Securities listed in ROC - ordinary shares	247,669	-	-	247,669
Unlisted securities - ROC - ordinary shares	=	<u>35,340</u>	=	<u>35,340</u>
	<u>\$ 247,669</u>	<u>\$68,203</u>	<u>\$-</u>	<u>\$ 315,872</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted securities - ROC - ordinary shares	\$-	\$75,452	\$-	\$75,452
Unlisted securities - foreign - preference shares	=	<u>2,382</u>	=	<u>2,382</u>
	<u>\$-</u>	<u>\$77,834</u>	<u>\$-</u>	<u>\$77,834</u>
Financial liabilities at FVTPL				
Derivative instruments	<u>\$-</u>	<u>\$916</u>	<u>\$-</u>	<u>\$916</u>

<u>December 31, 2019</u>				
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	\$-	\$16,328	\$-	\$16,328
Investments in equity				
Securities listed in ROC - ordinary shares	291,393	-	-	291,393
Unlisted securities - ROC - ordinary shares	=	<u>45,160</u>	=	<u>45,160</u>
	<u>\$ 291,393</u>	<u>\$61,488</u>	<u>\$-</u>	<u>\$ 352,881</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted securities - ROC - ordinary shares	\$-	\$75,452	\$-	\$75,452
Unlisted securities - foreign - preference shares	=	<u>2,382</u>	=	<u>2,382</u>
	<u>\$-</u>	<u>\$77,834</u>	<u>\$-</u>	<u>\$77,834</u>
Financial liabilities at FVTPL				
Derivative instruments	<u>\$-</u>	<u>\$21,898</u>	<u>\$-</u>	<u>\$21,898</u>

<u>September 30, 2019</u>				
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	\$-	\$7,720	\$-	\$7,720
Investments in equity				
Securities listed in ROC - ordinary shares	276,120	-	-	276,120
Unlisted securities - ROC - ordinary shares	=	<u>45,160</u>	=	<u>45,160</u>
	<u>\$ 276,120</u>	<u>\$52,880</u>	<u>\$-</u>	<u>\$ 329,000</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted securities - ROC - ordinary shares	\$-	\$75,452	\$-	\$75,452
Unlisted securities - foreign - preference shares	=	<u>2,382</u>	=	<u>2,382</u>
	<u>\$-</u>	<u>\$77,834</u>	<u>\$-</u>	<u>\$77,834</u>
Financial liabilities at FVTPL				
Derivative instruments	<u>\$-</u>	<u>\$34,139</u>	<u>\$-</u>	<u>\$34,139</u>

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

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Financial assets at FVTPL - foreign exchange forward contracts	Estimation of future cash flows using observable foreign exchange forward rates at the end of year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Financial assets at FVTPL - currency swaps	Estimation of fair value of a currency swap contract is based on its principal and interest rate on mutual agreement and the suitable discount rate that reflects the credit risk of various counterparties at the end of the reporting period.
FVTPL - domestic unlisted securities	Market approach: Reference to active market price and price multiplier of comparable listed companies, adjusted for liquidity discount.
FVTOCI - domestic and overseas unlisted securities	Asset-based approach: Based on valuation of the underlying balance sheets, accounting for effect of off-balance-sheet assets and liabilities, and adjusted for liquidity discount and minority interest discount.

- c. Categories of financial instruments

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial assets</u>			
FVTPL			
Financial assets mandatorily classified as at FVTPL	\$315,872	\$352,881	\$329,000
Financial assets at amortized cost (1)	4,719,184	8,534,874	8,212,117
Equity investments at FVTOCI	77,834	77,834	77,834
<u>Financial liabilities</u>			
FVTPL			
Financial liabilities held for trading	916	21,898	34,139
Financial liability at amortized cost (2)	4,163,604	7,663,005	7,404,092

- 1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, financial asset measured at amortized cost, notes receivable, trade receivables, other receivables and refundable deposits.
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term borrowings, short-term bills payable, trade payables, other payables and guarantee deposit received.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables, and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The corporate treasury function reports quarterly to the Company's board of directors.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk, including foreign exchange forward contracts and currency swap contracts to hedge the exchange rate risk arising on the exports.

There were no changes to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

Several subsidiaries of the Company have foreign currency denominated sales and purchases, which expose the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Notes 7 and 38.

Sensitivity analysis

The Group was mainly exposed to the Currency U.S. dollar.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts exposed and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar strengthening 5% against the relevant currency. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

USD Impact
For the Nine Months Ended
September 30
2020 2019

Profit or loss	\$ (14,256)	\$9,211
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This was mainly attributable to the exposure on outstanding receivables and payables in foreign currency which were not hedged at the end of the reporting period.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite ensuring the most cost-effective hedging strategies are applied.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Fair value interest rate risk			
Financial assets	\$ 2,260,821	\$ 3,914,985	\$ 4,000,624
Financial liabilities	2,299,682	3,113,679	3,422,741
Cash flow interest rate risk			
Financial assets	1,019,781	2,565,326	2,013,398
Financial liabilities	-	2,500,000	2,500,000

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 50-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2020 and 2019 would increase/decrease by \$3,824 thousand and decrease/increase by \$1,825 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and bank deposit.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than for trading purposes. The Group does not actively trade these investments. The Group's equity price risk is mainly concentrated in equity instruments operating in Taiwan Exchange.

Sensitivity analysis

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

If equity prices had been 15% higher/lower, pre-tax profit for the nine months ended September 30, 2020 would have increased/decreased by \$37,150 thousand, as a result of the changes in fair value of financial assets at FVTPL.

If equity prices had been 15% higher/lower, pre-tax profit for the nine months ended September 30, 2019 would have increased/decreased by \$41,418 thousand, as a result of the changes in fair value of financial assets at FVTPL.

The Group's sensitivity to investments in equity securities has not changed significantly from the prior year.

2) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, mainly refers to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group transacts with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

The Group's concentration of credit risk by geographical locations was mainly in China, which accounted for 48%, 66% and 66% of total trade receivables as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group had available unutilized short-term bank loan facilities set out in (c) below.

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed-upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed-upon repayment dates.

September 30, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$645,611	\$737,496	\$705,539	\$-	\$-
Lease liabilities	1,775	3,913	7,037	34,089	190,176
Variable interest rate liabilities	<u>601,565</u>	<u>1,451,934</u>	<u>250,512</u>	-	-
	<u>\$ 1,248,951</u>	<u>\$ 2,193,343</u>	<u>\$963,088</u>	<u>\$34,089</u>	<u>\$190,176</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 12,275</u>	<u>\$ 34,089</u>	<u>\$ 34,508</u>	<u>\$ 34,508</u>	<u>\$ 34,508</u>	<u>\$ 86,652</u>

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 1,275,516	\$915,087	\$458,255	\$1,289	\$-
Lease liabilities	3,128	16,658	60,920	144,059	242,712
Variable interest rate liabilities	1,345,697	2,695,998	1,550,856	-	-
Fixed interest rate liabilities	<u>79</u>	<u>10,083</u>	<u>30,023</u>	-	-
	<u>\$ 2,624,420</u>	<u>\$ 3,637,826</u>	<u>\$ 2,100,054</u>	<u>\$145,348</u>	<u>\$242,712</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 80,706</u>	<u>\$ 144,059</u>	<u>\$ 53,877</u>	<u>\$ 52,458</u>	<u>\$ 52,458</u>	<u>\$ 83,919</u>

September 30, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$978,562	\$727,039	\$672,189	\$-	\$-
Lease liabilities	3,223	17,265	60,643	162,409	245,965
Variable interest rate liabilities	1,519,309	1,236,640	257,747	1,264,647	-
Fixed interest rate liabilities	<u>55</u>	<u>10,093</u>	<u>30,096</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,501,149</u>	<u>\$ 1,991,037</u>	<u>\$ 1,020,675</u>	<u>\$ 1,427,056</u>	<u>\$245,965</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 81,131</u>	<u>\$ 162,409</u>	<u>\$ 54,507</u>	<u>\$ 52,458</u>	<u>\$ 52,458</u>	<u>\$ 86,542</u>

The amount included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

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

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

September 30, 2020

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	1-5 Years	5+ Years
Foreign exchange forward contracts					
Inflows	\$-	\$-	\$ 292,065	\$-	\$-
Outflows	=	=	<u>292,981</u>	=	=
	<u>\$-</u>	<u>\$-</u>	<u>\$(916)</u>	<u>\$-</u>	<u>\$-</u>

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	1-5 Years	5+ Years
Foreign exchange forward contracts					
Inflows	\$ 118,245	\$ 118,494	\$ 59,203	\$-	\$-
Outflows	<u>119,720</u>	<u>119,720</u>	<u>59,860</u>	=	=
	(1,475)	(1,226)	(657)	=	=
Currency swaps					
Inflows	-	359,160	-	-	-
Outflows	=	<u>377,700</u>	=	=	=
	=	(18,540)	=	=	=
	<u>\$ (1,475)</u>	<u>\$ (19,766)</u>	<u>\$ (657)</u>	<u>\$-</u>	<u>\$-</u>

September 30, 2019

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	1-5 Years	5+ Years
Foreign exchange forward contracts					
Inflows	\$ 209,526	\$ 243,169	\$ 302,233	\$-	\$-
Outflows	<u>226,929</u>	<u>247,919</u>	<u>309,899</u>	=	=
	(17,403)	(4,750)	(7,666)	=	=
Currency swaps					
Inflows	-	-	371,880	-	-
Outflows	=	=	<u>376,200</u>	=	=
	=	=	(4,320)	=	=
	<u>\$ (17,403)</u>	<u>\$ (4,750)</u>	<u>\$ (11,986)</u>	<u>\$-</u>	<u>\$-</u>

c) Financing facilities:

	September 30, 2020	December 31, 2019	September 30, 2019
Unsecured bank overdraft facilities, reviewed annually and payable on demand:			
Amount used	\$ 2,300,000	\$ 5,613,786	\$ 5,511,003
Amount unused	<u>2,946,184</u>	<u>3,522,603</u>	<u>3,644,982</u>
	<u>\$ 5,246,184</u>	<u>\$ 9,136,389</u>	<u>\$ 9,155,985</u>

34. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows:

a. Related parties and relationships

<u>Related Parties</u>	<u>Relationships with the Group</u>
Lite-On Technology Corporation	Investor that has significant influence over the Group
Lite-On Integrated Services Inc.	Investee of Lite-On Technology Corporation
Lite-On Technology (Changzhou) Co., Ltd.	Investee of Lite-On Technology Corporation
Lite-On Overseas Trading Co., Ltd.	Investee of Lite-On Technology Corporation
Lite-On Singapore Pte. Ltd.	Investee of Lite-On Technology Corporation
Silitech Technology Corporation	Investee of Lite-On Technology Corporation
Lite-On Electronics (Thailand) Co., Ltd.	Investee of Lite-On Technology Corporation
Lite-On Japan Ltd.	Associate (changed into an investee of Lite-On Technology Corporation from July 26, 2019)
Lite-On Japan (HK) Ltd.	Associate (changed into an investee of Lite-On Technology Corporation from July 26, 2019)
Lite-On Japan (Thailand) Co., Ltd.	Associate (changed into an investee of Lite-On Technology Corporation from July 26, 2019)
L&K Industries Philippines Inc.	Associate (changed into an investee of Lite-On Technology Corporation from July 26, 2019)
Diodes, Inc.	Associate
Diodes Hong Kong Ltd.	Associate
Shanghai Kaihong Electronic Co., Ltd.	Associate
Shanghai Kaihong Electronic Technology Co., Ltd.	Associate
Diodes Technology (Cheng Du) Company Limited	Associate
Diodes Taiwan S.A R.L., Taiwan Branch (Luxembourg)	Associate
Dyna Image Corporation	Associate (changed into subsidiary from November 2019)
Inergy Technology Inc.	Related party in substance
Silport Travel Service Co., Ltd.	Related party in substance
Dyna Image Corporation Philippines	Related party in substance
Lite-On Cultural Foundation	Related party in substance
Actron Technology Corporation	Related party in substance
On Bright Electronics (Shanghai) Co., Ltd.	Subsidiary (changed into related party in substance from January 2020 and changed into non-related party from June 2020)
On-Brilliant Electronics (Hong Kong) Co., Ltd.	Subsidiary (changed into related party in substance from January 2020 and changed into non-related party from June 2020)
Guangzhou On-Bright Electronic Co., Ltd.	Subsidiary (changed into related party in substance from January 2020 and changed into non-related party from June 2020)

b. Sales of goods

Line Item	Related Parties Categories	For the Three Months Ended		For the Nine Months Ended	
		<u>September 30</u> 2020	2019	<u>September 30</u> 2020	2019
Sales	Associates	\$89,642	\$123,721	\$295,801	\$615,077
	Investors that have significant influence over the Group	315,554	310,700	794,548	655,482
	Related party in substance	=	=	<u>35,465</u>	=
		<u>\$405,196</u>	<u>\$434,421</u>	<u>\$1,125,814</u>	<u>\$1,270,559</u>

The terms of the transactions of the Group and related parties were agreed upon by both parties.

c. Purchases of goods

Related Parties Categories	For the Three Months Ended		For the Nine Months Ended	
	<u>September 30</u> 2020	2019	<u>September 30</u> 2020	2019
Associates	\$4,898	\$44,746	\$11,130	\$ 222,418
Investors that have significant influence over the Group	<u>97,021</u>	<u>79,425</u>	<u>233,187</u>	<u>79,425</u>
	<u>\$ 101,919</u>	<u>\$ 124,171</u>	<u>\$ 244,317</u>	<u>\$ 301,843</u>

The terms of the transactions of the Group and related parties were agreed upon by both parties.

d. Receivables from related parties (excluding loans to related parties)

Line Item	Related Parties Categories	September 30, 2020	December 31, 2019	September 30, 2019
Trade receivables	Investors that have significant influence over the Group			
	Lite-On Overseas Trading Co., Ltd.	\$ 197,248	\$ 209,993	\$ 271,199
	Others	<u>81,521</u>	<u>140,398</u>	<u>133,541</u>
		278,769	350,391	404,740
	Associates	<u>58,591</u>	<u>64,299</u>	<u>60,758</u>
		<u>\$ 337,360</u>	<u>\$ 414,690</u>	<u>\$ 465,498</u>

Line Item	Related Parties Categories	September 30, 2020	December 31, 2019	September 30, 2019
Other receivables from related parties	Associates			
	Dyna Image Corporation	\$-	\$-	\$30,764
	Others	<u>6,899</u>	=	=
	Investors that have significant influence over the Group	6,899	-	30,764
	L&K Industries Philippines Inc.	<u>50,432</u>	<u>47,831</u>	<u>31,528</u>
		<u>\$57,331</u>	<u>\$47,831</u>	<u>\$62,292</u>

The outstanding trade receivables from related parties are unsecured. No allowance for doubtful accounts was recognized for trade receivables from related parties for the nine months ended September 30, 2020 and 2019.

e. Payables to related parties

Line Item	Related Parties Categories	September 30, 2020	December 31, 2019	September 30, 2019
Trade payables to related parties	Associates	\$4,811	\$5,498	\$10,419
	Investors that have significant influence over the Group	<u>74,993</u>	<u>102,277</u>	<u>91,988</u>
		<u>\$79,804</u>	<u>\$ 107,775</u>	<u>\$ 102,407</u>
Other payables to related parties	Investors that have significant influence over the Group	\$1,663	\$1,949	\$2,494
	Associates	17	426	-
	Related party in substance	=	=	<u>134</u>
		<u>\$1,680</u>	<u>\$2,375</u>	<u>\$2,628</u>

The outstanding trade payables from related parties are unsecured.

f. Lease arrangements - Group as lessee

Line Item	Related Parties Categories	September 30, 2020	December 31, 2019	September 30, 2019
Lease liabilities	Investors that have significant influence over the Group	<u>\$2,181</u>	<u>\$8,666</u>	<u>\$10,807</u>

Related Parties Categories	For the Three Months Ended		For the Nine Months Ended	
	<u>September 30</u>	2019	<u>September 30</u>	2019
	2020		2020	2019

Interest expense

Investors that have significant influence over the Group	<u>\$16</u>	<u>\$54</u>	<u>\$78</u>	<u>\$193</u>
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g. Lease arrangements - Group as lessor

Investors that have significant influence over the Group leased the Group's investment property located in Hsinchu Science Park. The lease period was from January 2017 to December 2021. Lease payments are paid on a monthly basis. As of September 30, 2020, December 31, 2019 and September 30, 2019, the gross lease payments to be received are \$30,000 thousand, \$48,000 thousand and \$54,000 thousand, respectively. Lease income recognized for the nine months ended September 30, 2020 and 2019 were \$18,000 thousand.

The associate, which was transferred to subsidiary since November 2019, of the Group rented property, plant and equipment located in Hsinchu Science Park. The lease period started from January 2015. Lease payments are paid on a monthly basis. For three months ended September 30, 2019, lease income recognized was \$66 thousand. For nine months ended September 30, 2019, lease income recognized was \$198 thousand.

h. Compensation of key management personnel

	For the Three Months Ended		For the Nine Months Ended	
	<u>September 30</u>	2019	<u>September 30</u>	2019
	2020		2020	2019
Short-term employee benefits	\$9,668	\$33,667	\$38,138	\$ 101,929
Post-employment benefits	<u>210</u>	<u>337</u>	<u>658</u>	<u>1,009</u>
	<u>\$9,878</u>	<u>\$34,004</u>	<u>\$38,796</u>	<u>\$ 102,938</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

35. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for letter of bank guarantee, the tariffs of imported raw materials guarantees and the joint guarantees of rental of land from Hsinchu Science Park:

	September 30, 2020	December 31, 2019	September 30, 2019
Pledged time deposits (classified as financial assets at amortized cost)	<u>\$200</u>	<u>\$4,146</u>	<u>\$ 13,706</u>

36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of September 30, 2020, December 31, 2019 and September 30, 2019 were as follows:

- a. The Group signed sales commission contracts with P&A Korea and Jay Tronics Inc. Sales commission is paid within 5% of sales price.
- b. Unrecognized commitments were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Acquisition of property, plant and equipment	<u>\$76,305</u>	<u>\$ 336,266</u>	<u>\$ 351,979</u>

37. OTHER ITEMS

Due to the impact of the COVID-19 pandemic, many countries started the epidemic prevention measures which forced the Group to manage the marketing strategy in mainland China. Although the domestic epidemic situation has slowed down and the government's policies have been loosened, many countries are still under lockdown measures, and the global economic situation continues to tighten. To respond to this situation, the Group keeps in contact with its customers and manufacturers and improves health management of the employees. The Group also disposed all shares of On-Bright Electronics Incorporated for cash which can be used for operating costs and other expenses in order to mitigate the impact of the COVID-19 pandemic.

38. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the entities in the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

September 30, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$69,261	29.05 (USD:NTD)	\$ 2,012,037
USD	66,681	6.8101 (USD:RMB)	<u>1,937,075</u>
			<u>\$ 3,949,112</u>
Non-monetary items			
Investments accounted for using the equity method			
USD	179,034	29.05 (USD:NTD)	<u>\$ 5,200,947</u>

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$71,611	29.05 (USD:NTD)	\$ 2,080,311
USD	24,051	6.8101 (USD:RMB)	<u>698,689</u>
			<u>\$ 2,779,000</u>

(Concluded)

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$57,050	29.93 (USD:NTD)	\$ 1,707,515
USD	79,344	6.9762 (USD:RMB)	<u>2,374,773</u>
			<u>\$ 4,082,288</u>
Non-monetary items			
Investments accounted for using the equity method			
USD	167,790	29.93 (USD:NTD)	<u>\$ 5,021,951</u>

Financial liabilities

Monetary items			
USD	69,859	29.93 (USD:NTD)	\$ 2,090,886
USD	32,108	6.9762 (USD:RMB)	<u>960,994</u>
			<u>\$ 3,051,880</u>

September 30, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$58,788	30.99 (USD:NTD)	\$ 1,821,840
USD	74,714	7.0729 (USD:RMB)	<u>2,315,379</u>
			<u>\$ 4,137,219</u>

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Non-monetary items			
Investments accounted for using the equity method			
USD	\$156,776	30.99 (USD:NTD)	<u>\$ 4,858,488</u>
Financial liabilities			
Monetary items			
USD	76,144	30.99 (USD:NTD)	\$ 2,359,709
USD	32,356	7.0729 (USD:RMB)	<u>1,002,708</u>
			<u>\$ 3,362,417</u>

(Concluded)

The Group is mainly exposed to USD. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

For the Three Months Ended September 30				
2020		2019		
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	29.400 (USD:NTD)	\$-	31.197 (USD:NTD)	\$(193)
NTD	1 (NTD:NTD)	5,600	1 (NTD:NTD)	14,232
RMB	4.2489 (RMB:NTD)	<u>(45,298)</u>	4.462 (RMB:NTD)	<u>22,835</u>
		<u>\$ (39,698)</u>		<u>\$ 36,874</u>
For the Nine Months Ended September 30				
2020		2019		
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	29.817 (USD:NTD)	\$-	31.054 (USD:NTD)	\$(646)
NTD	1 (NTD:NTD)	15,596	1 (NTD:NTD)	22,004
RMB	4.2641 (RMB:NTD)	<u>(31,648)</u>	4.5327 (RMB:NTD)	<u>15,390</u>
		<u>\$ (16,052)</u>		<u>\$ 36,748</u>

39. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees:

- 1) Financing provided: None.
- 2) Endorsement/guarantee provided: None.

- 3) Marketable securities held: See Table 1 below.
 - 4) Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of the paid-in capital: See Table 2 below.
 - 5) Acquisition of individual real estate properties at costs of at least \$300 million or 20% of the paid-in capital: None.
 - 6) Disposal of individual real estate properties at prices of at least \$300 million or 20% of the paid-in capital: None.
 - 7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital: See Table 3 below.
 - 8) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: See Table 4 below.
 - 9) Trading in derivative instruments: See Note 7 to the financial statements.
 - 10) Intercompany relationships and significant intercompany transactions: See Table 5 below.
 - 11) Information on investees: See Table 6 below.
- b. Information on investments in mainland China:
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: See Table 7 below.
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: See Table 8 below.
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

40. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

- CMOS Imaging Sensor segment
 - Power Semiconductor segment
 - Wafer Foundry segment
 - IC Products segment
- a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

	Segment income		Segment Profit	
	For the Nine Months Ended		For the Nine Months Ended	
	September 30		September 30,	
	2020	2019	2020	2019
CMOS Imaging Sensor segment	\$ 825,946	\$ 898,329	\$ 70,004	\$ 76,483
Power Semiconductor segment	3,688,848	3,856,434	8,940	994
Wafer Foundry segment	572,295	509,640	(287,974)	(222,694)
IC Products segment	86,868	3,386,095	(67,320)	422,881
Revenue from external customers	5,173,957	8,650,498	(276,350)	277,664
Inter-segment revenue and gain or loss	(275,783)	(276,515)	62,658	27,300
Income from continuing operation	\$ 4,898,174	\$ 8,373,983	\$ (213,692)	\$ 304,964
Interest income			36,270	112,830
Other income			66,336	85,458
Other gains or losses			2,427,865	(53,267)
Financial costs			(38,206)	(75,860)
Share of profit of associates accounted for using the equity method			306,286	504,523
Profit before tax			\$ 2,584,859	\$ 878,648

Segment profit represented the profit before tax earned by each segment without other income, other gain or loss, finance costs and share of profit of associates accounted for using the equity method. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

The Group did not provide its assets and liabilities' measurement to the chief operating decision makers and, therefore, no measurement amount should be disclosed.

TABLE 1

LITE-ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
MARKETABLE SECURITIES HELD SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars, In Thousands of Foreign Currencies and In Thousands of Shares)

Held Company Name	Type and Name of Marketable Securities	Relationship with the Held Company	Financial Statement Account	September 30, 2020	
				Share/Units (In Thousands)	Carrying Value
Lite-On Semiconductor Corporation	<u>Ordinary shares</u>				
	Actron Technology Corporation	Lite-On Semiconductor Corporation is the director of Actron Technology Corporation.	Financial assets - FVTPL	2,995	\$247,669
	Inergy Technology Inc.	Lite-On Semiconductor Corporation is the director of Inergy Technology Inc.	Financial assets - FVTPL	3,380	35,340
	Global Strategic Investment Inc.	N/A	Financial assets - FVTOCI	147	-
	Single Chip Systems Corp.	N/A	Financial assets - FVTOCI	342	-
	WK Technology Fund IV	N/A	Financial assets - FVTOCI	161	843
	Coremate Technical Co., Ltd.	N/A	Financial assets - FVTOCI	812	-
	Luzhu Development Co., Ltd.	N/A	Financial assets - FVTOCI	8,768	74,609
	Newport Imagine Co., Ltd.	N/A	Financial assets - FVTOCI	212	-
	Global Strategic Investment Inc. (Samoa)	N/A	Financial assets - FVTOCI	261	2,382

Note 1: Market price was calculated using closing price on September 30, 2020.

Note 2: Refer to Table 6 for information for subsidiaries and associates.

LITE-ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE
NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars, In Thousands of Foreign Currencies and In Thousands of Shares)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal		
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Amount
Shanghai Seefull Electronic Co., Ltd.	Guaranteed income deposit (Note 2)	Financial assets at amortized cost - current	Shanghai Commercial and Savings Bank	Note 1	-	\$372,427 (RMB 85,000)	-	\$-	-	\$375,623 (RMB 85,729)	\$372,427 (RMB 85,000)
Lite-on Semiconductor Corporation	On-Bright Electronic Incorporated	Investment accounted for using the equity method and financial assets at FVTPL	Orthosie Investment Holdings Ltd.	Note 3	17,464	1,339,271	-	-	17,464	3,920,333	2,551,109

Note 1: The counterparty is a financial institution and non-related party.

Note 2: Asset items are exchanged using an exchange rate of RMB1=\$4.2657 as of September 30, 2020. Profit or loss items are exchanged using an exchange rate of RMB1=\$4.2641 throughout January 1, 2020 to September 30, 2020.

Note 3: The counterparty is an international private equity and non-related party.

LITE-ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN
CAPITAL FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars and In Thousands of Foreign Currencies)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction	
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms
Lite-On Semiconductor Corporation	Lite-On Overseas Trading Co., Ltd.	Investee of Lite-On Technology Corporation	Sales	\$415,727	9	Settled monthly (145 days)	No significant difference	No significant difference
	LITE-ON JAPAN LTD.	Investee of Lite-On Technology Corporation	Sales	174,555	4	Settled monthly (60 days)	No significant difference	No significant difference
	LITE-ON JAPAN LTD (HK)	Investee of Lite-On Japan LTD.	Sales	122,635	3	Settled monthly (60 days)	No significant difference	No significant difference
	L&K INDUSTRIES PHILIPPINES INC	Investee of Lite-On Japan LTD.	Sales	138,650	3	Settled monthly (60 days)	No significant difference	No significant difference
	Lite-On Semiconductor (Wuxi) Co., Ltd.	Second-tier subsidiary	Purchase	506,991	12	Settled monthly (60 days)	Cost markup	No significant difference
	Shanghai Seefull Electronic Co., Ltd.	Second-tier subsidiary	Purchase	1,059,868	25	Settled monthly (60 days)	Cost markup	No significant difference
	Lite-On Microelectronics (Wuxi) Co., Ltd.	Second-tier subsidiary	Purchase	1,534,476	36	Settled monthly (60 days)	Cost markup	No significant difference
Shanghai Seefull Electronic Co., Ltd.	Lite-On Semiconductor Corporation	Parent company	Sales	US\$35,355	70	Settled monthly (60 days)	Cost markup	No significant difference
	Lite-On Semiconductor Corporation	Parent company	Purchase	US\$7,537	17	Settled monthly (60 days)	Cost markup	No significant difference
Lite-On Semiconductor (Wuxi) Co., Ltd.	Lite-On Semiconductor Corporation	Parent company	Sales	US\$16,980	61	Settled monthly (60 days)	Cost markup	No significant difference
	Shanghai Seefull Electronic Co., Ltd.	Second-tier subsidiary	Sales	RMB 29,190	15	Settled monthly (60 days)	Cost markup	No significant difference
Lite-On Microelectronics (Wuxi) Co., Ltd.	Lite-On Semiconductor Corporation	Parent company	Sales	US\$51,383	94	Settled monthly (60 days)	Cost markup	No significant difference

Note: All intercompany sales and purchases were eliminated upon consolidation.

LITE-ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL SEPTEMBER 30, 2020

(In Thousands of New Taiwan Dollars and In Thousands of Foreign Currencies)TABLE 4

Company Name	Related Party	Nature of Relationship	Receivables from Related Parties		Turnover Rate	Overdue	
			Financial Statement Account	Ending Balance of Trade Receivables		Amount	Action Taken
Lite-On Semiconductor Corporation	Lite-On Overseas Trading Co., Ltd.	Investee of Lite-On Technology Corporation	Accounts receivable	\$197,258	2.72	\$-	-
Shanghai Seefull Electronic Co., Ltd.	Lite-On Semiconductor Corporation (Note)	Parent company	Accounts receivable	US\$ 17,544	2.84	US\$ 4,613	Collected portion after reporting period actively collected the rest
Lite-On Semiconductor (Wuxi) Co., Ltd.	Lite-On Semiconductor Corporation (Note)	Parent company	Accounts receivable	US\$ 12,127	1.79	US\$ 5,322	Collected portion after reporting period actively collected the rest
Lite-On Microelectronics (Wuxi) Co., Ltd.	Lite-On Semiconductor Corporation (Note)	Parent company	Accounts receivable	US\$ 26,111	2.73	US\$ 5,348	Collected after reporting period

Note: All intercompany receivables were eliminated upon consolidation.

LITE-ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
 INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
 (In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transaction		
				Financial Statement Item	Amount	Term
0	Lite-On Semiconductor Corporation	Shanghai Seefull Electronic Co., Ltd.	a	Other receivables	\$77,160	Settled monthly (
		Shanghai Seefull Electronic Co., Ltd.	a	Accounts payable	509,641	Settled monthly (
		Shanghai Seefull Electronic Co., Ltd.	a	Purchase	1,059,868	Settled monthly (
		Shanghai Seefull Electronic Co., Ltd.	a	Other revenue	224,957	Settled monthly (
		Lite-On Microelectronics (Wuxi) Co., Ltd.	a	Other receivables	94,546	Settled monthly (
		Lite-On Microelectronics (Wuxi) Co., Ltd.	a	Accounts payable	352,612	Settled monthly (
		Lite-On Microelectronics (Wuxi) Co., Ltd.	a	Purchase	1,534,476	Settled monthly (
		Lite-On Microelectronics (Wuxi) Co., Ltd.	a	Other revenue	246,848	Settled monthly (
		Lite-On Semiconductor (Wuxi) Co., Ltd.	a	Accounts payable	758,521	Settled monthly (
		Lite-On Semiconductor (Wuxi) Co., Ltd.	a	Purchase	506,991	Settled monthly (
1	Shanghai Seefull Electronic Co., Ltd.	Lite-On Semiconductor (Wuxi) Co., Ltd.	c	Other payable	56,628	Settled monthly (
		Lite-On Semiconductor (Wuxi) Co., Ltd.	c	Manufacturing expense	124,468	Settled monthly (
		Lite-On Microelectronics (Wuxi) Co., Ltd.	c	Accounts receivable	173,483	Settled monthly (
		Lite-On Microelectronics (Wuxi) Co., Ltd.	c	Accounts payable	40,051	Settled monthly (
		Lite-On Microelectronics (Wuxi) Co., Ltd.	c	Purchase	85,650	Settled monthly (
		Lite-On Microelectronics (Wuxi) Co., Ltd.	c	Sales revenue	394,367	Settled monthly (

Note 1: The parent company and its subsidiaries are coded as follows:

- The parent company is coded "0".
- The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of relationship is as follows:

- From the parent company to its subsidiary.
- From a subsidiary to its parent company.
- Between subsidiaries.

Note 3: The percentage calculation is based on the consolidated total operating revenues or total assets. For balance sheet items, each item's period-end balance is shown as a percentage to consolidated total assets at September 30, 2020. For profit or loss items, cumulative amounts are shown as a percentage to consolidated total operating revenues for the nine months ended September 30, 2020.

Note 4: The intercompany transactions were eliminated upon consolidation.

LITE-ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE PARENT COMPANY EXERCISES SIGNIFICANT INFLUENCE FOR THE NINE
MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars, In Thousands of Foreign Currencies and In Thousands of Shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2020			Net Inco (Losses) of Investee
				September 30, 2020	December 31, 2019	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value	
Lite-On Semiconductor Corporation	On-Bright Electronics Incorporated (Note 4)	British Cayman Islands	Investment	\$-	\$286,160	-	-	\$-	\$-
	Dyna Image Corporation Philippines	Philippines	Image sensor manufacturing	519,527	519,527	79,595	100.00	-	-
	Dyna International Holding Co., Ltd. (Note 2)	British Virgin Islands	Investment	3,443,894	3,443,894	108,673	100.00	5,698,091	142
	Smart Power Holding Group Co., Ltd. (Note 2)	British Virgin Islands	Investment	78,366	78,366	50	100.00	-	-
	Lyra Semiconductor Incorporated (Note 2)	Hsinchu, Taiwan	Manufacturing and trading semiconductor parts	122,640	204,000	12,264	50.01	19,066	(40)
	Diodes, Inc.	USA	Manufacturing of diode bridge rectifier and related components	77,237	77,237	7,766	14.95	5,082,303	2,034
	Dynacard Co., Ltd.	Taipei City, Taiwan	Sales, R&D and technology transfer of IC cards and manufacturing of electronic components	-	41,298	-	-	-	-
	Dyna Image Corporation (Note 2)	New Taipei City, Taiwan	Trading photoelectric products	8,340	61,229	1,922	51.70	(28,283)	-
Dyna International Holding Co., Ltd.	Dyna International Co., Ltd. (Note 2)	British Virgin Islands	Investment and trading	US\$ 112,338	US\$ 112,338	112,338	100.00	US\$ 198,092	US\$ 4
On-Bright Electronics Incorporated	On-Bright Electronics (Hong Kong) Co., Limited. (Note 4)	Hong Kong	Investment	-	US\$ 4,900	-	-	-	-
	On-Brilliant Electronics (Hong Kong) Co., Limited. (Note 4)	Hong Kong	Investment	-	US\$ 6,700	-	-	-	-
Dyna International Co., Ltd.	Lite-On Semiconductor (HK) Limited (Note 2)	Hong Kong	Investment	US\$ 114,423	US\$ 114,423	110,975	100.00	US\$ 197,995	US\$ 4
Lite-On Semiconductor (HK) Limited	WBG PowerSystems (Cayman) Co., Ltd. (Note 2)	British Cayman Islands	Investment	US\$ 975	US\$ 975	975	65.00	US\$ 396	US\$ (
WBG PowerSystems (Cayman) Co., Ltd.	WBG PowerSystems (HK) Co., Ltd. (Note 2)	Hong Kong	Investment	US\$ 1,440	US\$ 1,440	1,440	100.00	US\$ 568	US\$ (
On-Brilliant Electronics (Hong Kong) Co., Limited.	Taiwan On-Bright Electronics Incorporated (Note 2)	New Taipei City, Taiwan	Electronic components manufacturing, product design and international trade, all business items that are not prohibited or restricted by law, except those that are subject to special approval	-	200,000	-	-	-	-
Taiwan On-Bright Electronics Incorporated	SynCmos Technologies International, Inc. (Note 2)	Hsinchu, Taiwan	Design of integrated circuit, wholesale of electronic materials and retail business	-	193,672	-	-	-	-

Note 1: Refer to Table 8 for information on investments in mainland China.

Note 2: Eliminated upon consolidation.

Note 3: Dyna Image Corporation Philippines' board of directors resolved to dissolve its company, and stipulated March 30, 2018, as dissolution base date. The Group lost its control of the subsidiary on the dissolution base date. The company did not complete its liquidation procedures until September 30, 2020.

Note 4: The Company disposed 9,237 thousand shares of On-Bright Electronics Incorporated on January 14, 2020. At the same time, since the transfer of shares held during the term of office of directors exceeds one-half of the Company's shares at the time of appointment, the Company Act stipulates that the Company shall be discharged from all seats of the board of directors. The Company lost control to direct the financing and operating decisions and ceased to include On-Bright Electronics Incorporated in the consolidated financial statements since the date of loss of control.

Note 5: The Group held a 12.23% interest in Dynacard Co., Ltd. and accounted for the investment using the equity method. The Group disposed 4.91% of its interest and had no significant influence over Dynacard Co., Ltd. on September 2020.

LITE-ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(In Thousands of New Taiwan Dollars, In Thousands of Foreign Currencies and In Thousands of Shares) TABLE 7

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 2)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment of Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2020	Net Income (Losses) of the Investee Company (Note 2)	Percentage of Ownership	Share of Profits/Losses (Note 2)	Se 3 (\$
					Outflow	Inflow					
Shanghai Seefull Electronic Co., Ltd.	Manufacturing of diodes and bridge rectifier	US\$ 26,000	Note 1	\$804,046	\$-	\$-	\$804,046	\$49,050	100.00	\$49,050	\$
Lite-On Semiconductor (Wuxi) Co., Ltd.	Manufacturing and sale of photoelectric devices, rectifiers and power semiconductors	US\$ 43,000	Note 1	1,396,410	-	-	1,396,410	72,687	100.00	72,637	
Lite-On Microelectronics (Wuxi) Co., Ltd.	Development of MOS technology and bipolar process technology circuits	US\$ 40,000	Note 1	1,259,862	-	-	1,259,862	5,663	100.00	(9,884)	

Accumulated Outflow of Investment in Mainland China From Taiwan as of September 30, 2020	Investment in Mainland China Authorized by the Investment Commission, Ministry of Economic Affairs	Investment Limit in Mainland China Regulated by the Investment Commission, Ministry of Economic Affairs
\$3,460,318	\$3,460,318 (US\$109,000)	\$5,334,080 (Note 3)

Note 1: Investment through reinvestment of a third-area company

Note 2: Except for Shanghai Seefull Electronic Co., Ltd., investment income or loss was recognized according to the audited financial statements of the investees above.

Note 3: Upper limit of accumulated investment in mainland China is $9,223,467 \times 60\% = \$5,534,080$.

Note 4: Eliminated upon consolidation.

TABLE 8

LITE-ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND
UNREALIZED GAINS OR LOSSES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars)

Investee Company	Transaction Type	Purchase/Sale		Transaction Details			Notes/Accounting
		Amount	%	Price	Payment Terms	Comparison with Normal Transactions	Ending Balance
Lite-On Microelectronics (Wuxi) Co., Ltd.	Purchase	\$ 1,534,476	36	Cost markup	Settled monthly (60 days)	No significant difference	\$(352,612)
Shanghai Seefull Electronic Co., Ltd.	Purchase	1,059,868	25	Cost markup	Settled monthly (60 days)	No significant difference	(509,612)
Lite-On Semiconductor (Wuxi) Co., Ltd.	Purchase	506,991	12	Cost markup	Settled monthly (60 days)	No significant difference	(758,612)

Note: Eliminated upon consolidation.

LITE-ON SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS SEPTEMBER 30, 2020

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Lite-On Technology Corporation	57,203,784	18.30

Note: The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of the quarter, and the total number of ordinary shares and special shares held by the shareholders who have completed the non-physical securities delivery (including treasury shares) is more than 5%. The share capital recorded in the Company's consolidated financial statements and the actual number of non-physical securities delivered may be different due to the basis of preparation and calculation.