

**Promate Solutions Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2020 and 2019 and
Independent Auditors' Review Report**

TABLE OF CONTENTS

	<u>ITEMS</u>	<u>PAGE</u>	<u>FINANCIAL REPORT NOTE NO.</u>
I.	Cover	1	-
II.	Table of Contents	2	-
III.	Independent Auditor’s Review Report	3~4	-
IV.	Consolidated Balance Sheet	5	-
V.	Consolidated Statement of Comprehensive Income	6	-
VI.	Consolidated Statement of Changes in Equity	7	-
VII.	Consolidated Statement of Cash Flow	8~9	-
VIII.	Notes to Consolidated Financial Statements		
	1. General Information	10	1
	2. Approval of Financial Statements	10	2
	3. Application of New, Amended, and Revised Standards and Interpretation	10~13	3
	4. Summary of Significant Accounting Policies	13~14	4
	5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty	14	5
	6. Descriptions of Significant Accounting Items	15~40	6~29
	7. Transaction with Related Parties	40~43	30
	8. Significant Contingent Liabilities and Unrecognized Commitments	43	31
	9. Significant Events After the Balance Sheet Date	-	-
	10. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES	43~44	32
	11. Supplementary Disclosures	45~50	33
	1). Information Related to Material Transactions		
	2). Intercompany Relationships and Significant Transactions		
	3). Investments in Mainland China		
	4). Information of Major Shareholders		
	12. Segment Information	45	34

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Promate Solutions Corporation

Introduction

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

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Note 13 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of June 30, 2020 and 2019, the combined total assets of these non-significant subsidiaries were NT\$3,883 thousand and NT\$4,260 thousand, respectively, representing 0.22% and 0.26%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT\$1,724 thousand and NT\$2,018 thousand, respectively, representing 0.23% and 0.30%, respectively, of the consolidated total liabilities; for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, the amounts of combined comprehensive income (loss) of these subsidiaries were NT\$(453) thousand, NT\$240 thousand, NT\$(418) thousand, and NT\$131 thousand, respectively, representing 0.63%, 0.56%, 0.33% and 0.13%, respectively, of the consolidated total comprehensive income.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of June 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the six months then ended June 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Li Huang Lee and Po Jen Weng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 11, 2020

Notice to Readers

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

For the convenience of readers, the independent auditors’ report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors’ report and consolidated financial statements shall prevail.

PROMATE SOLUTIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2020 (Reviewed)		December 31, 2019 (Audited)		June 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6 and 29)	\$ 679,226	39	\$ 833,430	52	\$ 678,868	41
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 29)	10,803	1	3,036	-	82,442	5
Financial assets at amortized cost - current (Notes 4,9,10,11 and 29)	148,579	9	-	-	62,642	4
Accounts receivable (Notes 4, 10, 11 23 and 29)	287,517	17	278,471	18	198,460	12
Accounts receivable from related parties (Notes 4, 11, 23, 29 and 30)	5,754	-	4,964	-	6,203	-
Other receivables (Notes 4, 11 and 29)	20,752	1	11,123	1	12,742	1
Current tax assets	1	-	3	-	-	-
Inventories (Note 12)	389,078	22	282,484	18	404,668	25
Prepayments (Notes 17 and 30)	4,635	-	5,620	-	8,489	1
Other current assets (Note 17)	42	-	53	-	73	-
Total current assets	<u>1,546,387</u>	<u>89</u>	<u>1,419,184</u>	<u>89</u>	<u>1,454,587</u>	<u>89</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 8 and 29)	48,413	3	14,892	1	18,054	1
Property, plant and equipment (Notes 4 and 14)	48,070	3	47,268	3	52,486	3
Right-of-use assets (Notes 4, 15 and 30)	74,119	4	84,521	5	94,985	6
Other intangible assets (Note 16)	5,524	-	7,219	1	8,129	-
Deferred tax assets (Note 23)	10,072	1	14,981	1	13,331	1
Prepayments for business facilities (Note 17)	4,987	-	4,025	-	570	-
Guarantee deposits paid (Notes 17 and 29)	136	-	136	-	138	-
Total non-current assets	<u>191,321</u>	<u>11</u>	<u>173,042</u>	<u>11</u>	<u>187,693</u>	<u>11</u>
TOTAL	<u>\$ 1,737,708</u>	<u>100</u>	<u>\$ 1,592,226</u>	<u>100</u>	<u>\$ 1,642,280</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Contract liabilities - current (Notes 4, 19 and 23)	\$ 38,653	2	\$ 39,767	3	\$ 40,575	3
Notes payable (Notes 18 and 29)	11	-	11	-	11	-
Accounts payable (Notes 18 and 29)	207,586	12	168,437	11	154,875	9
Accounts payable to related parties (Notes 18, 29 and 30)	73,361	4	63,829	4	51,666	3
Other payables (Notes 19 and 29)	296,045	17	102,405	6	265,795	16
Other payables - related parties (Notes 19, 29 and 30)	997	-	2,325	-	2,693	-
Current tax liabilities (Note 25)	21,370	2	28,696	2	24,603	2
Provisions - current (Note 20)	3,617	-	11,164	1	15,204	1
Lease liabilities - current (Notes 4, 15, 29 and 30)	21,050	1	20,940	1	20,855	1
Other current liabilities (Note 19)	2,170	-	2,334	-	2,142	-
Total current liabilities	<u>664,860</u>	<u>38</u>	<u>439,908</u>	<u>28</u>	<u>578,419</u>	<u>35</u>
NON-CURRENT LIABILITIES						
Provisions - noncurrent (Note 20)	2,107	-	6,960	-	9,541	1
Deferred tax liabilities (Note 25)	-	-	3	-	2	-
Lease liabilities - noncurrent (Notes 4, 15, 29 and 30)	52,433	3	62,530	4	72,682	4
Net defined benefit liabilities - noncurrent (Note 21)	14,979	1	15,252	1	15,151	1
Total non-current liabilities	<u>69,519</u>	<u>4</u>	<u>84,745</u>	<u>5</u>	<u>97,376</u>	<u>6</u>
Total liabilities	<u>734,379</u>	<u>42</u>	<u>524,653</u>	<u>33</u>	<u>675,795</u>	<u>41</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 22)						
Share capital						
Ordinary shares	382,549	22	382,549	24	382,549	23
Capital surplus	386,829	22	396,393	25	396,393	24
Retained earnings						
Legal reserve	105,299	6	84,663	5	84,663	5
Special reserve	2,728	-	26	-	26	-
Unappropriated earnings	111,442	7	206,670	13	102,332	7
Total retained earnings	<u>219,469</u>	<u>13</u>	<u>291,359</u>	<u>18</u>	<u>187,021</u>	<u>12</u>
Other equity						
Exchange differences on translation of foreign financial statements	(55)	-	(50)	-	38	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	14,537	1	(2,678)	-	484	-
Total other equity interest	<u>14,482</u>	<u>1</u>	<u>(2,728)</u>	<u>-</u>	<u>522</u>	<u>-</u>
Total equity attributable to owners of the Company	<u>1,003,329</u>	<u>58</u>	<u>1,067,573</u>	<u>67</u>	<u>966,485</u>	<u>59</u>
Total equity	<u>1,003,329</u>	<u>58</u>	<u>1,067,573</u>	<u>67</u>	<u>966,485</u>	<u>59</u>
TOTAL	<u>\$ 1,737,708</u>	<u>100</u>	<u>\$ 1,592,226</u>	<u>100</u>	<u>\$ 1,642,280</u>	<u>100</u>

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

PROMATE SOLUTIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23 and 30)								
Sales	\$ 458,603	100	\$ 431,569	100	\$ 880,820	100	\$ 882,632	100
OPERATING COSTS (Notes 12, 16, 21, 24 and 30)								
Cost of sales	(323,700)	(71)	(319,907)	(74)	(620,608)	(70)	(642,244)	(100)
GROSS PROFIT	<u>134,903</u>	<u>29</u>	<u>111,662</u>	<u>26</u>	<u>260,212</u>	<u>30</u>	<u>240,388</u>	<u>-</u>
OPERATING EXPENSES (Notes 11, 16, 21, 24 and 30)								
Selling and marketing expenses	(39,018)	(9)	(36,796)	(9)	(68,468)	(8)	(66,786)	-
General and administrative expenses	(6,608)	(1)	(7,969)	(2)	(15,626)	(2)	(18,407)	-
Research and development expenses	(23,506)	(5)	(17,760)	(4)	(43,272)	(5)	(37,639)	-
Total operating expenses	(69,132)	(15)	(62,525)	(15)	(127,366)	(15)	(122,832)	-
OPERATING PROFIT	<u>65,771</u>	<u>14</u>	<u>49,137</u>	<u>11</u>	<u>132,846</u>	<u>15</u>	<u>117,556</u>	<u>-</u>
NON-OPERATING INCOME (Note 24)								
Interest income	1,037	-	1,618	-	2,700	-	3,411	-
Other income	16	-	11	-	19	-	68	-
Other gains and losses	(2,399)	-	4,082	1	9	-	7,037	-
Finance costs	(541)	-	(693)	-	(1,111)	-	(1,194)	-
Total non-operating income and expenses	(1,887)	-	5,018	1	1,617	-	9,322	-
PROFIT BEFORE INCOME TAX	63,884	14	54,155	12	134,463	15	126,878	-
INCOME TAX EXPENSE (Notes 4 and 25)	(11,091)	(2)	(10,282)	(2)	(24,630)	(3)	(24,859)	-
NET PROFIT FOR THE PERIOD	<u>52,793</u>	<u>12</u>	<u>43,873</u>	<u>10</u>	<u>109,833</u>	<u>12</u>	<u>102,019</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 22 and 25)								
Items that will not be reclassified subsequently to profit or loss								
Unrealized gain (loss) on investments in equity instruments as at fair value through other comprehensive income	19,475	4	(1,129)	-	17,202	2	484	-
Income tax relating to items that will not be reclassified	-	-	-	-	-	-	-	-
	<u>19,475</u>	<u>4</u>	<u>(1,129)</u>	<u>-</u>	<u>17,202</u>	<u>2</u>	<u>484</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating the financial statements of foreign operations	(32)	-	79	-	(6)	-	80	-
Income tax relating to items that may be reclassified subsequently to profit or loss	7	-	(16)	-	1	-	(16)	-
	(25)	-	63	-	(5)	-	64	-
Other comprehensive loss for the year, net of income tax	<u>19,450</u>	<u>4</u>	<u>(1,066)</u>	<u>-</u>	<u>17,197</u>	<u>2</u>	<u>548</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 72,243</u>	<u>16</u>	<u>\$ 42,807</u>	<u>10</u>	<u>\$ 127,030</u>	<u>14</u>	<u>\$ 102,567</u>	<u>-</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 26)								
From continuing operations								
Basic	<u>\$ 1.38</u>		<u>\$ 1.15</u>		<u>\$ 2.87</u>		<u>\$ 2.67</u>	
Diluted	<u>\$ 1.37</u>		<u>\$ 1.14</u>		<u>\$ 2.85</u>		<u>\$ 2.65</u>	

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

PROMATE SOLUTIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

Equity Attributable to Owners of the Company

	Equity Attributable to Owners of the Company						Other Equity		Total Equity
	Issued Capital		Capital Surplus	Legal Reserve	Retained Earnings		Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized gain on Financial Assets at Fair Value Through Other Comprehensive Income	
	Shares (Thousands)	Amount			Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2019	38,255	\$ 382,549	\$ 400,600	\$ 66,035	\$ 42	\$ 186,864	(\$ 26)	\$ -	\$ 1,036,064
By FSC Rule NO 1010012865 appropriated special reserve	-	-	-	-	(16)	16	-	-	-
Appropriation of 2018 earnings									
Legal reserve	-	-	-	18,628	-	(18,628)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(167,939)	-	-	(167,939)
Changes other Capital Surplus									
Capital Surplus issue Cash dividends	-	-	(4,207)	-	-	-	-	-	(4,207)
Net profit for the six months June 30, 2019	-	-	-	-	-	102,019	-	-	102,019
Other comprehensive income (loss) for the six months June 30, 2019, net of income tax	-	-	-	-	-	-	64	484	548
Total comprehensive income for the six months June 30, 2019	-	-	-	-	-	102,019	64	484	102,567
BALANCE AT June 30, 2019	<u>38,255</u>	<u>\$ 382,549</u>	<u>\$ 396,393</u>	<u>\$ 84,663</u>	<u>\$ 26</u>	<u>\$ 102,332</u>	<u>\$ 38</u>	<u>\$ 484</u>	<u>\$ 966,485</u>
BALANCE AT JANUARY 1, 2020	38,255	\$ 382,549	\$ 396,393	\$ 84,663	\$ 26	\$ 206,670	(\$ 50)	(\$ 2,678)	\$ 1,067,573
By FSC Rule NO 1030006415 Special surplus reserve	-	-	-	-	2,702	(2,702)	-	-	-
Appropriation of 2019 earnings									
Legal reserve	-	-	-	20,636	-	(20,636)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(181,710)	-	-	(181,710)
Other comprehensive income (loss) for the six months June 30, 2020, net of income tax	-	-	-	-	-	-	(5)	17,202	17,197
Net profit for the six months June 30, 2020	-	-	-	-	-	109,833	-	-	109,833
Total comprehensive income for the six months June 30, 2020	-	-	-	-	-	109,833	(5)	17,202	127,030
Changes other Capital Surplus									
Capital Surplus issue Cash dividends	-	-	(9,564)	-	-	-	-	-	(9,564)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	(13)	-	13	-
BALANCE AT June 30, 2020	<u>38,255</u>	<u>\$ 382,549</u>	<u>\$ 386,829</u>	<u>\$ 105,299</u>	<u>\$ 2,728</u>	<u>\$ 111,442</u>	<u>(\$ 55)</u>	<u>\$ 14,537</u>	<u>\$ 1,003,329</u>

The accompanying notes are an integral part of the consolidated financial statement

PROMATE SOLUTIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 134,463	\$ 126,878
Depreciation expenses	18,011	20,287
Amortization expenses	1,695	1,699
Expected credit loss (gain)/provision (reversal of provision) for bad debt expense	1,960	148
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(2,192)	16
Interest expense	1,111	1,194
Other adjustments to reconcile profit (loss)	(9,542)	5,157
Interest incomes	(2,700)	(3,411)
Dividend income	(14)	-
Impairment loss on non-financial assets	3,000	(187)
Unrealized foreign exchange loss (gain)	955	877
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(5,575)	(82,458)
Decrease (increase) in accounts receivable	(11,006)	42,195
Decrease (increase) in accounts receivable due from related parties	(790)	1,248
Decrease (increase) in other receivable	(9,629)	(1,780)
Decrease (increase) in inventories	(109,594)	120,833
Decrease (increase) in prepayments	985	(1,543)
Decrease (increase) in other current assets	11	(32)
Increase (decrease) in contract liabilities	(1,114)	9,582
Increase (decrease) in accounts payable	39,149	9,132
Increase (decrease) in accounts payable to related parties	9,532	17,414
Increase (decrease) in other payable	2,366	(6,417)
Increase (decrease) in other payable to related parties	(1,328)	87
Increase (decrease) in other current liabilities	(\$ 164)	\$ 5
Increase (decrease) in net defined benefit liability	(273)	(249)
Increase (decrease) in provisions	(2,858)	(7,427)
Cash generated from operations	56,459	253,248
Interest received	2,700	3,411
Income tax paid	(27,047)	(28,377)
Net cash generated from operating activities	<u>32,112</u>	<u>228,282</u>

(Continued)

PROMATE SOLUTIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	<u>For the Six Months Ended June 30 2020</u>	<u>For the Six Months Ended June 30 2019</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(\$ 16,364)	(\$ 17,570)
Proceeds from disposal of financial assets at fair value through other comprehensive income	45	-
Acquisition of financial assets at amortized cost	(750,470)	(636,074)
Proceeds from disposal of financial assets at amortized cost	600,938	572,555
Acquisition of property, plant and equipment	-	(1,367)
Payments for intangible assets	-	(160)
Increase in prepayments for business facilities	(9,377)	(570)
Decrease (increase) in refundable deposits	-	(2)
Proceeds from sale of financial assets at fair value dividends received	14	-
Net cash used in investing activities	<u>(175,214)</u>	<u>(83,188)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Payments of lease liabilities	(11,096)	(10,959)
Net cash used in financing activities	<u>(11,096)</u>	<u>(10,959)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	(6)	80
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(154,204)	134,215
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>833,430</u>	<u>544,653</u>
CASH AND CASH EQUIVALENTS REPORTED IN THE STATEMENT OF FINANCIAL POSITION	<u>\$ 679,226</u>	<u>\$ 678,868</u>

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

PROMATE SOLUTIONS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Promate Solutions Corporation (the “Company”) is a listed company that was established on May 29, 2000. The main business of the Company were medical touch screen display, embedded control systems ,R&D manufacture of industrial display and R&D on software and hardware.

According to resolutions of the shareholders' meeting on June 10,2013 ,the department of special application product of Promate Electronic Co., Ltd had been transfer to the Company based on Business Mergers And Acquisitions Act. The purpose of division was due to organization adjustment of Promate Electronic Co. According to Board resolutions , the reference date of the division was August 1,2013. , the value of the division department was 123,900 thousand. The Company had been issued 8,260 thousand ordinary share priced at 15 for division.

The parent company is Promate Electronic Co., Ltd. with equity interests of 66.21% in June 30, 2020 and 2019.

The Company’s shares have been listed on OTC trading at Taipei Exchange since Mar 2004.

The functional currency of the Company is the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on August 11, 2020.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by Financial Supervisory Commission (FSC).

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies.

Amendments to IAS 1 and IAS 8 “Definition of Material”

The Group adopted the amendments starting from January 1, 2020. The threshold for materiality influencing users has been changed to “could reasonably be expected to influence” and, therefore, the disclosures in the consolidated financial report have been adjusted and immaterial information that may obscure material information has been deleted.

- b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effect Date Announced by IASB (Note1)
“Annual Improvements to IFRS Standards 2018–2020”	January 1, 2022 (Note2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by 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 (Note4)
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract	January 1, 2022 (Note5)

Note1: 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 are 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” are 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” are 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.

- 1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate, i.e., the Group’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a

business but retains significant influence over an associate, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate, i.e., the Group's share of the gain or loss is eliminated.

2) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

3) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 "Financial Instruments", were amended in the annual improvements. IFRS 9 requires to compare the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10 per cent. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

4) Amendments to IFRS 3 "Reference to the Conceptual Framework"

The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 "Levies" to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.

5) Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 "Inventories". Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of 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. The Group will restate its comparative information when it initially applies the aforementioned amendments.

6) Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"

The amendments specify that when assessing whether a contract is onerous, the “cost of fulfilling a contract” includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

The Group will recognize the cumulative effect of the initial application of the aforementioned amendments in the retained earnings at the date of the initial application.

Except for the above impact, 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

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

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 an 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 statement 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.

See Note 13 and Table 4 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

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Cash on hand	\$ 941	\$ 914	\$ 1,215
Checking accounts and demand deposits	388,285	402,522	264,337
Cash equivalents (investment with original maturities less than three months time deposits)	<u>290,000</u>	<u>429,994</u>	<u>413,316</u>
	<u>\$ 679,226</u>	<u>\$ 833,430</u>	<u>\$ 678,868</u>

The market rate intervals of cash in bank, at the end of the reporting period were as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Demand deposits	0.001%~0.2%	0.001%~0.35%	0.001%~0.35%
Time deposits	0.34%~0.35%	0.59%~2.28%	0.6%~2.55%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<u>Financial assets at FVTPL - current</u>			
Financial assets mandatorily classified as at FVTP:			
Non-derivative financial assets			
— Domestic quoted shares	\$ 10,803	\$ 3,036	\$ 2,355
— Mutual funds	<u>-</u>	<u>-</u>	<u>80,087</u>
	<u>\$ 10,803</u>	<u>\$ 3,036</u>	<u>\$ 82,442</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<u>Non-current</u>			
Investments in equity instruments	<u>\$ 48,413</u>	<u>\$ 14,892</u>	<u>\$ 18,054</u>
<u>Investments in equity instruments at FVTOCI</u>			
<u>Non-current</u>			
Domestic investments			
Listed shares			
— HIGGSTECH Inc	<u>\$ 48,413</u>	<u>\$ 14,892</u>	<u>\$ 18,054</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe 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 COSTS

<u>Current</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Domestic investments			
Repurchase agreement			
– Macquarie Croup Ltd.	\$ -	\$ -	\$ 31,387
– Industrial and Commercial Bank of China	-	-	31,255
– Sumitomo Mitsui Trust Bank	29,798	-	-
– Mizuho Bank, Ltd.	29,804	-	-
– Bank of China	29,630	-	-
– Goldman Sachs group Inc.	29,717	-	-
– Internationale Nederlanden Groep	<u>29,630</u>	<u>-</u>	<u>-</u>
	<u>\$ 148,579</u>	<u>\$ -</u>	<u>\$ 62,642</u>

The Group company purchased the Repurchase agreement bonds issued by International Bill Finance Co., Ltd. in June 30 2020 and 2019, and the coupon rates were 0.7% to 1.25% and 2.7%, respectively.

Refer to Note 10 for information related to credit risk management and impairment evaluation of financial assets at amortized cost.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at amortized cost

June 30, 2020

	<u>At Amortized Cost</u>
Gross carrying amount	\$ 148,579
Less: Allowance for impairment loss	<u>-</u>
Amortization costs	148,579
Fair value adjust	<u>-</u>
	<u>\$ 148,579</u>

June 30, 2019

	<u>At Amortized Cost</u>
Gross carrying amount	\$ 62,642
Less: Allowance for impairment loss	<u>-</u>
Amortization costs	62,642
Fair value adjust	<u>-</u>
	<u>\$ 62,642</u>

In order to minimize credit risk, the management of the Group has delegated a dedicated team to

build a credit rating database, with a view to assessing the default risk of investments in debt instruments. For items without external credit ratings, appropriate internal ratings can be given by reference to publicly available financial information. The Group continuously tracks major information from financial institutions to monitor changes in the credit risk of investments in debt instruments, and uses such information to assess whether there is a significant increase in the initially recognized credit risk of investments in debt instruments the Group has tasked its credit management committee with the development and maintenance of a credit risk grading framework for categorizing exposures according to the degree of the risk of default. The credit rating information may be obtained from independent rating agencies, where available, and if not available, the credit management committee uses other publicly available financial information to rate the debtors.

The Group considers the historical default records and current financial status of financial institutions supplied by the internal rating team to measure the 12-month or lifetime expected credit losses of investments in debt instruments.

The Group's current credit risk rating mechanism comprises: Is as follows:

<u>Credit Rating</u>	<u>Definition</u>	<u>Basis of Recognition of Expected Credit Losses</u>
Normal	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs

The gross carrying amount and applicable expected credit loss rate of investments in debt instruments are as follows:

June 30, 2020

<u>Credit Rating</u>	<u>Basis of Recognition of Rate Credit Losses</u>	<u>Gross Carrying Amount</u>	<u>Amortization Costs</u>
Normal	0%~0.01%		<u>\$ 148,579</u>

June 30, 2019

<u>Credit Rating</u>	<u>Basis of Recognition of Rate Credit Losses</u>	<u>Gross Carrying Amount</u>	<u>Amortization Costs</u>
Normal	0%~0.01%		<u>\$ 62,642</u>

There was no change in the allowance for impairment loss of investments in debt instruments at amortized cost for the six months ended June 30, 2020 and 2019

11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 20219</u>
<u>Accounts receivables</u>			
At amortized cost			
Gross carrying amount	\$ 289,725	\$ 278,719	\$ 199,678
Gross carrying amount-related parties	5,754	4,964	6,203
Less: Allowance for impairment loss	(<u>2,208</u>)	(<u>248</u>)	(<u>1,218</u>)
	<u>\$ 293,271</u>	<u>\$ 283,435</u>	<u>\$ 204,663</u>

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 20219</u>
<u>Over due receivables</u>			
Overdue receivables	\$ 30	\$ 30	\$ 30
Less: Allowance for impairment loss	(30)	(30)	(30)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Others receivables</u>			
Tax refund receivables	\$ 11,741	\$ 9,549	\$ 8,084
Duty Tax refund receivables	1,606	1,488	2,253
Proceeds from sale of financial assets	7,405	-	2,405
Others	-	86	-
	<u>\$ 20,752</u>	<u>\$ 11,123</u>	<u>\$ 12,742</u>

a. Accounts receivables

At amortized cost

The average credit period of the sales of goods was 90-135 days. No interest was charged on accounts receivables. In order to minimize credit risk, the management of the Group 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

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivables. The expected credit losses on accounts receivables are estimated using an allowance matrix, which takes into consideration the historical credit loss experience with the respective debtor, the current financial position of the debtor, and the current and future economic conditions of the industry as well as the overall economy. 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 not further distinguished according to the Group's different customer base.

The Group writes off a accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts 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 accounts receivables based on the Group's provision matrix.

June 30, 2020

	<u>Not Past Due</u>	<u>Less than 1-30 Days</u>	<u>Less than 31-60 Days</u>	<u>Less than 61-90 Days</u>	<u>Less than 91-120 Days</u>	<u>Total</u>
Expected credit loss rate	0.23%	1.07%	7.36%	31.93%	41.23%	
Gross carrying amount	\$ 205,809	\$ 77,044	\$ 12,530	\$ 33	\$ 63	\$ 295,479
Loss allowance (Lifetime ECL)	(436)	(814)	(921)	(11)	(26)	(2,208)
Amortized cost	<u>\$ 205,373</u>	<u>\$ 76,230</u>	<u>\$ 11,609</u>	<u>\$ 22</u>	<u>\$ 37</u>	<u>\$ 293,271</u>

December 31, 2019

	<u>Not Past Due</u>	<u>Less than 1-30 Days</u>	<u>Less than 31-60 Days</u>	<u>over 61 Days</u>	<u>Total</u>
Expected credit loss rate	0.2%	0.325%	2.07%	8.39~100%	
Gross carrying amount	\$ 231,455	\$ 52,215	\$ 5	\$ 8	\$ 283,683
Loss allowance (Lifetime ECL)	(148)	(98)	-	(2)	(248)
Amortized cost	<u>\$ 231,307</u>	<u>\$ 52,117</u>	<u>\$ 5</u>	<u>\$ 6</u>	<u>\$ 283,435</u>

June 30, 2019

	<u>Not Past Due</u>	<u>Less than 1-30 Days</u>	<u>Less than 31-60 Days</u>	<u>Less than 61-90 Days</u>	<u>Less than 91-120 Days</u>	<u>Less than 121-150 Days</u>	<u>Less than 151-180 Days</u>	<u>Less than 181-210 Days</u>	<u>Total</u>
Expected credit loss rate	0%-0.43%	0.24%	0.24%	0.24%	0.24%	0.24%	40.11%	40.16%	
Gross carrying amount	\$ 174,051	\$ 29,925	\$ 67	\$ -	\$ -	\$ -	\$ 177	\$ 1,661	\$ 205,881
Loss allowance (Lifetime ECL)	(410)	(70)	-	-	-	-	(71)	(667)	(1,218)
Amortized cost	<u>\$ 173,641</u>	<u>\$ 29,855</u>	<u>\$ 67</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106</u>	<u>\$ 994</u>	<u>\$ 204,663</u>

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

	<u>For the Six Months Ended June 30 2020</u>	<u>For the Six Months Ended June 30 2019</u>
<u>Accounts receivables</u>		
Balance at January 1	\$ 248	\$ 1,070
Add: Amount of expected credit loss	<u>1,960</u>	<u>148</u>
Balance at June 30	<u>\$ 2,208</u>	<u>\$ 1,218</u>
<u>Overdue receivables</u>		
Balance at January 1	<u>\$ 30</u>	<u>\$ 30</u>
Balance at June 30	<u>\$ 30</u>	<u>\$ 30</u>

Compared to the balance on January 1, 2020 and 2019, June 30, 2020 and 2019, Gross carrying amount of accounts receivables increased \$11,796 thousand and decreased \$43,443 thousand. Due to increase in projected credit loss, the loss allowance increased \$1,960 thousand and \$148 thousand

b. Other receivables

The Group does not accrue interest on other receivables. When determining the recoverability of other receivables, the Group considers any changes in the credit quality of other receivables from the original credit date to the balance sheet date. As historical experience shows that other receivables overdue for more than one year are not recoverable, the Company recognizes 100% allowance for bad debts for other receivables aged over one year. For other receivables aged within one year, the Company determines allowance for bad debt by reference to the past arrears of counterparties and analyzing their current financial position, in order to evaluate irrecoverable amounts.

There was no allowance for impairment loss of other receivables on June 30, 2020, December 31, 2019, and June 30, 2019

12. INVENTORIES

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Raw materials	\$ 196,052	\$ 125,756	\$ 163,925
Work in process	45,876	22,346	36,198
Finished goods	144,903	131,899	202,317
Merchandise inventories	<u>2,247</u>	<u>2,483</u>	<u>2,228</u>
	<u>\$ 389,078</u>	<u>\$ 282,484</u>	<u>\$ 404,668</u>

The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019 was 323,700 thousand, 319,907 thousand, 620,608 thousand and 642,244 thousand, respectively

The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2020 and 2019 included a decrease of \$4,000 thousand and increase of \$540 thousand. The cost of inventories recognized as cost of goods sold for the six months ended June 30, 2020 and 2019 included a decrease of \$3,000 thousand and increase of \$187 thousand. The net realizable value of inventories is the increase in the sales price of inventories in specific markets.

13. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements.

The entities included in the consolidated statements are listed below.

<u>Investor</u>	<u>Investee</u>	<u>Nature of Activities</u>	<u>Proportion of Ownership (%)</u>			<u>Note</u>
			<u>June 30,2020</u>	<u>December 31, 2019</u>	<u>June 30,2019</u>	
Promate Solutions Co., Ltd	Promate Japan Inc	Trade of electronic commodities	100%	100%	100%	(1)及(2)

- a. Promate Japan Inc. was incorporated on Mach 2017 in Tokyo, Japan. It is 100% owner by the Company and the nature of its activities include trade of electronic commodities
- b. Not significant subsidiaries and their financial statements had not been reviewed

The financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of June 30, 2020 and 2019, the combined total assets of these non-significant subsidiaries were NT\$3,883 thousand and NT\$4,260 thousand, respectively, representing 0.22% and 0.26%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT\$1,724 thousand and NT\$2,018 thousand, respectively, representing 0.23% and 0.30%, respectively, of the consolidated total liabilities; for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, the amounts of combined comprehensive income (loss) of these subsidiaries were NT\$(453) thousand, NT\$240 thousand, NT\$(418) thousand, and NT\$131 thousand, respectively, representing 0.63%, 0.56%, 0.33% and 0.13%, respectively, of the consolidated total comprehensive income.

14. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2020	December 31, 2019	June 30, 2019
Assets used by the Group	<u>\$ 48,070</u>	<u>\$ 47,268</u>	<u>\$ 52,486</u>

Assets used by the Group – 2019

	Machinery Equipment	Transportatio n Equipment	Office Equipment	Miscellaneous Equipment	Leasehold Improvement	Total
<u>Cost</u>						
Balance at January 1, 2019	\$ 60,201	\$ 2,810	\$ 10,381	\$ 53,857	\$ 17,202	\$ 144,451
Additions	<u>100</u>	<u>-</u>	<u>-</u>	<u>1,267</u>	<u>-</u>	<u>1,367</u>
Balance at June 30 2019	<u>\$ 60,301</u>	<u>\$ 2,810</u>	<u>\$ 10,381</u>	<u>\$ 55,124</u>	<u>\$ 17,202</u>	<u>\$ 145,818</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2019	\$ 26,250	\$ 2,694	\$ 8,135	\$ 34,704	\$ 11,667	\$ 83,450
Depreciation expenses	<u>4,061</u>	<u>116</u>	<u>840</u>	<u>3,762</u>	<u>1,103</u>	<u>9,882</u>
Balance at June 30 2019	<u>\$ 30,311</u>	<u>\$ 2,810</u>	<u>\$ 8,975</u>	<u>\$ 38,466</u>	<u>\$ 12,770</u>	<u>\$ 93,332</u>
Carrying amounts at June 30, 2019	<u>\$ 29,990</u>	<u>\$ -</u>	<u>\$ 1,406</u>	<u>\$ 16,658</u>	<u>\$ 4,432</u>	<u>\$ 52,486</u>
<u>Cost</u>						
Balance at January 1, 2020	\$ 61,285	\$ 2,810	\$ 10,381	\$ 56,923	\$ 17,452	\$ 148,851
Additions	-	-	-	-	-	-
Reclassifications	7,852	-	-	563	-	8,415
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,369)</u>	<u>(2,369)</u>
Balance at June 30 2020	<u>\$ 69,137</u>	<u>\$ 2,810</u>	<u>\$ 10,381</u>	<u>\$ 57,486</u>	<u>\$ 15,083</u>	<u>\$ 154,897</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2020	\$ 33,910	\$ 2,810	\$ 9,252	\$ 41,859	\$ 13,752	\$ 101,583
Depreciation expenses	3,258	-	241	3,560	554	7,613
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,369)</u>	<u>(2,369)</u>
Balance at June 30 2020	<u>\$ 37,168</u>	<u>\$ 2,810</u>	<u>\$ 9,493</u>	<u>\$ 45,419</u>	<u>\$ 11,937</u>	<u>\$ 106,827</u>
Carrying amounts at December 31, 2019 and January 1, 2020	<u>\$ 27,375</u>	<u>\$ -</u>	<u>\$ 1,129</u>	<u>\$ 15,064</u>	<u>\$ 3,700</u>	<u>\$ 47,268</u>
Carrying amounts at June 30, 2020	<u>\$ 31,969</u>	<u>\$ -</u>	<u>\$ 888</u>	<u>\$ 12,067</u>	<u>\$ 3,146</u>	<u>\$ 48,070</u>

There was no indication of an impairment loss; therefore, the Group did not perform impairment assessment. during the six months ended June 30, 2020 and 2019.

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

Machinery equipment	3-10 years
Transportation equipment	5 years
Office equipment	3-5 years
Miscellaneous equipment	3-20 years
Leasehold improvements	3-10 years

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Carrying amounts			
Buildings	<u>\$ 74,119</u>	<u>\$ 84,521</u>	<u>\$ 94,985</u>
	For the Three Months Ended June 30 2020	For the Three Months Ended June 30 2019	For the Six Months Ended June 30 2020
Depreciation charge for right-of-use assets			
Buildings	<u>\$ 5,198</u>	<u>\$ 5,205</u>	<u>\$ 10,398</u>

b. Lease liabilities

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Carrying amounts			
Current	<u>\$ 21,050</u>	<u>\$ 20,940</u>	<u>\$ 20,855</u>
Non-current	<u>\$ 52,433</u>	<u>\$ 62,530</u>	<u>\$ 72,682</u>

Discounted rate ranges of lease liabilities were as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Buildings	3%	3%	3%

c. Material lease-in activities and terms

The Group also leased certain buildings for the use as plant and office in a period of 5 years. The Group does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent

d. Other lease information

	<u>For the Three Months Ended June 30 2020</u>	<u>For the Three Months Ended June 30 2019</u>	<u>For the Six Months Ended June 30 2020</u>	<u>For the Six Months Ended June 30 2019</u>
Expenses relating to low-value asset leases	<u>\$ 50</u>	<u>\$ 126</u>	<u>\$ 100</u>	<u>\$ 162</u>
Total cash outflow for lease			<u>(\$ 11,196)</u>	<u>(\$ 11,121)</u>

16. OTHER INTANGIBLE ASSETS

	<u>Computer Software</u>
<u>Cost</u>	
Balance at January 1, 2019	\$ 19,279
Additions	<u>160</u>
Balance at June 30, 2019	<u>\$ 19,439</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2019	\$ 9,611
Amortization expenses	<u>1,699</u>
Balance at June 30, 2019	<u>\$ 11,310</u>
Carrying amounts at June 30, 2019	<u>\$ 8,129</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 20,179
Additions	-
Disposals	(<u>1,800</u>)
Balance at June 30, 2020	<u>\$ 18,379</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2020	\$ 12,960
Amortization expenses	1,695
Disposals	(<u>1,800</u>)
Balance at June 30, 2020	<u>\$ 12,855</u>
Carrying amounts at December 31, 2019 and January 1, 2020	<u>\$ 7,219</u>
Carrying amounts at June 30, 2020	<u>\$ 5,524</u>

Besides amortization expense, the Group did not acquire, dispose, nor impair any other intangible assets between six months ended June 30, 2020 and 2019. Other intangible assets were amortized on a straight-line basis over their estimated useful lives as follows:

Computer software 3-10 years

Amortization expenses summarized by function:

	For the Three Months Ended June 30 2020	For the Three Months Ended June 30 2019	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Operating costs	\$ -	\$ -	\$ -	\$ -
Selling and marketing expenses	26	19	53	48
General and administrative expenses	679	683	1,357	1,366
Research and development expenses	<u>143</u>	<u>142</u>	<u>285</u>	<u>285</u>
	<u>\$ 848</u>	<u>\$ 844</u>	<u>\$ 1,695</u>	<u>\$ 1,699</u>

17. OTHER ASSETS

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<u>Current</u>			
Prepayments			
Prepayment for purchases and expenses	\$ 4,635	\$ 5,620	\$ 8,379
Offsets against business tax payable	-	-	110
	<u>4,635</u>	<u>5,620</u>	<u>8,489</u>
<u>Others current assets</u>			
Temporary payment	42	53	73
	<u>\$ 4,677</u>	<u>\$ 5,673</u>	<u>\$ 8,562</u>
<u>Non-current</u>			
Prepayments for equipment	\$ 4,987	\$ 4,025	\$ 570
Refundable deposits	136	136	138
Overdue receivables (Note 11)	30	30	30
Allowance for impairment loss - overdue receivables	(30)	(30)	(30)
	<u>\$ 5,123</u>	<u>\$ 4,161</u>	<u>\$ 708</u>

18. NOTES AND ACCOUNTS PAYABLE

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<u>Notes payable</u>			
Non-trade	<u>\$ 11</u>	<u>\$ 11</u>	<u>\$ 11</u>
<u>Accounts payable</u>			
Accounts payable	\$ 207,586	\$ 168,437	\$ 154,875
Accounts payable - related parties	73,361	63,829	51,666
	<u>\$ 280,947</u>	<u>\$ 232,266</u>	<u>\$ 206,541</u>

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

19. OTHER LIABILITIES

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<u>Current</u>			
Other payables			
Accrued commissions	\$ 2,150	\$ 2,256	\$ 2,446
Payables for salaries or bonuses	51,164	56,375	39,750
Payables for annual leave	5,400	7,500	5,000
Payables for compensation of employees and remuneration of directors (Note 24)	34,300	25,300	34,000
Other payables-related party (Note 29)	997	2,325	2,693
Payables for purchases of equipment	-	860	-

	June 30, 2020	December 31, 2019	June 30, 2019
Payable for service	1,596	1,265	1,177
Dividend payable(Note22)	191,274	-	172,146
Accrued freights	1,714	2,202	2,141
Other	8,447	6,647	9,135
	<u>\$ 297,042</u>	<u>\$ 104,730</u>	<u>\$ 268,488</u>
<u>Contract liability</u>			
Advance payment	<u>\$ 38,653</u>	<u>\$ 39,767</u>	<u>\$ 40,575</u>
<u>Others liability</u>			
Receipts under custody and others	<u>\$ 2,170</u>	<u>\$ 2,334</u>	<u>\$ 2,142</u>

20. PROVISIONS

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Current</u>			
Warranties*	<u>\$ 3,617</u>	<u>\$ 11,164</u>	<u>\$ 15,204</u>
<u>Non-current</u>			
Warranties*	<u>\$ 2,107</u>	<u>\$ 6,960</u>	<u>\$ 9,541</u>
	<u>For the Six Months Ended June 30 2020</u>	<u>For the Six Months Ended June 30 2019</u>	
Balance at January 1	\$ 18,124	\$ 27,015	
Amount used	(2,858)	(7,427)	
Additional provisions recognized	-	5,157	
Rotate unused	(9,542)	-	
Balance at June 30	<u>\$ 5,724</u>	<u>\$ 24,745</u>	

* The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under sale of goods legislation. The estimate had been made on the basis of historic warranty trends, and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

21. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Group's defined retirement benefit plans was \$28 thousand and \$37 thousand for the three months ended June 30, 2020 and 2019, respectively, and \$56 thousand and \$75 thousand for the six months ended June 30, 2020 and 2019, respectively. They were calculated using the prior year's actuarially determined pension cost discount rate as of December 31, 2019 and 2018, respectively.

22. EQUITY

a. Share capital

Common stock

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Number of shares authorized (in thousands)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Shares authorized	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Number of shares issued and fully paid (in thousands)	<u>38,255</u>	<u>38,255</u>	<u>38,255</u>
Shares issued	<u>\$ 382,549</u>	<u>\$ 382,549</u>	<u>\$ 382,549</u>

The authorized shares include 4,000 thousand shares allocated for the exercise of employee stock options.

b. Capital surplus

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*			
Issuance of ordinary shares	<u>\$ 386,829</u>	<u>\$ 396,393</u>	<u>\$ 396,393</u>

* 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).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors after amendment, refer to employees' compensation and remuneration of directors in Note 24, (g).

Taking into account future capital expenditure requirements and long-term financial planning of the Company, the total dividends paid in any given year may not be less than 50% of the distributable earnings in that year. However, cumulative distributable earnings cannot be distributed if it is less than 20% of the total paid-up capital. Dividends could be distributed either through cash or shares, and cash dividends shall not be less than 10% of the total dividends for the year.

An appropriation of earnings to a legal reserve should be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. 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.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs” should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2019 and 2018 that were approved in the shareholders’ meetings on June 9, 2020 and June 10, 2019, respectively, were as follows:

	For the Year Ended December 31,2018	For the Year Ended December 31,2019
Legal reserve	\$ 20,636	\$ 18,628
Special reserve	2,702	(16)
Cash dividends	181,710	167,939
Cash dividends (additional paid-in capital)	9,564	4,207
Cash dividends per share (NT\$)	5	4

d. Special reserves

	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Beginning at January 1	\$ 26	\$ 42
Appropriations of special reserves	2,702	-
Rotate of special reserves	-	(16)
Balance at June 30	<u>\$ 2,728</u>	<u>\$ 26</u>

e. Other equity items

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

	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Beginning at January 1	(\$ 50)	(\$ 26)
Exchange differences arising on translating the financial statements of foreign operations	(6)	80
Income tax related to gains arising on translating the financial statements of foreign operations	<u>1</u>	(<u>16</u>)
Other comprehensive income recognized for the period	(<u>5</u>)	<u>64</u>
Balance at June 30	<u>(\$ 55)</u>	<u>\$ 38</u>

2) Unrealized gain or loss on Financial Assets at FVTOCI

	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Balance at January 1	(\$ 2,678)	\$ -
Recognized for the year Unrealized gain (loss)-equity instruments	<u>17,202</u>	<u>484</u>
Other comprehensive Income recognized for the year	<u>17,202</u>	<u>484</u>
Gain (loss) on disposal of equity instruments transfer to retained earnings	<u>13</u>	<u>-</u>
Balance at June 30	<u>\$ 14,537</u>	<u>\$ 484</u>

23. REVENUE

	For the Three Months Ended June 30 2020	For the Three Months Ended June 30 2019	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Revenue from contracts with customers				
Revenue from the sale of goods	\$ 446,773	\$ 428,797	\$ 859,241	\$ 871,566
Service revenue	<u>11,830</u>	<u>2,772</u>	<u>21,579</u>	<u>11,066</u>
	<u>\$ 458,603</u>	<u>\$ 431,569</u>	<u>\$ 880,820</u>	<u>\$ 882,632</u>

a. Revenue from Sales to customers

Revenue from the sale of goods

Goods are categorized into computer monitors and customized products for manufacturing engineering. The Group engages in the sale of embedded control systems, medical displays, and application-specific display modules at the agreed prices stipulated in contracts, quotations or orders.

Service revenue

Service revenue mainly comprises revenue from the design of embedded, medical, and application specific display modules during product development; revenue from customers' request for repair when defects occur in products that exceed the warranty period; and revenue recognized at the agreed prices stipulated in contracts.

b. Contract balances

	June 30, 2020	December 31, 2019	June 30, 2019
Trade receivables (Note 11)	<u>\$ 293,271</u>	<u>\$ 283,435</u>	<u>\$ 204,663</u>
Contract liabilities (Note 19)	<u>\$ 38,653</u>	<u>\$ 39,767</u>	<u>\$ 40,575</u>

c. Disaggregation of revenue

For the six months ended June 30,2020

	<u>Embedded Control</u>	<u>Application specific</u>	<u>Medical Touch</u>	<u>Others</u>	<u>Total</u>
<u>Goods or service</u>					
Revenue from sale of goods	\$ 310,697	\$ 160,185	\$ 315,819	\$ 72,540	\$ 859,241
Service revenue	<u>1,283</u>	<u>16,870</u>	<u>3,422</u>	<u>4</u>	<u>21,579</u>
	<u>\$ 311,980</u>	<u>\$ 177,055</u>	<u>\$ 319,241</u>	<u>\$ 72,544</u>	<u>\$ 880,820</u>

For the six months ended June 30,2019

	<u>Embedded Control</u>	<u>Application specific</u>	<u>Medical Touch</u>	<u>Others</u>	<u>Total</u>
<u>Goods or service</u>					
Revenue from sale of goods	\$ 385,304	\$ 167,147	\$ 248,111	\$ 71,004	\$ 871,566
Service revenue	<u>1,172</u>	<u>8,366</u>	<u>1,507</u>	<u>21</u>	<u>11,066</u>
	<u>\$ 386,476</u>	<u>\$ 175,513</u>	<u>\$ 249,618</u>	<u>\$ 71,025</u>	<u>\$ 882,632</u>

**24. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS AND OTHER
COMPREHENSIVE INCOME (LOSS)**

a. Interest income

	<u>For the Three Months Ended June 30 2020</u>	<u>For the Three Months Ended June 30 2019</u>	<u>For the Six Months Ended June 30 2020</u>	<u>For the Six Months Ended June 30 2019</u>
Bank deposits	\$ 521	\$ 1,145	\$ 1,874	\$ 2,797
Financial assets at amortized cost	<u>516</u>	<u>473</u>	<u>826</u>	<u>614</u>
	<u>\$ 1,037</u>	<u>\$ 1,618</u>	<u>\$ 2,700</u>	<u>\$ 3,411</u>

b. Other income

	<u>For the Three Months Ended June 30 2020</u>	<u>For the Three Months Ended June 30 2019</u>	<u>For the Six Months Ended June 30 2020</u>	<u>For the Six Months Ended June 30 2019</u>
Dividend income	\$ 11	\$ -	\$ 14	\$ -
Others	<u>5</u>	<u>11</u>	<u>5</u>	<u>68</u>
	<u>\$ 16</u>	<u>\$ 11</u>	<u>\$ 19</u>	<u>\$ 68</u>

c. Other gains and losses

	<u>For the Three Months Ended June 30 2020</u>	<u>For the Three Months Ended June 30 2019</u>	<u>For the Six Months Ended June 30 2020</u>	<u>For the Six Months Ended June 30 2019</u>
Gain (loss) on financial instruments				
Mandatorily measured at FVTPL	\$ 4,918	(\$ 106)	\$ 2,192	(\$ 16)
Net foreign exchange gain (losses)	(7,315)	4,188	(2,182)	7,053
Others	<u>(2)</u>	<u>-</u>	<u>(1)</u>	<u>-</u>
	<u>(\$ 2,399)</u>	<u>\$ 4,082</u>	<u>\$ 9</u>	<u>\$ 7,037</u>

d. Finance costs

	For the Three Months Ended June 30 2020	For the Three Months Ended June 30 2019	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Interest on lease liabilities	(\$ 541)	(\$ 693)	(\$ 1,111)	(\$ 1,194)

There was no interest capitalization in the combined company in 2020 and January 1 to June 30, 2019

e. Depreciation and amortization

	For the Three Months Ended June 30 2020	For the Three Months Ended June 30 2019	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
An analysis of depreciation by function				
Operating costs	\$ 2,660	\$ 2,527	\$ 5,321	\$ 5,053
Operating expenses	<u>6,402</u>	<u>7,517</u>	<u>12,690</u>	<u>15,234</u>
	<u>\$ 9,062</u>	<u>\$ 10,044</u>	<u>\$ 18,011</u>	<u>\$ 20,287</u>
An analysis of amortization by function				
Operating costs	\$ -	\$ -	\$ -	\$ -
Operating expenses	<u>848</u>	<u>844</u>	<u>1,695</u>	<u>1,699</u>
	<u>\$ 848</u>	<u>\$ 844</u>	<u>\$ 1,695</u>	<u>\$ 1,699</u>

f. Employee benefits expense

	For the Three Months Ended June 30 2020	For the Three Months Ended June 30 2019	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Short-term benefits	<u>\$ 52,275</u>	<u>\$ 47,368</u>	<u>\$ 96,225</u>	<u>\$ 93,647</u>
Post-employment benefits(Note 21)				
Defined contribution plans	1,501	1,463	2,984	2,946
Defined benefit plans	<u>28</u>	<u>37</u>	<u>56</u>	<u>75</u>
	<u>1,529</u>	<u>1,500</u>	<u>3,040</u>	<u>3,021</u>
Other employee benefits	<u>1,784</u>	<u>1,688</u>	<u>3,411</u>	<u>3,414</u>
Total employee benefits expense	<u>\$ 55,588</u>	<u>\$ 50,556</u>	<u>\$ 102,676</u>	<u>\$ 100,082</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 13,920	\$ 13,792	\$ 27,701	\$ 27,589
Operating expenses	<u>41,668</u>	<u>36,764</u>	<u>74,975</u>	<u>72,493</u>
	<u>\$ 55,588</u>	<u>\$ 50,556</u>	<u>\$ 102,676</u>	<u>\$ 100,082</u>

g. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation at the rates of no less than 7.5%~10% and

remuneration of directors at the rates of no higher than 3%, of net profit before income tax, employees' compensation, and remuneration of directors. For the three months ended June 30, 2020 and 2019, and the six months ended June 30, 2020, 2019, the employees' compensation and the remuneration of directors were as follows:

<u>Accrual rate</u>	For the Three Months Ended June 30 2020	For the Three Months Ended June 30 2019	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Employees' compensation	7.5%	7.5%	7.5%	7.5%
Remuneration of directors	1.5%	1.5%	1.5%	1.5%

<u>Amount</u>	For the Three Months Ended June 30 2020	For the Three Months Ended June 30 2019	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Employees' compensation	<u>\$ 5,270</u>	<u>\$ 4,500</u>	<u>\$ 11,080</u>	<u>\$ 10,420</u>
Remuneration of directors	<u>\$ 1,030</u>	<u>\$ 900</u>	<u>\$ 2,120</u>	<u>\$ 2,080</u>

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

The compensation to employees and remuneration to the directors of 2019 and 2018 were approved by the Company's board of directors on March 16, 2020 and March 21, 2019, respectively, were as below:

	For the Year Ended December 31,2019		For the Year Ended December 31,2018	
	Cash	Share	Cash	Share
Employees' compensation	\$ 21,170	\$ -	\$ 21,500	\$ -
Remuneration of directors	4,200	-	3,500	-

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018.

The Company's board of directors on March 16, 2020, The difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 were adjusted to profit or loss for the years ended December 31, 2020.

	For the Year Ended December 31,2019	
	Employees' Compensation	Remuneration of Directors
Approved amounts by the Company's board of directors	<u>\$ 21,170</u>	<u>\$ 4,200</u>
Financial statements actual amounts	<u>\$ 21,100</u>	<u>\$ 4,200</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 Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	For the Three Months Ended June 30 2020	For the Three Months Ended June 30 2019	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Foreign exchange gains	(\$ 29,967)	\$ 9,825	\$ 20,830	\$ 15,152
Foreign exchange losses	<u>22,652</u>	<u>(5,637)</u>	<u>(23,012)</u>	<u>(8,099)</u>
Net gain (loss)	<u>(\$ 7,315)</u>	<u>\$ 4,188</u>	<u>(\$ 2,182)</u>	<u>\$ 7,053</u>

i. The reversal of impairment of non-financial instruments

	For the Three Months Ended June 30 2020	For the Three Months Ended June 30 2019	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Inventories (included in costs of goods sold)	<u>\$ 4,000</u>	<u>(\$ 540)</u>	<u>\$ 3,000</u>	<u>(\$ 187)</u>

25. INCOME TAXES RELATING TO CONTINUING

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Three Months Ended June 30 2020	For the Three Months Ended June 30 2019	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Current tax				
In respect of the current period	\$ 12,935	\$ 10,837	\$ 21,551	\$ 24,862
Adjustment for the prior year	<u>(1,319)</u>	<u>(508)</u>	<u>(1,828)</u>	<u>(508)</u>
	11,616	10,329	19,723	24,354
Deferred tax				
In respect of the current period	<u>(525)</u>	<u>(47)</u>	<u>4,907</u>	<u>505</u>
Income tax expense recognized in profit or loss	<u>\$ 11,091</u>	<u>\$ 10,282</u>	<u>\$ 24,630</u>	<u>\$ 24,859</u>

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Group has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 2019.

b. Income tax expense recognized in other comprehensive income

	For the Three Months Ended June 30 2020	For the Three Months Ended June 30 2019	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Deferred tax				
In respect of the current year- Translation of foreign operations	(\$ <u>7</u>)	\$ <u>16</u>	(\$ <u>1</u>)	\$ <u>16</u>
Income tax recognized in other comprehensive income	(\$ <u>7</u>)	\$ <u>16</u>	(\$ <u>1</u>)	\$ <u>16</u>

c. Income tax assessments

The tax returns of the Company through 2018 have been assessed by tax authorities. The tax returns of subsidiary Promate Japan prior to 2019 have not been assessed by tax authorities.

26. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended June 30 2020	For the Three Months Ended June 30 2019	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Basic earnings per share				
From continuing and discounted operations	\$ <u>1.38</u>	\$ <u>1.15</u>	\$ <u>2.87</u>	\$ <u>2.67</u>
Total	\$ <u>1.38</u>	\$ <u>1.15</u>	\$ <u>2.87</u>	\$ <u>2.67</u>
Diluted earnings per share				
From continuing and discounted operations	\$ <u>1.37</u>	\$ <u>1.14</u>	\$ <u>2.85</u>	\$ <u>2.65</u>
Total	\$ <u>1.37</u>	\$ <u>1.14</u>	\$ <u>2.85</u>	\$ <u>2.65</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 June 30 2020	For the Three Months Ended June 30 2019	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Income for the year attributable to owners of the Company	\$ <u>52,793</u>	\$ <u>43,873</u>	\$ <u>109,833</u>	\$ <u>102,019</u>
Earnings used in the computation of basic earnings per share	\$ <u>52,793</u>	\$ <u>43,873</u>	\$ <u>109,833</u>	\$ <u>102,019</u>
Earnings used in the computation of diluted earnings per share	\$ <u>52,793</u>	\$ <u>43,873</u>	\$ <u>109,833</u>	\$ <u>102,019</u>

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Three Months Ended June 30 2020	For the Three Months Ended June 30 2019	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Weighted average number of ordinary shares in computation of basic earnings per share	38,255	38,255	38,255	38,255
Effect of potentially dilutive ordinary shares:				
Employees' compensation	<u>147</u>	<u>154</u>	<u>292</u>	<u>313</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>38,402</u>	<u>38,409</u>	<u>38,547</u>	<u>38,568</u>

If the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such 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.

27. CASH FLOW INFORMATION

a. Non-cash transactions

For the Six Months Ended June 30, 2020 and 2019, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statements of cash flows:

- 1) For the Six Months Ended June 30, 2020 and 2019, the lease obligation decrease in 2,088 thousand due to decrease in advance payment.
- 2) The Group reclassified prepayments for equipment amounting to 8,415 thousand to property, plant and equipment for the Three Months Ended June 30, 2020.
- 3) The Group's 2019 annual cash dividend in the amount of NT\$167,939 thousand and the cash in the amount of NT\$4,207 thousand to be allocated from the capital surplus, which were approved at the shareholders' meeting on June 10, 2019 by resolution had not been distributed on June 30, 2019 (see Notes 19 and 22).
- 4) The Group's 2019 annual cash dividend in the amount of NT\$181,710 thousand and the cash in the amount of NT\$9,564 thousand to be allocated from the capital surplus, which were approved at the shareholders' meeting on June 9, 2020 by resolution had not been distributed on June 30, 2020 (see Notes 19 and 22).

b. Reconciliation of liabilities arising from financing activities

For the six months ended June 30 2020

	<u>Balance as of January 1, 2020</u>	<u>Financing Cash Flows</u>	<u>Non-cash Amortization of Interest Expense</u>	<u>Changes Foreign Exchange Difference</u>	<u>Balance as of June 30, 2020</u>
Lease liabilities	<u>\$ 83,470</u>	<u>(\$ 11,096)</u>	<u>\$ 1,111</u>	<u>(\$ 2)</u>	<u>\$ 73,483</u>

For the six months ended June 30 2019

	<u>Balance as of January 1, 2019</u>	<u>Financing Cash Flows</u>	<u>Non-cash Amortization of Interest Expense</u>	<u>Changes Foreign Exchange Difference</u>	<u>Balance as of June 30, 2019</u>
Lease liabilities	<u>\$ 103,242</u>	<u>(\$ 10,959)</u>	<u>\$ 1,194</u>	<u>\$ 60</u>	<u>\$ 93,537</u>

28. 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 shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

Adopting a prudent risk management strategy and regularly reviewing the strategy, the Group engages in overall planning based on business development strategies and operational needs, in order to determine the appropriate capital structure of the Group.

The Group is not subject to any externally imposed capital requirements.

29. FINANCIAL INSTRUMENTS

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

The management of the Group believes the carrying amounts of financial assets and financial liabilities not measured at fair value that are very close to maturity or whose future prices equals their carrying amounts, approximates their fair values.

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

Fair value hierarchy

Balance as of June 30, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Securities listed in ROC	<u>\$ 10,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,803</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity				
– Securities listed in ROC	<u>\$ 48,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,413</u>

Balance December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Securities listed in ROC	<u>\$ 3,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,036</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity				
– Securities listed in ROC	<u>\$ 14,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,892</u>

Balance as of June 30, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Securities listed in ROC	\$ 2,355	\$ -	\$ -	\$ 2,355
Mutual funds	80,087	-	-	80,087
	<u>\$ 82,442</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,442</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity				
– Securities listed in ROC	<u>\$ 18,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,054</u>

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

c. Categories of financial instruments

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Mandatory at FVTPL	\$ 10,803	\$ 3,036	\$ 82,442
Financial assets at amortized (Note 1)	1,141,964	1,128,124	959,053
Financial assets at FVTOCI equity instruments			
Investments in equity instruments	48,413	14,892	18,054
<u>Financial liabilities</u>			
Measured at amortized cost (Note 2)	578,000	337,007	475,040

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, accounts receivables, other receivables and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise notes payable, accounts payables, and other payable.

d. Financial risk management objectives and policies

The Group's major financial instruments included equity and debit investments, accounts receivables, accounts payables and Lease liabilities. The Group's Corporate Treasury monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk, and liquidity risk..

1) Market risk

The Group's activities exposed it primarily to financial risks of changes in foreign currency exchange rates.

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

a) Foreign currency risk

The Group's had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward exchange contracts and currency swaps.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and as for the carrying amounts of derivatives exposing to foreign currency risk at the end of the reporting period, refer to Note 32.

Sensitivity analysis

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

The following table details the Group's sensitivity to a 1% increase 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 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in exchange rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar weakening 1% against the relevant currency. For a 1% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	U.S. Dollar Impact	
	For the Six Months	For the Six Months
	Ended June 30 2020	Ended June 30 2019
Profit or loss	<u>\$ 3,972</u>	<u>\$ 2,573</u>

- (i) This was mainly attributable to the exposure outstanding on U.S. dollar-denominated accounts receivables and accounts payables, which were not hedged at the end of the reporting period.

The Group's sensitivity to foreign currency increase during the current year mainly due to the increase of accounts receivable balance in the USD. In management's opinion, the sensitivity analysis did not reflect the inherent exchange rate risk because the exposure at the end of the year did not reflect the exposure during the period.

b) Interest rate risk

The Group evaluates hedging activities regularly to align with interest rate views and defined risk appetite and ensures that the most cost-effective hedging strategies are applied.

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

	December 31,		
	June 30, 2020	2019	June 30, 2019
Fair value interest rate risk			
– Financial assets	<u>\$ 438,579</u>	<u>\$ 429,994</u>	<u>\$ 475,958</u>
Cash flow interest rate risk			
– Financial assets	<u>\$ 389,226</u>	<u>\$ 403,436</u>	<u>\$ 265,552</u>

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. A 100 basis point increase or decrease was 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 100 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the six months ended June 30, 2020 and 2019 would decrease by \$1,946 thousand and \$1,328 thousand, which was mainly attributable to the Group's exposure to the floating-interest rates on bank deposits.

The Group's sensitivity to interest rates reduced during the year, mainly affected by the decrease in bank deposits with variable interest rates.

c) Other price risk

The Group was exposed to equity price risk through its investments in mutual funds. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

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 3% higher/lower, the pre-tax other comprehensive income for the six Months Ended June 30, 2020 and 2019, would have increased/decreased by \$1,452 thousand and \$542 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 3% higher/lower, the pre-tax profit for the six Months Ended June 30, 2020, and 2019, would have increased/decreased by \$324 thousand and \$2,473 thousand, as a result of the changes in fair value of financial assets at FVTPL.

The Group's sensitivity to equity prices reduced in the current year, mainly due to a decrease in investments in fund beneficiary certificates.

2) Credit risk

Credit risk refers to the risk that 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 will cause a financial loss to the Group due to failure of counterparties to discharge an obligation provided by the Group could arise from the carrying amount of the respective recognized financial assets, as stated in the balance sheets.

Financial assets are potentially affected by the failure of the Group's counterparties to fulfill their contractual obligations. The Group's credit risk is evaluated based on contracts whose fair value at the end of the financial reporting period is positive. The Group's counterparties are financial institutions and companies with sound credit ratings. The Group has a dedicated unit that regularly monitors counterparty credit exposure levels every year, so no significant credit risk is expected.

In order to minimize credit risk, the management of the Group 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 allowances are made for irrecoverable amounts. The Group has signed a contract with the bank to sell accounts receivable, and there is no need to guarantee to the ability of debtors in accounts receivable to affect fulfillment of debt obligations due to credit risk within the bank's underwriting limit. Hence, the management of the Group believes that the credit risk of the Group has declined significantly

Ongoing credit evaluation is performed on the status of accounts receivables and, where appropriate, credit guarantee insurance cover would be purchased.

Accounts receivable from customers exceeding 5% of the total accounts receivable accounted for 71.59%, 66.17%, and 70% of the Group's accounts receivable balance as of June 30,

2020, December 31, 2019, and June 30, 2019, respectively.

The maximum credit exposure of the Group is the net carrying amount of financial assets after deducting the amount that can be offset against each other and the impairment loss recognized in accordance with the regulations without considering collateral and other credit enhancement policies.

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 for the three months ended June 30, 2020, December 31, 2019 and for the three months ended June 30 2019, the Group's available unutilized bank loan facilities set out in section (b) below.

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had 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 tables 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 agreed repayment dates.

June 30, 2020

	<u>Less Than 1 Year</u>	<u>1-5 Years</u>
Non-interest bearing liabilities		
Notes payable	\$ 11	\$ -
Trade payable	280,947	-
Other payable	297,042	-
Lease liabilities	<u>22,189</u>	<u>56,339</u>
	<u>\$ 600,189</u>	<u>\$ 56,339</u>

Additional information about the maturity analysis for lease liabilities:

	<u>Less Than 1 Year</u>	<u>1-5 Years</u>
Lease liabilities	<u>\$ 22,189</u>	<u>\$ 56,339</u>

December 31, 2019

	<u>Less Than 1 Year</u>	<u>1-5 Years</u>
Non-interest bearing liabilities		
Notes payable	\$ 11	\$ -
Trade payable	232,266	-
Other payable	104,730	-
Lease liabilities	<u>22,190</u>	<u>76,946</u>
	<u>\$ 359,197</u>	<u>\$ 76,946</u>

Additional information about the maturity analysis for lease liabilities:

	<u>Less Than 1 Year</u>	<u>1-5 Years</u>
Lease liabilities	<u>\$ 22,190</u>	<u>\$ 76,946</u>
<u>June 30, 2019</u>		
	<u>Less Than 1 Year</u>	<u>1-5 Years</u>
Non-interest bearing liabilities		
Notes payable	\$ 11	\$ -
Trade payable	206,541	-
Other payable	268,489	-
Lease liabilities	<u>22,193</u>	<u>76,955</u>
	<u>\$ 497,234</u>	<u>\$ 76,955</u>

Additional information about the maturity analysis for lease liabilities:

	<u>Less Than 1 Year</u>	<u>1-5 Years</u>
Lease liabilities	<u>\$ 22,193</u>	<u>\$ 76,955</u>

b) Financing facilities

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Unsecured bank overdraft facilities			
– Amount used	\$ 10,000	\$ 10,000	\$ 10,000
– Amount unused	<u>190,900</u>	<u>189,920</u>	<u>194,240</u>
	<u>\$ 200,900</u>	<u>\$ 199,920</u>	<u>\$ 204,240</u>

30. TRANSACTIONS WITH RELATED PARTIES

The parent company of the Company is Promate Electronic Co., Ltd., which held 66.21% of the Company's ordinary shares on June 30, 2020, December 31, 2019 and June 30, 2019.

Balances and transactions between the Company and its subsidiaries, which are the 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 below.

a. Names and categories of related parties

<u>Name</u>	<u>Related Party Category</u>
Promate Electronic Co., Ltd	The Company's Parent company
Promate Electronic (Shenzhen) Co., Ltd	Subsidiary of Promate
Promate Electronic (Shanghai) Co., Ltd	Subsidiary of Promate
PROMATE ELECTRONICS COMPANY USA	Subsidiary of Promate
Weikeng Industrial Co., Ltd	Substantive related party-chairman is a director of the Company

b. Operating revenues

Line Item	Related Party Category/Name	For the Three Months Ended June 30 2020	For the Three Months Ended June 30 2019	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Sale of goods	The Company's Parent company	\$ 5,896	\$ 7,590	\$ 10,350	\$ 13,606
	Subsidiary of Promate	-	421	-	421
		<u>\$ 5,896</u>	<u>\$ 8,011</u>	<u>\$ 10,350</u>	<u>\$ 14,027</u>
Repairs	The Company's Parent company	<u>\$ 7</u>	<u>\$ 28</u>	<u>\$ 16</u>	<u>\$ 45</u>

c. Purchases of goods

Related Party Category/Name	For the Three Months Ended June 30 2020	For the Three Months Ended June 30 2019	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Promate Electronic Co., Ltd	\$ 74,323	\$ 58,904	\$ 141,771	\$ 116,663
Substantive related party-chairman is a director of the Company	15,116	3,334	27,386	7,044
	<u>\$ 89,439</u>	<u>\$ 62,238</u>	<u>\$ 169,157</u>	<u>\$ 123,707</u>

The related-party transactions were conducted under normal terms.

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

Related Party	June 30, 2020	December 31, 2019	June 30, 2019
The Company's parent company	\$ 5,754	\$ 4,964	\$ 5,805
Subsidiary of Promate	-	-	398
	<u>\$ 5,754</u>	<u>\$ 4,964</u>	<u>\$ 6,203</u>

The outstanding accounts receivables from related parties are unsecured.

For the six months ended June 30 2020 and 2019, no impairment loss was recognized for accounts receivables from related parties.

e. Other receivables from related parties

Line Item	Related Party Category/Name	June 30, 2020	December 31, 2019	June 30, 2019
Accounts payables	Promate Electronic Co., Ltd	\$ 56,107	\$ 47,345	\$ 47,939
	實 Substantive related party-chairman is a director of the Company	17,254	16,484	3,727
		<u>\$ 73,361</u>	<u>\$ 63,829</u>	<u>\$ 51,666</u>
Other payables	Subsidiary of Promate	<u>\$ 997</u>	<u>\$ 2,325</u>	<u>\$ 2,693</u>

The outstanding accounts payables to related parties are unsecured.

f. Lease arrangements

Acquisition of right-of-use assets

<u>Related Party Category/Name</u>	<u>For the Six Months Ended June 30 2020</u>	<u>For the Six Months Ended June 30 2019</u>
<u>Acquisition of right-of-use assets</u>		
Promate Electronic Co., Ltd	\$ 37,235	\$ 47,680
Substantive related party-chairman is a director of the Company	<u>4,379</u>	<u>5,630</u>
	<u>\$ 41,614</u>	<u>\$ 53,310</u>

<u>Lessor</u>	<u>Location</u>	<u>Lease Term Payment Method</u>
Promate Electronic Co., Ltd	Chingpu Plant	The lease term begins on January 1, 2019 and ends on December 31, 2023. Rent is paid every six months, where the monthly rent is NT\$929,000.
Substantive related party-chairman is a director of the Company	Office building along Huanshan Road, Neihu District	The lease term begins on January 1, 2019 and ends on December 31, 2023. Rent is paid every six months, where the monthly rent is NT\$111,000 °

<u>Line Item</u>	<u>Related Party Category</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Lease liabilities	Promate Electronic Co., Ltd	\$ 37,259	\$ 42,272	\$ 47,211
	Substantive related party-chairman is a director of the Company	<u>4,476</u>	<u>5,078</u>	<u>5,671</u>
		<u>\$ 41,735</u>	<u>\$ 47,350</u>	<u>\$ 52,882</u>

<u>Related Party Category/Name</u>	<u>For the Three Months Ended June 30 2020</u>	<u>For the Three Months Ended June 30 2019</u>	<u>For the Six Months Ended June 30 2020</u>	<u>For the Six Months Ended June 30 2019</u>
<u>Interest expense</u>				
Promate Electronic Co., Ltd	\$ 275	\$ 349	\$ 561	\$ 608
Substantive related party - chairman is a director of the Company	<u>33</u>	<u>42</u>	<u>66</u>	<u>84</u>
	<u>\$ 308</u>	<u>\$ 391</u>	<u>\$ 627</u>	<u>\$ 692</u>

g. Other transactions with related parties

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>For the Three Months Ended June 30 2020</u>	<u>For the Three Months Ended June 30 2019</u>	<u>For the Six Months Ended June 30 2020</u>	<u>For the Six Months Ended June 30 2019</u>
Research and development expense	Promate Electronic Co., Ltd	\$ 450	\$ 92	\$ 824	\$ 762
	Weikeng Industrial Co., Ltd.	<u>315</u>	<u>216</u>	<u>402</u>	<u>252</u>
		<u>\$ 765</u>	<u>\$ 308</u>	<u>\$ 1,226</u>	<u>\$ 1,014</u>
Professional service fees	PROMATE ELECTRONICS COMPANY USA	<u>\$ 2,312</u>	<u>\$ 3,525</u>	<u>\$ 4,273</u>	<u>\$ 7,004</u>
IT information expense	Promate Electronic Co., Ltd	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,290</u>	<u>\$ 1,290</u>

h. Compensation of key management personnel

	For the Three Months Ended June 30 2020	For the Three Months Ended June 30 2019	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Short-term employee benefits	\$ 3,814	\$ 3,684	\$ 7,868	\$ 12,109
Other long-term employee benefits	<u>140</u>	<u>140</u>	<u>280</u>	<u>280</u>
	<u>\$ 3,954</u>	<u>\$ 3,824</u>	<u>\$ 8,148</u>	<u>\$ 12,389</u>

The remuneration of directors and key executives is determined by the remuneration committee based on the performance of individuals and market trends.

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. As of June 30, 2020 and 2019, the Group has all issued letters of guarantee for tariff guarantee amounted to \$10,000 thousand

b. As of June 30, 2020 and 2019, commitments due to contracts for the acquisition of equipment were as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Contract amount		
Paid amount	\$ 4,987	\$ 570
Unpaid amount	<u>2,928</u>	<u>380</u>
	<u>\$ 7,915</u>	<u>\$ 950</u>

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

Unit: In Thousands for Currencies

June 30, 2020

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 19,943	29.63 (USD:NTD)	\$ 590,911
EUR	115	33.27 (EUR:NTD)	<u>3,826</u>
			<u>\$ 594,737</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	6,536	29.63 (USD:NTD)	<u>\$ 193,662</u>

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 19,755	29.98 (USD:NTD)	\$ 592,255
EUR	118	33.59 (EUR:NTD)	3,959
GBP	86	39.36 (GBP:NTD)	<u>3,392</u>
			<u>\$ 599,606</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	5,398	29.98 (USD:NTD)	<u>\$ 161,841</u>

June 30, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 13,081	31.06 (USD:NTD)	\$ 406,296
EUR	93	35.38 (EUR:NTD)	3,290
GBP	43	39.39 (GBP:NTD)	<u>1,694</u>
			<u>\$ 411,280</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$4,798	31.06 (USD:NTD)	\$ 149,026
EUR	54	35.38 (EUR:NTD)	<u>1,911</u>
			<u>\$ 150,937</u>

The Group is mainly exposed to the fluctuations other than USD. For the three months ended June 30, 2020 and 2019, realized foreign exchange gains(losses) were \$(10,252) thousand and \$5,653 thousand, respectively; Unrealized foreign exchange gains(losses) were \$2,937 thousand and \$(1,465) thousand, for the six months ended June 30, 2020 and 2019, realized foreign exchange gains(losses) were \$(7,458) thousand and \$8,280 thousand, respectively; Unrealized foreign exchange gains(losses) were \$5,276 thousand and \$(1,227) thousand..

33. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and b. information on investees:
- 1) Financing provided to others. (None)
 - 2) Endorsement/guarantee provided. (None)
 - 3) Marketable securities held. (Table 1)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (Table 2)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 3)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
 - 9) Trading in derivative instruments. (None)
 - 10) Significant transactions between the Company and subsidiaries. (None)
 - 11) Information of investees. (Table 4)
- b. Information on investments in mainland China (None)
- c. Information of major shareholders: The following is the information of major shareholders: Name of major shareholder, number of shares owned and percentage of ownership of shareholders whose percentage of ownership of shareholders is higher than 5%. (Table 5)

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker (“CODM”) for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. According to the requirements of IAS 34, the Group engages in organization management and resource allocation in a single operating segment, and its business is concentrated in a single industry related to mainframes and peripheral equipment for point-of-sale systems. In addition, the Group provides segment information reviewed by the CODM, whose basis of measurement is similar to that of financial statements. Therefore, the revenue and total assets of reportable segments for the six months ended March 31, 2020 and 2019 can be determined by reference to the balance sheet and consolidated statement of profit and loss for the six months ended March 31, 2020 and 2019.

The CODM considers the sales units engaging in the sale of mainframes and peripheral equipment in each country as separate operating segments. But for financial statements presentation purposes, these individual operating segments have been aggregated into a single operating segment, taking into account the following factors:

- a. These operating segments have similar long-term gross profit margins.
- b. Similar product nature and transaction method.
- c. Products are delivered to customers in the same way.

PROMATE SOLUTIONS CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	JUNE 30, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Promate Solutions Corporation	<u>Foreign debt investment vehicle</u>							
		Sumitomo Mitsui Trust Bank	Financial assets at amortized cost - current		\$ 29,798		\$ 29,798	
		Bank of China	"		USD 1,006		USD 1,006	
		Internationale Nederlanden Groep	"		29,630		29,630	
		Mizuho Bank,Ltd.	"		USD 1,000		USD 1,000	
		Goldman Sachs group Inc.	"		29,630		29,630	
					USD 1,000		USD 1,000	
					29,804		29,804	
					USD 1,006		USD 1,006	
					29,717		29,717	
					<u>USD 1,003</u>		<u>USD 1,003</u>	
					<u>\$ 148,579</u>		<u>\$ 148,579</u>	
Promate Solutions Corporation	<u>Ordinary shares</u>							
		HIGGSTEC INC	Financial assets at fair value through other comprehensive income or loss - non-current	1,221,000	<u>\$ 48,413</u>		<u>\$ 48,413</u>	
		Great Tree Pharmacy Co., Ltd	Financial assets at fair value through profit or loss - current	2,000	\$ 178		\$ 178	
		SYNGEN BIOTECH CO., LTD	"	4,000	450		450	
		CHIAN HSING FORGING INDUSTRIAL CO.,LTD..	"	8,000	329		329	
		Jinan Acetate Chemical Co., LTD.	"	32,100	3,820		3,820	
		Power Wind Health Industry	"	1,197	220		220	
		M.J. International Co., Ltd.	"	5,000	340		340	
		BROGENT TECHNOLOGIES INC	"	2,100	227		227	
		Eurocharm Holdings Co., Ltd	"	4,000	382		382	
	PACIFIC HOSPITAL SUPPLY CO., LTD	"	55,000	<u>4,857</u>		<u>4,857</u>		
				<u>\$ 10,803</u>		<u>\$ 10,803</u>		

Note1. Marketable securities in this table refer to stocks, bonds, beneficiary certificates, and other relevant derivative securities as promulgated in IFRS 9 "Financial Instruments."

Note2. When the issuers of marketable securities are not related parties, this column can be left blank

Note3. If measured by fair value, please fill in the carrying balance, which is adjusted through fair value valuation with loss allowance deducted, in the carrying amount column; if not measured by fair value, please fill in the carrying balance at amortized cost (loss allowance is already deducted).

Note4. The number of shares of securities, the amount pledged as security or pledged for loans, and the restrictions on use under some agreements shall be stated in the remarks column if the securities presented herein have such conditions.

Note5. Please refer to Table III for relevant information on investments in subsidiaries.

TABLE 2

PROMATE SOLUTIONS CORPORATION AND SUBSIDIARIES
MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares 數	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
Promate Solutions Corporation	Fund - UPAMC James Bond Money Market Fund	Financial assets at fair value through profit or loss - current	President Securities Corporation	-	-	\$ -	11,316,827	\$ 190,000	11,316,827	\$ 190,166	\$ 190,000	\$ 166	-	\$ -
	Fund—Mizuho Bank, Ltd.	Financial assets at amortized cost - current	International BillsFinance Corporation Foreign branch' fund	-	-	-	-	120,285 (USD 4,012)	-	90,431 (USD 3,013)	90,235 (USD 3,006)	196 (註 4)	-	29,804 (USD 1,006)
	Fund—Mizuho Bank, Ltd.	//	China Bills Finance Corporation Foreign branch' fund	-	-	-	-	20,328 (USD 674)	-	20,381 (USD 676)	20,328 (USD 3,680)	53 (註 4)	-	-
	Fund—Citigroup Ltd.	//	International BillsFinance Corporation Foreign branch' fund	-	-	-	-	90,317 (USD 3,004)	-	90,425 (USD 3,009)	90,317 (USD 3,004)	135 (註 4)	-	-
	Fund—Goldman Sachs group Ltd.	//	//	-	-	-	-	89,721 (USD 3,005)	-	60,061 (USD 2,005)	59,964 (USD 2,002)	98 (註 4)	-	29,717 (USD 1,003)

Note1. Marketable securities in this table refer to stocks, bonds, beneficiary certificates, and other relevant derivative securities.

Note2. The accumulated amount of purchase and sales shall be calculated separately based on market value to see if the amount exceed NT\$300 million or 20% of the Company's paid-in capital.

Note3. Paid-in capital referred to herein is the parent company's paid-in capital. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of the equity attributable to owners of the parent in the calculation.

Note4. Interest received on bonds when they expire under repurchase agreements is recognized as interest income.

PROMATE SOLUTIONS CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note	
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total
Promate Solutions Corporation	Promate Electronic Co., Ltd	Parent company	Purchase	\$ 141,771	21.7	Net 60 days after monthly losing	-	-	Accounts payable \$ 56,107	19.97%	

Note1. Where related parties' transaction conditions are different from the general ones, the situation and reasons of the differences shall be stated in the column of unit price and credit granting period.

Note2. In case of advance payment (receipt), the reasons, contractual terms, the amount, and differences from general transactions shall be stated in the remarks column.

Note3. Paid-in capital referred to herein is the parent company's paid-in capital. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of the equity attributable to owners of the parent in the calculation.

PROMATE SOLUTIONS CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars/Foreign Currency)**

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2020			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				June 30, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value			
Promate Solutions Corporation	PROMATE JAPAN Inc	Japan	Trade of electronic commodities	\$ 2,791	\$ 2,791	10,000	100%	\$ 2,158	(\$ 412)	(\$ 412)	

Note1. Where a public company has a foreign holding company and the consolidated financial report is the main financial report according to local laws and regulations, the disclosure of information on foreign investees may only include the holding company's relevant information.

Note2. In cases other than those described in Note 1, the following information shall be provided:

- (1) "Investee name," "region," "main business items," "the original investment amount," and "the final stake" shall be filled in in order according to the reinvestment situation of the (public) Company and the reinvestment situation of each investee directly or indirectly controlled, and the relationship between each investee and the (public) Company shall be indicated in the remarks column (e.g., a subsidiary or a sub-subsidiary).
- (2) In the column of "Profit and loss of investee in the current period," the current profit and loss amount of each investee shall be filled in.
- (3) In the column of "investment gains and losses recognized in the current period," only the recognized profit and loss amount of each subsidiary that is directly invested by the (public) Company and each investee assessed by equity method shall be filled in, and the rest is not required to be filled in. Where the "gains and losses of subsidiaries that are invested directly are recognized for the current period," it shall be confirmed that the gains and losses of the subsidiaries have included their investment gains and losses that shall be recognized in accordance with the regulations.

TABLE 5**PROMATE SOLUTIONS CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****JUNE 30, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Name of Major Shareholder	Shares	
	Number of Shares	Shares Percentage of Ownership (%)
Promate Electronic Co., Ltd	25,327,500	66.21%

Note 1: The percentage of ownership of major shareholders included in the table should be more than 5%, which was calculated based on the total number of ordinary shares, preference shares and treasury shares owned in the last trading day of the quarter that were traded in and registered electronically and was prepared by the Taiwan Depository & Clearing Corporation. In addition, the share capital and the actual number of traded shares with the completion of electronic registration stated in the consolidated financial statements might vary due to different calculation basis.

Note 2: If the shareholder provide their shares to trust, trustee will establish trust account in settlor's name. The shareholder holding more than ten percent of the total shares should register with the Competent Authority under Securities and Exchange Act, the share computed methods was shareholder's share plus the share transfer to trust. The data should file by shareholder can refer to Market Observation Post System.