

**CHENG UEI PRECISION INDUSTRY CO.,
LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
JUNE 30, 2020 AND 2019**

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

PWCR 20000093

To the Board of Directors and Stockholders of Cheng Uei Precision Industry Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Cheng Uei Precision Industry Co., Ltd. and subsidiaries (the “Group”) as at June 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the consolidated statements of changes in equity and of cash flows for the six months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(8), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using the equity method were not reviewed by independent auditors. Those statements reflect total assets of NT\$20,514,694 thousand and NT\$22,363,201 thousand, constituting 29.16% and 29.15% of the consolidated total assets, and total liabilities of NT\$3,495,125

thousand and NT\$4,676,476 thousand, constituting 8.01% and 9.63% of the consolidated total liabilities as at June 30, 2020 and 2019, and total comprehensive income (loss) of NT\$179,100 thousand, NT(\$133,471) thousand, NT\$32,031 thousand and NT(\$216,805) thousand constituting (965.50%), 76.26%, (11.31%) and (59.45%) of the consolidated total comprehensive (loss) income for the three months and six months then ended.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using the equity method been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2020 and 2019, and of its consolidated financial performance for the three months and six months then ended and its consolidated cash flows for the six months then ended in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Emphasis of Matter – significant unresolved litigation involving investments accounted for using the equity method

As described in Notes 6(8) and 9(3) to the consolidated financial statements, Central Motion Picture Corporation, an equity method investment of the Group, was determined to be an affiliate organisation of the Kuomintang by the Ill-gotten Party Assets Settlement Committee in its written disposition issued on October 9, 2018. Under Article 16 of the Act Governing the Settlement of Ill-gotten Properties by Political Parties and Their Affiliate Organisations, Central Motion Picture Corporation may file an administrative litigation in the Taipei High Administrative Court within two months after the aforementioned written disposition was served. In addition, Central Motion Picture Corporation may file for a suspension of execution under Paragraph 2, Article 116 of the Administrative Litigation Act. On December 12, 2018, Central Motion Picture Corporation submitted cause of action to the Taipei High Administrative Court, which ruled to approve the suspension of execution in January 2020. However,

the Ill-gotten Party Assets Settlement Committee subsequently filed an appeal against the ruling, and it was dismissed by the High Administrative Court in February 2020. Meanwhile, Central Motion Picture Corporation filed a revocation action with the Taipei High Court, and it was pending approval as of January 14, 2020. As of the financial reporting date, the possible result of this litigation cannot be determined. Therefore, our opinion is not modified in respect of this matter.

Lin, Se-Kai

Liang, Yi-Chang

For and on behalf of PricewaterhouseCoopers, Taiwan

August 13, 2020

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' review report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2020, DECEMBER 31, 2019 AND JUNE 30, 2019
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2020 and 2019 are reviewed, not audited)

ASSETS		Notes	June 30, 2020		December 31, 2019		June 30, 2019	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
CURRENT ASSETS								
1100	Cash and cash equivalents	6(1)	\$ 8,016,349	11	\$ 6,296,729	9	\$ 6,969,473	9
1110	Financial assets at fair value through profit or loss - current	6(2) and 12(3)	-	-	129,150	-	45,210	-
1136	Current financial assets at a mortised cost	6(4) and 8	1,098,886	2	1,643,178	2	1,484,375	2
1150	Notes receivable, net		114,637	-	24,547	-	19,263	-
1170	Accounts receivable, net	6(5) and 12(2)	13,307,223	19	15,474,111	21	14,006,910	18
1180	Accounts receivable, net - related parties	7	454,770	1	430,979	1	627,159	1
1200	Other receivables	6(6)	149,118	-	359,717	1	340,377	1
1210	Other receivables - related parties	7	148,502	-	95,825	-	160,122	-
1220	Current income tax assets	6(30)	3,300	-	15,762	-	18,068	-
130X	Inventories, net	6(7)	11,434,846	16	11,218,741	15	14,413,271	19
1410	Prepayments		1,434,028	2	1,726,442	2	1,605,067	2
1470	Other current assets		37,323	-	22,440	-	32,730	-
11XX	TOTAL CURRENT ASSETS		36,198,982	51	37,437,621	51	39,722,025	52
1517	Financial assets at fair value through other comprehensive income-non-current	6(3) and 12(3)	940,670	1	936,755	1	1,036,702	1
1535	Non-current financial assets at amortised cost	6(4) and 8	140,984	-	127,584	-	562	-
1550	Investments accounted for under the equity method	6(8)	4,824,795	7	4,454,802	6	4,262,647	6
1600	Property, plant and equipment, net	6(9)	21,725,312	31	23,397,983	32	24,134,036	31
1755	Right-of-use assets	6(10) and 7	1,644,543	2	1,831,171	2	1,811,582	2
1760	Investment property, net	6(11)	577,082	1	591,774	1	613,855	1
1780	Intangible assets, net	6(12)	2,256,148	3	2,251,948	3	2,893,407	4
1840	Deferred income tax assets	6(30)	608,818	1	552,815	1	376,906	-
1915	Prepayments for business facilities		1,020,300	2	1,295,103	2	1,424,596	2
1990	Other non-current assets, others	8	406,617	1	418,848	1	429,108	1
15XX	TOTAL NON-CURRENT ASSETS		34,145,269	49	35,858,783	49	36,983,401	48
1XXX	TOTAL ASSETS		\$ 70,344,251	100	\$ 73,296,404	100	\$ 76,705,426	100

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CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2020, DECEMBER 31, 2019 AND JUNE 30, 2019
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2020 and 2019 are reviewed, not audited)

	LIABILITIES AND EQUITY	Notes	June 30, 2020		December 31, 2019		June 30, 2019	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	CURRENT LIABILITIES							
2100	Short-term borrowings	6(13)	\$ 3,140,023	5	\$ 2,038,744	3	\$ 2,616,688	4
2110	Short-term notes and bills payable	6(14)	440,043	1	374,942	1	417,802	1
2130	Current contract liabilities	6(23)	914,022	1	787,222	1	666,680	1
2150	Notes payable		383	-	3,273	-	237,173	-
2170	Accounts payable		12,832,115	18	14,712,215	20	14,886,231	19
2180	Accounts payable - related parties	7	167,574	-	230,091	-	153,727	-
2200	Other payables	6(15) and 7	5,955,756	9	5,870,986	8	6,711,549	9
2230	Current income tax liabilities	6(30)	367,392	1	372,824	1	179,944	-
2280	Current lease liabilities	7	187,108	-	226,420	-	257,007	-
2365	Current refund liabilities		208,649	-	20,894	-	165,716	-
2399	Other current liabilities, others	6(17)	996,263	1	1,637,087	2	1,217,475	2
21XX	TOTAL CURRENT LIABILITIES		<u>25,209,328</u>	<u>36</u>	<u>26,274,698</u>	<u>36</u>	<u>27,509,992</u>	<u>36</u>
	NON-CURRENT LIABILITIES							
2530	Corporate bonds payable	6(16)	2,988,504	4	2,987,655	4	2,986,867	4
2540	Long-term borrowings	6(17)	12,658,550	18	12,038,454	16	14,157,038	18
2570	Deferred income tax liabilities	6(30)	775,766	1	795,899	1	961,474	1
2580	Non-current lease liabilities	7	268,491	-	294,317	-	272,299	-
2600	Other non-current liabilities	6(8)(10)(18)	1,756,334	3	2,662,862	4	2,686,020	4
25XX	TOTAL NON-CURRENT LIABILITIES		<u>18,447,645</u>	<u>26</u>	<u>18,779,187</u>	<u>25</u>	<u>21,063,698</u>	<u>27</u>
2XXX	TOTAL LIABILITIES		<u>43,656,973</u>	<u>62</u>	<u>45,053,885</u>	<u>61</u>	<u>48,573,690</u>	<u>63</u>
	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT							
	Capital stock	6(19)						
3110	Common stock		5,123,269	7	5,123,269	7	5,123,269	7
	Capital reserve	6(20)						
3200	Capital surplus		9,472,418	14	9,471,717	13	9,430,462	12
	Retained earnings	6(21)						
3310	Legal reserve		3,002,026	4	2,803,290	4	2,803,290	4
3320	Special reserve		2,334,534	3	1,609,901	2	1,609,901	2
3350	Unappropriated earnings		4,263,745	6	6,030,302	8	4,340,441	6
	Other equity	6(22)						
3400	Other equity interest		(2,877,822)	(4)	(2,334,535)	(3)	(1,376,472)	(3)
	Treasury shares	6(19)						
3500	Treasury shares		(272,066)	-	(272,066)	-	(272,066)	-
31XX	Equity attributable to owners of the parent		<u>21,046,104</u>	<u>30</u>	<u>22,431,878</u>	<u>31</u>	<u>21,658,825</u>	<u>28</u>
36XX	Non-controlling interests		<u>5,641,174</u>	<u>8</u>	<u>5,810,641</u>	<u>8</u>	<u>6,472,911</u>	<u>9</u>
3XXX	TOTAL EQUITY		<u>26,687,278</u>	<u>38</u>	<u>28,242,519</u>	<u>39</u>	<u>28,131,736</u>	<u>37</u>
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	TOTAL LIABILITIES AND EQUITY		<u>\$ 70,344,251</u>	<u>100</u>	<u>\$ 73,296,404</u>	<u>100</u>	<u>\$ 76,705,426</u>	<u>100</u>

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

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(UNAUDITED)

Items		Notes	Three months ended June 30,				Six months ended June 30,			
			2020		2019		2020		2019	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(23) and 7	\$ 20,500,435	100	\$ 20,999,056	100	\$ 36,511,719	100	\$ 40,246,702	100
5000	Operating costs	6(7)(27)(28) and 7	(18,294,847)	(89)	(18,994,604)	(91)	(32,903,023)	(90)	(36,526,106)	(91)
5900	Gross profit		<u>2,205,588</u>	<u>11</u>	<u>2,004,452</u>	<u>9</u>	<u>3,608,696</u>	<u>10</u>	<u>3,720,596</u>	<u>9</u>
	Operating expenses	6(28)(29)								
6100	Sales and marketing expenses		(358,082)	(2)	(421,908)	(2)	(758,166)	(2)	(860,429)	(2)
6200	General and administrative expenses		(799,911)	(4)	(892,584)	(4)	(1,494,855)	(4)	(1,639,996)	(4)
6300	Research and development expenses		(584,966)	(3)	(578,646)	(3)	(1,081,903)	(3)	(1,082,559)	(3)
6450	Expected credit loss	12(2)	(44,583)	-	(17,458)	-	(15,678)	-	(22,044)	-
6000	Total operating expenses		(1,787,542)	(9)	(1,910,596)	(9)	(3,350,602)	(9)	(3,605,028)	(9)
6900	Operating income		<u>418,046</u>	<u>2</u>	<u>93,856</u>	<u>-</u>	<u>258,094</u>	<u>1</u>	<u>115,568</u>	<u>-</u>
	Non-operating income and expenses									
7100	Interest income	6(24)	34,706	-	24,412	-	60,107	-	53,220	-
7010	Other income	6(25) and 7	98,925	-	84,153	-	214,378	1	146,529	1
7020	Other gains and losses	6(26)	88,577	1	60,923	1	122,443	-	75,428	-
7050	Finance costs	6(27)	(75,969)	-	(81,263)	-	(158,208)	-	(166,894)	-
7060	Share of profit of associates and joint ventures accounted for under the equity method	6(8)	<u>67,696</u>	<u>-</u>	<u>56,774</u>	<u>-</u>	<u>127,516</u>	<u>-</u>	<u>68,805</u>	<u>-</u>
7000	Total non-operating income and expenses		<u>213,935</u>	<u>1</u>	<u>145,000</u>	<u>1</u>	<u>366,236</u>	<u>1</u>	<u>177,088</u>	<u>1</u>
7900	Income before income tax		<u>631,981</u>	<u>3</u>	<u>238,856</u>	<u>1</u>	<u>624,330</u>	<u>2</u>	<u>292,656</u>	<u>1</u>
7950	Income tax expense	6(30)	(243,594)	(1)	(106,019)	-	(279,814)	(1)	(160,631)	(1)
8200	Net income		<u>\$ 388,387</u>	<u>2</u>	<u>\$ 132,837</u>	<u>1</u>	<u>\$ 344,516</u>	<u>1</u>	<u>\$ 132,025</u>	<u>-</u>

(Continued)

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(UNAUDITED)

Items		Notes	Three months ended June 30,				Six months ended June 30,			
			2020		2019		2020		2019	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Other comprehensive (loss) income, net										
Components of other comprehensive (loss) income that will not be reclassified to profit or loss										
8316	Unrealized gain on equity instrument at fair value through other comprehensive profit or loss	6(3)	(\$ 36,000)	-	(\$ 25,000)	-	(\$ 36,000)	-	(\$ 25,000)	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using the equity method, components of other comprehensive income that will not be reclassified to profit or loss		(5,430)	-	(3,771)	-	(5,430)	-	42,448	-
8310	Total components of other comprehensive (loss) income that will not be reclassified to profit or loss		(41,430)	-	(28,771)	-	(41,430)	-	17,448	-
Components of other comprehensive income that will be reclassified to profit or loss										
8361	Exchange differences arising on translation of foreign operations		(435,188)	(2)	(316,850)	(2)	(682,235)	(2)	258,897	1
8370	Share of other comprehensive income of associates and joint ventures accounted for using the equity method, components of other comprehensive income that will be reclassified to profit or loss		(10,049)	-	(26,062)	-	(34,967)	-	4,702	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(30)	79,730	-	63,820	-	131,027	-	(48,408)	-
8360	Total components of other comprehensive (loss) income that will be reclassified to profit or loss		(365,507)	(2)	(279,092)	(2)	(586,175)	(2)	215,191	1
8300	Other comprehensive (loss) income, net		(\$ 406,937)	(2)	(\$ 307,863)	(2)	(\$ 627,605)	(2)	\$ 232,639	1
8500	Total comprehensive (loss) income for the period		(\$ 18,550)	-	(\$ 175,026)	(1)	(\$ 283,089)	(1)	\$ 364,664	1
Net income (loss) attributable to:										
8610	Shareholders of the parent		\$ 416,840	2	\$ 193,602	1	\$ 437,657	1	\$ 291,162	1
8620	Non-controlling interests		(28,453)	-	(60,765)	-	(93,141)	-	(159,137)	(1)
	Total		\$ 388,387	2	\$ 132,837	1	\$ 344,516	1	\$ 132,025	-
Total comprehensive (loss) income attributable to:										
8710	Shareholders of the parent		\$ 81,222	-	(\$ 74,999)	(1)	(\$ 105,630)	(1)	\$ 524,591	1
8720	Non-controlling interests		(99,772)	-	(100,027)	-	(177,459)	-	(159,927)	-
	Total		(\$ 18,550)	-	(\$ 175,026)	(1)	(\$ 283,089)	(1)	\$ 364,664	1
Basic earnings per share (in dollars)										
9750	Total basic earnings per share	6(31)	\$ 0.86		\$ 0.40		\$ 0.90		\$ 0.60	
Diluted earnings per share (in dollars)										
9850	Total diluted earnings per share	6(31)	\$ 0.86		\$ 0.40		\$ 0.90		\$ 0.60	

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

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Equity attributable to owners of the parent												

(Continued)

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Equity attributable to owners of the parent												

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

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Six months ended June 30,	
		2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 624,330	\$ 292,656
Adjustments			
Adjustments to reconcile profit (loss)			
Gain on financial assets at fair value through profit or loss	6(2)	(7,574)	(3,104)
Depreciation (including investment property)	6(9)(10)(11)(28)	1,617,607	1,911,375
Amortisation	6(12)(28)	60,312	51,918
Expected credit loss	12(2)	15,678	22,044
Interest expense	6(27)	158,208	166,894
Interest income	6(24)	(60,107)	(53,220)
Share of profit of associates accounted for using the equity method	6(8)	(127,516)	(68,805)
(Gain) loss on disposal of property, plant and equipment	6(26)	(21,161)	3,137
Gain on disposal of investments	6(26)	(3,576)	(7,812)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		136,724	(42,106)
Notes receivable, net	(	90,090)	5,149
Accounts receivable	(	2,126,550)	1,345,755)
Accounts receivable from related parties	(	23,791)	52,858
Other receivables		209,164	364,272
Other receivables from related parties		14,170	1,319
Inventories	(	318,600)	1,279,189)
Prepayments		143,793	105,560
Other current assets	(	14,883)	19,253
Other non-current assets	(	4,344)	467,296
Changes in operating liabilities			
Contract liabilities		126,800	37,487
Notes payable	(	2,890)	1,938)
Accounts payable	(	1,851,895)	548,345)
Accounts payables to related parties	(	62,517)	173,175)
Other payables	(	830,085)	444,331)
Refund liabilities	(	30,536)	4,524)
Other current liabilities		103,901	315,235
Other non-current liabilities	(	52,816)	7,549
Cash inflow (outflow) generated from operations		1,834,856	(148,302)
Interest received		60,107	53,220
Interest paid	(	166,363)	(101,369)
Income tax paid	(230,355)	(173,059)
Net cash flows from (used in) operating activities		1,498,245	(369,510)

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CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Six months ended June 30,	
	Notes	2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial asset at fair value through other comprehensive income	12(3)	(\$ 41,910)	\$ -
(Increase) decrease in financial assets at amortised cost	6(4)	530,892	(752,284)
Acquisition of subsidiary and other assets (excluding cash)	6(32)	-	(279,811)
Cash charged due to disposal of subsidiaries		(132,267)	-
Acquisition of property, plant and equipment	6(34)	(1,034,740)	(1,923,204)
Proceeds from disposal of property, plant and equipment	6(9)	113,957	130,644
Acquisition of intangible assets	6(12)	(48,974)	(84,509)
Proceeds from disposal of intangible assets	6(12)	-	334
Increase in prepayments for business facilities		(351,056)	(554,735)
Net cash flows used in investing activities		(964,098)	(3,463,565)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(35)	8,327,990	15,534,670
Decrease in short-term borrowings	6(35)	(7,226,711)	(14,378,260)
Decrease in short-term notes payable	6(35)	65,101	(77,093)
Proceeds from issuance of bonds		-	2,986,867
Increase in long-term borrowings	6(35)	3,991,366	5,614,005
Repayment of long-term borrowings	6(35)	(3,896,450)	(5,482,029)
Repayment of lease liabilities	6(35)	(134,800)	(168,762)
Net cash flows from financing activities		1,126,496	4,029,398
Effect of change in exchange rates		58,977	650,299
Net increase in cash and cash equivalents		1,719,620	846,622
Cash and cash equivalents at beginning of period	6(1)	6,296,729	6,122,851
Cash and cash equivalents at end of period	6(1)	\$ 8,016,349	\$ 6,969,473

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

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2020 AND 2019

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

(Reviewed, not audited)

1. HISTORY AND ORGANIZATION

Cheng Uei Precision Industry Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on July 14, 1986 and has begun operations on July 31, 1986. The Company and its subsidiaries (collectively referred herein as the “Group”) are engaged in the manufacture of cable assemblies, connectors, battery packs, and power modules. Effective September 1999, the shares of the Company were listed on the Taiwan Stock Exchange.

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

These consolidated financial statements were reported to the Board of Directors on August 13, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

None.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

The Group continues to evaluate the impact of the above standards and interpretations on its financial condition and financial performance. The quantitative impact will be disclosed when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the compliance statement, basis of preparation, basis of consolidation and additional policies that are set out below, the rest of the principal accounting policies applied in the preparation of these consolidated financial statements are the same as those disclosed in Note 4 to the consolidated financial statements as of and for the year ended December 31, 2019. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards 34, "Interim Financial Reporting".
- B. The consolidated financial statements as of and for the six months ended June 30, 2020 should be read together with the consolidated financial statements as of and for the year ended December 31, 2019.

(2) Basis of preparation

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

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
Basis for preparation for the current period financial statements and the 2019 consolidated financial statements is the same.
- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			June 30, 2020	December 31, 2019	June 30, 2019	
The Company	CU International Ltd. (CU)	Manufacture of electronic telecommunication components and reinvestment business	100	100	100	Note 18,19
The Company	Culink International Ltd. (CULINK)	Reinvestment business	100	100	100	
The Company	Foxlink International Investment Ltd. (FII)	General investments holding	100	100	100	Note 18,19
The Company	Fu Uei International Investment Ltd. (FUII)	General investments holding	100	100	100	Note 18,19
The Company	Darts Technologies Corporation (Darts)	Manufacture of electronic telecommunication and wireless components	97	97	97	
The Company	Foxlink (Vietnam) Inc.	Manufacture of electronic telecommunication components	100	100	100	
The Company	Du Precision Industry Co., Ltd. (Du Precision)	Manufacture of electronic telecommunication components	100	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			June 30, 2020	December 31, 2019	June 30, 2019	
The Company	Foxlink Technology Ltd. (FOXLINK TECH)	Holding company	100	100	100	
The Company	Solteras Inc. (SOLTERAS)	Manufacture of electronic telecommunication components	47.77	47.77	47.77	
The Company	Suntain Co., Ltd. (Suntain)	Electroplating processing services	100	100	100	
The Company	SINOBEST BROTHERS LIMITED (SINOBEST)	Holding company	100	100	100	Note 2
CU	Fugang Electronic (Dong Guan) Co., Ltd. (FGEDG)	Manufacture of electronic telecommunication components	100	100	100	Note 18,19
CU	New Start Industries Ltd. (NEW START)	Reinvestment business	100	100	100	
CU	Fugang Electric (KunShan) Co., Ltd. (FGEKS)	Manufacture of electronic telecommunication components	100	100	100	Note 18,19
CU	Dong Guan Fu Shi Chang Co., Ltd. (FSC)	Manufacture of electronic telecommunication components	100	100	100	
CU	Foxlink Electronics (Dong Guan) Co., Ltd. (FEDG)	Manufacture of electronic telecommunication components	-	-	100	Note 4
CU	Culink (Tian Jin) Co., Ltd. (CTJ)	Manufacture of electronic telecommunication components	25	25	25	
CU	Dongguan Fuqiang Electronics Co., Ltd. (DGFQ)	Manufacture of electronic telecommunication components	83.17	83.17	83.17	Note 18,19
CU	Neosonic Energy Technology (Tianjin) Ltd. (NE)	Manufacture of electronic telecommunication components	100	100	100	
CU	Foxlink Automotive Technology (Kunshan) Co., Ltd. (KAFE)	Manufacture of electronic telecommunication components	49.98	49.98	44.78	
CU	Solteras Limited	General investments holding	100	100	100	
CU	Fu Shi Neng Electronics (Kun Shan) Co., Ltd.	Manufacture of electronic telecommunication components	100	100	100	
CU	Fu Shi Xiang Research & Development Center (Kun Shan) Co., Ltd.	Manufacture of electronic telecommunication components	100	100	100	
CU	Fu Gang Electronic (Nan Chang) Co., Ltd. (FENC)	Manufacture of electronic telecommunication components	72	72	72	
CU	Fugang Electric (YANCHENG) Co., Ltd. (FG YANCHENG)	Manufacture of electronic telecommunication components	80	80	80	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			June 30, 2020	December 31, 2019	June 30, 2019	
CU	Fuqiang Electric (YANCHENG) Co., Ltd. (FQ YANCHENG)	Manufacture of electronic telecommunication components	100	100	100	
CU	Fugang Electric (MAANSHAN) Co., Ltd. (FG MAANSHAN)	Manufacture of electronic telecommunication components	32.86	32.86	32.86	
CU	Kunshan Fugang Investment Co., Ltd. (Kunshan Fugang Investment)	General investments holding	100	100	100	
CU	FOXLINK TECHNICAL INDIA PRIVATE LIMITED (FOXLINK INDIA)	Manufacture of electronic telecommunication components	48.46	78.06	92.59	Note 7
CU	Fugang Electric (XuZhou) Co., Ltd. (FG XuZhou)	Manufacture of electronic telecommunication components	47.06	47.06	100	Note 11,18
NEW START	Foxlink TianJin Co., Ltd. (FTJ)	Manufacture of electronic telecommunication components	100	100	100	
NEW START	Culink (Tian Jin) Co., Ltd. (CTJ)	Manufacture of electronic telecommunication components	75	75	75	
NEW START	Solteras Inc. (SOLTERAS)	Manufacture of electronic telecommunication components	26.64	26.64	26.64	
NEW START	Changzhou Xinwei Vehicle Energy Venture Capital Co., Ltd. (Xinwei)	General investments holding	50	50	50	Note 2
FTJ	Shang Hai World Circuit Technology Co., Ltd. (SHWCT)	Manufacture of electronic telecommunication components	46.93	46.93	46.93	
FTJ	Foxlink Automotive Technology (Kunshan) Co., Ltd. (KAFE)	Manufacture of electronic telecommunication components	50.02	50.02	55.22	
FTJ	Fu Gang Electronic (Nan Chang) Co., Ltd. (FENC)	Manufacture of electronic telecommunication components	28	28	28	
FTJ	Fugang Electric (MAANSHAN) Co., Ltd. (FG MAANSHAN)	Manufacture of electronic telecommunication components	50.71	50.71	50.71	
FTJ	Changde Fubo Intelligent Technology Co., Ltd (CDFB)	Manufacture and sale of automated equipment	70	85.37	-	Note 2,8
KAFE	Suzhou Keyu Rui Automobile Technology Co., Ltd. (Keyu Rui)	Manufacture	55.56	55.56	55.56	
KAFE	Foxlink Automotive Technology Co., Ltd. (FAT)	Manufacture of electronic telecommunication components	100	100	-	Note 2
CULINK	Pacific Wealth Limited (PACIFIC WEALTH)	Holding company and reinvestment business	100	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			June 30, 2020	December 31, 2019	June 30, 2019	
CULINK	FOXLINK TECHNICAL INDIA PRIVATE LIMITED (FOXLINK INDIA)	Manufacture of electronic telecommunication components	51.54	21.94	7.41	Note 7
CULINK	FOXLINK POWERBANK INTERNATIONAL TECHNOLOGY PRIVATE LIMITED (FOXLINK POWERBANK)	Manufacture of electronic telecommunication components	0.73	0.73	0.73	
CULINK	GLORYTEK SCIENCE INDIA PRIVATE LIMITED (GLORY SCIENCE INDIA)	Manufacture and sale of the components of communication and consumer electronics	0.73	0.73	1	
CULINK	FUGANG ELECTRIC (XUZHOU) CO., LTD. (FG XUZHOU)	Manufacture of electronic telecommunication components	52.94	52.94	-	Note 2,11,18
PACIFIC WEALTH	Foxlink International Inc. (FOXLINK)	Sales agent	100	100	100	Note 18,19
Kunshan Fugang Investment	Dongguan Fuqiang Electronics Co., Ltd. (DGFQ)	Manufacture of electronic telecommunication components	16.83	16.83	16.83	Note 18,19
Kunshan Fugang Investment	Fuqiang Electric (MAANSHAN) Co., Ltd. (FQ MAANSHAN)	Manufacture of electronic telecommunication components	100	100	100	
Kunshan Fugang Investment	Fugang Electric (MAANSHAN) Co., Ltd. (FG MAANSHAN)	Manufacture of electronic telecommunication components	16.43	16.43	16.43	
FII	Link Media Co., Ltd. (LM)	Manufacture of electronic telecommunication components	100	100	100	
FII	World Circuit Technology Co., Ltd. (WCT)	Manufacture of electronic telecommunication components and flexible printed circuit	69.56	69.56	69.56	
FII	Proconn Technology Co., Ltd. (PROCONN)	Manufacture of electronic telecommunication components	50.03	50.03	50.03	
FII	Shin Ke International Co., Ltd. (Shin Ke)	Manufacture of electronic telecommunication components	15.38	100	100	Note 9
FII	FIT Holding Co., Ltd. (FIT Holding)	General investments holding	23.67	23.67	23.67	Note 18,19
FII	FOXLINK INDIA ELECTRIC PRIVATE LIMITED (FIE)	Manufacture of electronic telecommunication components	1	-	-	Note 1, 14
WCT	Value Success Limited (VALUE SUCCESS)	Holding company and reinvestment business	100	100	100	
VALUE SUCCESS	Capital Guardian Limited (CAPITAL)	Holding company and reinvestment business	100	100	100	
CAPITAL	World Circuit Technology (Hong Kong) Limited (WCTHK)	Holding company and reinvestment business	100	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			June 30, 2020	December 31, 2019	June 30, 2019	
WCTHK	Shanghai World Circuit Technology Co., Ltd. (SHWCT)	Manufacture of electronic telecommunication components	53.07	53.07	53.07	
Darts	Benefit Right Ltd. (BENEFIT)	Reinvestment business	100	100	100	
BENEFIT	Power Channel Limited (POWER)	Reinvestment business	64.25	64.25	64.25	
Du Precision	Ce Link International Ltd. (CELINK)	Manufacture of electronic telecommunication components	100	100	100	
SINOBEST	Foxlink Myanmar Company Limited (FOXLINK MYANMAR)	Manufacture of electronic telecommunication components	100	100	100	Note 2,5
SOLTERAS LIMITED	Solteras Inc. (SOLTERAS)	Manufacture of electronic telecommunication components	25.59	25.59	25.59	
FUII	Studio A Inc. (Studio A)	Manufacture of electronic telecommunication components	51	51	51	
FUII	VA Product Inc. (VA)	Manufacture of electronic telecommunication components	100	75.63	75.63	Note 15
FUII	Proconn Technology Co., Ltd. (PROCONN)	Manufacture of electronic telecommunication components	1.3	1.3	1.3	
FUII	Zhi De Investment Co., Ltd. (Zhi De Investment)	General investments holding	100	100	100	Note 18,19
FUII	Shinfox Co., Ltd.(Shinfox)	Mechanical installation and piping engineering	13.40	13.40	57.17	Note 12
FUII	FIT Holding Co., Ltd. (FIT Holding)	General investments holding	5.97	5.97	5.97	Note 18,19
FUII	FOXLINK INDIA ELECTRIC PRIVATE LIMITED (FIE)	Manufacture of electronic telecommunication components	99	-	-	Note 1, 14
Zhi De Investment	FIT Holding Co., Ltd. (FIT Holding)	General investments holding	8.55	8.55	8.55	Note 18,19
Shinfox	Foxwell Energy Corporation Ltd. (Foxwell Energy)	Energy service management	100	100	10.71	Note 12
Shinfox	Shinfox Energy International Inc. (SHINFOX ENERGY)	Energy service management	-	40	40	Note 3,6
Shinfox	Shinfox Natural Gas Co., Ltd. (Shinfox Natural Gas)	Energy service management	100	100	100	Note 10
Shinfox	KUNSHAN JUIWEI INFO TECH CO., LTD. (KUNSHAN JUIWEI)	Supply chain finance energy service management	100	100	100	
Shinfox	Foxwell Power Co., Ltd. (Foxwell Power)	Energy service management	95	100	100	Note 2,16
Shinfox	Shinfox Power Co.,Ltd (Shinfox Power)	Energy service management	100	-	-	Note 1

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			June 30, 2020	December 31, 2019	June 30, 2019	
PROCONN	Advance Electronic Ltd. (Advance Electronic)	General investments holding	100	100	100	
PROCONN	Byford International Ltd. (BYFORD)	General international trade	-	-	100	Note 4
PROCONN	Media Universe Inc. (MEDIA UNIVERSE)	General international trade	-	-	100	Note 4
ADVANCE ELECTRONIC	Proconn Technology Co., Ltd. (PROCONN)	General investments holding	-	-	100	Note 4
ADVANCE ELECTRONIC	Smart Technology International Ltd. (SMART)	General investments holding	100	100	100	
PROCONN	Proconn Electron Technology (Shenzhen) Co., Ltd. (Proconn ShenZhen)	Manufacture of electronic telecommunication components	-	-	100	Note 4
SMART	SUZHOU YUHANG ELECTRONICS TECH. CO., LTD.	Manufacture of electronic telecommunication components	100	100	100	
Studio A	Jing Sheng Technology Co., Ltd. (Jing Sheng)	Sale of electronic telecommunication components	100	100	100	
Studio A	Studio A Technology Limited (Studio A Hong Kong)	Sale of electronic telecommunication components	51	51	51	
Studio A	Ashop Co., Ltd. (ASHOP)	Sale of electronic telecommunication components	100	100	100	
Studio A	Jing Jing Technology Co., Ltd. (Jing Jing)	Sale of electronic telecommunication components	100	100	100	
Studio A Hong Kong	Studio A Macau Limited (Studio A Macau)	Sale of electronic telecommunication components	100	100	100	
FGEKS	Kunshan Fugang Electric Trading Co., Ltd. (KFET)	Sale of electronic telecommunication components	51	51	51	
KFET	Shanghai Fugang Electric Trading Co., Ltd. (SFET)	Sale of electronic telecommunication components	100	100	100	
KFET	Kunshan Fu Shi Yu Trading Co., Ltd. (KFSY)	Sale of electronic telecommunication components	100	100	100	
KFET	Shanghai Standard Information Technology Co., Ltd. (Shanghai Standard)	Sale of electronic telecommunication components	100	100	100	Note 2
FIT Holding	Power Quotient International Co., Ltd. (PQI)	Manufacture of electronic telecommunication components	100	100	100	Note 18,19
FIT Holding	Foxlink Image Technology Co., Ltd. (Foxlink Image)	Manufacture and sale of image scanners and multifunction printers	100	100	100	Note 18,19

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			June 30, 2020	December 31, 2019	June 30, 2019	
FIT Holding	Glory Science Co., Ltd. (Glory Science)	Manufacture and sale of optical lens components and other products	100	100	100	Note 18,19
FIT Holding	Shih Fong Power Co., Ltd. (Shih Fong)	Energy service management	100	100	100	Note 2
PQI	Power Quotient International (H.K.) Co., Ltd. (PQI H.K.)	Sale of electronic telecommunication components	100	100	100	
PQI	Pqi Japan Co., Ltd. (PQI JAPAN)	Sale of electronic telecommunication components	100	100	100	
PQI	Syscom Development Co., Ltd. (SYSCOM)	Specialized investments holding	100	100	100	
PQI	Apix Limited (APIX)	Specialized investments holding	100	100	100	Note 18,19
PQI	PQI Mobility Inc. (PQI MOBILITY)	Specialized investments holding	100	100	100	
PQI	Power Sufficient International Co., Ltd. (PSI)	Sale of medical instruments	100	100	100	
PQI	Foxwell Energy Corporation Ltd. (Foxwell Energy)	Energy service management	-	-	89.29	Note 12
PQI	Shinfox Co., Ltd.(Shinfox)	Mechanical installation and piping engineering	76.56	76.56	-	Note 12
SYSCOM	Pqi Corporation (PQI USA)	Sale of electronic telecommunication components	100	100	100	
SYSCOM	FOXLINK POWERBANK INTERNATIONAL TECHNOLOGY PRIVATE LIMITED (FOXLINK POWERBANK)	Manufacture of electronic telecommunication components	99.27	99.27	99	
PQI MOBILITY	Power Quotient Technology (YANCHENG) Co., Ltd. (PQI YANCHENG)	Manufacture of electronic telecommunication components	100	100	100	
APIX	Sinocity Industries Limited (Sinocity)	Sale of electronic telecommunication components	100	100	100	Note 5,18,19
APIX	Perennial Ace Limited (Perennial)	Specialized investments holding	100	100	100	
Foxwell Energy	Zhangyuan Wind Power Co., Ltd. (Zhangyuan)	Energy service management	100	100	100	
Foxwell Energy	Beiyuan Wind Power Co., Ltd. (Beiyuan)	Energy service management	100	100	100	
Sinocity Industries	DG LIFESTYLE STORE LIMITED (DG)	Sale of 3C products	100	100	100	Note 5,18,19
Perennial	Studio A Technology Limited (Studio A Hong Kong)	Sale of 3C products	24.5	24.5	24.5	
PQI YANCHENG	Jiangsu Foxlink New Energy Technology Co., Ltd. (Jiangsu Foxlink)	Manufacture of electronic telecommunication components	42.55	100	100	Note 17

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			June 30, 2020	December 31, 2019	June 30, 2019	
Foxlink Image	ACCU-IMAGE TECHNOLOGY LIMITED (AITL)	Manufacture and sale of image scanners and multifunction printers	100	100	100	Note 13,18,19
Foxlink Image	GLOBAL IMAGE TECHNOLOGY LIMITED (GITL)	Reinvestment business	-	-	100	Note 13
Foxlink Image	GLOBAL SMART TECHNOLOGY LIMITED (GSTL)	Reinvestment business	-	-	100	Note 13
GSTL	Dong Guan Fu Zhang Precision Industry Co., Ltd. (DGFZ)	Mould development and moulding tool manufacture	-	-	100	Note 13
AITL	GLOBAL OUTLOOK INVESTMENTS LIMITED (GOI)	Reinvestment business	-	-	100	Note 13
AITL	GLOBAL ADVANCE INVESTMENTS CORP. (GAI)	Reinvestment business	-	-	100	Note 4
AITL	POWER CHANNEL LIMITED (POWER)	Reinvestment business	35.75	35.75	35.75	
AITL	Dongguan Fu Wei Electronics Co., Ltd. (Dongguan Fu Wei)	Manufacture and sale of image scanners and multifunction printers	100	100	100	Note 18,19
AITL	Dong Guan Fu Zhang Precision Industry Co., Ltd. (DGFZ)	Mould development and moulding tool manufacture	100	100	-	Note 13
AITL	Wei Hai Fu Kang Electric Co., Ltd. (WHFK)	Manufacture and sale of parts and moulds of photocopiers and scanners	100	100	-	Note 13
AITL	Dong Guan Han Yang Computer Limited (DGHY)	Manufacture of image scanners and multifunction printers and investment of real estate	100	100	-	Note 13
GITL	Wei Hai Fu Kang Electric Co., Ltd. (WHFK)	Manufacture and sale of parts and moulds of photocopiers and scanners	-	-	100	Note 13
GOI	Dong Guan Han Yang Computer Limited (DGHY)	Manufacture of image scanners and multifunction printers and investment of real estate	-	-	100	Note 13
Glory Science	GLORY TEK CO., LTD. (GLORY TEK)	General investments holding	100	100	100	Note 18,19
GLORY TEK	GLORY OPTICS CO., LTD. (GLORY OPTICS)	Sales agent	100	100	100	Note 18,19
GLORY TEK	GLORY TEK (SAMOA) CO., LTD. (GLORY TEK SAMOA)	General investments holding	100	100	100	Note 18,19
GLORY TEK	GLORYTEK SCIENCE INDIA PRIVATE LIMITED (GLORYTEK SCIENCE INDIA)	Manufacture and sale of the components of communication and consumer electronics	99.27	99.27	99	Note 18,19

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			June 30, 2020	December 31, 2019	June 30, 2019	
GLORY TEK SAMOA	GLORY Photovoltaic (Suzhou) Co., Ltd. (GLORY Suzhou)	Production and processing and sale of optical lens components and other products	100	100	100	Note 18,19
GLORY TEK SAMOA	Glory Optics (Yancheng) Co., Ltd. (Glory Yanchang)	Production and processing and sale of optical lens components and other products	34.88	34.88	36.76	Note 18,19
GLORY OPTICS	Yao Wei Photovoltaic (Yancheng) Co., Ltd.(Yao Wei	Production and processing and sale of optical lens components and other products	100	100	100	Note 18,19
Yao Wei	Yancheng Yao Wei Technology Co., Ltd. (YYWT)	Production and processing and sale of optical lens components and other products	100	100	100	Note 18,19
GLORY Suzhou	Glory Optics (Yancheng) Co., Ltd. (GOYC)	Production and processing and sale of optical lens components and other products	65.12	65.12	63.24	Note 18,19

Note 1: Investment or incorporation began in 2020.

Note 2: Investment or incorporation began in 2019.

Note 3: Dissolved or liquidated in 2020.

Note 4: Dissolved or liquidated in 2019.

Note 5: With balance sheet date of March 31. For the preparation of consolidated financial statements, PQI had required Sinocity and DG as consolidated entities to prepare financial statements with balance sheet date on December 31 to conform to the balance sheet date of the consolidated financial statements.

Note 6: The Group holds 40% of shares in SHINFOX ENERGY. However, the Group has obtained more than half of the seats on the Board of Directors, so the Group is substantively determined as having control over SHINFOX ENERGY.

Note 7: CULINK has participated in Foxlink India's capital increase on September 15, 2019, January 22, 2020, February 25, 2020 and May 19, 2020. After the capital increment, Foxlink India became a wholly-owned subsidiary of CULINK and CU with 51.54% and 48.46% ownership, respectively.

Note 8: CDFB increased its capital on January 17, 2020. FTJ did not acquire shares proportionally to its interest. As a result, FTJ decreased its share interest from 85.37% to 70%.

Note 9: Deepwaters Digital Support Inc. and YD Entertainment has participated in Shin Ke's capital increase on March 10, 2020. After the capital increment, the equity shares of Shin Ke held by FII decreased to 15.38% from 100%. As a result, the Group lost its control over Shin Ke but has significant influence over it. Please refer to Note 6(8).

Note 10: Kinmen Gas Co., Ltd. was renamed to Shinfox Natural Gas Co., Ltd. on June 10, 2019.

Note 11: CULINK invested in FG Xuzhou in December 2019. After the capital increment, FG Xuzhou became a wholly-owned subsidiary of CULINK and CU with 52.94% and 47.06% ownership, respectively.

Note 12: Shinfox conducted a share swap with Foxwell Energy on December 27, 2019, which was classified as a reorganisation of entities under common control. After the share swap, Foxwell Energy became a wholly-owned subsidiary of Shinfox whose 76.56% and 13.40% ownership were held by PQI and FUII, respectively.

Note 13: To simplify the Group's structure, the shareholders at their meeting on December 16, 2019 resolved to merge the subsidiaries of the Group, AITL, GITL, GSTL and GOI, with AITL being the surviving company.

Note 16: FII and FUII jointly established FIE on June 23, 2020 and jointly holds 100% ownership in FIE.

Note 17: FUII acquired ownership from the original shareholders of VA in May 2020. After the acquisition, VA became a wholly-owned subsidiary of FUII.

Note 18: Foxwell Power increased its capital on April 28, 2020. Shinfox did not acquire shares proportionally to its interest. As a result, Shinfox decreased its share interest from 100% to 95%.

Note 19: Jiangsu Foxlink increased its capital in 2020. The Group did not acquire shares proportionally to its interest. As a result, the Group decreased its share interest to 42.55% and lost its control over it. Subsequently, the Group reclassified it to investments accounted for using the equity method. Please refer to Note 6(8).

Note 20: The financial statements for the six months ended June 30, 2020 were reviewed by the independent auditors of the company.

Note 21: The financial statements for the six months ended June 30, 2019 were reviewed by the independent auditors of the company.

C. Subsidiaries not included in the consolidated financial statements:

Investor	Subsidiary	Main activity	Ownership(%)			Description
			June 30, 2020	December 31, 2019	June 30, 2019	
Foxlink International Investments Ltd. (FII)	World Circuit Technology Co., Ltd. (WCT)	Manufacture of electronic telecommunication components and electronic machinery equipment	75	75	75	Note 1
Studio A Inc. (Studio A)	Tayih Digital Technology Co., Ltd. (TAYIH)	Manufacture of electronic telecommunication components	60	60	60	Note 2

Investor	Subsidiary	Main activity	Ownership(%)			Description
			June 30, 2020	December 31, 2019	June 30, 2019	
CU	KLEINE DEVELOPMENTS LIMITED	Manufacture and sale of Magnesium products	-	50	50	Note 3
Foxlink Image Technology Co., Ltd.	KLEINE DEVELOPMENTS LIMITED	Manufacture and sale of Magnesium products	-	50	50	Note 3

Note 1: The ratio of total assets to the Company's total assets was insignificant, and it was approved by the Ministry of Economic Affairs on October 5, 2004 to be dissolved and is currently undergoing liquidation procedures. Thus, this subsidiary was not included in the consolidated financial statements.

Note 2: The ratio of total assets to the Company's total assets was insignificant, and it was approved by the Ministry of Economic Affairs on July 7, 2010 to be dissolved and is currently undergoing liquidation procedures. Thus, this subsidiary was not included in the consolidated financial statements.

Note 3: On December 28, 2015, the Board of Directors has resolved the liquidation of the company, KLEINE. The liquidation was completed on May 28, 2020. Thus, this subsidiary was not included in the consolidated financial statements.

D. Adjustments for subsidiaries with different balance sheet dates:

Sinocity and DG are subsidiaries of PQI in Hong Kong and Macau, respectively, with balance sheet date of March 31. For the preparation of consolidated financial statements, PQI had required Sinocity and DG as consolidated entities to prepare financial statements with balance sheet date of December 31 to conform with the balance sheet date of the Group.

FOXLINK MYANMAR is a subsidiary of SINOBEST in Myanmar with balance sheet date of March 31. For the preparation of consolidated financial statements, SINOBEST had required FOXLINK MYANMAR as consolidated entities to prepare financial statements with balance sheet date of December 31 to conform to the balance sheet date of the consolidated financial statements.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of June 30, 2020, December 31, 2019 and June 30, 2019, the non-controlling interest amounted to \$5,641,174, \$5,810,641 and \$6,472,911, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest					
		June 30, 2020		December 31, 2019		June 30, 2019	
		Ownership		Ownership		Ownership	
		Amount	(%)	Amount	(%)	Amount	(%)
FIT Holding	Taiwan	<u>\$ 4,987,098</u>	61.81%	<u>\$ 5,168,619</u>	61.81%	<u>\$ 5,449,620</u>	61.81%

Summarised financial information of the subsidiaries:

Balance sheets

	FIT Holding		
	June 30, 2020	December 31, 2019	June 30, 2019
Current assets	\$ 5,769,134	\$ 6,740,195	\$ 7,320,502
Non-current assets	10,424,392	11,467,723	10,648,554
Current liabilities	(6,118,018)	(5,813,251)	(7,340,086)
Non-current liabilities	(3,641,071)	(5,530,512)	(4,013,110)
Total net assets	<u>\$ 6,434,437</u>	<u>\$ 6,864,155</u>	<u>\$ 6,615,860</u>

Statements of comprehensive income

	FIT Holding	
	Three months ended June 30,	
	2020	2019
Revenue	\$ 1,429,580	\$ 1,882,013
Loss before income tax	(26,713)	(83,595)
Income tax expense	(48,741)	(11,532)
Loss for the period from continuing operations	(74,632)	(82,716)
Equity attributable to former owner of business combination under common control	-	(7,565)
Loss from non-controlling interest	(822)	(4,846)
Loss for the period	(75,454)	(95,127)
Other comprehensive income (loss) (loss net of tax)	203,599	(264,519)
Total comprehensive income (loss) for the period	<u>\$ 128,145</u>	<u>(\$ 359,646)</u>
Comprehensive income (loss) attributable to non-controlling interest	<u>\$ 36</u>	<u>(\$ 2,449)</u>
Equity attributable to former owner of business combination under common control attributable to non-controlling interest	\$ -	(\$ 8,790)
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>

	FIT Holding	
	Six months ended June 30,	
	2020	2019
Revenue	\$ 3,040,655	\$ 3,866,167
Loss before income tax	(98,081)	(220,416)
Income tax expense	(62,759)	(46,387)
Loss for the period from continuing operations	(157,273)	(243,854)
Equity attributable to former owner of business combination under common control	-	(17,417)
Loss from non-controlling interest	(3,567)	(5,532)
Loss for the period	(160,840)	(266,803)
Other comprehensive (loss) income (loss net of tax)	(271,014)	244,766
Total comprehensive loss for the period	(\$ 431,854)	(\$ 22,037)
Comprehensive loss attributable to non-controlling interest	(\$ 3,038)	(\$ 4,351)
Equity attributable to former owner of business combination under common control attributable to non-controlling interest	\$ -	(\$ 18,523)
Dividends paid to non-controlling interest	\$ -	\$ -

Statements of cash flows

	FIT Holding	
	Six months ended June 30,	
	2020	2019
Net cash provided by operating activities	\$ 340,320	\$ 366,208
Net cash used in investing activities	(183,830)	(1,729,835)
Net cash provided by financing activities	144,869	1,551,906
Effect of exchange rates on cash and cash equivalents	(39,368)	83,428
Increase in cash and cash equivalents	261,991	271,707
Cash and cash equivalents, beginning of period	1,820,304	2,747,502
Cash and cash equivalents, end of period	\$ 2,082,295	\$ 3,019,209

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

No significant changes during the period, please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2019.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Cash on hand and revolving funds	\$ 138,469	\$ 44,235	\$ 60,275
Checking accounts and demand deposits	4,920,480	4,892,329	5,616,668
Cash equivalents			
Time deposits	2,932,400	1,360,165	1,232,555
Short-term notes and bills	25,000	-	59,975
Total	<u>\$ 8,016,349</u>	<u>\$ 6,296,729</u>	<u>\$ 6,969,473</u>

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

B. Details of the Group's cash and cash equivalents pledged to others as collateral are provided in Note 8.

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

<u>Assets items</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Current items:			
Financial assets mandatorily measured at fair value through profits or loss			
Non-capital guaranteed floating profit financial instruments	<u>\$ -</u>	<u>\$ 129,150</u>	<u>\$ 45,210</u>

A. Amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Derivative instruments	<u>\$ 2,888</u>	<u>\$ 2,669</u>
	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Derivative instruments	<u>\$ 7,574</u>	<u>\$ 3,104</u>

The Group entered into forward foreign exchange contracts to buy USD (sell HKD by USD) to hedge exchange rate risk of import proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

- B. The Group has no financial assets and liabilities at fair value through profit or loss pledged to others.
- C. Information relating to credit risk of financial assets and liabilities at fair value through profit or loss is provided in Note 12(2).

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

<u>Items</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Non-current items:			
Equity instruments			
Unlisted stocks	\$ 1,271,121	\$ 1,231,207	\$ 1,240,200
Valuation adjustment	(330,451)	(294,452)	(203,498)
	<u>\$ 940,670</u>	<u>\$ 936,755</u>	<u>\$ 1,036,702</u>

- A. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. As of June 30, 2020, December 31, 2019 and June 30, 2019, the fair value of such investments amounted to \$940,670, \$936,755 and \$1,036,702, respectively.
- B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	<u>(\$ 36,000)</u>	<u>(\$ 25,000)</u>
	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	<u>(\$ 36,000)</u>	<u>(\$ 25,000)</u>

- C. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.
- D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(4) Financial assets at amortised cost

Items	June 30, 2020	December 31, 2019	June 30, 2019
Current items:			
Repatriation of capital from Taiwan's offshore companies	\$ 901,237	\$ 896,906	\$ -
Time deposits maturing over three months	106,298	378,524	919,994
Restricted deposits	5,301	8,926	337,968
Pledged time deposits	86,050	358,822	226,413
	<u>\$ 1,098,886</u>	<u>\$ 1,643,178</u>	<u>\$ 1,484,375</u>
Non-current items:			
Restricted deposits	\$ 1,149	\$ 1,768	\$ 562
Pledged time deposits	139,835	125,816	-
	<u>\$ 140,984</u>	<u>\$ 127,584</u>	<u>\$ 562</u>

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

(5) Accounts receivable

	June 30, 2020	December 31, 2019	June 30, 2019
Accounts receivable	\$ 13,480,209	\$ 15,632,770	\$ 14,196,313
Less: Loss allowance	(172,986)	(158,659)	(189,403)
	<u>\$ 13,307,223</u>	<u>\$ 15,474,111</u>	<u>\$ 14,006,910</u>

A. The information on the Group's ageing analysis of accounts receivable is provided in Note 12(2).

B. As of June 30, 2020, December 31, 2019 and June 30, 2019, accounts receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to \$12,850,558.

C. The quality information of accounts receivable is based on customers' credit ranking and recoverable period of receivables in order to calculate the accrual of impairment. The Group's internal credit ranking policy is that the Group's business and management segment assesses periodically whether the credit ranking of existing customers is appropriate and adjusts to obtain the latest information when necessary. Customers' credit ranking assessment is based on industrial operating scale, profitability and ranking assessed by financial insurance institutions.

The Group has insured accounts receivable of certain customers and the Group will receive 80%~90% compensation if bad debts occur.

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

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

(6) Transfer of financial assets

A. The Group entered into a factoring agreement with the banks to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable, and the related information is as follows:

June 30, 2020							
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Amount advanced for advance	Interest rate of amount advanced	Collateral Provided
Bank of Taiwan	\$ 154,150	\$ 154,150	\$ 4,444,500	\$ 138,735	\$ 4,305,765	0.67%	None
Citibank	463,139	463,139	463,139	463,139	-	1.19%	None
Mega International Commercial Bank	161,822	161,822	1,481,500	145,640	1,335,860	1.06%	None
December 31, 2019							
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Amount advanced for advance	Interest rate of amount advanced	Collateral Provided
Bank of Taiwan	\$ 1,037,950	\$ 1,037,950	\$ 4,497,000	\$ 934,155	\$ 3,562,845	2.54%~2.75%	None
Citibank	743,008	743,008	743,008	743,008	-	2.79%~2.99%	None
Mega International Commercial Bank	711,452	711,452	1,499,000	640,306	858,694	2.52%~2.58%	None
June 30, 2019							
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Amount advanced for advance	Interest rate of amount advanced	Collateral Provided
Bank of Taiwan	\$ 676,108	\$ 676,108	\$ 4,659,000	\$ 608,496	\$ 4,050,504	3.02%	None
Citibank	197,447	197,447	197,447	197,447	-	3.5%~3.74%	None
Mega International Commercial Bank	419,547	419,547	1,553,000	377,592	1,175,408	3.08%	None

B. As of June 30, 2020, December 31, 2019 and June 30, 2019, the Group issued promissory notes to some banks for the factoring agreements signed.

(7) Inventories

June 30, 2020			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 4,559,520	(\$ 248,730)	\$ 4,310,790
Work in progress and semi-finished goods	1,930,376	(28,362)	1,902,014
Finished goods (including merchandise)	5,474,447	(326,066)	5,148,381
Inventory in transit	73,661	-	73,661
	<u>\$ 12,038,004</u>	<u>(\$ 603,158)</u>	<u>\$ 11,434,846</u>

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 3,787,055	(\$ 110,259)	\$ 3,676,796
Work in progress	397,850	(7,309)	390,541
Finished goods (including merchandise)	7,473,329	(364,193)	7,109,136
Inventory in transit	42,268	-	42,268
	<u>\$ 11,700,502</u>	<u>(\$ 481,761)</u>	<u>\$ 11,218,741</u>

	June 30, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 4,577,327	(\$ 197,197)	\$ 4,380,130
Work in progress	687,060	(10,500)	676,560
Finished goods (including merchandise)	9,817,895	(499,927)	9,317,968
Inventory in transit	38,613	-	38,613
	<u>\$ 15,120,895</u>	<u>(\$ 707,624)</u>	<u>\$ 14,413,271</u>

The cost of inventories recognised as expense for the period:

	Three months ended June 30,	
	2020	2019
Cost of inventories sold	\$ 18,260,463	\$ 19,085,447
Loss on decline in (gain on reversal of) market value	43,341	(63,261)
Others (revenue from sale of scraps)	(8,957)	(27,582)
	<u>\$ 18,294,847</u>	<u>\$ 18,994,604</u>

	Six months ended June 30,	
	2020	2019
Cost of inventories sold	\$ 32,793,473	\$ 36,636,748
Loss on decline in (gain on reversal of) market value	121,397	(45,753)
Others (revenue from sale of scraps)	(11,847)	(64,889)
	<u>\$ 32,903,023</u>	<u>\$ 36,526,106</u>

The Group reversed from a previous inventory write-down because obsolete and slow-moving inventories and inventories with decline in market value were partially sold by the Group for the three months and six months ended June 30, 2019.

(8) Investments accounted for using the equity method

Investee	June 30, 2020		December 31, 2019	
	Amount	Ownership percentage (%)	Amount	Ownership percentage (%)
Central Motion Picture Corporation	\$ 1,957,694	17.60%	\$ 1,964,129	17.60%
Well Shin Technology Co., Ltd.	1,081,975	18.84%	1,135,667	18.84%
Sharetronic Data Technology Co., Ltd.	781,366	26.58%	719,728	26.58%
Jiangsu Foxlink New Energy Technology Co., Ltd.	418,068	42.55%	-	-
Castles Technology Co., Ltd.	217,813	16.14%	207,238	16.14%
Dongguan Banrin Robot Technology Co., Ltd.	119,843	31.03%	124,573	31.03%
CMPC Cultural & Creative Co., Ltd.	123,989	42.86%	123,447	42.86%
Kleine Developments Ltd.	-	-	62,969	100.00%
Tegna Electronics Private Limited	35,814	30.00%	38,816	30.00%
Shinke International Co., Ltd.	9,998	15.38%	-	-
Microlink Communications Inc.	(21,857)	21.43%	(22,014)	21.43%
	4,724,703		4,354,553	
Add : Current prepayments for investments				
-JOURN TA BROTHERS LIMITED	78,235		78,235	
Credit balance of long-term equity investments reclassified to other non-current liabilities				
-others	21,857		22,014	
Total	\$ 4,824,795		\$ 4,454,802	

Investee	June 30, 2019	
	Amount	Ownership percentage (%)
Central Motion Picture Corporation	\$ 1,835,684	17.60%
Well Shin Technology Co., Ltd.	1,123,959	18.84%
Sharetronic Data Technology Co., Ltd.	695,648	26.58%
Castles Technology Co., Ltd.	178,405	16.14%
Dongguan Banrin Robot Technology Co., Ltd.	130,856	31.03%
CMPC Cultural & Creative Co., Ltd.	123,453	42.86%
Kleine Developments Ltd.	133,907	100.00%
Tegna Electronics Private Limited	40,735	30.00%
Wellgen Medical Co., Ltd.	-	-
Microlink Communications Inc.	(22,918)	21.43%
	4,239,729	
Add : Credit balance of long-term equity investments reclassified to other non-current liabilities		
-others	22,918	
Total	\$ 4,262,647	

A. For the three months and six months ended June 30, 2020 and 2019, except for Well Shin Technology Co., Ltd. and Castles Technology Co., Ltd., which were recognised based on their financial statements reviewed by independent auditors and whose total share of profit and loss amounted to \$24,391, \$30,485, \$48,050 and \$22,990 respectively, share of the profit or loss of other associates and joint ventures were not reviewed by independent auditors.

B. Associates

(a) The basic information of the associates that are material to the Group is summarised below:

Company name	Principal place of business	Shareholding ratio			Nature of relationship	Methods of measurement
		June 30, 2020	December 31, 2019	June 30, 2019		
Central Motion Picture Corporation	Taiwan	17.60%	17.60%	17.60%	Note	Equity method
Well Shin Technology Co., Ltd.	Taiwan	18.84%	18.84%	18.84%	Note	Equity method

Note : As the Group's management holds several seats in the Board of Directors of Central Motion Picture Corporation and Well Shin Technology Co., Ltd., the Group is assessed to have significant influence.

(b) Summarised financial information of the associates that are material to the Group is as follows:

Balance sheet

	Central Motion Picture Corporation		
	June 30, 2020	December 31, 2019	June 30, 2019
Current assets	\$ 468,469	\$ 354,803	\$ 469,228
Non-current assets	17,555,227	17,686,926	16,893,886
Current liabilities	(127,835)	(2,146,489)	(323,193)
Non-current liabilities	(5,254,391)	(3,252,973)	(5,107,049)
Total net assets	<u>\$ 12,641,470</u>	<u>\$ 12,642,267</u>	<u>\$ 11,932,872</u>
Share in associate's net assets	\$ 1,957,694	\$ 1,964,129	\$ 1,835,684
Goodwill	-	-	-
Carrying amount of the associates	<u>\$ 1,957,694</u>	<u>\$ 1,964,129</u>	<u>\$ 1,835,684</u>

	Well Shin Technology Co., Ltd.		
	June 30, 2020	December 31, 2019	June 30, 2019
Current assets	\$ 4,676,693	\$ 4,786,552	\$ 4,994,986
Non-current assets	2,878,118	2,945,868	3,111,604
Current liabilities	(1,554,115)	(1,438,795)	(1,875,148)
Non-current liabilities	(452,593)	(460,569)	(472,526)
Total net assets	<u>\$ 5,548,103</u>	<u>\$ 5,833,056</u>	<u>\$ 5,758,916</u>
Share in associate's net assets	\$ 1,045,386	\$ 1,099,078	\$ 1,087,370
Goodwill	36,589	36,589	36,589
Carrying amount of the associates	<u>\$ 1,081,975</u>	<u>\$ 1,135,667</u>	<u>\$ 1,123,959</u>

Statement of comprehensive income

Central Motion Picture Corporation

Three months ended June 30,

	2020	2019
Revenue	\$ 107,046	\$ 139,461
Profit for the period from continuing operations	\$ 772	\$ 15,709
Other comprehensive income, net of tax	-	-
Total comprehensive income	\$ 772	\$ 15,709
Dividends received from associates	\$ -	\$ -

Central Motion Picture Corporation

Six months ended June 30,

	2020	2019
Revenue	\$ 212,850	\$ 272,216
(Loss) profit for the period from continuing operations	(\$ 797)	\$ 30,315
Other comprehensive income, net of tax	-	-
Total comprehensive (loss) income	(\$ 797)	\$ 30,315
Dividends received from associates	\$ -	\$ -

Well Shin Technology Co., Ltd.

Three months ended June 30,

	2020	2019
Revenue	\$ 1,096,279	\$ 1,346,736
Profit for the period from continuing operations	\$ 102,560	\$ 191,778
Other comprehensive loss, net of tax	(72,604)	(45,237)
Total comprehensive income	\$ 29,956	\$ 146,541
Dividends received from associates	\$ -	\$ -

Well Shin Technology Co., Ltd.

Six months ended June 30,

	2020	2019
Revenue	\$ 1,993,852	\$ 2,495,029
Profit for the period from continuing operations	\$ 180,565	\$ 270,845
Other comprehensive (loss) income, net of tax	(110,747)	37,774
Total comprehensive income	\$ 69,818	\$ 308,619
Dividends received from associates	\$ -	\$ -

- (c) The carrying amount of the Group's interests in all individually immaterial associates (Note) and the Group's share of the operating results are summarised below:

As of June 30, 2020, December 31, 2019 and June 30, 2019, the carrying amount of the Group's individually immaterial associates amounted to \$1,685,034, \$1,254,757 and \$1,280,086, respectively.

	Three months ended June 30,	
	2020	2019
Profit for the period from continuing operations	\$ 157,886	\$ 24,841
Total comprehensive income	\$ 157,886	\$ 24,841
	Six months ended June 30,	
	2020	2019
Profit (loss) for the period from continuing operations	\$ 323,855	(\$ 54,816)
Total comprehensive income (loss)	\$ 323,855	(\$ 54,816)

Note: Sharetronic Data, Castles, CMPC Cultural & Creative, Microlink, Shin Ke, Jiangsu Foxlink, Banrin and TEGNA.

(d) The fair value of the Group's material associates with quoted market prices is as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Well Shin Technology Co., Ltd.	\$ 1,028,334	\$ 1,123,034	\$ 1,167,376

- C. The Group has signed a stock purchase agreement with an individual on May 15, 2014 to purchase all the Company's shares in CMPC amounting to \$150,000 thousand. As of June 30, 2020, uncollected amount was \$141,000 thousand (shown as 'notes receivable') and accrued impairment loss was \$141,000 thousand.
- D. On December 28, 2015, the Board of Directors has resolved the liquidation of the investee company, KLEINE. The Company had accrued an additional loss amounting to \$170,136 within the scope of legal obligations. The liquidation was completed on May 28, 2020.
- E. Central Motion Picture Corporation is a litigating party contesting the decision No. 107007 rendered by Ill-gotten Party Assets Settlement Committee on October 9, 2018. Please refer to Note 9(3) for details on the lawsuit.
- F. Wellgen Medical Co., Ltd. increased its capital in February 2019. The Group did not acquire shares proportionally to its interest. As a result, the Group lost its significant influence. Subsequently, gains on disposal of the aforementioned investments amounting to \$7,812 were generated from reclassifying the investments to financial assets measured at fair value through other comprehensive income. Details are provided in Notes 6(26) and 12(3).
- G. Deepwaters Digital Support Inc. and YD Entertainment has participated in Shin Ke's capital increase on March 10, 2020. After the capital increment, the equity shares of Shin Ke held by FII decreased to 15.38% from 100%. As a result, the Group lost its control over Shin Ke. However, as the Group's management holds several seats in the Board of Directors of Shin Ke, the Group has significant influence over it.

H. Jiangsu Foxlink New Energy Technology Co., Ltd. increased its capital in 2020. The Group did not acquire shares proportionally to its interest. As a result, the Group decreased its share interest to 42.55% and lost its control but still has significant influence over it. Subsequently, gains on disposal of the aforementioned investments amounting to \$9,583 were generated from reclassifying it to investments accounted for using the equity method. Details are provided in Note 6(26).

(9) Property, plant and equipment

	2020					
	Land	Buildings and structures	Machinery and equipment	Office equipment	Others	Construction-in-progress
At January 1						
Cost	\$ 412,428	\$ 16,258,559	\$ 11,169,824	\$ 479,338	\$ 6,822,800	\$ 2,438,672
Accumulated depreciation and impairment	-	(3,201,107)	(5,946,266)	(308,210)	(4,728,055)	-
	<u>\$ 412,428</u>	<u>\$ 13,057,452</u>	<u>\$ 5,223,558</u>	<u>\$ 171,128</u>	<u>\$ 2,094,745</u>	<u>\$ 2,438,672</u>
Opening net book amount	\$ 412,428	\$ 13,057,452	\$ 5,223,558	\$ 171,128	\$ 2,094,745	\$ 2,438,672
Additions	-	-	538,269	12,474	166,588	394,042
Disposals	-	(33,516)	(45,660)	(3,249)	(10,371)	-
Disposal of subsidiaries	-	(923,712)	(8,707)	(24,135)	(1,687)	(300,584)
Reclassifications	-	(9,701)	215,015	14,368	69,974	158,277
Depreciation charge	-	(186,829)	(829,278)	(37,307)	(408,183)	-
Net exchange differences	-	(254,869)	(105,650)	(947)	(43,661)	(13,632)
Closing net book amount	<u>\$ 412,428</u>	<u>\$ 11,648,825</u>	<u>\$ 4,987,547</u>	<u>\$ 132,332</u>	<u>\$ 1,867,405</u>	<u>\$ 2,676,775</u>
At June 30						
Cost	\$ 412,428	\$ 14,947,002	\$ 11,575,215	\$ 426,384	\$ 5,235,103	\$ 2,676,775
Accumulated depreciation and impairment	-	(3,298,177)	(6,587,668)	(294,052)	(3,367,698)	-
	<u>\$ 412,428</u>	<u>\$ 11,648,825</u>	<u>\$ 4,987,547</u>	<u>\$ 132,332</u>	<u>\$ 1,867,405</u>	<u>\$ 2,676,775</u>

2019							
	Land	Buildings and structures	Machinery and equipment	Office equipment	Others	Construction-in-progress	Total
At January 1							
Cost	\$ 412,428	\$ 15,681,815	\$ 9,383,027	\$ 412,958	\$ 6,549,376	\$ 1,600,789	\$ 34,040,393
Accumulated depreciation and impairment	-	(3,363,878)	(4,467,052)	(239,903)	(4,006,685)	-	(12,077,518)
	<u>\$ 412,428</u>	<u>\$ 12,317,937</u>	<u>\$ 4,915,975</u>	<u>\$ 173,055</u>	<u>\$ 2,542,691</u>	<u>\$ 1,600,789</u>	<u>\$ 21,962,875</u>
Opening net book amount	\$ 412,428	\$ 12,317,937	\$ 4,915,975	\$ 173,055	\$ 2,542,691	\$ 1,600,789	\$ 21,962,875
Additions	-	236,447	919,636	33,517	302,315	521,357	2,013,272
Acquired from business combinations	-	-	-	-	-	703,540	703,540
Disposals	-	-	(97,675)	(18,223)	(17,883)	-	(133,781)
Reclassifications	-	378,120	465,228	8,598	53,374	251,579	1,156,899
Depreciation charge	-	(206,313)	(978,668)	(38,115)	(502,788)	-	(1,725,884)
Net exchange differences	-	115,918	13,796	5,661	12,175	9,565	157,115
Closing net book amount	<u>\$ 412,428</u>	<u>\$ 12,842,109</u>	<u>\$ 5,238,292</u>	<u>\$ 164,493</u>	<u>\$ 2,389,884</u>	<u>\$ 3,086,830</u>	<u>\$ 24,134,036</u>
At June 30							
Cost	\$ 412,428	\$ 16,447,788	\$ 10,504,979	\$ 431,964	\$ 6,696,381	\$ 3,086,830	\$ 37,580,370
Accumulated depreciation and impairment	-	(3,605,679)	(5,266,687)	(267,471)	(4,306,497)	-	(13,446,334)
	<u>\$ 412,428</u>	<u>\$ 12,842,109</u>	<u>\$ 5,238,292</u>	<u>\$ 164,493</u>	<u>\$ 2,389,884</u>	<u>\$ 3,086,830</u>	<u>\$ 24,134,036</u>

The Group's property, plant and equipment were pledged to others as collateral, please refer to Note 8 for detailed information.

(10) Leasing arrangements-lessee

- A. The Group leases various assets including land, buildings, transportation equipment. Rental contracts are typically made for periods of 2 to 70 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 1,333,116	\$ 1,437,055	\$ 1,383,027
Buildings	309,739	391,864	425,476
Transportation equipment (Business vehicles)	1,454	2,235	3,050
Office equipment (Photocopiers)	234	17	29
	<u>\$ 1,644,543</u>	<u>\$ 1,831,171</u>	<u>\$ 1,811,582</u>

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 13,135	\$ 10,257
Buildings	60,842	78,707
Transportation equipment (Business vehicles)	384	760
Office equipment (Photocopiers)	48	17
	<u>\$ 74,409</u>	<u>\$ 89,741</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 26,583	\$ 20,592
Buildings	122,221	160,517
Transportation equipment (Business vehicles)	770	1,885
Office equipment (Photocopiers)	58	34
	<u>\$ 149,632</u>	<u>\$ 183,028</u>

- C. For the three months and six months ended June 30, 2020 and 2019, the additions to right-of-use assets amounted to \$38,080, \$63,325, \$47,895 and \$210,530, respectively.

D. The information on income and expense accounts relating to lease contracts is as follows:

	Three months ended June 30,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2,033	\$ 2,276
Expense on short-term lease contracts	15,600	24,828
Expense on leases of low-value assets	149	162
Expense on variable lease payments	7,192	6,835

	Six months ended June 30,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 4,220	\$ 4,635
Expense on short-term lease contracts	35,730	54,431
Expense on leases of low-value assets	285	361
Expense on variable lease payments	17,182	14,451

E. For the three months and six months ended June 30, 2020 and 2019, the Group's total cash outflow for leases amounted to \$86,867, \$110,943, \$187,997 and \$238,005, respectively.

F. Variable lease payments

- (a) Some of the Group's lease contracts contain variable lease payment terms that are linked to sales generated from a store or a counter in a department store and sales generated from electricity sold. For aforementioned contracts, up to 9.14% of lease payments are on the basis of variable payment terms and are accrued based on the sales amount. Variable payment terms are used for a variety of reasons and various lease payments that depend on sales are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.
- (b) A 1% increase in the aggregate sales amount of all stores with such variable lease contracts would increase total lease payments by approximately \$172.

(11) Investment property

2020			
	Land	Buildings and structures	Total
At January 1			
Cost	\$ 183,076	\$ 519,293	\$ 702,369
Accumulated depreciation and impairment	-	(110,595)	(110,595)
	<u>\$ 183,076</u>	<u>\$ 408,698</u>	<u>\$ 591,774</u>
Opening net book amount	\$ 183,076	\$ 408,698	\$ 591,774
Reclassifications	-	-	-
Depreciation charge	-	(6,378)	(6,378)
Net exchange differences	-	(8,314)	(8,314)
Closing net book amount	<u>\$ 183,076</u>	<u>\$ 394,006</u>	<u>\$ 577,082</u>
At June 30			
Cost	\$ 183,076	\$ 510,766	\$ 693,842
Accumulated depreciation and impairment	-	(116,760)	(116,760)
	<u>\$ 183,076</u>	<u>\$ 394,006</u>	<u>\$ 577,082</u>
2019			
	Land	Buildings and structures	Total
At January 1			
Cost	\$ 183,076	\$ 212,948	\$ 396,024
Accumulated depreciation and impairment	-	(105,532)	(105,532)
	<u>\$ 183,076</u>	<u>\$ 107,416</u>	<u>\$ 290,492</u>
Opening net book amount	\$ 183,076	\$ 107,416	\$ 290,492
Reclassifications	-	328,721	328,721
Depreciation charge	-	(2,463)	(2,463)
Net exchange differences	-	(2,895)	(2,895)
Closing net book amount	<u>\$ 183,076</u>	<u>\$ 430,779</u>	<u>\$ 613,855</u>
At June 30			
Cost	\$ 183,076	\$ 534,505	\$ 717,581
Accumulated depreciation and impairment	-	(103,726)	(103,726)
	<u>\$ 183,076</u>	<u>\$ 430,779</u>	<u>\$ 613,855</u>

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

Three months ended June 30,		
	2020	2019
Rental income from the lease of the investment property	<u>\$ 4,349</u>	<u>\$ 4,409</u>
Direct operating expenses arising from the investment property that generated rental income in the period	<u>\$ 3,163</u>	<u>\$ 1,513</u>

		Six months ended June 30,	
		2020	2019
Rental income from the lease of the investment property		\$ 8,677	\$ 8,768
Direct operating expenses arising from the investment property that generated rental income in the period		\$ 6,378	\$ 2,463

B. Investment property is stated initially at its cost and is depreciated on a straight-line basis over its estimated useful life. The fair value of the investment property held by the Group as at June 30, 2020, December 31, 2019 and June 30, 2019 was \$1,014,824, \$1,023,016 and \$1,035,977, respectively, which was evaluated based on the market prices of similar real estate in the areas nearby, as Level 2 fair value, market prices did not change significantly.

C. There was no impairment loss on investment property.

D. The investment property was not pledged to others as collateral.

(12) Intangible assets

		2020				
		Trademark Rights	Patent	Goodwill	Others	Total
At January 1						
Cost		\$ 50,068	\$ 451,126	\$ 3,882,120	\$ 303,904	\$ 4,687,218
Accumulated amortisation and impairment		(95)	(44,120)	(2,229,754)	(161,301)	(2,435,270)
		<u>\$ 49,973</u>	<u>\$ 407,006</u>	<u>\$ 1,652,366</u>	<u>\$ 142,603</u>	<u>\$ 2,251,948</u>
Opening net book amount		\$ 49,973	\$ 407,006	\$ 1,652,366	\$ 142,603	\$ 2,251,948
Additions		-	-	-	48,974	48,974
Disposals		-	-	-	-	-
Amortisation charge		(38)	(17,648)	-	(42,626)	(60,312)
Net exchange differences		(579)	-	19,310	(3,193)	15,538
Closing net book amount		<u>\$ 49,356</u>	<u>\$ 389,358</u>	<u>\$ 1,671,676</u>	<u>\$ 145,758</u>	<u>\$ 2,256,148</u>
At June 30						
Cost		\$ 49,489	\$ 451,126	\$ 3,901,430	\$ 397,710	\$ 4,799,755
Accumulated amortisation and impairment		(133)	(61,768)	(2,229,754)	(251,952)	(2,543,607)
		<u>\$ 49,356</u>	<u>\$ 389,358</u>	<u>\$ 1,671,676</u>	<u>\$ 145,758</u>	<u>\$ 2,256,148</u>

	2019				
	Trademark Rights	Patent	Goodwill	Others	Total
At January 1					
Cost	\$ 51,283	\$ 451,126	\$ 3,920,751	\$ 261,705	\$ 4,684,865
Accumulated amortisation and impairment	(19)	(8,824)	(1,646,853)	(149,991)	(1,805,687)
	<u>\$ 51,264</u>	<u>\$ 442,302</u>	<u>\$ 2,273,898</u>	<u>\$ 111,714</u>	<u>\$ 2,879,178</u>
Opening net book amount	\$ 51,264	\$ 442,302	\$ 2,273,898	\$ 111,714	\$ 2,879,178
Additions	-	-	-	84,509	84,509
Disposals	-	-	-	(334)	(334)
Amortisation charge	(38)	(17,648)	-	(34,232)	(51,918)
Net exchange differences	571	-	(18,719)	120	(18,028)
Closing net book amount	<u>\$ 51,797</u>	<u>\$ 424,654</u>	<u>\$ 2,255,179</u>	<u>\$ 161,777</u>	<u>\$ 2,893,407</u>
At June 30					
Cost	\$ 51,854	\$ 451,126	\$ 3,902,032	\$ 285,435	\$ 4,690,447
Accumulated amortisation and impairment	(57)	(26,472)	(1,646,853)	(123,658)	(1,797,040)
	<u>\$ 51,797</u>	<u>\$ 424,654</u>	<u>\$ 2,255,179</u>	<u>\$ 161,777</u>	<u>\$ 2,893,407</u>

A. Goodwill is allocated to the Group's cash-generating units identified according to operating segments as follows:

	June 30, 2020					
	3C component	System and peripheral products	3C product retail	Memory module	Others	Total
Taiwan	\$ 422,764	\$ 715,197	\$ -	\$ 118,258	\$ -	\$ 1,256,219
Hong Kong	-	-	403,850	-	-	403,850
All other segments	-	-	-	-	11,607	11,607
	<u>\$ 422,764</u>	<u>\$ 715,197</u>	<u>\$ 403,850</u>	<u>\$ 118,258</u>	<u>\$ 11,607</u>	<u>\$ 1,671,676</u>

	December 31, 2019					
	3C component	System and peripheral products	3C product retail	Memory module	Others	Total
Taiwan	\$ 422,764	\$ 715,197	\$ -	\$ 118,258	\$ -	\$ 1,256,219
Hong Kong	-	-	384,540	-	-	384,540
All other segments	-	-	-	-	11,607	11,607
	<u>\$ 422,764</u>	<u>\$ 715,197</u>	<u>\$ 384,540</u>	<u>\$ 118,258</u>	<u>\$ 11,607</u>	<u>\$ 1,652,366</u>

	June 30, 2019					
	3C component	System and peripheral products	3C product retail	Memory module	Others	Total
Taiwan	\$ 708,591	\$ 715,197	\$ -	\$ 334,167	\$ -	\$ 1,757,955
Hong Kong	-	-	485,617	-	-	485,617
All other segments	-	-	-	-	11,607	11,607
	<u>\$ 708,591</u>	<u>\$ 715,197</u>	<u>\$ 485,617</u>	<u>\$ 334,167</u>	<u>\$ 11,607</u>	<u>\$ 2,255,179</u>

B. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections and decisions assisted by independent valuation institutions based on financial budgets approved by the management covering a five-year period. For the six months ended June 30, 2020 and 2019, goodwill was not impaired.

C. The intangible assets were not pledged to others as collateral.

(13) Short-term borrowings

Type of borrowings	June 30, 2020	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	\$ 3,140,023	0.61%~1.88%	-
Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	\$ 2,038,744	0.82%~1.9%	-
Type of borrowings	June 30, 2019	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	\$ 2,616,688	0.82%~2.10%	-

(14) Short-term notes and bills payable

	June 30, 2020	December 31, 2019	June 30, 2019
Commercial paper	\$ 440,400	\$ 375,300	\$ 418,000
Discount amortisation	(357)	(358)	(198)
	<u>\$ 440,043</u>	<u>\$ 374,942</u>	<u>\$ 417,802</u>
Annual interest rate range	<u>0.93%~1.71%</u>	<u>0.95%~1.76%</u>	<u>0.94%~1.76%</u>

(15) Other payables

	June 30, 2020	December 31, 2019	June 30, 2019
Payables on salary and bonus	\$ 1,422,854	\$ 2,016,126	\$ 1,534,556
Employees' compensation and remuneration for supervisors and directors	400,953	341,874	145,578
Payables on equipment	625,396	548,763	891,453
Payables on cash dividend	1,280,818	-	768,490
Others	<u>2,225,735</u>	<u>2,964,223</u>	<u>3,371,472</u>
	<u>\$ 5,955,756</u>	<u>\$ 5,870,986</u>	<u>\$ 6,711,549</u>

(16) Bonds payable

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Secured corporate bonds	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Less: Discount on bonds payable	(11,496)	(12,345)	(13,133)
	<u>\$ 2,988,504</u>	<u>\$ 2,987,655</u>	<u>\$ 2,986,867</u>

The main terms of the \$3,000,000 1st secured corporate bonds issued by the Company on June 26, 2019 are as follows:

- A. Total initial issue amount: \$3,000,000.
- B. Issue price: Issue at par value, \$1,000 each.
- C. Issue period: 5 years, from June 26, 2019 to June 26, 2024.
- D. Coupon rate: 0.80% fixed per annum.
- E. Interest payment method: Interest is calculated from the date of issuance at the coupon rate, is a simple interest and is paid yearly.
- F. Principal repayment method: Pay entire amount at the maturity date.
- G. Guarantee method:

The joint guarantor banks including CTBC Bank Co., Ltd. Taiwan Cooperative Bank Co., Ltd., Mega International Commercial Bank Co., Ltd. and Chang Hwa Commercial Bank, Ltd. provide guarantees based on a joint engagement guarantee contract and bond-fulfilling guarantee obligation contract.

H. Commitment:

The company should maintain the following financial ratios during the contract duration for semi-annual consolidated and annual consolidated financial statements:

- a. Current assets to current liabilities ratio of at least 1:1;
- b. Liabilities not exceeding 200% of tangible net equity;
- c. Interest coverage of at least 400%; and
- d. Tangible net equity of at least NT\$15,000,000 thousand.

(17) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Unused credit line	June 30, 2020
Long-term loan borrowings				
Bank's unsecured borrowings				
Cheng Uei				
- including covenants	Borrowing period is from September 2017 to March 2023; pay entire amount when due	1.10%~1.15%	\$ 2,900,000	\$ 1,600,000
- without covenants	Borrowing period is from December 2017 to November 2023; pay entire amount when due	0.87%~1.15%	1,707,050	2,710,000
FIT Holding	Borrowing period is from October 2019 to August 2022; pay entire amount of principal when due, interest is repayable monthly	1.05%	-	300,000
Foxlink Image	Borrowing period is from September 2019 to December 2021; pay entire amount of principal when due, interest is repayable monthly	0.94%~1.05%	347,405	1,160,000
PQI	Borrowing period is from September 2018 to December 2021; pay principal based on each bank's regulations, interest is repayable monthly	1.23%~1.35%	77,083	322,917
Glory Science	Borrowing period is from December 2018 to July 2024; pay principal and interest based on each bank's regulations	1.14%~1.26%	-	427,000
Shinfox	Borrowing period is from January 2018 to February 2023; pay entire amount in installments	1.71%~1.76%	-	24,398
Foxwell Energy	Borrowing period is from January 2019 to September 2033; pay entire amount in installments	1.75%	306,210	39,969
Zhangyuan	Borrowing period is from May 2019 to October 2035; pay entire amount in installments	1.59%~1.76%	113,113	416,887
Bank's secured borrowings				
Foxwell Energy	Borrowing period is from May 2018 to December 2034; pay entire amount in installments	1.53%~1.80%	313,932	328,217
Glory Science	Borrowing period is from December 2019 to December 2024; pay principal in installments quarterly, interest is calculated monthly	1.26%	-	90,000
Bei yuan	Borrowing period is from November 2019 to April 2036; pay in installments	1.75%~2.12%	138,538	482,462
Medium-term and long-term syndicated loans				
Cheng Uei	Borrowing period is from March 2017 to March 2022. The Company may issue a drawing application before the maturity date of borrowing to directly repay the loan principal that was originally expired	1.79%	2,900,000	5,100,000
				13,001,850
Less: Current portion				(343,300)
				<u>\$ 12,658,550</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Unused credit line	December 31, 2019
Long-term loan borrowings				
Bank's unsecured borrowings				
Cheng Uei				
- including covenants	Borrowing period is from September 2017 to May 2022; pay entire amount when due	1.20%~1.40%	\$ 3,300,000	\$ 700,000
- without covenants	Borrowing period is from December 2017 to July 2024; pay entire amount when due	1.16%~1.40%	2,399,300	2,030,000
FIT Holding	Borrowing period is from October 2019 to April 2021; pay entire amount of principal when due, interest is repayable monthly	1.12%	-	300,000
Foxlink Image	Borrowing period is from April 2019 to December 2022; pay entire amount of principal when due, interest is repayable monthly	1.12%~1.23%	-	2,300,000
PQI	Borrowing period is from April 2015 to December 2021; pay principal based on each bank's regulations, interest is repayable monthly	1.48%~1.6%	16,683	387,028
Glory Science	Borrowing period is from December 2018 to July 2024; pay principal when due, interest is calculated monthly	1.14%~1.26%	-	462,000
Shinfox	Borrowing period is from January 2015 to February 2023; pay entire amount in installments	1.97%~2.01%	55,817	33,378
Foxwell Energy	Borrowing period is from January 2019 to September 2033; pay principal monthly	1.75%	306,709	41,487
Zhangyuan	Borrowing period is from May 2019 to October 2035; pay principal monthly	1.59%~2.02%	253,042	276,958
Bank's secured borrowings				
Foxwell Energy	Borrowing period is from May 2018 to September 2034; pay principal monthly, interest is repayable monthly in the first 18 months	1.75%~1.8%	337,392	340,891
Glory Science	Borrowing period is from December 2019 to December 2024; pay principal monthly, interest is repayable monthly in the first 18 months	1.26%	-	100,000
Bei yuan	Borrowing period is from November 2019 to June 2036; pay principal monthly	1.75%~2.22%	284,749	336,251
Medium-term and long-term syndicated loans				
Cheng Uei	Borrowing period is from March 2017 to March 2022. The Company may issue a drawing application before the maturity date of borrowing to directly repay the loan principal that was originally expired.	1.79%	2,400,000	5,600,000
				12,907,993
Less: Current portion				(869,539)
				<u>\$ 12,038,454</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Unused credit line	June 30, 2019
Long-term loan borrowings				
Bank's unsecured borrowings				
Cheng Uei				
- including covenants	Borrowing period is from September 2017 to May 2021; pay entire amount when due	1.20%~1.55%	\$ 1,100,000	\$ 2,900,000
- without covenants	Borrowing period is from December 2017 to November 2023; pay entire amount when due	1.20%~1.50%	2,497,100	2,330,000
FIT Holding	Borrowing period is from June 2019 to June 2021; pay entire amount when due, interest is repayable monthly	1.1205%~1.15%	1,184,000	766,000
Foxlink Image	Borrowing period is from September 2018 to June 2021; pay entire amount when due, interest is repayable monthly	1.12%~1.16%	-	1,200,000
PQI	Borrowing period is from April 2015 to December 2020; pay principal based on each bank's regulations, interest is repayable monthly	1.48%~1.6%	25,000	636,417
Glory Science	Borrowing period is from December 26, 2018 to December 26, 2020, pay entire amount when due; interest rate is calculated monthly	1.04%~3.97%	150,000	343,279
Shinfox	Borrowing period is from January 2015 to February 2023; pay entire amount in installments	1.96%~2.01%	14,729	47,011
Foxwell Energy	Borrowing period is from February 2019 to May 2028; pay principal monthly	1.75%~1.797%	-	185,783
Bank's secured borrowings				
Foxwell Energy	Borrowing period is from May 2018 to May 2028; pay principal monthly, interest is repayable monthly in the first 18 months	1.75%~1.85%	2,106,564	80,762
Medium-term and long-term syndicated loans				
Cheng Uei	Borrowing period is from March 2017 to March 2022. The Company may issue a drawing application before the maturity date of borrowing to directly repay the loan principal that was originally expired.	1.79%	1,500,000	6,500,000
				14,989,252
Less: Current portion				(832,214)
				<u>\$ 14,157,038</u>

A. In March 2017, the Group signed a medium-term syndicated revolving NTD credit facility agreement with the Bank of Taiwan as the lead bank. The terms of agreement are summarised below:

- (a) Duration of loan: The loan period of the agreement was 5 years from the agreement signing date.
- (b) Credit line and draw-down: The credit line was NT\$8,000,000 thousand, which can be drawn down in installments of at least NT\$100,000 thousand per draw-down.

- (c) Principal repayment: The duration of each loan drawn down is either 90 days or 180 days at the Company's option. The Company, if without any default, may submit an application to the banks to draw down a new loan with principal equal to the original loan before its maturity, and the new loan is directly used to repay the original loan. The banks and the Company are not required to make remittances for such draw-down and repayment, which is viewed that the Company has received the new loan on the maturity of original loan.
- (d) Commitment: The Company should maintain the following financial ratios during the contract duration for semi-annual consolidated and annual consolidated financial statements:
- Current assets to current liabilities ratio of at least 1:1;
 - Liabilities not exceeding 200% of tangible net equity;
 - Interest coverage of at least 400%; and
 - Tangible net equity of at least NT\$15,000,000 thousand.
- (e) The loan period is decided by the borrower. The borrower may choose to early repay the loans during the contract period according to the syndicated loan contract.
- B. The Company entered into the borrowing contracts with O-bank, Bank SinoPac, Taipei Fubon and Far Eastern International Bank, and the total credit line is \$4,500 thousand. As of June 30, 2020, the borrowings that have been used amounted to \$1,600 thousand. In the duration period of these contracts, the financial ratios in the semi-annual consolidated and annual consolidated financial statements shall be as follows:
- Current assets to current liabilities ratio of at least 1:1;
 - Liabilities not exceeding 200% of tangible net equity;
 - Interest coverage of at least 400%; and
 - Tangible net equity of at least NT\$15,000,000 thousand.
- C. As of June 30, 2020, the borrowings that have been used amounted to as follows:

Company	Bank	Credit line	Amount of borrowings used
The Company	Cathay Bank	\$ 500,000	\$ 500,000
The Company	Mizuho Bank	900,000	900,000
The Company	E.Sun Bank	500,000	-
The Company	DBS Bank	USD 35,000,000	500,000
The Company	First Bank	500,000	400,000
The Company	Export-Import Bank of Republic of China	480,000	410,000
The Company	Jih Sun International Bank	500,000	-
FIT Holding	Yuanta Commercial Bank	300,000	300,000
FIT Holding	Bank SinoPac	1,000,000	631,800
FIT Holding	CTBC Bank	200,000	189,000
Foxlink Image	Bank SinoPac	1,000,000	USD 6,300,000
Foxlink Image	Hua Nan Commercial Bank	200,000	200,000
Foxlink Image	E.Sun Bank	400,000	145,000

Company	Bank	Credit line	Amount of borrowings used
Foxlink Image	Jih Sun International Bank	\$ 300,000	\$ 300,000
Foxlink Image	KGI Bank	400,000	342,595
Foxlink Image	Taiwan Cooperative Bank	500,000	310,000
Foxlink Image	Export-Import Bank of Republic of China	500,000	500,000
Foxlink Image	Cathay Bank	300,000	200,000
PQI	Yuanta Commercial Bank	300,000	300,000
PQI	Hua Nan Commercial Bank	100,000	22,917
PQI	Mega Commercial Bank	100,000	40,000
PQI	Bank SinoPac	300,000	250,000
PQI	First Bank	90,000	6,000
Glory Science	Export-Import Bank of Republic of China	192,000	192,000
Glory Science	Hua Nan Commercial Bank	100,000	100,000
Glory Science	Jih Sun International Bank	50,000	50,000
Glory Science	Chang Hwa Commercial Bank	200,000	175,000
Glory Science	TSBank	250,000	250,000
Glory Science	Bank SinoPac	200,000	200,000
Glory Science	Taipei Fubon	250,000	250,000
Glory Science	KGI Bank	200,000	155,000
Glory Science	Mega Commercial Bank	100,000	80,000
Shinfox	Shanghai Commercial & Savings Bank,	20,256	20,256
Shinfox	Chang Hwa Commercial Bank	52,972	4,142
Foxwell Energy	TSBank	71,254	47,900
Foxwell Energy	Mega Commercial Bank	324,459	251,965
Foxwell Energy	Bank SinoPac	592,615	68,321
Zhangyuan	Bank SinoPac	530,000	416,887
Beiyuan	E. Sun Bank	621,000	482,462

(18) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labour Standards Act, covering all regular employees' service years prior to the enforcement of the Labour Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labour standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labour pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be

qualified for retirement next year, the Company and its domestic subsidiaries will make contributions to cover the deficit by next March.

- (b) The pension costs under the abovementioned defined contribution plan for the three months and six months ended June 30, 2020 and 2019 were \$1,090, \$1,266, \$2,268 and \$2,505, respectively.
 - (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$30,000.
- B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a funded defined contribution pension plan (the “New Plan”) under the Labour Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labour Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s Mainland China subsidiaries have a funded defined contribution plan. Monthly contributions are based on the employees’ monthly salaries (the contribution ratio for the three months and six months ended June 30, 2020 and 2019 is between 10.2%~21%) and wages to an independent fund administered by the government in accordance with the pension regulations. Other than the monthly contributions, the Group has no further obligations.
 - (c) The pension costs under the abovementioned defined contribution pension plan for the three months and six months ended June 30, 2020 and 2019 were \$85,759, \$215,198, \$208,937 and \$425,081, respectively.

(19) Share capital

- A. As of June 30, 2020, the Company’s authorised common stock was \$7,000,000 (including 50,000,000 shares reserved for the issuance of employees’ warrants), and the issued and outstanding shares were both 484,823,940 shares.

B. Treasury shares

Before becoming a subsidiary, Foxlink Image Technology Co., Ltd. held the parent’s capital stock for general investment purpose. The company did not purchase more equity instruments after acquiring control over Foxlink Image on October 1, 2018. As of June 30, 2020, December 31, 2019 and June 30, 2019, the detailed information of Foxlink Image’s parent equity shares is as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Thousand shares	27,503	27,503	27,503
Book value	\$ 272,066	\$ 272,066	\$ 272,066

(20) Capital surplus

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

2020						
	Share premium	Treasury share transactions	Difference between proceeds from disposal of subsidiary and book value	Changes in ownership interests in subsidiaries	Change in net equity of associates accounted for using the equity method	Total
At January 1	\$ 9,337,850	\$ 44,320	\$ 7,313	\$ 3,374	\$ 78,860	\$ 9,471,717
Adjustments due to not participating in the capital increase of investees proportionately	-	-	43	-	658	701
At June 30	<u>\$ 9,337,850</u>	<u>\$ 44,320</u>	<u>\$ 7,356</u>	<u>\$ 3,374</u>	<u>\$ 79,518</u>	<u>\$ 9,472,418</u>
2019						
	Share premium	Treasury share transactions	Difference between proceeds from disposal of subsidiary and book value	Changes in ownership interests in subsidiaries	Change in net equity of associates accounted for using the equity method	Total
At January 1	\$ 9,337,850	\$ 3,065	\$ 7,313	\$ 3,374	\$ 78,860	\$ 9,430,462
Adjustments due to not participating in the capital increase of investees proportionately	-	-	-	-	-	-
At June 30	<u>\$ 9,337,850</u>	<u>\$ 3,065</u>	<u>\$ 7,313</u>	<u>\$ 3,374</u>	<u>\$ 78,860</u>	<u>\$ 9,430,462</u>

(21) Retained earnings

A. Based on the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The appropriation of remainder shall be proposed by the Board of Directors and be resolved by the shareholders.

- B. According to the Company's Articles of Incorporation, no more than 90% of the distributable retained earnings shall be distributed as stockholders' bonus and cash dividend distributed in any calendar year shall be at least 20% of the total distributable earnings in that year based on future capital expenditures budget and capital requirements.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- (c) As of January 1, 2018, the amounts previously set aside by the Company as special reserve for the initial application of IFRSs amounted to \$665,206. Furthermore, the Company did not reverse special reserve to retained earnings for the six months ended June 30, 2020 and 2019 as a result of the use, disposal or reclassification of related assets. As of June 30, 2020 December 31, 2019 and June 30, 2019, the amount of special reserve set aside for the initial application of IFRSs all amounted to \$665,206.
- E. The Company recognised dividends distributed to owners amounting to \$1,280,818 and \$768,490 for the years ended December 31, 2020 and 2019, respectively. Details of the appropriation of 2019's and 2018's net income which was resolved at the stockholders' meeting on June 19, 2020 and June 12, 2019 are as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Amount	Dividend per share (NTD)	Amount	Dividend per share (NTD)
Legal reserve	\$ 198,736	\$ -	\$ 60,810	\$ -
Special reserve	724,633	-	101,605	-
Cash dividends	1,280,818	2.5	768,490	1.5
Total	<u>\$ 2,204,187</u>	<u>\$ 2.5</u>	<u>\$ 930,905</u>	<u>\$ 1.5</u>

(22) Other equity items

	2020		
	Financial assets at fair value through other comprehensive income	Translation of foreign financial statements	Total
At January 1	(\$ 255,079)	(\$ 2,079,456)	(\$ 2,334,535)
Valuation adjustment	(19,180)	-	(19,180)
Currency translation differences:			
- Group	-	(496,133)	(496,133)
- Associates	-	(27,974)	(27,974)
At June 30	<u>(\$ 274,259)</u>	<u>(\$ 2,603,563)</u>	<u>(\$ 2,877,822)</u>
	2019		
	Financial assets at fair value through other comprehensive income	Translation of foreign financial statements	Total
At January 1	(\$ 315,491)	(\$ 1,294,410)	(\$ 1,609,901)
Valuation adjustment	32,899	-	32,899
Currency translation differences:			
- Group	-	196,768	196,768
- Associates	-	3,762	3,762
At June 30	<u>(\$ 282,592)</u>	<u>(\$ 1,093,880)</u>	<u>(\$ 1,376,472)</u>

(23) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods over time and at a point in time in the following major product lines and generates related revenue in each reportable segment:

	Three months ended June 30,	
	2020	2019
Systems and peripheral products	\$ 10,021,452	\$ 9,335,572
3C component	8,511,164	9,376,005
3C product retail	1,961,020	2,246,887
Others	6,799	40,592
Total	<u>\$ 20,500,435</u>	<u>\$ 20,999,056</u>

	Six months ended June 30,	
	2020	2019
Systems and peripheral products	\$ 16,812,760	\$ 16,936,707
3C component	15,347,935	18,345,160
3C product retail	4,275,862	4,857,980
Others	75,162	106,855
Total	<u>\$ 36,511,719</u>	<u>\$ 40,246,702</u>

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	June 30, 2020	December 31, 2019	June 30, 2019
Contract liabilities:			
Contract liabilities-advance sales receipts	<u>\$ 914,022</u>	<u>\$ 787,222</u>	<u>\$ 666,680</u>

Revenue recognised that was included in the contract liability balance at the beginning of the period:

	Three months ended June 30,	
	2020	2019
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sales revenue received in advance	<u>\$ 151,261</u>	<u>\$ 63,268</u>

	Six months ended June 30,	
	2020	2019
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sales revenue received in advance	<u>\$ 403,133</u>	<u>\$ 278,711</u>

(24) Interest income

	Three months ended June 30,	
	2020	2019
Interest income from bank deposits	<u>\$ 34,706</u>	<u>\$ 24,412</u>
	Six months ended June 30,	
	2020	2019
Interest income from bank deposits	<u>\$ 60,107</u>	<u>\$ 53,220</u>

(25) Other income

		Three months ended June 30,	
		2020	2019
Rental revenue	\$	4,349	\$ 4,409
Other revenue-other		94,576	79,744
	\$	<u>98,925</u>	<u>\$ 84,153</u>
		Six months ended June 30,	
		2020	2019
Rental revenue	\$	8,677	\$ 8,768
Other revenue-other		205,701	137,761
	\$	<u>214,378</u>	<u>\$ 146,529</u>

(26) Other gains and losses

		Three months ended June 30,	
		2020	2019
Gain (loss) on disposal of property, plant and equipment	\$	30,843	(\$ 3,757)
Gain on disposal of investments		2,551	-
Net currency exchange gains		42,211	73,608
Other gains and losses		12,972	(8,927)
	\$	<u>88,577</u>	<u>\$ 60,924</u>
		Six months ended June 30,	
		2020	2019
Gain (loss) on disposal of property, plant and equipment	\$	21,161	(\$ 3,137)
Gain on disposal of investments		3,576	7,812
Net currency exchange gains		87,683	99,400
Other gains and losses		10,023	(28,647)
	\$	<u>122,443</u>	<u>\$ 75,428</u>

(27) Finance costs

		Three months ended June 30,	
		2020	2019
Interest expense:			
Bank borrowings	\$	62,564	\$ 78,987
Lease liabilities		2,033	2,276
Corporate bonds		11,372	-
	\$	<u>75,969</u>	<u>\$ 81,263</u>

	Six months ended June 30,	
	2020	2019
Interest expense:		
Bank borrowings	\$ 131,083	\$ 162,259
Lease liabilities	4,220	4,635
Corporate bonds	22,905	-
	<u>\$ 158,208</u>	<u>\$ 166,894</u>

(28) Expenses by nature

	Three months ended June 30,	
	2020	2019
Employee benefit expense	\$ 2,845,596	\$ 3,495,999
Depreciation expense	808,210	970,905
Amortisation charges on intangible assets	31,786	27,365
Transportation expenses	239,593	211,931
Advertising costs	18,634	20,360
Operating lease payments	22,941	31,825
Manufacture costs and operating expenses	<u>\$ 3,966,760</u>	<u>\$ 4,758,385</u>

	Six months ended June 30,	
	2020	2019
Employee benefit expense	\$ 5,336,325	\$ 6,454,234
Depreciation expense	1,617,607	1,911,375
Amortisation charges on intangible assets	60,312	51,918
Transportation expenses	375,861	345,654
Advertising costs	34,272	33,605
Operating lease payments	53,197	69,243
Manufacture costs and operating expenses	<u>\$ 7,477,574</u>	<u>\$ 8,866,029</u>

(29) Employee benefit expense

	Three months ended June 30,	
	2020	2019
Wages and salaries	\$ 2,606,494	\$ 3,071,257
Labour and health insurance fees	69,569	121,100
Pension costs	86,849	216,464
Other personnel expenses	82,684	87,178
	<u>\$ 2,845,596</u>	<u>\$ 3,495,999</u>

	Six months ended June 30,	
	2020	2019
Wages and salaries	\$ 4,778,535	\$ 5,597,531
Labour and health insurance fees	183,348	256,018
Pension costs	211,205	427,586
Other personnel expenses	163,237	173,099
	<u>\$ 5,336,325</u>	<u>\$ 6,454,234</u>

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 6% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.
- B. For the three months and six months ended June 30, 2020 and 2019, employees' compensation was accrued at \$36,117, \$12,934, \$40,425 and \$19,111, respectively; directors' and supervisors' remuneration was accrued at \$14,044, \$911, \$14,044 and \$1,326, respectively. The aforementioned amounts were recognised in salary expenses.
- C. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on the distributable profit of current period for the six months ended June 30, 2020 and percentage as prescribed by the Company's Articles of Incorporation.
- D. Employees' compensation and directors' and supervisors' remuneration of 2019 as resolved at the Board of Directors were in agreement with those amounts recognised in the profit or loss of 2019.
- E. Information about employees' compensation and directors' and supervisors' remuneration of the Company as approved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended June 30,	
	2020	2019
Current tax:		
Tax payable incurred in current period	\$ 187,033	\$ 139,394
Prior year income tax (over) under estimation	(10,537)	5,962
Total current tax	<u>176,496</u>	<u>145,356</u>
Deferred tax:		
Origination and reversal of temporary differences	67,098	(39,337)
Impact of change in tax rate	<u>-</u>	<u>-</u>
Total deferred tax	<u>67,098</u>	<u>(39,337)</u>
Income tax expense	<u>\$ 243,594</u>	<u>\$ 106,019</u>
Six months ended June 30,		
	2020	2019
Current tax:		
Tax payable incurred in current period	\$ 235,777	\$ 127,694
Prior year income tax (over) under estimation	(10,853)	6,026
Total current tax	<u>224,924</u>	<u>133,720</u>
Deferred tax:		
Origination and reversal of temporary differences	54,890	26,911
Impact of change in tax rate	<u>-</u>	<u>-</u>
Total deferred tax	<u>54,890</u>	<u>26,911</u>
Income tax expense	<u>\$ 279,814</u>	<u>\$ 160,631</u>

(b) The income tax relating to components of other comprehensive income is as follows:

	Three months ended June 30,	
	2020	2019
Currency translation differences	(\$ 79,730)	(\$ 63,820)
Remeasurement of defined benefit obligations	<u>-</u>	<u>-</u>
	<u>(\$ 79,730)</u>	<u>(\$ 63,820)</u>
Six months ended June 30,		
	2020	2019
Currency translation differences	(\$ 131,027)	\$ 48,408
Remeasurement of defined benefit obligations	<u>-</u>	<u>-</u>
	<u>(\$ 131,027)</u>	<u>\$ 48,408</u>

B. The latest year of the Company's and its domestic subsidiaries' income tax returns that have been assessed and approved by the Tax Authority is as follows:

	<u>Status of Assessment</u>
Jing Sheng, Jing Jing, Shinfox, FUII, Zhi De Investment, FII, Shin Ke, Shinfox Natural Gas, WCT, Link Media, Darts, Foxwell Energy, DuPrecision, Foxlink Image, Studio A, Proconn, PQI, Glorly Science	Assessed and approved up to 2018
The Company, Suntain, Foxlink Automotive Technology, Power sufficient International	Assessed and approved up to 2017
VA product	Assessed and approved up to 2016

(31) Earnings per share

	<u>Three months ended June 30, 2020</u>		
		Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
	<u>Amount after tax</u>		
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 416,840	484,824	\$ 0.86
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 416,840	484,824	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	934	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 416,840	485,758	\$ 0.86

Three months ended June 30, 2019			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 193,602	484,824	\$ 0.40
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 193,602	484,824	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	470	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 193,602	485,294	\$ 0.40
Six months ended June 30, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 437,657	484,824	\$ 0.90
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 437,657	484,824	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,081	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 437,657	485,905	\$ 0.90

Six months ended June 30, 2019			
		Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
	Amount after tax		
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 291,162	484,824	\$ 0.60
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 291,162	484,824	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	634	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 291,162	485,458	\$ 0.60

(32) Business combination

A. On June 14, 2019, the Group acquired 100% of the share capital of Shih Fong Power Co., Ltd. for \$280,000 and obtained the control over Shih Fong Power Co., Ltd., whose main business is hydroelectric power plant development.

The fair values at the acquisition date of the paid consideration, assets acquired and liabilities assumed for acquiring Shih Fong Power Co., Ltd. are as follows:

	June 14, 2019
Purchase consideration	
Cash	\$ 280,000
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	189
Prepayments	3,744
Property, plant and equipment	691,860
Other non-current assets	13,442
Notes payable	(169,252)
Other accounts payable	(167,748)
Total identifiable net assets	372,235
Gain recognised in bargain purchase transaction	(\$ 92,235)

B. Had Shih Fong Power Co., Ltd. been consolidated starting from January 1, 2019, the 2019 consolidated statement of comprehensive income would show operating revenue of \$0 and loss before income tax of (\$608).

(33) Reorganisation

Aiming to integrate the Group's resources, the Group conducted a reorganisation using a share swap transaction on December 27, 2019. According to the share swap agreement, each common share issued by Shinfox was exchanged for 1 common share of Foxwell Energy. After the share swap, Foxwell Energy became a wholly-owned subsidiary of Shinfox whose 76.56% ownership were held by PQI.

(34) Supplemental cash flow information

A. Investment activities with partial cash payments:

	Six months ended June 30,	
	2020	2019
Purchase of property, plant and equipment	\$ 1,111,373	\$ 2,013,272
Add: Opening balance of payable on equipment	548,763	801,385
Less: Ending balance of payable on equipment	(625,396)	(891,453)
Cash paid during the period	<u>\$ 1,034,740</u>	<u>\$ 1,923,204</u>

B. Financing activities with no cash flow effects:

	Six months ended June 30,	
	2020	2019
Cash dividends declared but not yet paid	<u>\$ 1,280,818</u>	<u>\$ 768,490</u>

(35) Changes in liabilities from financing activities

	2020						Liabilities from financing activities - gross
	Short-term borrowings	Short-term notes and bills payable	Corporate bonds payable	Long-term borrowings	Lease liabilities		
At January 1	\$ 2,038,744	\$ 374,942	\$ 2,987,655	\$ 12,907,993	\$ 520,737		\$ 18,830,071
Changes in cash flow from financing activities	1,101,279	65,101	-	94,916	(134,800)		1,126,496
Impact of changes in foreign exchange rate	-	-	-	(1,059)	17,547		16,488
Interest expense	-	-	-	-	4,220		4,220
Changes in other non-cash items	-	-	849	-	47,895		48,744
At June 30	<u>\$ 3,140,023</u>	<u>\$ 440,043</u>	<u>\$ 2,988,504</u>	<u>\$ 13,001,850</u>	<u>\$ 455,599</u>		<u>\$ 20,026,019</u>

	2019						
	Short-term borrowings	Short-term notes and bills payable	Corporate bonds payable	Dividends payable	Long-term borrowings	Lease liabilities	Liabilities from financing activities - gross
At January 1	\$ 1,458,024	\$ 494,895	\$ -	\$ -	\$ 14,857,276	\$ 568,819	\$ 17,379,014
Changes in cash flow from financing activities	1,156,410	(77,093)	2,986,867	-	131,976	(168,762)	4,029,398
Impact of changes in foreign exchange rate	2,254	-	-	-	-	3,175	5,429
cash items	-	-	-	768,490	-	126,074	894,564
At June 30	<u>\$ 2,616,688</u>	<u>\$ 417,802</u>	<u>\$ 2,986,867</u>	<u>\$ 768,490</u>	<u>\$ 14,989,252</u>	<u>\$ 529,306</u>	<u>\$ 22,308,405</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Well Shin Technology Co., Ltd. (Well Shin)	Associate
Sharetronic Data Technology Co., Ltd. (Sharetronic)	Associate
Microlink Communications Inc. (Microlink)	Associate
Central Motion Picture Corporation (Central Motion)	Associate
Deepwaters Digital Support Inc. (Deepwaters)	Associate
Dongguan Banrin Robot Technology Co., Ltd. (Banrin)	Associate
HSIN HUNG International Investment Co., Ltd. (HSIN HONG)	Other related party
Hon Hai Precision Industry Co., Ltd. (Hon Hai)	Other related party
Changde Kingplus Electronic Technology CO., LTD. (Changde Kingplus)	Other related party
Dongguan Kingplus Precision Electronic Technology Co., Ltd.	Other related party

(2) Significant related party transactions

A. Operating revenue

	Three months ended June 30,	
	2020	2019
Sales of goods:		
- Associates	\$ 1,533	\$ 14,517
- Other related parties	372,598	381,616
	<u>\$ 374,131</u>	<u>\$ 396,133</u>

	Six months ended June 30,	
	2020	2019
Sales of goods:		
- Associates	\$ 3,256	\$ 16,968
- Other related parties	744,912	650,525
	<u>\$ 748,168</u>	<u>\$ 667,493</u>

All the credit terms on sales to related parties were 120 to 180 days after monthly billings. The credit terms on sales to third parties were 30 to 120 days after monthly billing or upon shipment of goods, except for receivables arising from the sales of tooling that are collectible upon acceptance by customers.

B. Purchases of goods

	Three months ended June 30,	
	2020	2019
Purchases of goods:		
- Associates	\$ 125,747	\$ 122,311
- Other related parties	226,868	103,431
	<u>\$ 352,615</u>	<u>\$ 225,742</u>

	Six months ended June 30,	
	2020	2019
Purchases of goods:		
- Associates	\$ 183,103	\$ 215,699
- Other related parties	372,827	202,362
	<u>\$ 555,930</u>	<u>\$ 418,061</u>

The purchase price in relation to the transaction made with related parties is based on mutual agreement. All purchases from related parties are at arm's-length. Payment period was 60 to 120 days after receipt of goods from suppliers.

C. Non-operating income - Other Income

	Three months ended June 30,	
	2020	2019
Other income:		
- Associates	\$ -	\$ 102
	<u>\$ -</u>	<u>\$ 102</u>
	Six months ended June 30,	
	2020	2019
Other income:		
- Associates	\$ -	\$ 186
	<u>\$ -</u>	<u>\$ 186</u>

The Group charged technical service compensation, management service fees and rental income from related parties, and collected the net balance after offsetting with payables to related parties and considering the financial situation.

D. Research and development expense - Technical Service Compensation

	Three months ended June 30,	
	2020	2019
Technical service compensation:		
- Associates	\$ -	\$ 3,470
	Six months ended June 30,	
	2020	2019
Technical service compensation:		
- Associates	\$ 1,153	\$ 18,181

The Group entered into technical service contracts with related parties for providing the Company with research and development services. The payment terms are based on mutual agreement.

E. Receivables from related parties

	June 30, 2020	December 31, 2019	June 30, 2019
Accounts receivable:			
- Associates	\$ 72,134	\$ 73,098	\$ 135,067
- Other related parties	382,636	357,881	492,092
	<u>\$ 454,770</u>	<u>\$ 430,979</u>	<u>\$ 627,159</u>
Other receivables (Financing):			
- Associates			
Microlink	\$ 55,000	\$ 67,000	\$ 67,000
Other receivables (Dividends receivable):			
- Associates			
Well Shin	66,847	-	77,988
Others	-	-	12,000
Other receivables (Others):			
- Associates	-	28,825	3,134
- Other related parties	26,655	-	-
	<u>\$ 148,502</u>	<u>\$ 95,825</u>	<u>\$ 160,122</u>

Other receivables mainly refer to the rental income received from related parties, and the collection terms are based on mutual agreement.

F. Payables to related parties:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Accounts payable:			
- Associates	\$ 101,028	\$ 114,850	\$ 124,927
- Other related parties	<u>66,546</u>	<u>115,241</u>	<u>28,800</u>
	<u>\$ 167,574</u>	<u>\$ 230,091</u>	<u>\$ 153,727</u>
Other payables - Receipts under custody:			
- Associates	\$ 15,860	\$ 16,812	\$ 47,425
- Other related parties	<u>-</u>	<u>85</u>	<u>1,472</u>
	<u>\$ 15,860</u>	<u>\$ 16,897</u>	<u>\$ 48,897</u>

G. Lease transactions - lessee

(a) The Group leases buildings from related parties. Rental contracts are typically made for periods of 3 years. Rents are paid at the end of month.

(b) On January 1, 2019 (the date of initial application of IFRS 16), the Group increased right-of-use assets by \$30,726.

(c) Lease liability

i. Outstanding balance:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Associates	\$ 2,465	\$ 4,914	\$ 8,215
Other related parties	<u>4,776</u>	<u>9,510</u>	<u>-</u>
	<u>\$ 7,241</u>	<u>\$ 14,424</u>	<u>\$ 8,215</u>

ii. Interest expense

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Associates	\$ 11	\$ 25
Other related parties	<u>28</u>	<u>-</u>
	<u>\$ 39</u>	<u>\$ 25</u>
	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Associates	\$ 26	\$ 53
Other related parties	<u>66</u>	<u>-</u>
	<u>\$ 92</u>	<u>\$ 53</u>

(3) Key management compensation

	Three months ended June 30,	
	2020	2019
Salaries and other short-term employee benefits	\$ 13,203	\$ 19,544
Post-employment benefits	195	432
Total	<u>\$ 13,398</u>	<u>\$ 19,976</u>

	Six months ended June 30,	
	2020	2019
Salaries and other short-term employee benefits	\$ 39,226	\$ 38,954
Post-employment benefits	921	872
Total	<u>\$ 40,147</u>	<u>\$ 39,826</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	June 30, 2020	December 31, 2019	June 30, 2019	
Property, plant and equipment	\$ 865,254	\$ 591,778	\$ 505,967	Long-term secured borrowings
Repatriation of capital from Taiwan's offshore companies (shown as financial assets at amortised cost-current)	901,237	896,906	-	Repatriation of capital from Taiwan's offshore companies
Restricted deposits and time deposits-current (shown as financial assets at amortised cost-current)	91,351	367,747	227,382	Customs deposit, guarantee for L/C issued for purchases of materials and government grants and coupon trust
Refundable deposits (Shown as other non-current assets)	156,535	133,992	208,708	Customs deposit and plant deposit
Restricted deposits and time deposits-non-current	140,984	127,584	5,671	Litigation deposit and collateral for long-term borrowings
	<u>\$ 2,155,361</u>	<u>\$ 2,118,007</u>	<u>\$ 947,728</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

	June 30, 2020	December 31, 2019	June 30, 2019
Property, plant and equipment	<u>\$ 612,842</u>	<u>\$ 1,078,036</u>	<u>\$ 1,656,496</u>

(2) On June 30, 2020, December 31, 2019 and June 30, 2019, the Group entered into contracts for construction cooperation with non-related parties for contract prices amounting to \$864,364, \$846,361 and \$514,053, respectively. As of June 30, 2020, December 31, 2019 and June 30, 2019, the outstanding construction prices amounted to \$305,388, \$408,514 and \$83,952, respectively.

(3) Central Motion Picture Corporation (the “Central Motion Picture”), an equity method investment of the Group, was determined to be an affiliate organisation of the Kuomintang by the Ill-gotten Party Assets Settlement Committee (the “Ill-gotten Party”) in its written disposition, Dang-Chan-Chu-Zi No. 107007, issued on October 9, 2018. Under paragraph 1, Articles 5 and 9 of the Act Governing the Settlement of Ill-gotten Properties by Political Parties and Their Affiliate Organisations (the “Act”), properties were held by the Central Motion Picture when the Act was released on August 10, 2016 are considered as unjustly received properties. The presumed ill-gotten party assets as prescribed in the preceding paragraph 1 of Article 5 are prohibited from being transferred or disposed since from the date of promulgation of this Act. However, this limit is not applicable if it is necessary to perform its legal duties or other justifiable reasons. The properties held by the Central Motion Picture are considered as unjustly received properties; however, their existing rights in leases, superficies, mortgage or pawnage are not affected if Ill-gotten Party considers such assets as unjustly received assets and then orders the bona fide third party to transfer such assets to the State, local self-governing bodies, or original owners. Under Article 16, the Central Motion Picture may file an administrative litigation (an action for revocation) in the Taipei High Administrative Court within two months after the aforementioned written disposition was served. In addition, the Central Motion Picture may file for a suspension of execution under Paragraph 2, Article 116 of the Administrative Litigation Act. On December 12, 2018, Central Motion Picture Corporation submitted cause of action to the Taipei High Administrative Court, which ruled to approve the suspension of execution in January 2020. However, Ill-gotten Party subsequently filed an appeal against the ruling, and it was dismissed by the High Administrative Court in February 2020. Meanwhile, Central Motion Picture filed a revocation action with the Taipei High Court, and it was pending approval as of January 14, 2020. As of the financial reporting date, the possible result of this litigation cannot be determined.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the actual financial condition.

(2) Financial instruments

A. Financial instruments by category

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ 129,150	\$ 45,210
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	940,670	936,755	1,036,702
Financial assets at amortised cost/loans and receivables			
Cash and cash equivalents	8,016,349	6,296,729	6,969,473
Financial assets at amortised cost	1,239,870	1,770,762	1,484,937
Notes receivable	114,637	24,547	19,263
Accounts receivable	13,761,993	15,905,090	14,634,069
Other receivables	297,620	455,542	500,499
Guarantee deposits paid	156,535	133,992	208,708
	<u>\$ 24,527,674</u>	<u>\$ 25,652,567</u>	<u>\$ 24,898,861</u>

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 3,140,023	\$ 2,038,744	\$ 2,616,688
Short-term notes and bills payable	440,043	374,942	417,802
Notes payable	383	3,273	237,173
Accounts payable	12,999,689	14,942,306	15,039,958
Other accounts payable	5,955,756	5,870,986	6,711,549
Corporate bonds payables	2,988,504	2,987,655	2,986,867
Lease liability	455,599	520,737	529,306
Long-term borrowings (including current portion)	13,001,850	12,907,993	14,989,252
Guarantee deposits received	33,676	33,934	33,840
	<u>\$ 39,015,523</u>	<u>\$ 39,680,570</u>	<u>\$ 43,562,435</u>

B. Risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures, please refer to Note 6(2).
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i .The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets at fair value through profit or loss are provided in Note 6(2).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB and HKD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	June 30, 2020			
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$	536,359	29.63	\$ 15,892,317
RMB : NTD		283,968	4.19	1,189,826
HKD : NTD		4,158	3.82	15,884
EUR : NTD		459	33.27	15,271
JPY : NTD		642,399	0.28	179,872
USD : RMB		61,575	7.07	1,824,467
<u>Non-monetary items</u>				
RMB : HKD	\$	215,034	1.10	\$ 901,209
INR : NTD		91,290	0.39	35,814
RMB : USD		97,805	7.08	409,899
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$	258,387	29.63	\$ 7,656,007
RMB : NTD		41,831	4.19	175,272
HKD : NTD		10,737	3.82	41,015
EUR : NTD		111	33.27	3,693
JPY : NTD		50,766	0.28	14,214
USD : HKD		1,089	7.75	32,267
RMB : HKD		249,017	1.10	1,043,381
USD : RMB		105,070	7.07	3,113,224

December 31, 2019			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 546,131	29.98	\$ 16,373,007
RMB : NTD	240,382	4.31	1,036,046
HKD : NTD	3,294	3.85	12,682
EUR : NTD	759	33.59	25,495
JPY : NTD	69,996	0.28	19,599
USD : HKD	612	7.79	18,348
USD : RMB	13,343	6.96	400,023
<u>Non-monetary items</u>			
RMB : HKD	\$ 195,894	1.12	\$ 844,302
USD : HKD	2,100	7.79	62,969
INR : NTD	92,419	0.42	38,816
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 336,502	29.98	\$ 10,088,330
RMB : NTD	29,059	4.31	125,244
HKD : NTD	18,904	3.85	72,780
EUR : NTD	6,263	33.59	210,374
JPY : NTD	27,153	0.28	7,603
USD : HKD	980	7.79	29,380
RMB : HKD	130,347	1.12	561,796
USD : RMB	177,229	6.96	5,315,325
HKD : RMB	2,103	0.89	8,097

June 30, 2019			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 550,878	31.06	\$ 17,110,271
RMB : NTD	258,541	4.52	1,168,605
HKD : NTD	6,624	3.98	26,364
EUR : NTD	1,047	35.38	37,043
JPY : NTD	170,584	0.29	49,469
USD : RMB	4,332	6.88	134,552
<u>Non-monetary items</u>			
RMB : HKD	\$ 182,855	1.14	\$ 826,504
INR : NTD	90,522	0.45	40,735
USD : NTD	4,311	31.06	133,907
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 367,309	31.06	\$ 11,408,618
HKD : NTD	27,372	3.98	108,941
JPY : NTD	342,867	0.29	99,431
USD : HKD	11,536	7.81	358,308
RMB : HKD	525,543	1.14	2,375,454
USD : RMB	47,710	6.88	1,481,873

- v. The total exchange gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and six months ended June 30, 2020 and 2019 amounted to \$42,211, \$73,608, \$87,683 and \$99,400, respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Six months ended June 30, 2020				
Sensitivity Analysis				
	Degree of variation		Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	158,923	\$ -
RMB : NTD	1%		11,898	-
HKD : NTD	1%		159	-
EUR : NTD	1%		153	-
JPY : NTD	1%		1,799	-
USD : RMB	1%		18,245	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	76,560	\$ -
RMB : NTD	1%		1,753	-
HKD : NTD	1%		410	-
EUR : NTD	1%		37	-
JPY : NTD	1%		142	-
USD : HKD	1%		323	-
RMB : HKD	1%		10,434	-
USD : RMB	1%		31,132	-
Six months ended June 30, 2019				
Sensitivity Analysis				
	Degree of variation		Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	171,103	\$ -
RMB : NTD	1%		11,686	-
HKD : NTD	1%		264	-
EUR : NTD	1%		370	-
JPY : NTD	1%		495	-
USD : RMB	1%		1,346	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	114,086	\$ -
HKD : NTD	1%		1,089	-
JPY : NTD	1%		994	-
USD : HKD	1%		3,583	-
RMB : HKD	1%		23,755	-
USD : RMB	1%		14,819	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise domestic or foreign listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant. Other components of equity for the six months ended June 30, 2020 and 2019 would have increased (decreased) by \$7,525 and \$8,294, respectively, as a result of gains/losses on equity securities other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. The Group's interest rates of borrowings are fixed and floating rate. For the six months ended June 30, 2020 and 2019, the Group's borrowings issued by floating rate are priced in New Taiwan dollars and Euro dollars.
- ii. As of June 30, 2020, and 2019, if interest rates on borrowings at that date had been 1% lower/higher with all other variables held constant, post-tax profit for the six months ended June 30, 2020 and 2019 would have been \$104,015 and \$119,914 lower/higher, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. Group treasury manages credit risk of cash in banks and other financial instruments based on the Group's credit policy. Because the Group's counterparties are determined based on the Group's internal control, only rated banks with an optimal rating and financial institutes with investment grade are accepted.

- iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 120 days.

- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
(ii) A breach of contract.

- vi. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

- vii. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. As of June 30, 2020, December 31, 2019 and June 30, 2019, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~120 days past due	Over 120 days	Total
<u>At June 30, 2020</u>					
Expected loss rate	0.07%	3.48%	11.01%	100%	
Total book value	\$ 12,396,446	\$ 823,665	\$ 139,253	\$ 120,845	\$ 13,480,209
Loss allowance	\$ 8,145	\$ 28,667	\$ 15,329	\$ 120,845	\$ 172,986

	Not past due	Up to 30 days past due	31~120 days past due	Over 120 days	Total
<u>At December 31, 2019</u>					
Expected loss rate	0.04%	2.99%	10.24%	100%	
Total book value	\$ 14,412,991	\$ 818,189	\$ 304,377	\$ 97,213	\$ 15,632,770
Loss allowance	\$ 5,771	\$ 24,502	\$ 31,173	\$ 97,213	\$ 158,659

	Not past due	Up to 30 days past due	31~120 days past due	Over 120 days	Total
<u>At June 30, 2019</u>					
Expected loss rate	0.03%	4.28%	11.7%	100%	
Total book value	\$ 13,146,627	\$ 613,799	\$ 313,354	\$ 122,533	\$ 14,196,313
Loss allowance	\$ 3,818	\$ 26,259	\$ 36,793	\$ 122,533	\$ 189,403

viii. Movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2020	2019
	Accounts receivable	Accounts receivable
At January 1	\$ 158,659	\$ 167,118
Provision for impairment	15,678	22,044
Effect of foreign exchange	(1,351)	241
At June 30	<u>\$ 172,986</u>	<u>\$ 189,403</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. Except that the carrying amounts of notes payable, accounts payable and other payables are approximate to the amounts of contractual undiscounted cash flows and those accounts will expire within a year, the amounts of financial liabilities disclosed in the table are the contractual undiscounted cash flows:

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
June 30, 2020					
Short-term borrowings	\$ 3,179,116	\$ -	\$ -	\$ -	\$ -
Short-term notes and bills payable	446,300	-	-	-	-
Lease liabilities	180,555	76,947	49,330	48,573	126,427
Long-term borrowings (including current portion)	368,927	8,411,244	2,841,722	690,170	931,979

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
December 31, 2019					
Short-term borrowings	\$ 2,066,471	\$ -	\$ -	\$ -	\$ -
Short-term notes and bills payable	379,539	-	-	-	-
Lease liabilities	238,190	107,317	52,581	57,207	95,801
Long-term borrowings (including current portion)	1,202,890	3,773,751	7,031,249	473,080	749,605

Non-derivative financial liabilities:

	Less than	Between	Between	Between	
June 30, 2019	1 year	1 and 2 years	2 and 3 years	3 and 5 years	Over 5 years
Short-term borrowings	\$ 2,654,892	\$ -	\$ -	\$ -	\$ -
Short-term notes and bills payable	422,305	-	-	-	-
Lease liabilities	277,985	126,671	52,366	39,500	59,196
Long-term borrowings (including current portion)	852,984	7,955,950	6,646,786	282,114	253,204

- iii. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in non-hedging derivatives is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

- B. Fair value information of investment property at cost is provided in Note 6(11).

- C. Financial instruments not measured at fair value

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

	June 30, 2020			
	Fair value			
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 3,000,000	\$ -	\$ 2,988,504	\$ -

December 31, 2019				
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 3,000,000	\$ -	\$ 2,987,655	\$ -

June 30, 2019				
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 3,000,000	\$ -	\$ 2,985,284	\$ -

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

June 30, 2020	Level 1	Level 2	Level 3	Total
Assets :				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 940,670	\$ 940,670

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets :				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Non-capital guaranteed floating profit financial instruments	\$ -	\$ 129,150	\$ -	\$ 129,150
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	936,755	936,755
	\$ -	\$ 129,150	\$ 936,755	\$ 1,065,905

June 30, 2019	Level 1	Level 2	Level 3	Total
Assets :				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Non-capital guaranteed floating profit financial instruments	\$ -	\$ 45,210	\$ -	\$ 45,210
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	1,036,702	1,036,702
	\$ -	\$ 45,210	\$ 1,036,702	\$ 1,081,912

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

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

	<u>Listed shares</u>
Market quoted price	Closing price

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.
- (c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (d) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
- (e) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- (f) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.
- F. For the six months ended June 30, 2020 and 2019, there was no transfer between Level 1 and Level 2.

G. The following chart is the movement of Level 3 for the six months ended June 30, 2020 and 2019:

	2020	2019
	<u>Equity securities</u>	<u>Equity securities</u>
January 1	\$ 936,755	\$ 1,040,342
Recorded as unrealised losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	(36,000)	(25,000)
Acquired during the current period	41,910	-
Transfers during the current period	-	18,375
Effect of exchange rate changes	(1,995)	2,985
June 30	<u>\$ 940,670</u>	<u>\$ 1,036,702</u>

H. For the six months ended June 30, 2019, there was transfer into from Level 3, please refer to Note 6(8). For the six months ended June 30, 2020, there was no transfer into or out from Level 3.

I. Group treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

J. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at June 30, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 940,670	Market comparable companies	Discount for lack of marketability	20%~30%	The higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument: Unlisted shares	\$ 936,755	Market comparable companies	Discount for lack of marketability	20%~30%	The higher the discount for lack of marketability, the lower the fair value
	Fair value at June 30, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument: Unlisted shares	\$ 1,036,702	Market comparable companies	Discount for lack of marketability	20%~30%	The higher the discount for lack of marketability, the lower the fair value

K. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. For financial assets and liabilities categorised within Level 3, there is no significant impact to other comprehensive income on June 30, 2020, December 31, 2019 and June 30, 2019 if the net asset value increase or decrease by 1%.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

For the six months ended June 30, 2020, except for the financial statements of CU, FII, FUII, Zhi De Investment, FGEDG, FGEKS, DGFQ, FG Xuzhou, FOXLINK, FIT Holding, PQI, APIX, Sinocity, Jiangsu Foxlink, Glory Science, GLORY TEK, GLORY OPTICS, GLORY TEK (SAMOA), GLORY TEK SCIENCE INDIA, GLORY Suzhou, GOYC, Yao Wei, YYWT, Foxlink Image, AITL, and Dongguan Fu Wei which were reviewed by independent auditors, the financial statements of other subsidiaries were not reviewed.

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

14. SEGMENT INFORMATION

(1) General information

The Group has classified the reportable operating segments based on product types. The Company's operations and segmentation are both developed according to the product types. The current main product types are: 3C component, systems and peripheral products, 3C product retail and others.

(2) Measurement of segment information

The Board of Directors of the Group uses operating profit to measure the operating segments and as evaluation basis of the segments' performance.

(3) Segment information

The financial information of reportable segments provided to Chief Operating Decision-Maker is as follows:

Six months ended June 30, 2020

	3C component department	Systems and peripheral products department	3C product retail department	Other Operations	Adjustments	Total
External Revenue	\$ 15,347,935	\$ 16,812,760	\$ 4,275,862	\$ 75,162	\$ -	\$ 36,511,719
Revenue from Internal Customers	876,406	436,914	-	151	(1,313,471)	-
Segment Revenue	<u>\$ 16,224,341</u>	<u>\$ 17,249,674</u>	<u>\$ 4,275,862</u>	<u>\$ 75,313</u>	<u>(\$ 1,313,471)</u>	<u>\$ 36,511,719</u>
Segment (Loss) Profit	<u>(\$ 57,314)</u>	<u>\$ 277,375</u>	<u>\$ 49,240</u>	<u>(\$ 11,207)</u>	<u>\$ -</u>	<u>\$ 258,094</u>

Six months ended June 30, 2019

	3C component department	Systems and peripheral products department	3C product retail department	Other Operations	Adjustments	Total
External Revenue	\$ 18,345,160	\$ 16,936,707	\$ 4,857,980	\$ 106,855	\$ -	\$ 40,246,702
Revenue from Internal Customers	934,515	916,272	-	98	(1,850,885)	-
Segment Revenue	<u>\$ 19,279,675</u>	<u>\$ 17,852,979</u>	<u>\$ 4,857,980</u>	<u>\$ 106,953</u>	<u>(\$ 1,850,885)</u>	<u>\$ 40,246,702</u>
Segment Profit (Loss)	<u>\$ 70,631</u>	<u>\$ 46,031</u>	<u>\$ 19,660</u>	<u>(\$ 20,754)</u>	<u>\$ -</u>	<u>\$ 115,568</u>

(4) Reconciliation for segment profit (loss)

The external revenue and segment profit (loss) reported to the chief operating decision-maker are measured in a manner consistent with revenue and profit (loss) before tax in the financial statements. Therefore, no reconciliation was needed.

Cheng Uei Precision Industry Co., Ltd.

Loans to others

Six months ended June 30, 2020

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the six months ended June 30, 2020	Balance at June 30, 2020	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
1	Fugang Electric (Kunshan) Co., Ltd.	FUQIANG ELECTRIC (YANCHENG) CO., LTD.	Other receivables - related parties	Yes	\$ 34,608	\$ 33,296	\$ 33,296	-	2	\$ -	Operations	\$ -	-	\$ -	\$ 3,435,979	\$ 3,435,979	
1	Fugang Electric (Kunshan) Co., Ltd.	Kunshan Fugang Electric Trading Co., LTD.	"	Yes	103,824	41,620	41,620	-	2	-	"	-	-	-	3,435,979	3,435,979	
1	Fugang Electric (Kunshan) Co., Ltd.	ShangHai Fugang Electric Trading Co., LTD.	"	Yes	34,040	12,486	12,486	-	2	-	"	-	-	-	3,435,979	3,435,979	
1	Fugang Electric (Kunshan) Co., Ltd.	Fu Shi Xiang Research & Development Center (Kunshan) Co., Ltd.	"	Yes	23,793	22,891	22,891	-	2	-	"	-	-	-	3,435,979	3,435,979	
1	Fugang Electric (Kunshan) Co., Ltd.	Dongguan Fuqiang Electronics Co., Ltd.	"	Yes	172,200	-	-	-	2	-	"	-	-	-	3,435,979	3,435,979	
1	Fugang Electric (Kunshan) Co., Ltd.	Foxlink Technical India Private Limited	"	Yes	179,706	-	-	-	2	-	"	-	-	-	3,435,979	3,435,979	
2	World Circuit Technology Co., Ltd.	Proconn Technology Co., Ltd.	"	Yes	87,928	-	-	-	2	-	"	-	-	-	109,353	109,353	
2	World Circuit Technology Co., Ltd.	Microlink Communications Inc.	"	Yes	55,000	55,000	55,000	-	2	-	"	-	-	-	109,353	109,353	
3	Culink (Tian Jin) Co., Ltd.	Fugang Electric (Kunshan) Co., Ltd.	"	Yes	216,300	208,100	208,100	-	2	-	"	-	-	-	221,302	221,302	
4	Neosonic Energy Technology (Tianjin) Ltd.	Dongguan Fuqiang Electronics Co., Ltd.	"	Yes	168,714	162,318	162,318	-	2	-	"	-	-	-	165,482	165,482	
5	Foxlink International Investment Ltd.	Microlink Communications Inc.	"	Yes	67,000	-	-	-	2	-	"	-	-	-	1,419,330	1,419,330	
6	Fu Uei International Investment Ltd.	Cheng Uei Precision Industry Co., Ltd.	"	Yes	235,000	155,000	155,000	-	2	-	"	-	-	-	673,031	673,031	
7	FOXLINK TECHNOLOGY LIMITED	Cheng Uei Precision Industry Co., Ltd.	"	Yes	724,648	615,296	615,296	-	2	-	"	-	-	-	873,330	873,330	

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the six months ended June 30, 2020	Balance at June 30, 2020	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
7	FOXLINK TECHNOLOGY LIMITED	CU INTERNATIONAL LTD.	Other receivables - related parties	Yes	\$ 101,661	\$ 97,807	\$ 97,807	-	2	\$ -	Operations	\$ -	-	\$ -	\$ 873,330	\$ 873,330	
7	FOXLINK TECHNOLOGY LIMITED	Proconn Technology Co., Ltd.	"	Yes	89,970	88,320	88,320	-	2	-	"	-	-	-	873,330	873,330	
8	Foxlink TianJin Co., Ltd.	Fugang Electric (Kunshan) Co., Ltd.	"	Yes	95,172	-	-	2%	2	-	"	-	-	-	2,282,037	2,282,037	
8	Foxlink TianJin Co., Ltd.	FUGANG ELECTRIC (XUZHOU) CO., LTD.	"	Yes	64,890	-	-	-	2	-	"	-	-	-	2,282,037	2,282,037	
8	Foxlink TianJin Co., Ltd.	Fugang Electronic (Dongguan) Co., Ltd.	"	Yes	389,340	-	-	-	2	-	"	-	-	-	2,282,037	2,282,037	
8	Foxlink TianJin Co., Ltd.	Foxlink Technical India Private Limited	"	Yes	179,706	-	-	-	2	-	"	-	-	-	2,282,037	2,282,037	
9	Studio A Inc.	AShop Co., Ltd.	"	Yes	175,856	108,928	108,928	-	2	-	"	-	-	-	215,744	215,744	
10	Studio A Technology Limited	Studio A Inc.	"	Yes	90,960	64,768	64,768	-	2	-	"	-	-	-	757,868	757,868	
11	Zhi De Investment Co., Ltd.	Cheng Uei Precision Industry Co., Ltd.	"	Yes	100,000	100,000	100,000	-	2	-	Group's capital management	-	-	-	168,284	168,284	
12	Foxlink Automotive Technology (Kunshan) CO., LTD.	Fugang Electronic (Dongguan) Co., Ltd.	"	Yes	172,200	-	-	-	2	-	Operations	-	-	-	133,777	133,777	
13	Dongguan Fuqiang Electronics Co., Ltd.	Foxlink Technical India Private Limited	"	Yes	269,559	-	-	-	2	-	"	-	-	-	7,830,213	7,830,213	
14	Fugang Electronic (Dongguan) Co., Ltd.	Foxlink Technical India Private Limited	"	Yes	269,559	-	-	-	2	-	"	-	-	-	5,213,608	5,213,608	
15	FIT Holding Co., Ltd.	GLORYTEK (YANCHENG) CO., LTD.	"	Yes	125,940	125,940	83,960	0.98-1.2%	2	-	"	-	-	-	1,883,287	2,511,050	
15	FIT Holding Co., Ltd.	Glory Optics (Yancheng) Co., Ltd.	"	Yes	277,068	277,068	104,950	0.98-1.2%	2	-	"	-	-	-	1,883,287	2,511,050	
16	Foxlink Image Technology Co., Ltd.	Power Quotient International Co., Ltd.	"	Yes	604,750	604,750	604,750	1.23%	2	-	"	-	-	-	958,881	958,881	
16	Foxlink Image Technology Co., Ltd.	Glory Science Co., Ltd.	"	Yes	300,000	180,000	-	0.85-1.2%	2	-	"	-	-	-	958,881	958,881	
17	Glory Science Co., Ltd.	Glory Optics (Yancheng) Co., Ltd.	"	Yes	399,970	399,970	399,970	1.5%	2	-	"	-	-	-	371,516	371,516	

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the six months ended June 30, 2020	Balance at June 30, 2020	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
18	GLORY OPTICS (BVI) CO., LTD.	GLORYTEK (YANCHENG) CO., LTD.	Other receivables - related parties	Yes	\$ 93,060	\$ 31,020	\$ 31,020	3%	2	\$ -	Operations	\$ -	-	\$ -	\$ 13,560	\$ 13,560	
18	GLORY OPTICS (BVI) CO., LTD.	Glory Optics (Yancheng) Co., Ltd.	"	Yes	75,068	-	-	3%	2	-	"	-	-	-	13,560	13,560	
19	GLORY Photovoltaic (Suzhou) Co., Ltd.	Glory Optics (Yancheng) Co., Ltd.	"	Yes	26,810	26,810	26,810	3%	2	-	"	-	-	-	513,598	513,598	
19	GLORY Photovoltaic (Suzhou) Co., Ltd.	GLORYTEK (YANCHENG) CO., LTD.	"	Yes	220,910	215,150	171,120	5%	2	-	"	-	-	-	513,598	513,598	
20	POWER QUOTIENT TECHNOLOGY (YANCHENG) CO., LTD.	Jiangsu Foxlink New Energy Technology Co., Ltd.	"	Yes	457,600	-	-	-	2	-	Group's capital management	-	-	-	678,359	678,359	
21	Foxwell Energy Corporation Ltd.	Zhangyuan Wind Power Co., Ltd.	"	Yes	50,000	50,000	17,500	Over 1 month, 1.75%	2	-	"	-	-	-	283,906	283,906	
21	Foxwell Energy Corporation Ltd.	Beiyuan Wind Power Co., Ltd.	"	Yes	50,000	50,000	26,000	Over 1 month, 1.75%	2	-	"	-	-	-	283,906	283,906	

Note 1: The numbers as follows represent the nature of loan:

- (1) Business transaction is labelled as "1".
- (2) Short-term financing is labelled as "2".

Note 2: (1) Limit on loans granted to a single party is 20% of the Company's net asset value.

- (2) Limit on loans granted to the domestic unlisted subsidiaries of the Company and FIT Holding Co., Ltd. is 40% of their net asset value.
- (3) Limit on loans granted to direct or indirect holding foreign subsidiaries is 100% of their net asset value.
- (4) Limit on loans granted between foreign companies whose voting shares are 100% held by the Company directly or indirectly, or on loans granted to the Company by such foreign companies is 100% of their net asset value.
- (5) Limit on loans granted by FIT Holding Co., Ltd. to its direct or indirect holding foreign subsidiaries is 30% of FIT Holding Co., Ltd.'s net asset value on recent financial report.

Note 3: (1) Ceiling on total loans granted to the company is 40% of the Company's net asset value.

- (2) Ceiling on total loans granted to the domestic unlisted subsidiaries of the Company and FIT Holding is 40% of their net asset value.
- (3) Ceiling on total loans granted to the direct or indirect holding subsidiaries is 100% of their net asset value.
- (4) Ceiling on total loans granted between foreign companies whose voting shares are 100% held by the Company directly or indirectly, or on loans granted to the Company by such foreign companies is 100% of their net asset value.
- (5) Ceiling on total loans granted by FIT Holding Co., Ltd. to its direct or indirect holding foreign subsidiaries is 40% of their net asset value on recent financial report.

Cheng Uei Precision Industry Co., Ltd.
Provision of endorsements and guarantees to others
Six months ended June 30, 2020

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 1)	Maximum outstanding endorsement/ guarantee amount as of June 30, 2020	Outstanding endorsement/ guarantee amount at June 30, 2020	Actual amount drawn down	Amount of endorsements /guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements /guarantees provided (Note 2)	Provision of endorsements /guarantees by parent company to subsidiary	Provision of endorsements /guarantees by subsidiary to parent company	Provision of endorsements /guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/guarantor											
0	Cheng Uei Precision Industry Co., Ltd.	Dongguan Fuqiang Electronics Co., Ltd.	The Company's third-tier subsidiary	\$ 10,523,053	\$ 1,297,800	\$ 1,257,300	\$ 1,257,300	\$ -	5.97	\$ 21,046,104	Y	N	Y	
0	Cheng Uei Precision Industry Co., Ltd.	Jing Sheng Technology Co., Ltd.	"	8,418,442	454,800	444,450	82,499	-	2.11	21,046,104	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	ASHOP CO., LTD.	"	8,418,442	212,240	207,410	99,557	-	0.99	21,046,104	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Studio A Inc.	The Company's second-tier subsidiary	8,418,442	1,212,800	1,185,200	208,027	-	5.63	21,046,104	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Studio A Technology Limited	The Company's third-tier subsidiary	8,418,442	1,455,360	1,422,240	25,186	-	6.76	21,046,104	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Kunshan Fugang Electric Trading Co., LTD.	"	8,418,442	1,212,800	1,185,200	26,074	-	5.63	21,046,104	Y	N	Y	
0	Cheng Uei Precision Industry Co., Ltd.	FOXLINK INTERNATIONAL INCORPORATION	"	10,523,053	982,368	960,012	22,400	-	4.56	21,046,104	Y	N	N	
1	Studio A Inc.	ASHOP CO., LTD.	Studio A Inc.'s subsidiary	8,418,442	212,240	207,410	99,557	-	0.99	21,046,104	Y	N	N	
2	Fugang Electric (Kunshan) Co., Ltd.	FUGANG ELECTRIC (MAANSHAN) CO., LTD.	Fugang Electric (Kunshan) Co., Ltd.'s other related party	10,523,053	1,187,271	1,150,220	1,150,220	-	5.47	21,046,104	Y	N	Y	
3	FIT Holding Co., Ltd.	Power Quotient International Co., Ltd.	FIT Holding Co., Ltd.'s subsidiary	9,416,437	600,000	600,000	300,000	-	9.56	9,416,437	Y	N	N	
3	FIT Holding Co., Ltd.	Glory Science Co., Ltd.	"	9,416,437	1,260,000	800,000	250,000	-	12.74	9,416,437	Y	N	N	
3	FIT Holding Co., Ltd.	Foxwell Energy Corporation Ltd.	"	8,788,675	531,698	531,698	531,698	-	8.47	9,416,437	Y	N	N	
4	Glory Science Co., Ltd.	Glory Optics (Yancheng) Co., Ltd.	Glory Science Co., Ltd.'s subsidiary	1,393,186	185,070	-	-	-	-	1,393,186	Y	N	Y	
4	Glory Science Co., Ltd.	GLORYTEK (YANCHENG) CO., LTD.	Glory Science Co., Ltd.'s subsidiary	1,393,186	185,070	-	-	-	-	1,393,186	Y	N	Y	
5	Foxwell Energy Corporation Ltd.	Beiyuan Wind Power Co., Ltd.	Foxwell Energy Corporation Ltd.'s subsidiary	1,064,649	621,000	621,000	482,462	-	9.89	1,064,649	Y	N	N	

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 1)	Maximum outstanding endorsement/ guarantee amount as of June 30, 2020	Outstanding endorsement/ guarantee amount at June 30, 2020	Actual amount drawn down	Amount of endorsements /guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements /guarantees provided (Note 2)	Provision of endorsements /guarantees by parent company to subsidiary	Provision of endorsements /guarantees by subsidiary to parent company	Provision of endorsements /guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/guarantor											
5	Foxlink Image Technology Co., Ltd.	Glory Science Co., Ltd.	Foxlink Image Technology Co., Ltd.'s subsidiary	\$ 3,595,806	\$ 300,000	\$ 300,000	\$ -	\$ -	4.78	\$ 3,595,806	N	N	N	
5	Foxlink Image Technology Co., Ltd.	Power Quotient International Co., Ltd.	"	3,595,806	300,000	300,000	-	-	4.78	3,595,806	N	N	N	

Note 1: Calculation for limit on endorsements/guarantees provided for a single party is as follows:

- (1) For subsidiaries whose shares are 90% or above held by the Company, ceiling on total amount of endorsements and guarantees provided by the Company is 50% of the Company's net asset value; limit on endorsements and guarantees provided by the Company for a single party is 40% of the Company's net asset value.
- (2) For FIT Holding Co.,Ltd., limit on endorsements and guarantees for a single party is 140% of FIT Holding Co.,Ltd.'s current net asset value and for subsidiary whose equity is no less than 90% held by FIT Holding Co.,Ltd., is 150% of FIT Holding Co.,Ltd.'s net asset value.
- (3) Endorsements and guarantees are available between companies whose voting shares are more than 90% held by FIT Holding Co., Ltd. directly or indirectly. And the limit on endorsements and guarantees is 10% of FIT Holding Co., Ltd.'s net asset value except that endorsements and guarantees are between companies whose voting shares are 100% held by FIT Holding Co., Ltd. directly or indirectly.

Note 2: Calculation for limit on endorsements/guarantees provided is as follows:

- (1) The Company's and subsidiaries' endorsements and guarantees to others should not exceed 100% of the Company's net asset value.
- (2) FIT Holding Co.,Ltd.'s endorsements and guarantees to others and subsidiaries should not exceed 150% of FIT Holding Co., Ltd.'s net asset value in the latest financial statements.
- (3) Endorsements and guarantees are available between companies whose voting shares are more than 90% held by FIT Holding Co., Ltd. directly or indirectly. And the limit on endorsements and guarantees is 10% of FIT Holding Co., Ltd.'s net asset value except that endorsements and guarantees are between companies whose voting shares are 100% held by FIT Holding Co., Ltd. directly or indirectly.