

**GETAC TECHNOLOGY CORP. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
JUNE 30, 2019 AND 2018**

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.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19000068

To the Board of Directors and Shareholders of Getac Technology Corp.

Introduction

We have reviewed the accompanying consolidated balance sheets of Getac Technology Corp. and its subsidiaries (the “Group”) as at June 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the six-month periods 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 Note 4(3), we did not review the financial statements of certain insignificant consolidated subsidiaries and investments accounted for under the equity method. Total assets and investments accounted for using equity method amounted to NT\$4,490,321 thousand and NT\$4,880,376 thousand, constituting 15% and 18% of the total consolidated assets, and total liabilities amounted to NT\$628,973 thousand and NT\$645,171 thousand, constituting 4% and 5% of the total consolidated liabilities as of June 30, 2019 and 2018, respectively, and total comprehensive loss as well as share of

comprehensive loss of associates accounted for under the equity method amounted to NT\$22,803 thousand, NT\$111,279 thousand, NT\$27,915 thousand and NT\$86,145 thousand, constituting (5%), (17%), (2%) and (7%) of the total consolidated comprehensive income for the three-month and six-month periods then ended, respectively.

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 equity method been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews and the reviews of other independent accountants (please refer to other matter paragraph below), 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, 2019 and 2018, and of its consolidated financial performance for the three-month and six-month periods then ended and its consolidated cash flows for the six-month periods then ended in accordance with “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Other Matter—Review Reports By Other Independent Accountants

We did not review the financial statements of certain consolidated subsidiaries and investments accounted for under the equity method. Those financial statements were reviewed by other independent accountants whose reports thereon have been furnished to us, and our report expressed herein, insofar as it relates to the amounts included in the financial statements was based solely on the review reports of other independent accountants. Total assets of the subsidiaries amounted to NT\$1,220,212 thousand and NT\$1,040,449 thousand, both constituting 4% of the total consolidated assets as of June 30, 2019 and 2018, respectively, and sales revenue amounted to NT\$1,732,363 thousand and NT\$1,144,995 thousand, NT\$2,664,078 thousand and NT\$2,516,254 thousand constituting 25%, 20%, 21% and 22% of the total consolidated net sales revenue for the three-month and six-month periods then ended, respectively. Comprehensive (loss) income from these investments accounted for under the equity method amounted to (NT\$105,129) thousand, NT\$26,501 thousand, (NT\$102,067) thousand and NT\$19,069 thousand for the three-month and six-month periods then ended, respectively. Balances of

related investments accounted for under the equity method were NT\$742,809 thousand and NT\$841,793 thousand as of June 30, 2019 and 2018, respectively.

Wen, Fang-Yu

Cheng, Ya-Huei

For and on behalf of PricewaterhouseCoopers, Taiwan

August 9, 2019

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

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

GETAC TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in Thousands of New Taiwan Dollars)
(The Consolidated balance sheets as of June 30, 2019 and 2018 are reviewed, not audited)

Assets	Notes	June 30, 2019		December 31, 2018		June 30, 2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current Assets								
1100	Cash and cash equivalents	6(1)	\$ 5,719,786	19	\$ 5,180,581	18	\$ 5,566,794	21
1110	Financial assets at fair value	6(2)						
	through profit or loss – current		2,603	-	2,196	-	15,005	-
1136	Financial assets at amortised	6(4)						
	cost – current		762,239	3	991,575	4	644,153	2
1150	Notes receivable – net	6(5)	50	-	1,611	-	116	-
1170	Accounts receivable – net	6(5)	6,329,889	21	5,296,727	19	5,254,095	19
1180	Accounts receivable – related	6(5) and 7						
	parties		56,929	-	20,482	-	26,098	-
1200	Other receivables	7	124,895	-	295,365	1	252,808	1
130X	Inventories – net	6(6)	4,606,194	16	4,814,346	17	4,013,853	15
1410	Prepayments		312,612	1	353,372	1	414,076	2
11XX	Total current assets		<u>17,915,197</u>	<u>60</u>	<u>16,956,255</u>	<u>60</u>	<u>16,186,998</u>	<u>60</u>
Non-current assets								
1517	Financial assets at fair value	6(3)						
	through other comprehensive							
	income - non-current		594,836	2	525,475	2	537,394	2
1550	Investments accounted for	6(7)						
	under equity method		1,048,665	3	1,189,925	4	1,188,488	4
1600	Property, plant and equipment -	6(8)						
	net		7,200,402	24	7,346,793	26	7,280,292	27
1755	Right-of-use assets	6(9)	1,051,466	4	-	-	-	-
1760	Investment property - net	6(11)	637,187	2	456,221	2	257,070	1
1780	Intangible assets	6(12)	753,458	3	726,794	3	726,909	3
1840	Deferred income tax assets		295,233	1	281,491	1	258,889	1
1900	Other non-current assets	6(14)	361,519	1	680,736	2	717,145	2
15XX	Total non-current assets		<u>11,942,766</u>	<u>40</u>	<u>11,207,435</u>	<u>40</u>	<u>10,966,187</u>	<u>40</u>
1XXX	TOTAL ASSETS		<u>\$ 29,857,963</u>	<u>100</u>	<u>\$ 28,163,690</u>	<u>100</u>	<u>\$ 27,153,185</u>	<u>100</u>

(Continued)

GETAC TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in Thousands of New Taiwan Dollars)

(The Consolidated balance sheets as of June 30, 2019 and 2018 are reviewed, not audited)

Liabilities and Equity	Notes	June 30, 2019		December 31, 2018		June 30, 2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(15)	\$ 200,313	1	\$ 111,420	-	\$ 465,854	1
2120	Financial liabilities at fair value through profit or loss - current	6(16)	1,525	-	1,025	-	8,594	-
2130	Contract liabilities - current	6(26) and 7	169,235	1	258,980	1	279,021	1
2150	Notes payable		1,206	-	2,999	-	785	-
2170	Accounts payable		4,037,712	13	4,145,996	15	3,492,646	13
2180	Accounts payable - related parties	7	38,257	-	59,656	-	31,799	-
2200	Other payables	6(17) and 7	4,423,719	15	3,060,912	11	4,061,813	15
2230	Current income tax liabilities		413,972	1	390,975	1	278,922	1
2250	Provisions for liabilities - current	6(21)	203,900	1	216,209	1	201,861	1
2280	Lease liabilities - current		121,892	-	-	-	-	-
2320	Long-term liabilities, current portion	6(18)	207,061	1	305,806	1	356,708	1
2365	Refund liabilities - current		653,436	2	270,874	1	194,854	1
2399	Other current liabilities		244,001	1	209,673	1	275,551	1
21XX	Total current liabilities		<u>10,716,229</u>	<u>36</u>	<u>9,034,525</u>	<u>32</u>	<u>9,648,408</u>	<u>35</u>
Non-current liabilities								
2527	Contract liabilities - non-current	6(26)	571,327	2	405,764	1	252,092	1
2540	Long-term borrowings	6(18)	1,820,783	6	1,819,561	7	1,573,467	6
2550	Provisions for liabilities - non-current	6(21)	429,708	1	390,354	1	310,830	1
2570	Deferred income tax liabilities		51,770	-	7,077	-	14,397	-
2580	Lease liabilities - non-current		377,926	1	-	-	-	-
2600	Other non-current liabilities	6(19)	184,265	1	184,368	1	171,148	1
25XX	Total non-current liabilities		<u>3,435,779</u>	<u>11</u>	<u>2,807,124</u>	<u>10</u>	<u>2,321,934</u>	<u>9</u>
2XXX	Total Liabilities		<u>14,152,008</u>	<u>47</u>	<u>11,841,649</u>	<u>42</u>	<u>11,970,342</u>	<u>44</u>
Equity attributable to owners of the parent								
Share capital								
3110	Common stock	6(22)	5,795,202	20	5,791,652	21	5,834,142	22
Capital surplus								
3200	Capital surplus	6(23)	2,969,309	9	2,938,630	11	2,931,944	10
Retained earnings								
3310	Legal reserve	6(24)	1,739,599	6	1,518,353	5	1,518,353	6
3320	Special reserve		412,996	1	318,032	1	318,032	1
3350	Unappropriated retained earnings		3,364,648	11	4,579,845	16	3,324,855	12
Other equity								
3400	Other equity interest	6(25)	(189,460)	-	(393,336)	(2)	(125,886)	-
3500	Treasury shares	6(22)	-	-	-	-	(94,902)	-
31XX	Total equity attributable to owners of the parent		<u>14,092,294</u>	<u>47</u>	<u>14,753,176</u>	<u>52</u>	<u>13,706,538</u>	<u>51</u>
36XX	Non-controlling interest		<u>1,613,661</u>	<u>6</u>	<u>1,568,865</u>	<u>6</u>	<u>1,476,305</u>	<u>5</u>
3XXX	Total equity		<u>15,705,955</u>	<u>53</u>	<u>16,322,041</u>	<u>58</u>	<u>15,182,843</u>	<u>56</u>
Significant Contingent Liabilities and Unrecognised Contract Commitments								
3X2X	TOTAL LIABILITIES AND EQUITY		<u>\$ 29,857,963</u>	<u>100</u>	<u>\$ 28,163,690</u>	<u>100</u>	<u>\$ 27,153,185</u>	<u>100</u>

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

GETAC TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in Thousands of New Taiwan Dollars, except earnings per share)
(UNAUDITED)

Items	Notes	Three-month periods ended June 30				Six-month periods ended June 30			
		2019		2018		2019		2018	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating Revenues	6(26) and 7	\$ 7,034,208	100	\$ 5,841,243	100	\$ 12,718,672	100	\$ 11,397,216	100
5000 Operating Costs	6(6)(31)(32)	(5,005,533)	(71)	(4,241,570)	(73)	(9,212,559)	(72)	(8,403,964)	(74)
5900 Gross Profit		<u>2,028,675</u>	<u>29</u>	<u>1,599,673</u>	<u>27</u>	<u>3,506,113</u>	<u>28</u>	<u>2,993,252</u>	<u>26</u>
Operating Expenses	6(31)(32)								
6100 Selling expenses		(521,707)	(8)	(426,384)	(7)	(1,027,352)	(8)	(834,623)	(7)
6200 Administrative expenses		(349,485)	(5)	(325,060)	(5)	(621,516)	(5)	(612,008)	(5)
6300 Research and development expenses		(308,979)	(4)	(329,046)	(6)	(575,062)	(5)	(565,395)	(5)
6000 Total operating expenses		<u>(1,180,171)</u>	<u>(17)</u>	<u>(1,080,490)</u>	<u>(18)</u>	<u>(2,223,930)</u>	<u>(18)</u>	<u>(2,012,026)</u>	<u>(17)</u>
6500 Other income and expenses - net	6(27)	<u>13,302</u>	<u>-</u>	<u>12,700</u>	<u>-</u>	<u>30,065</u>	<u>-</u>	<u>25,239</u>	<u>-</u>
6900 Operating profit		<u>861,806</u>	<u>12</u>	<u>531,883</u>	<u>9</u>	<u>1,312,248</u>	<u>10</u>	<u>1,006,465</u>	<u>9</u>
Non-operating income and expenses									
7010 Other income	6(28)	38,914	1	36,357	1	62,152	1	71,975	1
7020 Other gains and losses	6(29)	18,735	-	26,621	1	23,651	-	129,445	1
7050 Finance costs	6(30)	(10,550)	-	(3,578)	-	(20,610)	-	(11,581)	-
7060 Share of (losses) profit of associates and joint ventures accounted for under equity method	6(7)	(112,694)	(2)	16,038	-	(110,701)	(1)	8,966	-
7000 Total non-operating income and expenses		<u>(65,595)</u>	<u>(1)</u>	<u>75,438</u>	<u>2</u>	<u>(45,508)</u>	<u>-</u>	<u>198,805</u>	<u>2</u>
7900 Profit before income tax		<u>796,211</u>	<u>11</u>	<u>607,321</u>	<u>11</u>	<u>1,266,740</u>	<u>10</u>	<u>1,205,270</u>	<u>11</u>
7950 Income tax expense	6(33)	(222,344)	(3)	(105,376)	(2)	(311,101)	(3)	(203,106)	(2)
8200 Profit for the period		<u>\$ 573,867</u>	<u>8</u>	<u>\$ 501,945</u>	<u>9</u>	<u>\$ 955,639</u>	<u>7</u>	<u>\$ 1,002,164</u>	<u>9</u>
Other comprehensive income (net)									
Items that will not be reclassified subsequently to profit or loss									
8316 Unrealized value (loss) gain on equity instrument at fair value through comprehensive income	6(3)	(\$ 17,186)	-	(\$ 21,033)	-	\$ 60,598	1	(\$ 15,246)	-
8320 Share of other comprehensive income of associates and joint ventures	6(7)	6,929	-	2,426	-	651	-	13,126	-
8349 Income tax benefit related to items that will not be reclassified subsequently to profit or loss		-	-	1,938	-	-	-	1,938	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		<u>(10,257)</u>	<u>-</u>	<u>(16,669)</u>	<u>-</u>	<u>61,249</u>	<u>1</u>	<u>(182)</u>	<u>-</u>
Items that will be reclassified subsequently to profit or loss									
8361 Exchange differences arising on translation of foreign operations	6(25)	(92,932)	(1)	141,285	2	143,510	1	183,573	1
8370 Share of other comprehensive income of associates and joint ventures	6(7)	7,477	-	10,933	-	7,967	-	7,803	-
8399 Income tax benefit related to items that may be reclassified subsequently to profit or loss	6(33)	1,329	-	491	-	(769)	-	(843)	-
8360 Components of other comprehensive income that will be reclassified to profit or loss		<u>(84,126)</u>	<u>(1)</u>	<u>152,709</u>	<u>2</u>	<u>150,708</u>	<u>1</u>	<u>190,533</u>	<u>1</u>
8300 Other comprehensive (loss) income for the period, net of tax		<u>(\$ 94,383)</u>	<u>(1)</u>	<u>\$ 136,040</u>	<u>2</u>	<u>\$ 211,957</u>	<u>2</u>	<u>\$ 190,351</u>	<u>1</u>
8500 Total comprehensive income for the period		<u>\$ 479,484</u>	<u>7</u>	<u>\$ 637,985</u>	<u>11</u>	<u>\$ 1,167,596</u>	<u>9</u>	<u>\$ 1,192,515</u>	<u>10</u>
Profit attributable to:									
8610 Owners of the parent		<u>\$ 504,862</u>	<u>7</u>	<u>\$ 443,889</u>	<u>8</u>	<u>\$ 837,366</u>	<u>6</u>	<u>\$ 910,390</u>	<u>8</u>
8620 Non-controlling interest		<u>\$ 69,005</u>	<u>1</u>	<u>\$ 58,056</u>	<u>1</u>	<u>\$ 118,273</u>	<u>1</u>	<u>\$ 91,774</u>	<u>1</u>
Total comprehensive income attributable to:									
8710 Owners of the parent		<u>\$ 422,910</u>	<u>6</u>	<u>\$ 584,019</u>	<u>10</u>	<u>\$ 1,042,627</u>	<u>8</u>	<u>\$ 1,093,275</u>	<u>9</u>
8720 Non-controlling interest		<u>\$ 56,574</u>	<u>1</u>	<u>\$ 53,966</u>	<u>1</u>	<u>\$ 124,969</u>	<u>1</u>	<u>\$ 99,240</u>	<u>1</u>
Basic earnings per share	6(34)								
9750 Net income attributable to owners of the parent		<u>\$</u>	<u>0.87</u>	<u>\$</u>	<u>0.77</u>	<u>\$</u>	<u>1.45</u>	<u>\$</u>	<u>1.58</u>
Diluted earnings per share	6(34)								
9850 Net income attributable to owners of the parent		<u>\$</u>	<u>0.86</u>	<u>\$</u>	<u>0.76</u>	<u>\$</u>	<u>1.42</u>	<u>\$</u>	<u>1.57</u>

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

GETAC TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Thousands of New Taiwan Dollars)
(UNAUDITED)

Equity attributable to owners of the parent														
Notes	Retained earnings					Other equity interest					Treasury stocks	Total	Non-controlling interest	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Currency translation differences	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Other equity - others					
For the six-month period ended June 30, 2018														
	\$	\$	\$	\$	\$	(\$	\$	(\$	\$	(\$	\$	\$	\$	
Balance at January 1, 2018	5,715,502	2,575,181	1,327,339	19,660	4,339,118	(187,569)	-	(110,804)	-	(94,902)	13,583,525	1,441,203	15,024,728	
Retrospective application and effect of retrospective restatement	-	-	-	-	5,089	-	(115,893)	110,804	-	-	-	-	-	
Balance at 1 January after adjustments	<u>5,715,502</u>	<u>2,575,181</u>	<u>1,327,339</u>	<u>19,660</u>	<u>4,344,207</u>	<u>(187,569)</u>	<u>(115,893)</u>	<u>-</u>	<u>-</u>	<u>(94,902)</u>	<u>13,583,525</u>	<u>1,441,203</u>	<u>15,024,728</u>	
Net income for the period	-	-	-	-	910,390	-	-	-	-	-	910,390	91,774	1,002,164	
Other comprehensive income (loss) for the period 6(25)	-	-	-	-	1,938	183,067	(2,120)	-	-	-	182,885	7,466	190,351	
Total comprehensive income (loss)	-	-	-	-	<u>912,328</u>	<u>183,067</u>	<u>(2,120)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,093,275</u>	<u>99,240</u>	<u>1,192,515</u>	
Appropriations of 2017 earnings 6(24)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	191,014	-	(191,014)	-	-	-	-	-	-	-	-	
Special reserve	-	-	-	298,372	(298,372)	-	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(1,445,665)	-	-	-	-	-	(1,445,665)	-	(1,445,665)	
Exercise of employee stock options 6(20)(22)	11,200	1,344	-	-	-	-	-	-	-	-	12,544	-	12,544	
Change in associates and joint ventures accounted for under equity method 6(23)	-	1,362	-	-	-	-	-	-	-	-	1,362	-	1,362	
Compensation cost of share-based payment 6(20)	-	22,067	-	-	-	-	-	-	-	-	22,067	-	22,067	
Issuance of shares 6(22)	107,440	331,990	-	-	-	-	-	-	-	-	439,430	-	439,430	
Disposal of financial assets at fair value through other comprehensive income 6(25)	-	-	-	-	3,371	-	(3,371)	-	-	-	-	-	-	
Cash dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(64,138)	(64,138)	
Balance at June 30, 2018	<u>\$ 5,834,142</u>	<u>\$ 2,931,944</u>	<u>\$ 1,518,353</u>	<u>\$ 318,032</u>	<u>\$ 3,324,855</u>	<u>(\$ 4,502)</u>	<u>(\$ 121,384)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 94,902)</u>	<u>\$ 13,706,538</u>	<u>\$ 1,476,305</u>	<u>\$ 15,182,843</u>	
For the six-month period ended June 30, 2019														
Balance at January 1, 2019	\$	\$	\$	\$	\$	(\$	(\$	\$	\$	\$	\$	\$	\$	
Balance at January 1, 2019	5,791,652	2,938,630	1,518,353	318,032	4,579,692	(185,478)	(207,858)	-	-	-	14,753,023	1,568,865	16,321,888	
Net income for the period	-	-	-	-	837,366	-	-	-	-	-	837,366	118,273	955,639	
Other comprehensive income for the period 6(25)	-	-	-	-	-	144,012	61,249	-	-	-	205,261	6,696	211,957	
Total comprehensive income	-	-	-	-	<u>837,366</u>	<u>144,012</u>	<u>61,249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,042,627</u>	<u>124,969</u>	<u>1,167,596</u>	
Appropriations of 2018 earnings 6(24)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	221,246	-	(221,246)	-	-	-	-	-	-	-	-	
Special reserve	-	-	-	94,964	(94,964)	-	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(1,737,585)	-	-	-	-	-	(1,737,585)	-	(1,737,585)	
Exercise of employee stock options 6(20)(22)	3,550	214	-	-	-	-	-	-	-	-	3,764	-	3,764	
Change in associates and joint ventures accounted for under equity method 6(23)	-	(906)	-	-	-	-	-	-	-	-	(906)	-	(906)	
Compensation cost of share-based payment 6(20)	-	31,371	-	-	-	-	-	-	-	-	31,371	-	31,371	
Disposal of financial assets at fair value through other comprehensive income 6(25)	-	-	-	-	1,385	-	(1,385)	-	-	-	-	-	-	
Cash dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(80,173)	(80,173)	
Balance at June 30, 2019	<u>\$ 5,795,202</u>	<u>\$ 2,969,309</u>	<u>\$ 1,739,599</u>	<u>\$ 412,996</u>	<u>\$ 3,364,648</u>	<u>(\$ 41,466)</u>	<u>(\$ 147,994)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,092,294</u>	<u>\$ 1,613,661</u>	<u>\$ 15,705,955</u>	

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

GETAC TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Thousands of New Taiwan Dollars)
(UNAUDITED)

	Notes	Six-month periods ended June 30,	
		2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,266,740	\$ 1,205,270
Adjustments			
Adjustments to reconcile profit (loss)			
Reversal of expect credit loss		(1,350)	-
Depreciation	6(8)(9)(11)(31)	510,450	429,652
Amortization on intangible assets	6(12)(31)	20,102	31,963
Amortization on long-term prepaid rents	6(14)	-	7,078
Gain (loss) on valuation of financial assets and liabilities at fair value through profit and loss	6(2)(16)(29)	106	(9,555)
Interest expense	6(30)	20,610	11,581
Interest income	6(28)	(36,152)	(23,558)
Gain on disposal of property, plant and equipment	6(8)(29)	(9,463)	(5,421)
Share of loss (profit) of associates and joint ventures accounted for under equity method	6(7)	110,701	(8,966)
Compensation cost of share-based payment	6(22)	31,371	22,067
Gain on disposal of investments	6(29)	-	(111,293)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable – net		1,561	(82)
Accounts receivable		(1,031,812)	414,410
Accounts receivable - related parties		(36,447)	31,806
Other receivables		199,240	14,455
Inventories		208,152	90,852
Prepayments		31,002	(35,705)
Other non-current assets		12,624	(15,369)
Changes in operating liabilities			
Contract liabilities		75,818	16,392
Notes payable		(1,793)	(1,153)
Accounts payable		(108,284)	(310,609)
Accounts payable - related parties		(21,399)	(9,600)
Other payables		(521,170)	(242,751)
Provisions for liabilities		27,045	63,915
Refund liabilities		382,562	(36,380)
Other current liabilities		34,330	(21,976)
Other non-current liabilities		1,594	74
Cash inflow generated from operations		1,166,138	1,507,097
Interest paid		(17,911)	(11,564)
Interest received		37,681	20,092
Dividend received		13,137	-
Income tax paid		(286,284)	(237,534)
Net cash flows from operating activities		<u>912,761</u>	<u>1,278,091</u>

(Continued)

GETAC TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Thousands of New Taiwan Dollars)
(UNAUDITED)

	Notes	Six-month periods ended June 30,	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in financial assets measured at amortized cost-current		\$ 229,336	\$ 341,608
Acquisition of financial assets at fair value through other comprehensive income – non-current		(6,322)	(7,492)
Proceeds from capital return of financial assets measured at cost – non-current		-	4,374
Increase in long-term investments accounted for under equity method		(11,850)	-
Acquisition of property, plant and equipment	6(37)	(632,695)	(690,475)
Proceeds from disposal of property, plant and equipment		10,224	23,277
Acquisition of intangible assets	6(12)	(11,153)	(11,086)
(Increase) decrease in refundable deposits		(4,124)	3,747
Decrease (increase) in other financial assets – non-current		18,024	(455)
Cash received through merger	6(35)	-	12,980
Net cash flows used in investing activities		(408,560)	(323,522)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		88,893	99,766
Repayment of long-term borrowings	6(38)	(247,525)	(214,117)
Increase in long-term borrowings		150,000	221,232
(Decrease) increase in deposits received		(1,697)	3,362
Repayment of lease liabilities	6(9)	(53,610)	-
Proceeds from exercise of employee stock options		3,764	12,544
Net cash flows (used in) from financing activities		(60,175)	122,787
Effects of changes in foreign exchange rates		95,179	49,565
Net increase in cash and cash equivalents		539,205	1,126,921
Cash and cash equivalents at beginning of period		5,180,581	4,439,873
Cash and cash equivalents at end of period		\$ 5,719,786	\$ 5,566,794

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

GETAC TECHNOLOGY CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(Expressed in Thousands of New Taiwan Dollars, except as otherwise indicated)

(UNAUDITED)

1. HISTORY AND ORGANISATION

Getac Technology Corp. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the research, development, manufacture and sales of notebook computers, hardware, software for military and industrial computer system, and aerospace fasteners.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on August 9 , 2019.

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 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

- A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
- B. The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (referred herein as the "modified retrospective approach"). On January 1, 2019, the Group expects that 'right-of-use asset' and lease liability will be increased by \$1,101,967 and \$537,660, respectively and prepayments, investment accounted for under equity method, other non-current assets and retained earnings will be decreased by \$9,758, \$153, \$554,549 and \$153, respectively.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
 - The use of hindsight in determining the lease term which the Group assessing to exercise an extension option or not to exercise a termination option.
- D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 0.25%~3.54%.
- E. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Item	Amount
Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 563,592
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	\$ 563,592
Incremental borrowing interest rate at the date of initial application	0.25%~3.54%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	\$ 537,660

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment 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

(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 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, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.

(2) Basis of preparation

A. Except for the following items, these 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 recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting

Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			June 30, 2019	December 31, 2018	June 30, 2018	
Getac Technology Corp.	Pacific Royale Ltd.	Investment holdings	100	100	100	
"	Fong Yang Technology Corporation	Data management, info software, e-communication product wholesale and retail	100	100	100	Note 1
"	Hot Link Technology Ltd.	Investment holdings	100	100	100	
"	Mitac Precision Technology Corporation	Electronic equipment and mold related wholesale and retail	100	100	100	Note 1
"	Fong Guan Investment Ltd.	Investment holdings	100	100	100	Note 1
"	National Aerospace Fasteners Corporation	Manufacturing, processing, agency and sale of aerospace fasteners and structure parts for airplane and ship use	39.09	39.09	39.09	Note 3
"	WHP Workflow Solutions, Inc.	Software design and development	80.30	80.30	80.30	Note 1 、 Note 2
Pacific Royale Ltd.	Getac Inc.	Selling, providing technical service, repair and maintenance of computers and related products for military and industrial use	100	100	100	
"	Integration Technology Ltd.	Investment holdings	100	100	100	Note 1
"	Victory Star Developments Ltd.	Investment holdings	100	100	100	Note 1
"	Talent View Ltd.	Investment holdings	100	100	100	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			June 30, 2019	December 31, 2018	June 30, 2018	
Pacific Royale Ltd.	Running Power	Investment holdings	100	100	100	Note 1
"	Getac (UK) Ltd.	Sales and repair of computers and related products	100	100	100	Note 1
"	Getac Technology GmbH	Sales of computers and related products	100	100	100	Note 1
"	WHP Workflow Solutions, Inc.	Software design and development	19.70	19.70	19.70	Note 1 , Note 2
Pacific Royale Ltd. and its subsidiaries	Getac Technology (Kunshan) Co., Ltd.	Manufacture and sales of notebooks and related products	100	100	100	
"	Fon Yang Logistic (Kunshan) Ltd.	Agency of domestic/foreign freight transport and import/export declaration and import/export trade	100	100	100	Note 1
"	Getac (SuZhou) Mobile Ltd.	Sales and repair of computers and its peripherals, commercial portable global positioning system, electronic parts, mold production equipment and office equipment, commission agent and import/export trade	100	100	100	Note 1
"	Getac Video Solutions Inc.	Sales of smart mobile surveillance solution (including device hardware, software, cloud technologies and consulting services)	100	100	100	Note 1
Hot Link Technology Ltd.	Master China Ltd.	Investment holdings	100	100	100	
"	Pacific Metal Developments Ltd.	Investment holdings and trading	100	100	100	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			June 30, 2019	December 31, 2018	June 30, 2018	
Hot Link Technology Ltd.	Mainpower International Ltd.	Investment holdings	86.72	86.72	86.72	Combined ownership (Note 1)
"	ACE Continental Industries Ltd.	Investment holdings and trading	100	100	100	Note 1
"	Bellingham Investments Ltd.	Investment holdings	100	100	100	Note 1
"	Getac Precision Technologies (Hong Kong) Ltd.	Investment holdings	100	100	100	Note 1
"	Mitac Technology Kyoto Corporation	Import/export electronic products, provide technical consulting maintenance, and repair services	100	100	100	Note 1
"	Mitac Precision Developments Ltd.	Investment holdings and trading	100	100	100	
"	Mass Bridge Ltd.	Investment holdings	100	100	100	Note 1
Hot Link Technology Ltd. and its subsidiaries	Mitac Precision Technology (Kunshan) Co., Ltd.	Design and manufacture of computer chassis and its components, precision plastic injection mold, molding parts and molding equipment processing sales, and maintenance and repair services of own products	100	100	100	
"	SuZhou Mitac Precision Technology Co., Ltd.	Design and manufacture of computer chassis and its components, precision plastic injection mold, molding parts, stamping parts, molding equipment processing, design and repair services, and steel plate cutting, etc	72.56	72.56	72.56	Combined ownership

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			June 30, 2019	December 31, 2018	June 30, 2018	
Hot Link Technology Ltd. and its subsidiaries	Mitac Precision Technology (Vietnam) Co., Ltd.	Manufacturing of printer and its components, DVD, cell phone, digital camera, PCB etc.	100	100	100	Note 1
"	Mitac Precision Technology (Shunde) Ltd.	Design and manufacture of computer chassis and its components, precision plastic injection mold, molding parts, stamping parts and molding equipment processing, design and repair services and steel plate cutting, etc	100	100	100	Note 1
"	Getac Precision Technology (Changshu) Co., Ltd.	Manufacturing of magnesium alloy	100	100	100	
"	Mitac Precision Technology (HANOI) Co., Ltd.	Manufacturing of printer and related products	100	100	100	Note 1
"	Getac Precision Technology vieynam Co., Ltd.	Manufacturing of personal computers, communication equipment, automobile electronic devices, precision punching dies, casting/forging raw parts for automobiles and motorcycles, and magnesium alloy castings	100	100	100	Note 1
National Aerospace Fasteners Corporation	Nafco Group Ltd.	Investment holdings	100	100	100	
Nafco Group Ltd.	Nafco Holdings Ltd.	Investment holdings	100	100	100	
Nafco Holdings Ltd.	Suzhou Nafco Precision Ltd.	Production of components for airplane and engine use	100	100	100	

Note 1: The financial statements of the entity as of and for the six-month periods ended June 30, 2019 and 2018 were not reviewed by the independent accountants as the entity did not meet the definition of a significant subsidiary.

Note 2: The Group acquired 68.13% of the capital shares of WHP Workflow Solutions Inc. through stock exchange on February 6, 2018 and WHP Workflow Solutions Inc. has been included in the consolidated financial statements since the Group obtained control over it.

Note 3: National Aerospace Fasteners Corporation was included in the consolidated financial statements as the Group has substantial control over it.

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

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

E. Restricted ability to transfer funds from subsidiaries to parent company: None.

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

As of June 30, 2019, December 31, 2018 and June 30, 2018, the non-controlling interest amounted to \$1,613,661, \$1,568,865 and \$1,476,305, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of businss	Non-controlling interest			
		Amount	Ownership (%)	Amount	Ownership (%)
Mainpower International Ltd.	British Virgin Islands	\$ 220,276	13.28%	\$ 211,978	13.28%
SuZhou Mitac Precision Technology Co., Ltd.	China	\$ 324,068	16.33% (Note)	\$ 311,869	16.33% (Note)
National Aerospace Fasteners Corporation	Taiwan	\$ 1,069,317	60.91%	\$ 1,045,018	60.91%

Name of subsidiary	Principal place of businss	Non-controlling interest	
		Amount	Ownership (%)
Mainpower International Ltd.	British Virgin Islands	\$ 213,521	13.28%
SuZhou Mitac Precision Technology Co., Ltd.	China	\$ 314,136	16.33% (Note)
National Aerospace Fasteners Corporation	Taiwan	\$ 948,648	60.91%

Note: Mainpower International Ltd. owned shares of SuZhou Mitac Precision Technology Co., Ltd. as of June 30, 2019, December 31, 2018 and June 30, 2018, the shareholding ratio was

83.67% for both years. The remaining of shares were non-controlling interests.

Summarised financial information of the subsidiaries:

Balance sheets

	<u>Mainpower International Ltd.</u>		
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Current assets	\$ 455	\$ 450	\$ 445
Non-current assets	1,660,428	1,597,924	1,609,537
Current liabilities	(2,181)	(2,157)	(2,139)
Non-current liabilities	-	-	-
Total net assets	<u>\$ 1,658,702</u>	<u>\$ 1,596,217</u>	<u>\$ 1,607,843</u>

Balance sheets

	<u>SuZhou Mitac Precision Technology Co., Ltd.</u>		
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Current assets	\$ 1,670,089	\$ 1,429,228	\$ 1,546,191
Non-current assets	1,252,505	1,239,785	1,214,858
Current liabilities	(933,348)	(759,014)	(836,566)
Non-current liabilities	(4,750)	(206)	(810)
Total net assets	<u>\$ 1,984,496</u>	<u>\$ 1,909,793</u>	<u>\$ 1,923,673</u>

	<u>National Aerospace Fasteners Corporation</u>		
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Current assets	\$ 1,395,277	\$ 1,329,000	\$ 1,164,067
Non-current assets	3,404,919	3,264,424	3,150,223
Current liabilities	(1,176,366)	(1,051,690)	(1,177,799)
Non-current liabilities	(1,869,589)	(1,827,392)	(1,580,367)
Total net assets	<u>\$ 1,754,241</u>	<u>\$ 1,714,342</u>	<u>\$ 1,556,124</u>

Statements of comprehensive income

	Mainpower International Ltd.	
	Three-month periods ended June 30,	
	2019	2018
Revenue	\$ -	\$ -
Profit before income tax	39,778	41,868
Income tax expense	-	-
Profit for the period from continuing operations	39,778	41,868
Loss from discontinued operations	-	-
Profit for the period	39,778	41,868
Other comprehensive loss, net of tax	(21,690)	(8,864)
Total comprehensive income for the period	<u>\$ 18,088</u>	<u>\$ 33,004</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 2,402</u>	<u>\$ 4,383</u>
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>

	Mainpower International Ltd.	
	Six-month periods ended June 30,	
	2019	2018
Revenue	\$ -	\$ -
Profit before income tax	47,794	35,527
Income tax expense	-	-
Profit for the period from continuing operations	47,794	35,527
Loss from discontinued operations	-	-
Profit for the period	47,794	35,527
Other comprehensive income, net of tax	14,691	16,480
Total comprehensive income for the period	<u>\$ 62,485</u>	<u>\$ 52,007</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 8,298</u>	<u>\$ 6,907</u>
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>

<u>SuZhou Mitac Precision Technology Co., Ltd.</u>		
<u>Three-month periods ended June 30,</u>		
	<u>2019</u>	<u>2018</u>
Revenue	\$ 676,170	\$ 587,513
Profit before income tax	63,350	70,283
Income tax expense	(15,838)	(20,243)
Profit for the period from continuing operations	47,512	50,040
Loss from discontinued operations	-	-
Profit for the period	47,512	50,040
Other comprehensive loss, net of tax	(25,879)	(10,504)
Total comprehensive income for the period	<u>\$ 21,633</u>	<u>\$ 39,536</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 1,453</u>	<u>\$ 6,456</u>
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>

<u>SuZhou Mitac Precision Technology Co., Ltd.</u>		
<u>Six-month periods ended June 30,</u>		
	<u>2019</u>	<u>2018</u>
Revenue	\$ 1,126,808	\$ 1,086,127
Profit before income tax	76,163	60,178
Income tax expense	(19,041)	(17,717)
Profit for the period from continuing operations	57,122	42,461
Loss from discontinued operations	-	-
Profit for the period	57,122	42,461
Other comprehensive income, net of tax	17,581	19,742
Total comprehensive income for the period	<u>\$ 74,703</u>	<u>\$ 62,203</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 12,199</u>	<u>\$ 10,158</u>
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>

National Aerospace Fasteners Corporation		
Three-month periods ended June 30,		
	2019	2018
Revenue	\$ 714,743	\$ 549,680
Profit before income tax	121,315	92,814
Income tax expense	(29,445)	(20,044)
Profit for the period from continuing operations	91,870	72,770
Loss from discontinued operations	-	-
Profit for the period	91,870	72,770
Other comprehensive loss, net of tax	(5,320)	(1,965)
Total comprehensive income for the period	<u>\$ 86,550</u>	<u>\$ 70,805</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 52,719</u>	<u>\$ 43,127</u>
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>

National Aerospace Fasteners Corporation		
Six-month periods ended June 30,		
	2019	2018
Revenue	\$ 1,349,823	\$ 1,039,493
Profit before income tax	225,531	168,230
Income tax expense	(57,089)	(36,689)
Profit for the period from continuing operations	168,442	131,541
Loss from discontinued operations	-	-
Profit for the period	168,442	131,541
Other comprehensive income, net of tax	3,075	3,372
Total comprehensive income for the period	<u>\$ 171,517</u>	<u>\$ 134,913</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 104,472</u>	<u>\$ 82,175</u>
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>

Statements of cash flows

Mainpower International Ltd.		
Six-month periods ended June 30,		
	2019	2018
Net cash provided by operating activities	\$ -	\$ 1
Net cash provided by (used in) investing activities	-	-
Net cash (used in) provided by financing activities	-	-
Effect of exchange rates on cash and cash equivalents	6	10
Increase in cash and cash equivalents	6	11
Cash and cash equivalents, beginning of period	449	434
Cash and cash equivalents, end of period	\$ 455	\$ 445
SuZhou Mitac Precision Technology Co., Ltd.		
Six-month periods ended June 30,		
	2019	2018
Net cash provided by operating activities	\$ 18,487	\$ 96,776
Net cash used in investing activities	(66,249)	(144,015)
Net cash (used in) provided by financing activities	-	-
Effect of exchange rates on cash and cash equivalents	2,489	3,771
Decrease in cash and cash equivalents	(45,273)	(43,468)
Cash and cash equivalents, beginning of period	204,774	317,470
Cash and cash equivalents, end of period	\$ 159,501	\$ 274,002
National Aerospace Fasteners Corporation		
Six-month periods ended June 30,		
	2019	2018
Net cash provided by operating activities	\$ 173,821	\$ 146,574
Net cash used in investing activities	(219,906)	(227,320)
Net cash (used in) provided by financing activities	(9,681)	127,200
Effect of exchange rates on cash and cash equivalents	6,857	894
(Decrease) increase in cash and cash equivalents	(48,909)	47,348
Cash and cash equivalents, beginning of period	158,010	128,642
Cash and cash equivalents, end of period	\$ 109,101	\$ 175,990

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the spot exchange rate prevailing at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group still retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, or losing joint control of the former jointly controlled entity, such transactions should be accounted for as disposal of all interest in these foreign operations.

- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents. Time deposits with maturity period over three months not meeting the definition of cash equivalents are classified as financial assets at amortised cost.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

(a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership. The capital surplus was transferred proportionally to profit or loss when the associates are subsequently disposed.

- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic

benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	6 years ~ 55 years
Machinery and equipment	3 years ~ 12 years
Office equipment	3 years ~ 10 years
Other equipment	3 years ~ 10 years

(16) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

Effective 2019

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.
Lease payments are comprised of fixed payments, less any lease incentives receivable; The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability; the right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) leases (lessee)

Prior to 2019

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(18) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 10 ~ 50 years.

(19) Intangible assets

A. Computer software

Computer software expenditures are stated at cost and amortized on a straight-line basis over its estimated useful life of 1 to 5 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

C. Special technology

Separately acquired special technology is stated at historical cost. Special technology acquired in a business combination are recognised at fair value at the acquisition date and amortised using the straight-line method over their estimated useful lives of 7 years.

(20) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.
- B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use shall be evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(21) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(22) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(23) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial

liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(24) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(25) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(26) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognised for future operating losses.

(27) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds

that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.
- iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

C. Employees' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognized based on the accounting for changes in estimates.

(28) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(29) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions

where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- G. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(30) Share capital

- A. Ordinary shares are classified as equity. The classification of preferred shares is determined according to the special rights attached to preferred shares based on the substance of the contract and the definition of financial liabilities and equity instruments. Preferred shares are classified as liabilities when they have the basic characteristics of financial liabilities; otherwise, they are classified as equity. Incremental costs directly attributable to the issue of new shares or stock

options are shown in equity as a deduction, net of tax, from the proceeds.

- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to the Company's equity holders.

(31) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(32) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells notebook computers, hardware, and software for military and industrial computer systems, molds and aerospace fasteners products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue from sales is recognised based on the price specified in the contract, net of the estimated sales returns as well as sales discounts and allowances. A refund liability is recognised for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 5 months. The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.
- (c) The Group's obligation to provide maintenance for faulty products under the standard warranty terms is recognised as a provision.
- (d) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Sales of services

The Group provides cloud storage and software computing as well as warranty extension service.

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised on a straight-line basis during the service period. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(33) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(34) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of June 30, 2019, the carrying amount of inventories was \$4,606,194.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Cash on hand	\$ 898	\$ 828	\$ 1,623
Checking accounts and demand deposits	4,818,386	3,533,944	3,302,560
Time deposits	<u>900,502</u>	<u>1,645,809</u>	<u>2,262,611</u>
Total	<u>\$ 5,719,786</u>	<u>\$ 5,180,581</u>	<u>\$ 5,566,794</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. The Group has no cash and cash equivalents pledged to others.

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	-	-	-
Non-hedging derivatives valuation adjustment	<u>2,603</u>	<u>2,196</u>	<u>15,005</u>
Total	<u>\$ 2,603</u>	<u>\$ 2,196</u>	<u>\$ 15,005</u>

A. The Group recognised net (loss) gain of (\$4,469), \$8,691, \$394 and \$12,527 on financial assets mandatorily measured at fair value through profit or loss for the three-month and six-month periods ended June 30, 2019 and 2018, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows:

Item	June 30, 2019			
	Notional Amount		Contract Terms	
	(in thousands)		Strike Rate	Settlement Date
Sales of forward foreign exchange	GBP	3,320	1.281~1.3003 (Note 1)	2019.07.26~ 2019.08.29

Note 1: Advance booking GBP to buy USD.

Item	December 31, 2018			
	Notional Amount		Contract Terms	
	(in thousands)		Strike Rate	Settlement Date
Sales of forward foreign exchange	EUR	1,000	35.238 (Note 1)	2019.01.25
"	GBP	3,320	1.2755~1.2955 (Note 2)	2019.01.29~ 2019.02.26

Note 1: Advance booking EUR to buy NTD.

Note 2: Advance booking GBP to buy USD.

Item	June 30, 2018			
	Notional Amount		Contract Terms	
	(in thousands)		Strike Rate	Settlement Date
Sales of forward foreign exchange	EUR	6,000	1.1789~1.2465 (Note 1)	2018.07.27~ 2018.08.29
"	GBP	3,620	1.3316~1.4003 (Note 2)	2018.07.27~ 2018.09.27

Note 1: Advance booking EUR to buy USD.

Note 2: Advance booking GBP to buy USD.

The Group signed forward exchange and foreign exchange swap in order to hedge foreign exchange risk from the prices of imports and exports; however, the Group did not apply hedge accounting.

C. The Group has no financial assets at fair value through profit or loss pledged to others.

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
<u>Items</u>			
Non-current items:			
Equity instruments			
Listed stocks	\$ 485,869	\$ 483,428	\$ 481,624
Unlisted stocks	242,362	235,581	192,365
Valuation adjustments	(133,395)	(193,534)	(136,595)
Total	<u>\$ 594,836</u>	<u>\$ 525,475</u>	<u>\$ 537,394</u>

A. Above equity instruments were held for medium and long-term investments, therefore they were classified as financial assets at fair value through other comprehensive income.

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-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive loss	(\$ 17,186)	(\$ 21,033)
	<u>Six-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income (loss)	\$ 60,598	(\$ 15,246)

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

(4) Financial assets at amortised cost

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Current items:			
Time deposits-over 3 months	<u>\$ 762,239</u>	<u>\$ 991,575</u>	<u>\$ 644,153</u>

A. No financial assets at amortised cost held by the Group were pledged to others.

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

(5) Notes and accounts receivable

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Notes receivable	\$ 50	\$ 1,611	\$ 116
Accounts receivable	\$ 6,344,855	\$ 5,313,043	\$ 5,267,548
Accounts receivable-related parties	56,929	20,482	26,098
Less: Allowance for uncollectible accounts	(14,966)	(16,316)	(13,453)
	<u>\$ 6,386,818</u>	<u>\$ 5,317,209</u>	<u>\$ 5,280,193</u>

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

	<u>June 30, 2019</u>		<u>December 31, 2018</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 6,181,348	\$ 50	\$ 5,115,256	\$ 1,611
1 to 90 days	218,076	-	210,169	-
91 to 180 days	2,343	-	7,612	-
Over 180 days	17	-	488	-
	<u>\$ 6,401,784</u>	<u>\$ 50</u>	<u>\$ 5,333,525</u>	<u>\$ 1,611</u>

	<u>June 30, 2018</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 4,979,165	\$ 116
1 to 90 days	281,795	-
91 to 180 days	20,387	-
Over 180 days	12,299	-
	<u>\$ 5,293,646</u>	<u>\$ 116</u>

The above ageing analysis was based on past due date.

B. As of June 30, 2019, December 31, 2018 and June 30, 2018, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to \$5,602,198.

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

D. As at June 30, 2019, December 31, 2018 and June 30, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were \$50, \$1,611, \$116, \$6,401,784, \$5,333,525 and \$5,293,646, respectively.

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

(6) Inventories

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Raw materials	\$ 2,987,024	\$ 2,434,995	\$ 2,248,192
Work in process	401,922	470,100	192,984
Finished goods	1,192,967	1,852,446	1,545,387
In-transit inventories	24,281	56,805	27,290
Total	<u>\$ 4,606,194</u>	<u>\$ 4,814,346</u>	<u>\$ 4,013,853</u>

The cost of inventories recognised as expense for the year:

	<u>Three-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Cost of goods sold	\$ 4,990,808	\$ 4,233,920
Loss on decline in market price and obsolete and slow-moving inventories	14,725	7,650
Others	7,360	53,844
	<u>\$ 5,012,893</u>	<u>\$ 4,295,414</u>
	<u>Six-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Cost of goods sold	\$ 9,203,737	\$ 8,359,298
Loss on decline in market price and obsolete and slow-moving inventories	8,822	44,666
Others	4,846	68,816
	<u>\$ 9,217,405</u>	<u>\$ 8,472,780</u>

(7) Investments accounted for under the equity method

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Waffer Technology Corp.	\$ 742,809	\$ 883,937	\$ 841,793
Lian Jie Investment Co., Ltd.	102,761	109,211	129,892
Advanced Medical Design	58,739	57,346	53,273
Lian Jie Investment Co., Ltd II.	59,456	55,554	63,520
Harbinger Ruyi II	40,801	38,656	45,307
Harbinger Ruyi	27,988	28,223	31,206
Harbinger II	16,111	16,998	23,497
	<u>\$ 1,048,665</u>	<u>\$ 1,189,925</u>	<u>\$ 1,188,488</u>

A. Associates:

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

Company name	Principal place of business	Shareholding ratio			Method of measurement
		June 30, 2019	December 31, 2018	June 30, 2018	
Waffer Technology Corp.	Taiwan	35.97%	36.21%	36.40%	Equity method
Lian Jie Investment Co., Ltd.	Taiwan	49.98%	49.98%	49.98%	Equity method

(b) The summarized financial information of the associates that are material to the Group is shown below:

Balance sheets

	Waffer Technology Corp.		
	June 30, 2019	December 31, 2018	June 30, 2018
Current assets	\$ 2,479,156	\$ 2,669,643	\$ 2,473,589
Non-current assets	2,313,526	1,998,201	1,529,042
Current liabilities	(2,525,852)	(2,246,939)	(1,727,270)
Non-current liabilities	(331,778)	(92,583)	(76,752)
Total net assets	\$ 1,935,052	\$ 2,328,322	\$ 2,198,609
Share in associate's net assets	\$ 709,762	\$ 850,890	\$ 808,746
Goodwill	33,047	33,047	33,047
Carrying amount of the associate	\$ 742,809	\$ 883,937	\$ 841,793

	Lian Jie Investment Co., Ltd.		
	June 30, 2019	December 31, 2018	June 30, 2018
Current assets	\$ 1,403	\$ 5,739	\$ 1,965
Non-current assets	204,223	212,841	257,953
Current liabilities	(32)	(80)	(40)
Non-current liabilities	-	-	-
Total net assets	\$ 205,594	\$ 218,500	\$ 259,878
Share in associate's net assets	\$ 102,761	\$ 109,211	\$ 129,892
Goodwill	-	-	-
Carrying amount of the associate	\$ 102,761	\$ 109,211	\$ 129,892

Statements of comprehensive income

	Waffer Technology Corp.	
	Three-month periods ended June 30,	
	2019	2018
Revenue	\$ 383,851	\$ 898,354
(Loss) profit for the period from continuing operations	(352,806)	42,672
Profit or loss for the period from discontinued operations	-	-
Other comprehensive (loss) income, net of tax	(6,103)	28,390
Total comprehensive (loss) income	(\$ 358,909)	\$ 71,062
Dividends received from associates	\$ -	\$ -
	Waffer Technology Corp.	
	Six-month periods ended June 30,	
	2019	2018
Revenue	\$ 1,154,869	\$ 1,729,603
(Loss) profit for the period from continuing operations	(345,677)	30,900
Profit or loss for the period from discontinued operations	-	-
Other comprehensive income, net of tax	22,148	21,437
Total comprehensive (loss) income	(\$ 323,529)	\$ 52,337
Dividends received from associates	\$ -	\$ -
	Lian Jie Investment Co., Ltd.	
	Three-month periods ended June 30,	
	2019	2018
Revenue	\$ -	\$ -
Loss for the period from continuing operations	(21)	(18)
Loss for the period from discontinued operations	-	-
Other comprehensive (loss) income, net of tax	(36,365)	6,640
Total comprehensive (loss) income	(\$ 36,386)	\$ 6,622
Dividends received from associates	\$ -	\$ -

		Lian Jie Investment Co., Ltd.	
		Six-month periods ended June 30,	
		2019	2018
Revenue	\$	-	\$ -
Loss for the period from continuing operations	(	42)	(38)
Profit or loss for the period from discontinued operations		-	-
Other comprehensive loss, net of tax	(	12,864)	(2,204)
Total comprehensive loss	(\$	12,906)	(\$ 2,242)
Dividends received from associates	\$	-	\$ -

(c) As of June 30, 2019, December 31, 2018 and June 30, 2018, the carrying amount of the Group's individually immaterial associates amounted to \$203,095, \$196,777 and \$216,803, respectively. The Group's share of the operating results are summarized below:

		Three-month periods ended June 30,	
		2019	2018
(Loss) profit for the period from continuing operations	(\$	21,835)	\$ 270
Profit or loss for the period from discontinued operations		-	-
Other comprehensive income, net of tax		2,783	7,843
Total comprehensive (loss) income	(\$	19,052)	\$ 8,113

		Six-month periods ended June 30,	
		2019	2018
(Loss) profit for the period from continuing operations	(\$	646)	\$ 1,334
Profit or loss for the period from discontinued operations		-	-
Other comprehensive income, net of tax		10,676	26,294
Total comprehensive income	\$	10,030	\$ 27,628

(d) The Group's material associate, Waffer Technology Corp., has quoted market prices. As of June 30, 2019, December 31, 2018 and June 30, 2018, the fair value was \$714,222, \$1,086,465 and \$1,053,174, respectively.

B. On March 31, 2019, a deflagration accident occurred in Waffer Technology (Kunshan) Limited, a subsidiary in Mainland China of Waffer Technology Corp. The Kunshan local government strengthened and implemented safety production and fire safety after the accident. As a result,

production activities of Waffer Technology (Kunshan) Limited were suspended and the resumption date will depend on the progress of government operations. The company offered preferential treatment options of resign or stay to employees. As of June 30, 2019, the expense on resignation pay was \$122,136.

C. The share of (loss) profit of associates and joint ventures accounted for under the equity method was (\$112,694), \$16,038, (\$110,701), \$8,966, and \$14,406, \$13,359, \$8,618, \$20,929 and was recognised in other comprehensive income for the three-month and six-month periods ended June 30, 2019 and 2018, respectively.

(8) Property, plant and equipment

	2019						
	Land	Buildings and structures	Machinery and equipment	Office equipment	Other equipment	Unfinished construction and equipment under acceptance	Total
<u>At January 1</u>							
Cost	\$ 1,263,704	\$ 3,522,295	\$ 4,950,705	\$ 189,671	\$ 3,684,050	\$ 1,270,624	\$ 14,881,049
Accumulated depreciation and impairment	(60,803)	(1,201,581)	(3,427,025)	(141,852)	(2,702,995)	-	(7,534,256)
	<u>\$ 1,202,901</u>	<u>\$ 2,320,714</u>	<u>\$ 1,523,680</u>	<u>\$ 47,819</u>	<u>\$ 981,055</u>	<u>\$ 1,270,624</u>	<u>\$ 7,346,793</u>
Opening net book amount as at January 1	\$ 1,202,901	\$ 2,320,714	\$ 1,523,680	\$ 47,819	\$ 981,055	\$ 1,270,624	\$ 7,346,793
Additions	-	1,153	81,235	14,680	133,662	203,657	434,387
Disposals	-	-	(567)	(12)	(182)	-	(761)
Transfers	-	495,392	227,983	2,495	98,379	(1,021,963)	(197,714)
Depreciation charge	-	(57,142)	(176,557)	(9,466)	(171,818)	-	(414,983)
Net exchange differences	-	18,025	13,273	255	(5,453)	6,580	32,680
Closing net book amount as at June 30	<u>\$ 1,202,901</u>	<u>\$ 2,778,142</u>	<u>\$ 1,669,047</u>	<u>\$ 55,771</u>	<u>\$ 1,035,643</u>	<u>\$ 458,898</u>	<u>\$ 7,200,402</u>
<u>At June 30</u>							
Cost	\$ 1,263,704	\$ 3,950,841	\$ 5,258,078	\$ 196,689	\$ 2,937,289	\$ 458,898	\$ 14,065,499
Accumulated depreciation and impairment	(60,803)	(1,172,699)	(3,589,031)	(140,918)	(1,901,646)	-	(6,865,097)
	<u>\$ 1,202,901</u>	<u>\$ 2,778,142</u>	<u>\$ 1,669,047</u>	<u>\$ 55,771</u>	<u>\$ 1,035,643</u>	<u>\$ 458,898</u>	<u>\$ 7,200,402</u>

2018

	Land	Buildings and structures	Machinery and equipment	Office equipment	Other equipment	Unfinished construction and equipment under acceptance	Total
<u>At January 1</u>							
Cost	\$ 1,263,704	\$ 3,781,698	\$ 4,809,840	\$ 158,803	\$ 3,050,404	\$ 652,158	\$ 13,716,607
Accumulated depreciation and impairment	(60,803)	(1,110,906)	(3,186,986)	(130,742)	(2,410,866)	-	(6,900,303)
	<u>\$ 1,202,901</u>	<u>\$ 2,670,792</u>	<u>\$ 1,622,854</u>	<u>\$ 28,061</u>	<u>\$ 639,538</u>	<u>\$ 652,158</u>	<u>\$ 6,816,304</u>
Opening net book amount as at January 1	\$ 1,202,901	\$ 2,670,792	\$ 1,622,854	\$ 28,061	\$ 639,538	\$ 652,158	\$ 6,816,304
Additions	-	-	57,580	19,524	202,294	428,567	707,965
Acquired from business combination	-	-	-	1,342	137	-	1,479
Disposals	-	-	(16,501)	-	(1,355)	-	(17,856)
Transfers	-	-	92,164	3,233	42,840	(138,237)	-
Reclassifications	-	-	-	-	130,995	-	130,995
Depreciation charge	-	(61,765)	(180,307)	(7,789)	(165,226)	-	(415,087)
Net exchange differences	-	32,789	12,190	366	8,184	2,963	56,492
Closing net book amount as at June 30	<u>\$ 1,202,901</u>	<u>\$ 2,641,816</u>	<u>\$ 1,587,980</u>	<u>\$ 44,737</u>	<u>\$ 857,407</u>	<u>\$ 945,451</u>	<u>\$ 7,280,292</u>
<u>At June 30</u>							
Cost	\$ 1,263,704	\$ 3,826,806	\$ 4,966,569	\$ 180,828	\$ 3,485,991	\$ 945,451	\$ 14,669,349
Accumulated depreciation and impairment	(60,803)	(1,184,990)	(3,378,589)	(136,091)	(2,628,584)	-	(7,389,057)
	<u>\$ 1,202,901</u>	<u>\$ 2,641,816</u>	<u>\$ 1,587,980</u>	<u>\$ 44,737</u>	<u>\$ 857,407</u>	<u>\$ 945,451</u>	<u>\$ 7,280,292</u>

A. The capitalised interest were \$2,873 and \$3,373 for the six-month periods ended June 30, 2019 and 2018, respectively.

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(9) Leasing arrangements – lessee

Effective 2019

A. The Group leases various assets including land, buildings, business vehicles and office equipment. Rental contracts are typically made for periods of 2 to 50 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 buildings and structures may not be used for subleasing to others.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>June 30, 2019</u>	<u>Three-month period ended June 30, 2019</u>	<u>Six-month period ended June 30, 2019</u>
	<u>Carrying amount</u>	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 495,279	\$ 3,583	\$ 7,151
Buildings	532,697	30,339	60,593
Machinery and equipment	10,480	963	963
Business vehicles	7,546	1,398	2,801
Office equipment	5,464	300	599
	<u>\$ 1,051,466</u>	<u>\$ 36,583</u>	<u>\$ 72,107</u>

C. For the six-month period ended June 30, 2019, the Group's additions to right-of-use assets was \$13,402.

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

	<u>Three-month period ended June 30, 2019</u>	<u>Six-month period ended June 30, 2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 1,762</u>	<u>\$ 4,184</u>

E. For the six-month period ended June 30, 2019, the Group's total cash outflow for leases was \$57,794.

F. Some of the Group's lease contracts contain variable lease payment terms, which the payments would be adjusted with the Consumer Price Index.

(10) Leasing arrangements – lessor

Effective 2019

A. The Group leases various assets including buildings and office. Rental contracts are typically made for periods of 4 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. For the three-month and six-month periods ended June 30, 2019, the Group recognised rent income in the amounts of \$33,581 and \$69,569, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the undiscounted lease payments in the finance lease is as follows:

	<u>June 30, 2019</u>
2019	\$ 73,052
2020	153,207
2021	154,930
2022	159,366
2023	126,873
	<u>\$ 667,428</u>

(11) Investment property

	<u>2019</u>		
	<u>Land</u>	<u>Buildings and Structures</u>	<u>Total</u>
<u>At January 1</u>			
Cost	\$ 19,866	\$ 917,082	\$ 936,948
Accumulated depreciation and impairment	(2,611)	(478,116)	(480,727)
	<u>\$ 17,255</u>	<u>\$ 438,966</u>	<u>\$ 456,221</u>
Opening net book amount as at January 1	\$ 17,255	\$ 438,966	\$ 456,221
Reclassifications	-	197,714	197,714
Depreciation charge	-	(23,360)	(23,360)
Net exchange differences	-	6,612	6,612
Closing net book amount as at June 30	<u>\$ 17,255</u>	<u>\$ 619,932</u>	<u>\$ 637,187</u>
<u>At June 30</u>			
Cost	\$ 19,866	\$ 1,125,794	\$ 1,145,660
Accumulated depreciation and impairment	(2,611)	(505,862)	(508,473)
	<u>\$ 17,255</u>	<u>\$ 619,932</u>	<u>\$ 637,187</u>

	2018		
	Land	Buildings and Structures	Total
<u>At January 1</u>			
Cost	\$ 19,866	\$ 697,336	\$ 717,202
Accumulated depreciation and impairment	(2,611)	(445,719)	(448,330)
	<u>\$ 17,255</u>	<u>\$ 251,617</u>	<u>\$ 268,872</u>
Opening net book amount as at January 1	\$ 17,255	\$ 251,617	\$ 268,872
Depreciation charge	-	(14,565)	(14,565)
Net exchange differences	-	2,763	2,763
Closing net book amount as at June 30	<u>\$ 17,255</u>	<u>\$ 239,815</u>	<u>\$ 257,070</u>
<u>At June 30</u>			
Cost	\$ 19,866	\$ 704,758	\$ 724,624
Accumulated depreciation and impairment	(2,611)	(464,943)	(467,554)
	<u>\$ 17,255</u>	<u>\$ 239,815</u>	<u>\$ 257,070</u>

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

	Three-month periods ended June 30,	
	2019	2018
Rental income from investment property	<u>\$ 33,581</u>	<u>\$ 20,029</u>
Direct operating expenses arising from the investment property that generated rental income in the period	<u>\$ 20,279</u>	<u>\$ 7,362</u>
	<u>\$ 13,302</u>	<u>\$ 12,667</u>
	Six-month periods ended June 30,	
	2019	2018
Rental income from investment property	<u>\$ 69,569</u>	<u>\$ 39,804</u>
Direct operating expenses arising from the investment property that generated rental income in the period	<u>\$ 39,504</u>	<u>\$ 14,659</u>
	<u>\$ 30,065</u>	<u>\$ 25,145</u>

B. The fair value of investment property held by the Company was \$1,032,649, \$802,938 and \$684,928 as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively. The fair value as of June 30, 2019, December 31, 2018 and June 30, 2018, were valued by independent valuers. Valuations were made using the comparative method, income approach and cost approach with key assumptions in the following table.

	December 31, 2018	December 31, 2017
Capitalization rate	1.45%	1.44%

(12) Intangible assets

	2019			
	<u>Computer software</u>	<u>Goodwill</u>	<u>Acquired special technology</u>	<u>Total</u>
<u>At January 1</u>				
Cost	\$ 178,355	\$ 606,458	\$ 102,886	\$ 887,699
Accumulated amortisation	(147,504)	-	(13,401)	(160,905)
	<u>\$ 30,851</u>	<u>\$ 606,458</u>	<u>\$ 89,485</u>	<u>\$ 726,794</u>
Opening net book amount as at January 1	\$ 30,851	\$ 606,458	\$ 89,485	\$ 726,794
Additions	11,153	-	-	11,153
Reclassifications	-	29,131	-	29,131
Amortisation charge	(12,820)	-	(7,282)	(20,102)
Net exchange differences	<u>78</u>	<u>6,201</u>	<u>203</u>	<u>6,482</u>
Closing net book amount as at June 30	<u>\$ 29,262</u>	<u>\$ 641,790</u>	<u>\$ 82,406</u>	<u>\$ 753,458</u>
<u>At June 30</u>				
Cost	\$ 190,145	\$ 641,790	\$ 103,122	\$ 935,057
Accumulated amortisation	(160,883)	-	(20,716)	(181,599)
	<u>\$ 29,262</u>	<u>\$ 641,790</u>	<u>\$ 82,406</u>	<u>\$ 753,458</u>

	2018			
	<u>Computer software</u>	<u>Goodwill</u>	<u>Acquired special technology</u>	<u>Total</u>
<u>At January 1</u>				
Cost	\$ 154,193	\$ 86,907	\$ -	\$ 241,100
Accumulated amortisation	(119,069)	-	-	(119,069)
	<u>\$ 35,124</u>	<u>\$ 86,907</u>	<u>\$ -</u>	<u>\$ 122,031</u>
Opening net book amount as at January 1				
	\$ 35,124	\$ 86,907	\$ -	\$ 122,031
Additions	11,086	-	-	11,086
Acquired from business combinations	-	310,046	310,046	620,092
Amortisation charge	(13,508)	-	(18,455)	(31,963)
Net exchange differences	<u>2,702</u>	<u>765</u>	<u>2,196</u>	<u>5,663</u>
Closing net book amount as at June 30	<u>\$ 35,404</u>	<u>\$ 397,718</u>	<u>\$ 293,787</u>	<u>\$ 726,909</u>
<u>At June 30</u>				
Cost	\$ 165,997	\$ 397,718	\$ 312,356	\$ 876,071
Accumulated amortisation	(130,593)	-	(18,569)	(149,162)
	<u>\$ 35,404</u>	<u>\$ 397,718</u>	<u>\$ 293,787</u>	<u>\$ 726,909</u>

A. Details of amortisation of intangible assets are as follows:

	<u>Three-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Operating costs	\$ 3,256	\$ 4,812
Selling expenses	164	81
Administrative expenses	1,773	1,328
Research and development expenses	4,165	11,763
	<u>\$ 9,358</u>	<u>\$ 17,984</u>
	<u>Six-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Operating costs	\$ 7,675	\$ 9,524
Selling expenses	282	175
Administrative expenses	3,682	2,458
Research and development expenses	8,463	19,806
	<u>\$ 20,102</u>	<u>\$ 31,963</u>

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

June 30, 2019				
	<u>Electronic parts</u>	<u>Structure parts</u>	<u>Aerospace fasteners</u>	<u>Total</u>
Goodwill	\$ 553,462	\$ 33,954	\$ 54,374	\$ 641,790
December 31, 2018				
	<u>Electronic parts</u>	<u>Structure parts</u>	<u>Aerospace fasteners</u>	<u>Total</u>
Goodwill	\$ 518,507	\$ 33,577	\$ 54,374	\$ 606,458
June 30, 2018				
	<u>Electronic parts</u>	<u>Structure parts</u>	<u>Aerospace fasteners</u>	<u>Total</u>
Goodwill	\$ 310,046	\$ 33,298	\$ 54,374	\$ 397,718

(13) Impairment of non-financial assets

Impairment testing is performed on goodwill on balance sheet date, wherein recoverable amount is assessed with value in use. There was no indication that the assets were impaired as of June 30, 2019. Please refer to Note 6(11) impairment assessment of goodwill in the consolidated financial statements for the year ended December 31, 2018.

(14) Other non-current assets

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Long-term rental prepayment	\$ -	\$ 554,549	\$ 586,561
Guarantee deposits paid	45,003	40,879	28,875
Pledge deposits	11,391	29,415	22,930
Prepayment equipment	261,856	-	-
Others	43,269	55,893	78,779
Overdue receivables	127,507	127,507	127,507
Allowance for uncollectible accounts			
- overdue receivables	(127,507)	(127,507)	(127,507)
	<u>\$ 361,519</u>	<u>\$ 680,736</u>	<u>\$ 717,145</u>

A. The Group signed a land use right plant leasing contract in Mainland China and Vietnam during 2004 to 2016, with a lease term of 10 to 50 years. The lease had been fully paid on the contract date. The rental expense recognised for the three-month and six-month periods ended June 30, 2018 was \$3,564 and \$7,078, respectively.

B. Details of pledge deposits to others as collateral are provided in Note 8.

(15) Short-term borrowings

	<u>June 30, 2019</u>	<u>Interest rate range</u>
<u>Type of borrowings</u>		
Unsecured bank loans	\$ 200,313	0.88%~4.79%
	<u>December 31, 2018</u>	<u>Interest rate range</u>
<u>Type of borrowings</u>		
Unsecured bank loans	\$ 111,420	0.95%~3.42%
	<u>June 30, 2018</u>	<u>Interest rate range</u>
<u>Type of borrowings</u>		
Unsecured bank loans	\$ 465,854	0.9%~2.74%

(16) Financial liabilities at fair value through profit or loss

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Current items			
Financial liabilities held for trading			
Non-hedging derivatives	\$ -	\$ -	\$ -
	-	-	-
Valuation adjustment	1,525	1,025	8,594
Total	\$ 1,525	\$ 1,025	\$ 8,594

A. The Group recognised net loss of \$1,525, \$8,101, \$500 and \$2,972 on financial liabilities held for trading for the three-month and six-month periods ended June 30, 2019 and 2018, respectively.

B. The non-hedging derivative instrument transactions and contract information are as follows:

	<u>June 30, 2019</u>		
	<u>Contract Terms</u>		
<u>Item</u>	<u>Notional Amount (in thousands)</u>	<u>Strike Rate</u>	<u>Settlement Date</u>
Sales of forward foreign exchange	EUR 5,000	1.1297~1.1316 (Note 1)	2019.07.10~2019.08.29
Note 1: Advance booking EUR to buy USD.			
	<u>December 31, 2018</u>		
	<u>Contract Terms</u>		
<u>Item</u>	<u>Notional Amount (in thousands)</u>	<u>Strike Rate</u>	<u>Settlement Date</u>
Sales of forward foreign exchange	EUR 3,000	1.1422~1.1516 (Note 1)	2019.02.26~2019.3.27
"	EUR 2,000	34.981~34.984 (Note 2)	2019.02.26

Note 1: Advance booking EUR to buy USD.

Note 2: Advance booking EUR to buy NTD.

Item	June 30, 2018		
	Notional Amount (in thousands)	Contract Terms	
		Strike Rate	Settlement Date
Sales of forward foreign exchange	EUR 2,000	1.1685~1.1697 (Note 1)	2018.09.27
Purchases of forward foreign exchange	CNH 51,198	6.3632~6.4608 (Note 2)	2018.07.06~2018.07.23

Note 1: Advance booking EUR to buy USD.

Note 2: Advance booking offshore RMB to sell USD.

The Group signed forward exchange and foreign exchange swaps to hedge foreign exchange risk from the prices of imports and exports; however, the Group did not apply hedge accounting.

(17) Other payables

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Salary, bonus and remuneration payable	\$ 1,004,775	\$ 1,275,999	\$ 920,625
Dividends payable	1,817,758	-	1,509,803
Payables on machinery and equipment	136,266	72,718	81,645
Others	1,464,920	1,712,195	1,549,740
	<u>\$ 4,423,719</u>	<u>\$ 3,060,912</u>	<u>\$ 4,061,813</u>

(18) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Collateral</u>	<u>June 30, 2019</u>
Long-term bank borrowings			
Secured borrowings	Repayable monthly until December 2036	Land, Buildings	\$ 1,008,983
Secured borrowings	Repayable monthly until September 2033	Land, Buildings	146,343
Secured borrowings	Repayable monthly until May 2025	Land, Buildings	220,000
Secured borrowings	Repayable monthly until April 2025	Land, Buildings	308,232
Unsecured borrowings	Repayable every 3 months until September 2019		14,286
Unsecured borrowings	Repayable every 3 months until August 2020 (Note)		80,000
Unsecured borrowings	Repayable every 3 months until December 2021		<u>250,000</u>
Subtotal			2,027,844
Less: Current portion			(207,061)
			<u>\$ 1,820,783</u>
Interest rate range			<u>1.23%~1.4%</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Collateral</u>	<u>December 31, 2018</u>
Long-term bank borrowings			
Secured borrowings	Repayable monthly until December 2036	Land, Buildings	\$ 1,030,000
Secured borrowings	Repayable monthly until September 2033	Land, Buildings	150,944
Secured borrowings	Repayable monthly until May 2025	Land, Buildings	220,000
Secured borrowings	Repayable monthly until April 2025	Land, Buildings	308,232
Unsecured borrowings	Repayable every 3 months until September 2019		42,857
Unsecured borrowings	Repayable every 6 months until August 2019		133,334
Unsecured borrowings	Repayable every 3 months until August 2020 (Note)		140,000
Unsecured borrowings	Repayable every 3 months until December 2020		100,000
Subtotal			<u>2,125,367</u>
Less: Current portion			(<u>305,806</u>)
			<u>\$ 1,819,561</u>
Interest rate range			<u>1.23%~1.4%</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Collateral</u>	<u>June 30, 2018</u>
Long-term bank borrowings			
Secured borrowings	Repayable monthly until December 2036	Land, Buildings	\$ 1,030,000
Secured borrowings	Repayable monthly until September 2033	Land, Buildings	155,514
Secured borrowings	Repayable monthly until April 2025	Land, Buildings	221,232
Unsecured borrowings	Repayable every 3 months until September 2019		71,429
Unsecured borrowings	Repayable every 6 months until August 2019		200,000
Unsecured borrowings	Repayable every 3 months until March 2019 (Note)		52,000
Unsecured borrowings	Repayable every 3 months until September 2020		200,000
Subtotal			1,930,175
Less: Current portion			(356,708)
			<u>\$ 1,573,467</u>
Interest rate range			<u>1.23%~1.38%</u>

Note: Key performance indicators for bank loans.

The subsidiary, National Aerospace Fasteners Corporation, entered into a medium term agreement of loan facilities with the banks. During the credit term, the subsidiary is obliged to maintain certain liquidity ratios, percentage of borrowings carrying interests in tangible net assets and times interest earned as agreed-upon mutually in the annual consolidated financial statements.

(19) Pensions

A. (a) The Company and the subsidiary, National Aerospace Fasteners Corporation, have defined benefit pension plans in accordance with the Labor Standards Act, covering all regular employees for services provided prior to July 1, 2005, and employees who choose to remain in the defined benefit pension plan subsequent to the enforcement of the Labor Pension Act on July 1, 2005. Under the defined benefit pension plan, employees are entitled to two base points for every year of service for the first 15 years and one base point for each additional year thereafter, up to a maximum of 45 base points. The pension payment to employees is computed based on years of service and average salaries or wages of the last six months prior to approved retirement. The Company and the subsidiary contribute an amount equal to 2% of salaries and wages paid each month to a pension fund. The pension fund is administered by a pension fund monitoring committee (the "Committee") and deposited under the Committee's name in the Bank of Taiwan. Also, the Company and the subsidiary would assess

the balance in the aforementioned labor pension reserve account by December 31 every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and the subsidiary will make contributions to cover the deficit by next March.

- (b) For the aforementioned pension plan, the Group recognised pension costs of \$722, \$750, \$1,441 and \$1,499 for the three-month and six-month periods ended June 30, 2019 and 2018, respectively.
 - (c) Expected contributions to the defined benefit pension plans of the Group for the year ending 2019 amount to \$2,218.
- B. (a) Effective July 1, 2005, the Company and its domestic subsidiary have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiary contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Group for the the three-month and six-month periods ended June 30, 2019 and 2018 were \$11,054, \$10,006, \$21,569 and \$19,873, respectively.
- (b) The Company’s Mainland China subsidiaries have a defined contribution plan. Monthly contributions are based on a certain percentage of employees’ monthly salaries and wages to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China.
Under the scheme, retirement benefits of existing and retired employees are to be provided by the government-managed fund and the subsidiaries have no further obligations beyond the monthly contributions. The pension costs under the defined contribution pension plan for the three-month and six-month periods ended June 30, 2019 and 2018 were \$35,050, \$31,575, \$67,278 and \$61,885, respectively.
 - (c) Other overseas companies have defined contribution plans for contributions to an independent fund administered by the government in accordance with local regulations that are based on a certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations. The pension costs under the defined contribution pension plans of the Group for the three-month and six-month periods ended June 30, 2019 and 2018 were \$3,290, \$2,841, \$6,673 and \$5,669, respectively.

(20) Share-based payment

A. For the six-month period ended June 30, 2019, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousands of shares)	Contract period	Vesting conditions
Sixth employee stock options	November 7, 2013	10,300	6 years	2 years' service vested 50% 3 years' service vested 75% 4 years' service vested 100%
Seventh employee stock options	July 26, 2017	20,000	6 years	2 years' service vested 50% 3 years' service vested 75% 4 years' service vested 100%
Eighth employee stock options	October 11, 2018	20,000	6 years	2 years' service vested 50% 3 years' service vested 75% 4 years' service vested 100%

B. Details of the sixth employee stock options are set forth below:

(a) Details of sixth employee stock options for the six-month period ended June 30, 2019 and 2018 are set forth below:

	2019		2018	
	No. of options (in thousands of shares)	Weighted- average exercise price (in NT dollars)	No. of options (in thousands of shares)	Weighted- average exercise price (in NT dollars)
Options outstanding at January 1	600	\$ 10.60	2,174	\$ 11.20
Options granted	-	-	-	-
Options exercised	(355)	10.60	(1,120)	11.20
Options forfeited	-	-	-	-
Options expired	-	-	-	-
Options outstanding at June 30	<u>245</u>	10.60	<u>1,054</u>	11.20
Options exercisable at June 30	<u>245</u>	10.60	<u>1,054</u>	11.20

(b) Information on the sixth compensatory employee stock option plan outstanding as of June 30, 2019 is as follows:

Range of exercise price	Options outstanding at end of the year			Options exercisable at end of the year	
	No. of options (in thousands of shares)	Expected weighted average residual years	Weighted average exercise price	No. of options (in thousands of shares)	Weighted average exercise price
\$10.60	245	0.35 years	\$10.60	245	\$10.60

- (c) The Company estimated the fair value of sixth stock options as of grant date under the Black-Scholes option model. The weighted-average parameters used in the estimation of fair value are as follows:

	<u>Grant date-November 7, 2013</u>
Exercise price (in dollars)	\$15
Ratio of cash dividends	0%
Expected price volatility	36.83%~41.97%
Risk-free interest ratio	0.78%~1.09%
Expected option life (years)	2.2~4.1
Fair value per share (in dollars)	\$3.76~\$4.6

C. Details of the seventh employee stock options are set forth below:

- (a) Details of the seventh employee stock options for the six-month period ended June 30, 2019 are set forth below:

	<u>2019</u>		<u>2018</u>	
	No. of options (in thousands of shares)	Weighted average exercise price (in NT dollars)	No. of options (in thousands of shares)	Weighted average exercise price (in NT dollars)
Options outstanding at January 1	19,940	\$ 37.00	19,940	\$ 39.10
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options forfeited	(1,010)	-	-	-
Option expired	-	-	-	-
Options outstanding at June 30	<u>18,930</u>	37.00	<u>19,940</u>	39.10
Options exercisable at June 30	<u>-</u>	-	<u>-</u>	-

- (b) Information on the seventh compensatory employee stock option plan outstanding as of June 30, 2019 is as follows:

	<u>Options outstanding at end of the year</u>			<u>Options exercisable at end of the year</u>	
	No. of options (in thousands of shares)	Expected weighted average residual years	Weighted average exercise price	No. of options (in thousands of shares)	Weighted average exercise price
Range of exercise price	\$37.00	18,930	4.07 years	\$37.00	-
				-	-

- (c) The Company estimated the fair value of seventh stock options as of grant date under the Black-Scholes option model. The weighted-average parameters used in the estimation of fair value are as follows:

	<u>Grant date-July 26, 2017</u>
Exercise price (in dollars)	\$42.25
Ratio of cash dividends	5%
Expected price volatility	34.39%
Risk-free interest rate	0.7091%~0.7678%
Expected option life (years)	5.42
Fair value per share (in dollars)	\$7.2428~\$7.5272

D. Details of the eighth employee stock options are set forth below:

- (a) Details of the eighth employee stock options for the six-month period ended June 30, 2019 are set forth below:

	<u>2019</u>	
	No. of options (in thousands of shares)	Weighted average exercise price (in dollars)
Options outstanding at January 1	20,000	\$ 35.55
Options granted	-	-
Options exercised	-	-
Options forfeited	(30)	-
Option expired	-	-
Options outstanding at June 30	<u>19,970</u>	35.55
Options exercisable at June 30	<u>-</u>	-

- (b) Information on the eighth compensatory employee stock option plan outstanding as of June 30, 2019 is as follows:

	<u>Options outstanding at end of the year</u>			<u>Options exercisable at end of the year</u>	
	No. of options (in thousands of shares)	Expected weighted- average residual years	Weighted- average exercise price	No. of options (in thousands of shares)	Weighted- average exercise price
Range of exercise price	\$35.55	19,970	5.28 years	\$35.55	- -

- (c) The Company estimated the fair value of eighth stock options as of grant date under the Black-Scholes option model. The weighted-average parameters used in the estimation of fair value are as follows:

	<u>Grant date-October 11, 2018</u>
Exercise price (in dollars)	\$35.55
Ratio of cash dividends	5%
Expected price volatility	30.66%
Risk-free interest rate	0.6981%~0.7450%
Expected option life (years)	6
Fair value per share (in dollars)	\$5.2256~5.4049

- E. Expense on the Company's share-based payment transactions for the three-month and six-month periods ended June 30, 2019 and 2018 was \$15,772, \$11,095, \$31,371 and \$22,067, respectively.

(21) Provisions (warranty)

	<u>2019</u>	<u>2018</u>
At January 1	\$ 606,563	\$ 448,776
Additional provisions	67,462	122,790
Used during the year	(47,188)	(74,922)
Exchange differences	6,771	16,047
At June 30	<u>\$ 633,608</u>	<u>\$ 512,691</u>

Analysis of total provisions:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Current	\$ 203,900	\$ 216,209	\$ 201,861
Non-current	\$ 429,708	\$ 390,354	\$ 310,830

The Group provides warranties on rugged notebook products sold. Provision for warranty is estimated based on historical warranty data of rugged computer products.

(22) Share capital

- A. As of June 30, 2019, the Company had an authorized capital of \$8,500,000, consisting of 850 million shares of common stock (including 80 million shares reserved for employee stock options and 50 million shares reserved for convertible bonds issued by the Company), and an issued capital of \$5,795,202 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares (in thousands) outstanding are as follows:

	2019	2018
At January 1	579,165	566,847
Employee stock options exercised	355	1,120
Issuance of shares	-	10,744
At June 30	579,520	578,711

B. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

On June 30, 2019 and December 31, 2018: None.

Name of company holding the shares	Reason for reacquisition	June 30, 2018	
		Number of shares	Carrying amount
The Company	To be reissued to employees	4,703	\$ 94,902

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(e) The Board of Directors during its meeting on August 9, 2018 adopted a resolution to retire the treasury shares totaling 4,703 thousand shares repurchased over 3 years, with effective date set on October 12, 2018. The registration for capital reduction had been completed on October 26, 2018.

C. On November 9, 2017, the Board of Directors resolved to increase the capital by issuing new shares of 10,744,000 shares with a par value of \$10 per share to obtain control over WHP Workflow Solutions, Inc.. Please refer to Note 6 (35), and the record date for issuing new shares was February 6, 2018. The registration for issuing new shares had been completed.

(23) Capital surplus

	2019				
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in net equity of associates and joint ventures accounted for using equity method	Recognition of changes in the subsidiary's equity	Employee stock options
At January 1	\$ 2,712,672	\$ 113,722	\$ 12,962	\$ 24,666	\$ 74,608
Employee stock options exercised	1,846	-	-	-	(1,632)
Compensation cost of employee stock options	-	-	-	-	31,371
Recognition of changes in equities of associates	-	-	(906)	-	-
At June 30	<u>\$ 2,714,518</u>	<u>\$ 113,722</u>	<u>\$ 12,056</u>	<u>\$ 24,666</u>	<u>\$ 104,347</u>
	2018				
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in net equity of associates and joint ventures accounted for using equity method	Recognition of changes in the subsidiary's equity	Employee stock options
At January 1	\$ 2,393,968	\$ 113,722	\$ 12,458	\$ 24,666	\$ 30,367
Employee stock options exercised	6,496	-	-	-	(5,152)
Compensation cost of employee stock options	-	-	-	-	22,067
Recognition of changes in equities of associates	-	-	1,362	-	-
Issuance of shares	331,990	-	-	-	-
At June 30	<u>\$ 2,732,454</u>	<u>\$ 113,722</u>	<u>\$ 13,820</u>	<u>\$ 24,666</u>	<u>\$ 47,282</u>

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

legal reserve is insufficient.

(24) Retained earnings

- A. Under 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. Stock dividends should be appropriated at a rate of 10% per annum. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.
- B. 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.
- C. (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 Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- D. The appropriations of 2018 and 2017 earnings had been resolved at the Board of Directors' and stockholders' meeting on May 31, 2019 and June 22, 2018, respectively. Details are summarized below:

	2018		2017	
	Amount	Dividends per share (in dollars)(Note)	Amount	Dividends per share (in dollars)(Note)
Legal reserve	\$ 221,246		\$ 191,014	
Special reserve	94,964		298,372	
Cash dividends	1,737,585	\$ 2.99831757	1,445,665	\$ 2.49807762
Total	\$ 2,053,795		\$ 1,935,051	

Note : It is under the resolution of the Company's Board of Directors. The dividend rate may be subsequently adjusted given the effect of circumstances such as share buyback, reissuance of treasury shares to employees, retirement of treasury shares and employees' exercising stock options to purchase common stock.

(25) Other equity items

	2019		
	Unrealised gain (loss) on valuation	Currency translation	Total
At January 1	(\$ 207,858)	(\$ 185,478)	(\$ 393,336)
Revaluation			
–Group	60,598	-	60,598
–Associates	651	-	651
Currency translation differences:			
–Group	-	136,346	136,346
–Group tax	- (	301) (	301)
–Associates	-	7,967	7,967
Disposal of financial assets at fair value through other comprehensive income			
–Associates	(1,385)	-	(1,385)
At June 30	<u>(\$ 147,994)</u>	<u>(\$ 41,466)</u>	<u>(\$ 189,460)</u>
	2018		
	Unrealised gain (loss) on valuation	Currency translation	Total
At January 1	(\$ 115,893)	(\$ 187,569)	(\$ 303,462)
Revaluation			
–Group	(15,246)	-	(15,246)
–Associates	13,126	-	13,126
Currency translation differences:			
–Group	-	175,593	175,593
–Group tax	- (	329) (	329)
–Associates	-	7,803	7,803
Disposal of financial assets at fair value through other comprehensive income			
–Associates	(3,371)	-	(3,371)
At June 30	<u>(\$ 121,384)</u>	<u>(\$ 4,502)</u>	<u>(\$ 125,886)</u>

(26) Operating revenue

	Three-month periods ended June 30,	
	2019	2018
Revenue from contracts with customers	\$ 7,034,208	\$ 5,841,243

	Six-month periods ended June 30,	
	2019	2018
Revenue from contracts with customers	\$ 12,718,672	\$ 11,397,216

A. Disaggregation of revenue from contracts

The Group's revenue is subdivided into the following major product lines:

Three-month period ended June 30, 2019	Electronic parts	Structure parts	Aerospace fasteners	Total
Revenue from external customer contracts	\$ 3,288,824	\$ 3,030,642	\$ 714,742	\$ 7,034,208

Three-month period ended June 30, 2018	Electronic parts	Structure parts	Aerospace fasteners	Total
Revenue from external customer contracts	\$ 2,700,506	\$ 2,591,057	\$ 549,680	\$ 5,841,243

Six-month period ended June 30, 2019	Electronic parts	Structure parts	Aerospace fasteners	Total
Revenue from external customer contracts	\$ 5,913,839	\$ 5,455,011	\$ 1,349,822	\$ 12,718,672

Six-month period ended June 30, 2018	Electronic parts	Structure parts	Aerospace fasteners	Total
Revenue from external customer contracts	\$ 5,407,352	\$ 4,950,371	\$ 1,039,493	\$ 11,397,216

B. Contract liabilities

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

	June 30, 2019	December 31, 2018	June 30, 2018	January 1, 2018
Contract liabilities	\$ 740,562	\$ 664,743	\$ 531,113	\$ 423,423

	Three-month periods ended June 30,	
	2019	2018
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ 56,771	\$ 172,234

	Six-month periods ended June 30,	
	2019	2018
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ 120,388	\$ 219,308

(27) Other income and expenses—net

	Three-month periods ended June 30,	
	2019	2018
Other income		
Rental income from investment property	\$ 33,581	\$ 20,029
Other expenses		
Depreciation charges on investment property	(11,694)	(7,329)
Operating expense on investment property	(8,585)	-
	\$ 13,302	\$ 12,700

	Six-month periods ended June 30,	
	2019	2018
Other income		
Rental income from investment property	\$ 69,569	\$ 39,804
Other expenses		
Depreciation charges on investment property	(23,360)	(14,565)
Operating expense on investment property	(16,144)	-
	\$ 30,065	\$ 25,239

(28) Other income

	Three-month periods ended June 30,	
	2019	2018
Interest income:		
Interest income from bank deposits	\$ 19,695	\$ 11,386
Other income - others	19,219	24,971
	<u>\$ 38,914</u>	<u>\$ 36,357</u>

	Six-month periods ended June 30,	
	2019	2018
Interest income:		
Interest income from bank deposits	\$ 36,152	\$ 23,558
Other income - others	26,000	48,417
	<u>\$ 62,152</u>	<u>\$ 71,975</u>

(29) Other gains and losses

	Three-month periods ended June 30,	
	2019	2018
Gain on disposal of property, plant and equipment	\$ 2,865	\$ 4,862
Net currency exchange gain	25,862	34,833
Net (loss) gain on financial assets (liabilities) at fair value through profit or loss	(5,994)	590
Miscellaneous disbursements	(3,998)	(13,664)
	<u>\$ 18,735</u>	<u>\$ 26,621</u>

	Six-month periods ended June 30,	
	2019	2018
Gain on disposal of property, plant and equipment	\$ 9,463	\$ 5,421
Gain on disposals of investments (Note 6(35))	-	111,293
Net currency exchange gain	22,425	23,914
Net (loss) gain on financial assets (liabilities) at fair value through profit or loss	(106)	9,555
Miscellaneous disbursements	(8,131)	(20,738)
	<u>\$ 23,651</u>	<u>\$ 129,445</u>

(30) Finance costs

	Three-month periods ended June 30,	
	2019	2018
Interest expense:		
Bank loan	\$ 8,788	\$ 3,578
Leased liabilities	1,762	-
	<u>\$ 10,550</u>	<u>\$ 3,578</u>
	Six-month periods ended June 30,	
	2019	2018
Interest expense:		
Bank loan	\$ 16,426	\$ 11,581
Leased liabilities	4,184	-
	<u>\$ 20,610</u>	<u>\$ 11,581</u>

(31) Expenses by nature

	Three-month periods ended June 30,	
	2019	2018
Employee benefit expense	\$ 1,388,081	\$ 1,193,648
Depreciation charges	232,112	196,017
Amortisation charges	9,358	17,984
	<u>\$ 1,629,551</u>	<u>\$ 1,407,649</u>
	Six-month periods ended June 30,	
	2019	2018
Employee benefit expense	\$ 2,610,845	\$ 2,341,580
Depreciation charges	510,450	429,652
Amortisation charges	20,102	31,963
	<u>\$ 3,141,397</u>	<u>\$ 2,803,195</u>

(32) Employee benefit expense

	Three-month periods ended June 30,	
	2019	2018
Wages and salaries	\$ 1,216,529	\$ 1,041,560
Labour and health insurance fees	84,120	69,723
Pension costs	50,116	45,172
Other personnel expenses	37,316	37,193
	<u>\$ 1,388,081</u>	<u>\$ 1,193,648</u>

	Six-month periods ended June 30,	
	2019	2018
Wages and salaries	\$ 2,271,340	\$ 2,034,051
Labour and health insurance fees	168,284	151,262
Pension costs	96,961	88,926
Other personnel expenses	74,260	67,341
	<u>\$ 2,610,845</u>	<u>\$ 2,341,580</u>

- A. In accordance with the Company's Articles of Incorporation, where the Company accrues annual net income, if any, shall distribute more than 1% but less than 10% of which as employees' compensation and no more than 1% of which as directors' and supervisors' remuneration with the resolution of Board of Directors. However, annual net income should be firstly reserved to offset the Company's accumulated deficit prior to the distribution of compensation and remuneration.
- B. For the three-month and six-month periods ended June 30, 2019 and 2018, employees' compensation was accrued at \$27,603, \$22,411, \$45,133 and \$45,854, respectively; while directors' and supervisors' remuneration was accrued at \$1,325, \$1,325, \$2,650 and \$2,650, respectively. The aforementioned amounts were recognized in salary expenses. The employees' compensation of \$131,012 and directors' and supervisors' remuneration of \$5,300 for 2018 as resolved by the Board of Directors on February 26, 2019 were in agreement with those amounts recognised in the 2018 financial statements.

For the six-month periods ended June 30, 2019 and 2018, it was recognised based on the fixed amount and ratio of the profit accrued in the period.

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

(33) Income tax

A. Income tax expense

	Three-month periods ended June 30,	
	2019	2018
Current tax:		
Current tax on profits for the period	\$ 237,171	\$ 128,904
Tax on unappropriated earnings	14,940	5,297
Prior year income tax over estimation	(30,759)	(26,692)
Total current tax	\$ 221,352	\$ 107,509
Deferred tax:		
Origination and reversal of temporary differences	992	(2,133)
Impact of change in tax rate	-	-
Total deferred tax	\$ 992	(\$ 2,133)
Income tax expense	\$ 222,344	\$ 105,376

	Six-month periods ended June 30,	
	2019	2018
Current tax:		
Current tax on profits for the period	\$ 325,100	\$ 224,463
Tax on unappropriated earnings	14,940	5,297
Prior year income tax over estimation	(30,759)	(50,953)
Total current tax	\$ 309,281	\$ 178,807
Deferred tax:		
Origination and reversal of temporary differences	1,820	42,972
Impact of change in tax rate	-	(18,673)
Total deferred tax	\$ 1,820	\$ 24,299
Income tax expense	\$ 311,101	\$ 203,106

B. The income tax credit relating to components of other comprehensive income is as follows:

	Three-month periods ended June 30,	
	2019	2018
Currency translation differences	(\$ 1,329)	(\$ 491)
Remeasurement of defined benefit obligations	-	(1,938)
	(\$ 1,329)	(\$ 2,429)

	Six-month periods ended June 30,	
	2019	2018
Currency translation differences	\$ 769	\$ 843
Remeasurement of defined benefit obligations	-	(1,938)
	<u>\$ 769</u>	<u>(\$ 1,095)</u>

- C. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.
- D. The income tax returns of the subsidiary, National Aerospace Fasteners Corporation, through 2016 have been assessed and approved by the Tax Authority.
- E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(34) Earnings per share

	Three-month period ended June 30, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 504,862</u>	<u>579,520</u>	<u>\$ 0.87</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	504,862	579,520	
Less: Effects of potential dilutive common shares issued by the investee accounted for under the equity method	(3)	-	
Assumed conversion of all dilutive potential ordinary shares.			
Employee stock options	-	6,113	
Employees' compensation	-	969	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 504,859</u>	<u>586,602</u>	<u>\$ 0.86</u>

Three-month period ended June 30, 2018

	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 443,889	578,535	\$ 0.77
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	443,889	578,535	
Less: Effects of potential dilutive common shares issued by the investee accounted for under the equity method	(2)	-	
Assumed conversion of all dilutive potential ordinary shares.			
Employee stock options	-	1,401	
Employees' compensation	-	1,042	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 443,887	580,978	\$ 0.76

	Six-month period ended June 30, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 837,366	579,379	\$ 1.45
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	837,366	579,379	
Less: Effects of potential dilutive common shares issued by the investee accounted for under the equity method	(5)	-	
Assumed conversion of all dilutive potential ordinary shares.			
Employee stock options	-	6,624	
Employees' compensation	-	1,862	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 837,361	587,865	\$ 1.42

	Six-month period ended June 30, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 910,390	576,122	\$ 1.58
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	910,390	576,122	
Less: Effects of potential dilutive common shares issued by the investee accounted for under the equity method	(4)	-	
Assumed conversion of all dilutive potential ordinary shares.			
Employee stock options	-	1,538	
Employees' compensation	-	2,298	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 910,386	579,958	\$ 1.57

(35) Business combinations

A. In an effort to integrate the Group's resource, lower operating costs, expand scale of business and hold on to the market share by bolstering competitive edge, the Group obtained control over WHP Workflow Solutions, Inc. after acquiring 63.13% of equity through share exchange on February 6, 2018. The acquiree is engaged in software design and development in the United States.

B. The following table summarises the consideration paid for WHP Workflow Solutions, Inc. and the fair values of the assets acquired and liabilities assumed at the acquisition date:

	<u>February 6, 2018</u>
Purchase consideration	
Equity instruments	\$ 439,430
Fair value of equity interest in WHP Workflow Solutions, Inc. held before the business combination	<u>182,858</u>
	<u>622,288</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	12,980
Accounts receivable	54,355
Property, plant and equipment	1,479
Deferred tax assets	13,038
Other non-current assets	4,901
Intangible assets	101,952
Accounts payable	(2,373)
Other payables	(2,277)
Contract liabilities	<u>(57,231)</u>
Total identifiable net assets	<u>126,824</u>
Goodwill	<u>\$ 495,464</u>

C. The fair value totaling \$439,430 of the 10,744 thousand ordinary shares issued as part of the consideration paid for WHP Workflow Solutions, Inc. was based on the published share price on February 6, 2018.

D. On June 30, 2018, the provisional value of above mentioned identifiable intangible assets (special technology) and goodwill acquiring from business combinations both amounted to \$310,046.

E. The Group recognised a gain of \$ 111,293 on February 6, 2018 as preliminary assessment of the value of its 31.87% equity interest in WHP Workflow Solutions, Inc. held before the business combination. After measuring the fair value, the Group recognised a gain of \$ 88,618 on December 31, 2018.

F. The operating revenue included in the consolidated statement of comprehensive income since February 6, 2018 contributed by WHP Workflow Solutions, Inc. was \$17,503. WHP Workflow Solutions, Inc. also contributed profit before income tax of \$4,182 over the same period. Had WHP Workflow Solutions, Inc. been consolidated from January 1, 2018, the consolidated statement of comprehensive income would show operating revenue of \$11,400,137 and profit before income tax of \$1,000,621.

(36) Operating leases

Prior to 2019

The Group leases buildings to others under non-cancellable operating lease agreements. Contingent rents of \$20,029 and \$39,804 were recognised for these leases in profit or loss for the three-month and six-month periods ended June 30, 2018, respectively. These leases had terms expiring between 2015~2023. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Not later than one year	\$ 102,796	\$ 79,021
Later than one year but not later than five years	434,180	351,187
Over five years	-	15,257
	<u>\$ 536,976</u>	<u>\$ 445,465</u>

(37) Supplemental cash flow information

A. Investing activities with partial cash payments

	<u>Six-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Purchase of property, plant and equipment	\$ 434,387	\$ 707,965
Add: Opening balance of payable on machinery and equipment	72,718	64,155
Add: Ending balance of payable on machinery and equipment	261,856	-
Less: Ending balance of payable on machinery and equipment	(136,266)	(81,645)
Cash paid during the period	<u>\$ 632,695</u>	<u>\$ 690,475</u>

B. Financing activities with no cash flow effects

	<u>Six-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Acquisition of subsidiary	\$ -	\$ 439,430
Issuance of shares	-	(439,430)
	<u>\$ -</u>	<u>\$ -</u>

C. Financing activities with no cash payments

	<u>Six-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Declaration of cash dividends	\$ 1,817,758	\$ 1,509,803
Less: Shown as 'other payables'	(1,817,758)	(1,509,803)
Cash paid during the period	<u>\$ -</u>	<u>\$ -</u>

(38) Changes in liabilities from financing activities

	2019				
	Short-term borrowings	Long-term borrowings	Lease liabilities	Deposits received	Dividend payable
January 1	\$ 111,420	\$ 2,125,367	\$ 537,660	\$ 26,324	\$ -
Changes in cash flow from financing activities	88,893	(97,523)	(57,794)	(1,697)	-
Changes in other non-cash items	-	-	19,952	-	(1,817,758)
June 30	<u>\$ 200,313</u>	<u>\$ 2,027,844</u>	<u>\$ 499,818</u>	<u>\$ 24,627</u>	<u>(\$ 1,817,758)</u>

	2018		
	Short-term borrowings	Long-term borrowings	Deposits received
January 1	\$ 366,088	\$ 1,923,060	\$ 16,634
Changes in cash flow from financing activities	99,766	7,115	3,362
June 30	<u>\$ 465,854</u>	<u>\$ 1,930,175</u>	<u>\$ 19,996</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Mitac International Corp.	Entity having significant influence on the Group
Mitac Computing Technology Corporation	Associate of the entity in the same group having significant influence on the Group
Mitac Computer (Kunshan) Co., Ltd.	Associate of the entity in the same group having significant influence on the Group
Mitac Computer (Shunde) Ltd.	Associate of the entity in the same group having significant influence on the Group
Mitac Innovation (Kunshan) Ltd.	Associate of the entity in the same group having significant influence on the Group
Mitac Information Technology Ltd.	Associate of the entity in the same group having significant influence on the Group
MiTAC Logistics Corporation	Associate of the entity in the same group having significant influence on the Group
Mitac Research (Shanghai) Ltd.	Associate of the entity in the same group having significant influence on the Group

Names of related parties	Relationship with the Group
Mitac Technology (Kunshan) Co., Ltd.	Associate of the entity in the same group having significant influence on the Group
MiTAC Europe Ltd.	Associate of the entity in the same group having significant influence on the Group
MiTAC Japan Corp.	Associate of the entity in the same group having significant influence on the Group
Waffer Technology Corp.	Associate
Waffer Technology (Kunshan) Limited	Associate in the same Group
Lien Hwa Industrial Corporation	The Company's director
Synnex Technology International Corp.	Substantive related party
BestCom Infotech Corp.	Substantive related party
Mitac Information Technology Corp.	Substantive related party
Synnex Australia Pty Ltd.	Substantive related party
Synnex New Zealand Ltd.	Substantive related party

(2) Significant related party transactions

A. Operating revenue

	Three-month periods ended June 30,	
	2019	2018
Entities having significant influence on the Group	\$ 38,671	\$ 20,581
Associates	6,833	14,189
Others related parties	42,621	6,917
	<u>\$ 88,125</u>	<u>\$ 41,687</u>
	Six-month periods ended June 30,	
	2019	2018
Entities having significant influence on the Group	\$ 56,641	\$ 45,189
Associates	13,575	29,461
Others related parties	69,951	16,910
	<u>\$ 140,167</u>	<u>\$ 91,560</u>

- (a) The sales prices on sales to related parties are based on the market value of the goods.
- (b) The collection period of domestic related party was 90 days after offsetting certain receivables and payables.
- (c) The collection period to overseas related parties was 150 days after offsetting certain receivables and payables.
- (d) The collection period from regular customers was approximately 150 days after shipping date.

B. Purchases

	Three-month periods ended June 30,	
	2019	2018
Associates	\$ 6,653	\$ 24,610
Other related parties	35,538	18,624
	<u>\$ 42,191</u>	<u>\$ 43,234</u>

	Six-month periods ended June 30,	
	2019	2018
Associates	\$ 19,387	\$ 38,748
Other related parties	56,914	56,022
	<u>\$ 76,301</u>	<u>\$ 94,770</u>

(a) The prices on purchases from related parties are based on the market value of the goods.

(b) The payment period to overseas and domestic related parties was 150 days and 90 days after offsetting certain receivables and payables, respectively.

(c) The payment period to third party suppliers was approximately 120 days after shipping date.

C. Receivables from related parties

(a) Accounts receivable

	June 30, 2019	December 31, 2018	June 30, 2018
Associates	\$ 4,724	\$ -	\$ 72
Entities having significant influence on the Group	36,724	15,976	18,884
Other related parties	15,481	4,506	7,142
	<u>\$ 56,929</u>	<u>\$ 20,482</u>	<u>\$ 26,098</u>

(b) Other receivables

	June 30, 2019	December 31, 2018	June 30, 2018
Associate-Waffer Technology (Kunshan) Limited	\$ 20,594	\$ 26,654	\$ 30,104
Associate-Waffer Technology Corp.	30,707	-	18,157
Entities having significant influence on the Group	2,257	806	43
Other related parties	-	228	182
	<u>\$ 53,558</u>	<u>\$ 27,688</u>	<u>\$ 48,486</u>

It mainly refers to rental receivables and dividend receivables.

D. Accounts payable

(a) Accounts payable

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Other related parties	\$ 31,887	\$ 43,713	\$ 17,455
Associates	6,370	15,943	14,344
	<u>\$ 38,257</u>	<u>\$ 59,656</u>	<u>\$ 31,799</u>

(b) Other payables

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Associates - Waffer Technology Corp.	\$ 26,978	\$ 265,154	\$ 209,131
Entities having significant influence on the Group	29,235	33,876	19,787
Other related parties	277	135	545
	<u>\$ 56,490</u>	<u>\$ 299,165</u>	<u>\$ 229,463</u>

Other payables arose from payments on behalf of others and miscellaneous payable.

(c) Contract liabilities

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Other related party	\$ 670	\$ -	\$ -

E. Rental revenue and expense

(a) Industrial rental expense

	<u>Item</u>	<u>Three-month period ended June 30, 2018</u>	<u>six-month period ended June 30, 2018</u>
Other related party-Lien Hwa Industrial Corporation	Office	\$ 14,251	\$ 28,502
Entities having significant influence on the Group	Office and plant	6,443	10,646
		<u>\$ 20,694</u>	<u>\$ 39,148</u>

(b) Rental revenue

		Three-month periods ended June 30,	
		2019	2018
	Item		
Associate-Waffer Technology (Kunshan) Limited Associates-Waffer Technology Corp.	Office and plant	\$ 6,237	\$ 5,370
	Office and plant	121	114
Entities having significant influence on the Group	Office and plant	-	53
		<u>\$ 6,358</u>	<u>\$ 5,537</u>

		Six-month periods ended June 30,	
		2019	2018
	Item		
Associate-Waffer Technology (Kunshan) Limited Associates-Waffer Technology Corp.	Office and plant	\$ 15,587	\$ 10,672
	Office and plant	233	223
Entities having significant influence on the Group	Office and plant	-	106
		<u>\$ 15,820</u>	<u>\$ 11,001</u>

F. Property transactions

(a) Acquisition of property, plant and equipment

		Three-month periods ended June 30,	
		2019	2018
Other related parties		<u>\$ -</u>	<u>\$ 55</u>

		Six-month periods ended June 30,	
		2019	2018
Other related parties		<u>\$ 28</u>	<u>\$ 141</u>

(b) Disposal of property, plant and equipment

	Three-month periods ended June 30,			
	2019		2018	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
Associate-Waffer Technology (Kunshan) Limited	\$ 169	\$ 169	\$ -	\$ -

	Six-month periods ended June 30,			
	2019		2018	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
Associate-Waffer Technology (Kunshan) Limited	\$ 211	\$ 211	\$ -	\$ -

G. Leasing arrangements – lessee

(a) The Group leases buildings and equipment from Lien Hwa Industrial Corporation, Mitac International Corp. and Mitac Digital Technology Corporation. Rental contracts are typically made for periods of 4 to 5 years. Rents are paid before the end of month.

(b) Acquisition of right-of-use assets

On January 1, 2019 (the date of initial application of IFRS 16), the Group increased right-of-use assets by \$408,804.

(c) Lease liabilities

i. Ending balance

	June 30, 2019
Entities having significant influence on the Group	\$ 124,157
Other related parties	249,430
Total	\$ 373,587

ii. Interest expense

	Three-month period ended June 30, 2019	Six-month period ended June 30, 2019
Entities having significant influence on the Group	\$ 758	\$ 1,521
Other related parties	815	1,657
Total	\$ 1,573	\$ 3,178

H. Others

		Three-month periods ended June 30,	
		2019	2018
	<u>Transaction item</u>		
Entities having significant influence on the Group	Other expenses	\$ 40,139	\$ 39,965
Other related parties	Other expenses	5,357	3,236
Associates	Other expenses	13	-
		<u>\$ 45,509</u>	<u>\$ 43,201</u>
		Six-month periods ended June 30,	
		2019	2018
	<u>Transaction item</u>		
Entities having significant influence on the Group	Other expenses	\$ 74,598	\$ 66,645
Other related parties	Other expenses	9,044	6,561
Associates	Other expenses	13	52
		<u>\$ 83,655</u>	<u>\$ 73,258</u>

On June 30, 2019 and 2018, the Group's other advance receipts, which nature was miscellaneous, from substantive related parties amounted to \$467 and \$129, respectively.

(3) Key management compensation

		Three-month periods ended June 30,	
		2019	2018
Salaries and other short-term employee benefits		\$ 36,333	\$ 34,906
Termination benefits		249	283
Total		<u>\$ 36,582</u>	<u>\$ 35,189</u>
		Six-month periods ended June 30,	
		2019	2018
Salaries and other short-term employee benefits		\$ 75,570	\$ 75,701
Termination benefits		520	566
Total		<u>\$ 76,090</u>	<u>\$ 76,267</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>			<u>Purpose</u>
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>	
Property, plant and equipment				
Land	\$ 1,202,901	\$ 1,202,901	\$ 1,202,901	Long-term loans
Buildings	893,504	495,276	501,658	Long-term loans
Pledge deposits (classified as other financial assets-non-current)	11,391	29,415	22,930	Customs duties

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT

COMMITMENTS

(1) Contingencies

On June 5, 2019, Panasonic Corporation filed a lawsuit in District Court of Central District of California for the design patent infringement against the Company and Getac Inc., the California subsidiary of the Company, claiming that the K120, 2-in-1 PC sold by the Company and Getac Inc. infringes its 4 pcs. design patent obtained in the U.S. From the Company's perspective, the claim has no legal basis and is only a business ploy. To actively protect the rights of the Company's investors and Getac Inc., the Company has appointed an American law firm, King & Spalding LLP, to handle the lawsuit.

(2) Commitments

- A. As of June 30, 2019, December 31, 2018 and June 30, 2018, the subsidiary, National Aerospace Fasteners Corporation, had outstanding construction and equipment purchase contracts totaling \$472,248, \$490,416 and \$414,473, of which \$224,731, \$200,055 and \$222,901 remains unpaid, respectively.
- B. As of June 30, 2019, December 31, 2018 and June 30, 2018, the subsidiary, SuZhou Mitac Precision Technology Co., Ltd., had outstanding construction contracts totaling \$10,107, \$262,935 and \$62,320, respectively.
- C. As of June 30, 2019, December 31, 2018 and June 30, 2018, the subsidiary, Getac Precision Technology (Changshu) Co., Ltd., had outstanding equipment purchase contracts totaling \$64,416, \$129,725 and \$52,343, respectively.

D. Operating lease agreements

Prior to 2019

The Company rents factories and office buildings through non-cancellable operating lease agreements. The lease terms are from 1 to 10 years, and most agreements on the lease can be renewed at market price at the end of the lease.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Not later than one year	\$ 118,901	\$ 72,108
Later than one year but not later than five years	432,898	103,391
Later than five years	11,793	37,892
	<u>\$ 563,592</u>	<u>\$ 213,391</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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 and to maintain an optimal capital structure to reduce the cost of capital, and to provide returns to the shareholders. In order to maintain a healthy capital structure, the Group considers future operating capital needs, capital expenditures and dividend expenditures through financial analysis, monitoring the Group's capital structure in order to fulfill capital management objectives.

(2) Financial instruments

A. Financial instruments by category

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</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	\$ 2,603	\$ 2,196	\$ 15,005
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	594,836	525,475	537,394
Financial assets at amortised cost			
/Loans and receivables			
Cash and cash equivalents	5,719,786	5,180,581	5,566,794
Notes receivable	50	1,611	116
Accounts receivable	6,386,818	5,317,209	5,280,193
Other receivables	124,895	295,365	252,808
Guarantee deposits paid	45,003	40,879	28,875
Financial assets at amortised cost - current	762,239	991,575	644,153
Other financial assets - non-current	11,391	29,415	22,930
	<u>\$ 13,647,621</u>	<u>\$ 12,384,306</u>	<u>\$ 12,348,268</u>
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ 1,525	\$ 1,025	\$ 8,594
Financial liabilities at amortised cost			
Short-term borrowings	200,313	111,420	465,854
Notes payable	1,206	2,999	785
Accounts payable	4,075,969	4,205,652	3,524,445
Other payables	4,423,719	3,060,912	4,061,813
Long-term borrowings (including current portion)	2,027,844	2,125,367	1,930,175
Refund liability	653,436	270,874	194,854
Guarantee deposits received	24,627	26,324	19,996
	<u>\$ 11,408,639</u>	<u>\$ 9,804,573</u>	<u>\$ 10,206,516</u>
Lease liabilities	<u>\$ 499,818</u>	<u>\$ -</u>	<u>\$ -</u>

B. Financial 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 minimize potential adverse effects on the Group's financial position and financial performance.
- (b) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Notes 6(2) and (15).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group treasury.

iii. 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 USD). 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, 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	\$ 104,939	31.060	\$ 3,259,405
USD:RMB	150,274	6.8747	4,667,510
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	86,147	31.060	2,675,726
USD:RMB	123,884	6.8747	3,847,837
	December 31, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 104,324	30.715	\$ 3,204,312
USD:RMB	135,451	6.8632	4,160,377
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	84,886	30.715	2,607,273
USD:RMB	112,707	6.8632	3,461,796

				June 30, 2018		
				Foreign currency		
				amount	Exchange rate	Book value
				(In thousands)		(NTD)
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
		\$	116,307		30.460	\$ 3,542,711
			130,244		6.6166	3,967,232
<u>Financial liabilities</u>						
<u>Monetary items</u>						
			93,749		30.460	2,855,595
			113,528		6.6166	3,458,063

iv. Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and six-month periods ended June 30, 2019 and 2018 amounted to \$25,862, \$34,833, \$22,425 and \$23,914, respectively.

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

				Six-month period 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>						
			1%	\$ 32,594	\$	-
			1%	46,675		-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
			1%	26,757		-
			1%	38,478		-

Six-month period ended June 30, 2018			
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%	\$ 35,427	\$ -
USD:RMB	1%	39,672	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	28,556	-
USD:RMB	1%	34,581	-

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.
- ii. The Group's investments in equity securities comprise domestic and foreign 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-month periods ended June 30, 2019 and 2018 would have increased/decreased by \$5,948 and \$5,374, respectively, as a result of 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. Long-term borrowings issued at variable rates expose the Group to cash flow interest rate risk. During the six-month periods ended June 30, 2019 and 2018, the Group's borrowings at variable rate were denominated in the New Taiwan Dollar (NTD) and United States Dollars (USD).
- ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If annual interest rates on denominated borrowings had been 0.25% higher/lower with all other variables held constant, post-tax profit for the six-month periods ended June 30, 2019 and 2018 would have been \$2,028 and \$3,860 lower/higher, respectively. The main factor is that changes in interest expense result in 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. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding accounts and notes receivable.
- ii. According to the Group's credit policy, each operating entities manages individual customer and analyse its credit risk, in particular evaluation of factors undermine the customers' repayment such as the customers' financial status and historical transactions as well as monitoring the usage of credit facilities on a regular basis. For banks and financial institutions, only well-rated parties are accepted.
- iii. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss.
- iv. The Group adopts the assumption under IFRS 9 that the default occurs when the contract payments are past due over 90 days.
- v. The Group adopts the assumption under IFRS 9 that 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.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On June 30, 2019, the Group's written-off financial assets that are still under recourse procedures amounted to \$0.

viii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On June 30, 2019, December 31, 2018 and June 30, 2018, the loss rate methodology is as follows:

	Not past due	1~90 days past due	91~180 days past due	Over 180 days past due	Total
<u>June 30, 2019</u>					
Expected loss rate	0%~0.03%	0%~0.037%	100%	100%	
Total book value	\$ 6,106,474	\$ 218,076	\$ 2,343	\$ 17	\$ 6,326,910
Loss allowance	\$ 1,854	\$ 10,752	\$ 2,343	\$ 17	\$ 14,966
<u>December 31, 2018</u>					
Expected loss rate	0%~0.03%	0%~3%	100%	100%	
Total book value	\$ 5,115,256	\$ 210,169	\$ 7,612	\$ 488	\$ 5,333,525
Loss allowance	\$ 1,566	\$ 6,650	\$ 7,612	\$ 488	\$ 16,316
<u>June 30, 2018</u>					
Expected loss rate	0%	0%~0.76%	0%	59.64%	
Total book value	\$ 4,979,165	\$ 281,795	\$ 20,387	\$ 12,299	\$ 5,293,646
Loss allowance	\$ -	\$ 6,118	\$ -	\$ 7,335	\$ 13,453

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

	2019
	<u>Accounts receivable</u>
At January 1	\$ 16,316
Reversal of impairment loss	(1,350)
At June 30	\$ 14,966

	2018
	<u>Accounts receivable</u>
At January 1_IAS 39	\$ 13,318
Adjustments under new standards	-
At January 1_IFRS 9	13,318
Effect of exchange exchange	135
At June 30	<u>\$ 13,453</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.

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. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

June 30, 2019	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years
Short-term borrowings	\$ 200,313	\$ -	\$ -	\$ -
Notes payable	1,206	-	-	-
Accounts payable	4,075,969	-	-	-
Other payables	4,423,719	-	-	-
Refund liability	653,436	-	-	-
Long-term borrowings (including current portion)	223,005	326,308	620,120	1,009,009
Other financial liabilities	9,061	7,099	8,193	274
Lease liabilities	124,822	138,530	237,634	9,881

Non-derivative financial liabilities:

December 31, 2018	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years
Short-term borrowings	\$ 111,420	\$ -	\$ -	\$ -
Notes payable	2,999	-	-	-
Accounts payable	4,205,652	-	-	-
Other payables	3,060,912	-	-	-
Refund liability	270,874	-	-	-
Long-term borrowings (including current portion)	331,345	267,381	595,493	1,100,808
Other financial liabilities	2,804	8,518	14,731	271

June 30, 2018	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years
Short-term borrowings	\$ 465,854	\$ -	\$ -	\$ -
Notes payable	785	-	-	-
Accounts payable	3,524,445	-	-	-
Other payables	4,256,667	-	-	-
Long-term borrowings (including current portion)	380,245	246,436	400,746	1,073,896
Other financial liabilities	10,626	1,390	7,702	278

Derivative financial liabilities:

June 30, 2019	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years
Forward exchange contracts	\$ 1,525	\$ -	\$ -	\$ -

December 31, 2018	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years
Forward exchange contracts	\$ 1,025	\$ -	\$ -	\$ -

June 30, 2018	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years
Forward exchange contracts	\$ 8,594	\$ -	\$ -	\$ -

iii. The Company 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 estimation

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, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices 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 unlisted stocks and derivative instruments 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(10).
- C. The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings (including current portion) and guarantee deposits received are approximate to their fair values.
- 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 at June 30, 2019, December 31, 2018 and June 30, 2018 is as follows:

<u>June 30, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 2,603	\$ -	\$ 2,603
Financial assets at fair value through other comprehensive income				
Equity securities	<u>355,891</u>	<u>-</u>	<u>238,945</u>	<u>594,836</u>
Total	<u>\$ 355,891</u>	<u>\$ 2,603</u>	<u>\$ 238,945</u>	<u>\$ 597,439</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 1,525</u>	<u>\$ -</u>	<u>\$ 1,525</u>
<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 2,196	\$ -	\$ 2,196
Financial assets at fair value through other comprehensive income				
Equity securities	<u>282,081</u>	<u>-</u>	<u>243,394</u>	<u>525,475</u>
Total	<u>\$ 282,081</u>	<u>\$ 2,196</u>	<u>\$ 243,394</u>	<u>\$ 527,671</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 1,025</u>	<u>\$ -</u>	<u>\$ 1,025</u>

June 30, 2018	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 15,005	\$ -	\$ 15,005
Financial assets at fair value through other comprehensive income				
Equity securities	<u>328,947</u>	<u>-</u>	<u>208,447</u>	<u>537,394</u>
Total	<u>\$ 328,947</u>	<u>\$ 15,005</u>	<u>\$ 208,447</u>	<u>\$ 552,399</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 8,594</u>	<u>\$ -</u>	<u>\$ 8,594</u>

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 shares, used closing price as market quoted 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.

F. For the six-month periods ended June 30, 2019 and 2018, there was no transfer between Level 1 and Level 2.

G. The following chart is the movement of Level 3 for the six-month periods ended June 30, 2019 and 2018:

	<u>Equity securities</u>
	<u>2019</u>
January 1, 2019	\$ 243,394
Acquired in the period	6,322
Losses recognised in other comprehensive income	(10,771)
June 30, 2019	<u>\$ 238,945</u>

	<u>Equity securities</u>	
	<u>2018</u>	
January 1, 2018	\$	-
IFRS 9 transition adjustment		188,405
Acquired in the period		7,493
Settled in the period	(	4,374)
Gains recognised in other comprehensive income		16,082
Effect of exchange rate changes		841
June 30, 2018	\$	<u>208,447</u>

H. There was no other transfers into and out of Level 3 except the transfer into financial assets at fair value through other comprehensive income under IFRS 9 on January 1, 2018.

I. Investment segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions 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, 2019</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	\$ 238,945	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value.
	<u>Fair value at December 31, 2018</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	\$ 243,394	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value.

	Fair value at June 30, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 208,447	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), and 6(16).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.

B. Major transactions with the investee in Mainland China:

(a) Purchases (including processing expenditure)

	Three-month periods ended June 30,			
	2019		2018	
	Amount	Percentage of net purchases	Amount	Percentage of net purchases
<u>Name of investee in Mainland China</u>				
Getac Technology (KunShan) Co., Ltd.	\$ 670,841	46%	\$ 633,289	43%
Mitac Precision Technology (KunShan) Co., Ltd.	60,494	4%	124,991	8%
	<u>\$ 731,335</u>	<u>50%</u>	<u>\$ 758,280</u>	<u>51%</u>

	Six-month periods ended June 30,			
	2019		2018	
	Amount	Percentage of net purchases	Amount	Percentage of net purchases
<u>Name of investee in Mainland China</u>				
Getac Technology (KunShan) Co., Ltd.	\$ 1,308,112	50%	\$ 1,277,400	46%
Mitac Precision Technology (KunShan) Co., Ltd.	84,788	3%	227,621	8%
	<u>\$ 1,392,900</u>	<u>53%</u>	<u>\$ 1,505,021</u>	<u>54%</u>

- i. The notebooks and related products were assembled by Getac Technology (KunShan) Co., Ltd. The processing charges were based on cost plus an agreed upon percentage markup. The payment period is 150 days after offsetting certain receivables and payables according to payment terms.
- ii. The Company purchases indirectly from Mitac Precision Technology (Kunshan) Co., Ltd. with reference to international and local market prices. The payment term is 5 months after balancing the accounts at net amount of receivables and payables.
- iii. The purchase prices to third party customers are negotiated based on local market conditions. The payment period is approximately 90 days after purchase date.

(b) For the three-month and six-month periods ended June 30, 2019 and 2018, the Company's sales to the investees in Mainland China were \$70,597, \$67,022, \$119,854 and \$114,158, respectively.

(c) Property transactions:

For the three-month and six-month periods ended June 30, 2019 and 2018, the Company purchased machinery and mold equipment directly through ACE Continental Industries Ltd. from investee companies in Mainland China at the price of \$59, \$6,426, \$7,594 and \$25,902, respectively.

(d) Accounts receivable:

As of June 30, 2019 and 2018, the Company's accounts receivable from investees in Mainland China were \$69,996 and \$70,370, respectively.

(e) Accounts payable:

<u>Name of investee in Mainland China</u>	<u>June 30, 2019</u>		<u>June 30, 2018</u>	
	<u>Amount</u>	<u>Percentage of accounts payable</u>	<u>Amount</u>	<u>Percentage of accounts payable</u>
Getac Technology (KunShan) Co., Ltd.	\$ 1,663,028	65%	\$ 1,567,703	62%
Mitac Precision Technology (Kunshan) Co., Ltd.	60,225	2%	198,574	8%
	<u>\$ 1,723,253</u>	<u>67%</u>	<u>\$ 1,766,277</u>	<u>70%</u>

(f) Other receivables

<u>Name of investee in Mainland China</u>	<u>June 30, 2019</u>		<u>June 30, 2018</u>	
	<u>Amount</u>	<u>Percentage of other receivables</u>	<u>Amount</u>	<u>Percentage of other receivables</u>
Getac Technology (KunShan) Co., Ltd.	\$ 1,615	1%	\$ 6,795	6%
Mitac Precision Technology (Kunshan) Co., Ltd.	-	-	13,157	12%
	<u>\$ 1,615</u>	<u>1%</u>	<u>\$ 19,952</u>	<u>18%</u>

(g) Loans to third region and Mainland China subsidiaries: Please refer to table 1.

(h) Endorsements and guarantees provided by the Company to Mainland China subsidiaries: None.

(i) Other significant transactions which affect current income or financial condition: None.

14. SEGMENT INFORMATION

(1)General information

The Company considers the business from a product perspective; the Group is primarily engaged in manufacturing and sales of information products such as computers and portable devices for military use and industrial use, parts for the electronics, automobiles and appliances, as well as all types of fastenings meeting aerospace specification.

(2)Segment information

The accounting policies of operating segments are the same as the significant accounting policies summarized in Note 4. The Group assesses the performance of operating segments based on their individual financial statements prepared by operating segments. Segment income (loss) is measured by the profit (loss) after tax and before discontinued operations.

(3)Segment information

The segment information provided to the Chief Operating Decision-Maker on the reportable segments for the six-month periods ended June 30, 2019 and 2018 is as follows:

Six-month period ended June 30, 2019

	<u>Electronic parts</u>	<u>Structure parts</u>	<u>Aerospace fasteners</u>	<u>Consolidation</u>
Revenue from external customers	\$ 5,913,839	\$ 5,455,011	\$ 1,349,822	\$ 12,718,672
Segment income	<u>\$ 550,451</u>	<u>\$ 236,746</u>	<u>\$ 168,442</u>	<u>\$ 955,639</u>
Segment income (loss), including:				
Interest income	\$ 2,953	\$ 32,376	\$ 823	\$ 36,152
Interest expense	(5,066)	(1,016)	(14,528)	(20,610)
Depreciation and amortisation	(136,900)	(284,767)	(108,885)	(530,552)
Investment income or loss accounted for under equity method	(667)	(110,034)	-	(110,701)
Income tax expense	(156,787)	(97,225)	(57,089)	(311,101)

Six-month period ended June 30, 2018

	<u>Electronic parts</u>	<u>Structure parts</u>	<u>Aerospace fasteners</u>	<u>Consolidation</u>
Revenue from external customers	\$ 5,407,352	\$ 4,950,371	\$ 1,039,493	\$ 11,397,216
Segment income	<u>\$ 578,013</u>	<u>\$ 292,610</u>	<u>\$ 131,541</u>	<u>\$ 1,002,164</u>
Segment income (loss), including:				
Interest income	\$ 4,881	\$ 18,415	\$ 262	\$ 23,558
Interest expense	(590)	(376)	(10,615)	(11,581)
Depreciation and amortisation	(97,187)	(271,363)	(93,065)	(461,615)
Investment income or loss accounted for under equity method	(2,300)	11,266	-	8,966
Income tax expense	(96,660)	(69,757)	(36,689)	(203,106)

Getac Technology Corp. and Subsidiaries
Loans to others
Six-month period ended June 30, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the six-month period ended June 30, 2019		Actual amount drawn down	Interest rate	Nature of loan (Note 2)	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 3)	Ceiling on total loans granted (Note 3)
					Balance at June 30, 2019 (Note 4)								Item	Value		
1	Pacific Royale Ltd.	Getac (UK) Ltd.	Affiliate receivables	Y	\$ 53,882	\$ 51,995	\$ 51,995	0.0%	2	\$ -	Working capital financing	\$ -	None	\$ -	\$ 4,401,583	\$ 4,401,583
1	Pacific Royale Ltd.	Mitac Precision Developments Ltd.	Affiliate receivables	Y	769,286	745,440	745,440	0.0%	2	-	Working capital financing	-	None	-	4,401,583	4,401,583
2	Hot Link Technology Ltd.	Pacific Royale Ltd.	Affiliate receivables	Y	515,947	490,748	490,748	0.0%	2	-	Working capital financing	-	None	-	13,452,468	13,452,468
3	Pacific Metal Developments Ltd.	Mitac Precision Developments Ltd.	Affiliate receivables	Y	1,006,460	989,261	989,261	0.0%	2	-	Working capital financing	-	None	-	2,532,606	2,532,606
4	ACE Continental Industries Ltd.	Pacific Royale Ltd.	Affiliate receivables	Y	79,000	77,650	77,650	0.0%	2	-	Working capital financing	-	None	-	647,415	647,415
4	ACE Continental Industries Ltd.	Hot Link Technology Ltd.	Affiliate receivables	Y	92,685	65,226	65,226	0.0%	2	-	Working capital financing	-	None	-	647,415	647,415
5	Mitac Precision Developments Ltd.	Fong Guan Investments Ltd.	Affiliate receivables	Y	58,460	57,461	57,461	0.0%	2	-	Working capital financing	-	None	-	269,272	269,272
5	Mitac Precision Developments Ltd.	Getac Precision Technology Vietnam Co., Ltd.	Affiliate receivables	Y	948,000	931,800	782,712	0.0%	2	-	Working capital financing	-	None	-	3,365,903	3,365,903
5	Mitac Precision Developments Ltd.	Mitac Precision Technology (Vietnam) Co., Ltd.	Affiliate receivables	Y	948,000	931,800	792,030	0.0%	2	-	Working capital financing	-	None	-	3,365,903	3,365,903
6	Talent View Ltd.	Mitac Precision Developments Ltd.	Affiliate receivables	Y	594,080	583,928	524,914	0.0%	2	-	Working capital financing	-	None	-	792,044	792,044
7	Mitac Computer (Shunde) Ltd.	Getac Technology (Kunshan) Co., Ltd.	Affiliate receivables	Y	252,963	248,491	248,491	2.0%	2	-	Working capital financing	-	None	-	1,053,720	1,053,720
8	WHP Workflow Solutions, Inc.	Getac Video Solutions Inc.	Affiliate receivables	Y	30,895	15,530	15,530	2.5%	2	-	Working capital financing	-	None	-	47,079	47,079

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the six-month period ended June 30, 2019	Balance at June 30, 2019 (Note 4)	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts		Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 3)	
												Collateral Item	Value			
9	National Aerospace Fasteners Corporation	Suzhou Nation Precision Ltd.	Other receivable	Y	\$ 141,984	\$ 141,984	\$ 46,602	3.0%	1	Sales \$39,114 Purchase \$216,608	-	-	None	-	\$ 216,608	\$ 350,848

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: (1) Having business relationship.

- (2) In need of short-term financing.

Note 3: (1) Pacific Royale Ltd./Hot Link Technology Ltd./Pacific Metal Developments Ltd./ACE Continental Industries Ltd./Talent View Ltd./Mitac Computer (Shunde) Ltd./WHP Workflow Solutions Inc. has policy of maximum loans to others:

- (a) Foreign companies with 100% voting rights directly or indirectly owned by the ultimate parent company: the borrowing amount for each borrowing company and total borrowing amount should not be higher than 150% of the Company's net assets on the latest financial statements audited or reviewed by independent accountants.
- (b) The total borrowing amount must not exceed 150% of the net value disclosed in the Company's latest financial statements which has been audited or reviewed by accountants.

(2) Mitac Precision Developments Ltd. has policy of maximum loans to others:

- (a) The borrowing amount for each borrowing entity and total borrowing amount should not be higher than 40% of the net assets on the latest financial statements audited or reviewed by independent accountants.
- (b) Foreign companies with 100% voting rights directly or indirectly owned by the ultimate parent company: the borrowing amount for each borrowing company and total borrowing amount should not be higher than 500% of the Company's net assets on the latest financial statements audited or reviewed by independent accountants.
- (c) The total borrowing amount must not exceed 500% of the net value disclosed in the Company's latest financial statements which has been audited or reviewed by accountants.

(3) The amount of an individual loan granted by the Company to National Aerospace Fasteners Corporation or business with business relationship with the Company shall not exceed the business transaction amount in the past year between the parties. The limit of National Aerospace Fasteners Corporation on Individual loans granted to a single party and ceiling on total loans granted are 20% of the net equity of National Aerospace Fasteners Corporation as of June 30, 2019.

Note 4: Amount as resolved by the Board of Directors.

Getac Technology Corp. and Subsidiaries
Provision of endorsements and guarantees to others
Six-month period ended June 30, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of June 30, 2019	Outstanding endorsement/ guarantee amount at June 30, 2019	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 parent company	Provision of endorsements/gua ntees to the party in Mainland China
		Relationship with the endorser/ guarantor	Company name										
0	Getac Technology Corp.	Getac Inc.	Note 3	\$ 7,046,147	\$ 17,955	\$ 17,630	\$ 17,630	-	0.13	\$ 7,046,147	Y	N	N
0	Getac Technology Corp.	Getac Technology GmbH	Note 3	7,046,147	554,049	551,514	271,027	-	3.91	7,046,147	Y	N	N
1	National Aerospace Fasteners Corporation	Suzhou Nation Precision Ltd.	Note 3	877,121	18,931	18,931	-	-	1.05	877,121	Y	N	Y

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: (1) The maximum amount of endorsements and guarantees provided by the Company should not be higher than 50% of the net assets on the latest financial statements audited or reviewed by independent accountants.

(2) The maximum amount of endorsements and guarantees provided by National Aerospace Fasteners Corporation should not be higher than 50% of the net assets on the latest financial statements audited or reviewed by independent accountants.

Note 3: The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

Getac Technology Corp. and Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Six-month period ended June 30, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Securities	Relationship with the securities issuer	General ledger account	As of June 30, 2019				Note
					Number of shares	Book value	Ownership (%)	Fair value	
Getac Technology Corp.	Stock	Mitac Holdings Corp.	Indirect investee company accounted for under the equity method	Financial assets at fair value through other comprehensive income-non-current	7,996,885	\$ 248,703	0.85%	\$ 248,703	
Getac Technology Corp.	Stock	Harbinger VI Venture Capital Corp.	None	Financial assets at fair value through other comprehensive income-non-current	4,648,075	53,889	13.28%	53,889	
Getac Technology Corp.	Stock	Harbinger VII Venture Capital Corp	None	Financial assets at fair value through other comprehensive income-non-current	10,000,000	111,852	9.39%	111,852	
Getac Technology Corp.	Stock	Harbinger VIII Venture Capital Corp	None	Financial assets at fair value through other comprehensive income-non-current	3,750,000	36,420	11.57%	36,420	
Getac Technology Corp.	Stock	Hsin Chu Golf Country Club	None	Financial assets at fair value through other comprehensive income-non-current	1	2,400	0.12%	2,400	
Getac Technology Corp.	Stock	JVP VIII, L.P.	None	Financial assets at fair value through other comprehensive income-noncurrent	-	17,352	1.16%	17,352	
Pacific Royale Ltd.	Stock	Mitac Holdings Corp.	Pacific Royale Ltd.'s indirect investee accounted for using equity method	Financial assets at fair value through other comprehensive income-non-current	3,446,571	107,188	0.37%	107,188	
Pacific Royale Ltd.	Stock	Fortune Greater China Fund II, L.P.	None	Financial assets at fair value through other comprehensive income-non-current	1,330,000	17,032	7.41%	17,032	
National Aerospace Fasteners Corporation	Stock	Mokoh & Associates, Inc.	None	Financial assets at fair value through other comprehensive income-non-current	700,000	-	0.51%	-	Closed
National Aerospace Fasteners Corporation	Stock	Shintori Restaurant Co., Ltd.	None	Financial assets at fair value through other comprehensive income-non-current	20,307	-	2.75%	-	Closed

Getac Technology Corp. and Subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Six-month period ended June 30, 2019

Table 4

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Differences in transaction terms compared to third party transactions			Expressed in thousands of NTD (Except as otherwise indicated) Notes/accounts receivable (payable)	
			Purchases (sales)	Amount		Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)
Getac Technology Corp.	Getac Inc.	The Company's second-tier subsidiary	Sales	\$ 2,158,749	41%	Note 1	Note 2	Note 1	\$ 52,514	2%
Getac Technology Corp.	Getac (UK) Ltd.	The Company's second-tier subsidiary	Sales	256,481	5%	Note 1	Note 2	Note 1	80,172	4%
Getac Technology Corp.	Getac Technology GmbH	The Company's second-tier subsidiary	Sales	522,643	10%	Note 1	Note 2	Note 1	184,246	8%
Getac Technology Corp.	Getac Technology (Kunshan) Co., Ltd.	The Company's third-tier subsidiary	Purchases	1,308,112	50%	Note 3	Note 5	Note 3	(1,663,028)	65%
Getac Technology Corp.	Mitac Technology (Kyoto) Corporation	The Company's second-tier subsidiary	Sales	113,969	2%	Note 1	Note 2	Note 1	43,315	2%
Getac Technology Corp.	Getac (SuZhou) Mobile Ltd.	The Company's second-tier subsidiary	Sales	119,633	2%	Note 1	Note 2	Note 1	69,978	3%
Getac Inc.	Getac Technology Corp.	The Company's indirect wholly-owned subsidiary	Purchases	2,158,749	95%	Note 3	Note 4	Note 3	(52,514)	98%
Getac (UK) Ltd.	Getac Technology Corp.	The Company's indirect wholly-owned subsidiary	Purchases	256,481	94%	Note 3	Note 4	Note 3	(80,172)	95%
Getac Technology GmbH	Getac Technology Corp.	The Company's indirect wholly-owned subsidiary	Purchases	522,643	96%	Note 3	Note 4	Note 3	(184,246)	94%
Getac Technology (Kunshan) Co., Ltd.	Getac Technology Corp.	The Company's indirect wholly-owned subsidiary	Sales	1,308,112	100%	Note 1	Note 5	Note 1	1,663,028	100%
Mitac Technology (Kyoto) Co. Ltd.	Getac Technology Corp.	The Company's indirect wholly-owned subsidiary	Purchases	113,969	75%	Note 3	Note 4	Note 3	(43,315)	75%
Getac (SuZhou) Mobile Ltd.	Getac Technology Corp.	The Company's indirect wholly-owned subsidiary	Purchases	119,633	53%	Note 3	Note 4	Note 3	(69,978)	57%
Mitac Precision Technology (Kunshan) Co., Ltd.	Mitac Precision Developments Ltd.	Affiliated company	Sales	1,358,275	52%	Note 1	Note 2	Note 1	903,901	41%
Mitac Precision Developments Ltd.	Mitac Precision Technology (Kunshan) Co., Ltd.	Affiliated company	Purchases	1,358,275	48%	Note 3	Note 4	Note 3	(903,901)	47%
Suzhou Mitac Precision Technology Co., Ltd.	Mitac Precision Developments Ltd.	Affiliated company	Sales	307,360	27%	Note 1	Note 2	Note 1	198,454	22%
Mitac Precision Developments Ltd.	Suzhou Mitac Precision Technology Co., Ltd.	Affiliated company	Purchases	307,360	11%	Note 3	Note 4	Note 3	(198,454)	10%
Getac Precision Technology (ChangShu) Co., Ltd.	Mitac Precision Developments Ltd.	Affiliated company	Sales	284,849	38%	Note 1	Note 2	Note 1	191,142	36%
Mitac Precision Developments Ltd.	Getac Precision Technology (ChangShu) Co., Ltd.	Affiliated company	Purchases	284,849	10%	Note 3	Note 4	Note 3	(191,142)	10%
Getac Precision Technology Vietnam Co., Ltd.	Mitac Precision Developments Ltd.	Affiliated company	Sales	712,547	92%	Note 1	Note 2	Note 1	594,422	96%
Mitac Precision Developments Ltd.	Getac Precision Technology Vietnam Co., Ltd.	Affiliated company	Purchases	712,547	25%	Note 3	Note 4	Note 3	(594,422)	31%

Note 1: The collection periods of overseas and domestic related parties are 150 days and 90 days after offsetting certain receivables and payables, respectively.

The collection period of third party customers is approximately 150 days after shipping date.

Note 2: The selling price for sales to related parties is based on the market value of the goods.

Note 3: The payment periods to overseas and domestic related parties are 150 days and 90 days after offsetting certain receivables and payables, respectively.

The payment period to third party suppliers is approximately 120 days after shipping date.

Note 4: The purchase price on purchases from other related parties is based on the market value of the goods.

Note 5: The processing charges are based on cost plus an agreed upon percentage markup.

Getac Technology Corp. and Subsidiaries
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 Six-month period ended June 30, 2019

Table 5

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Getac Technology Corp.	Getac Technology GmbH	The Company's second-tier subsidiary	184,246	4.50	-	-	-	-
Getac Technology (Kunshan) Co., Ltd.	Getac Technology Corp.	The Company's indirect wholly-owned subsidiary	1,663,028	1.47	-	-	217,420	-
Mitac Precision Technology (Kunshan) Co., Ltd.	Mitac Precision Developments Ltd.	Affiliated company	903,901	3.57	-	-	239,162	-
Suzhou Mitac Precision Technology Co., Ltd.	Mitac Precision Developments Ltd.	Affiliated company	198,454	2.88	-	-	108,710	-
Getac Precision Technology Vietnam Co., Ltd.	Mitac Precision Developments Ltd.	Affiliated company	594,422	3.78	-	-	169,351	-
Getac Precision Technology (ChangShu) Co., Ltd.	Mitac Precision Developments Ltd.	Affiliated company	191,142	4.24			6,198	

Getac Technology Corp. and Subsidiaries
Significant inter-company transactions during the reporting period
Six-month period ended June 30, 2019

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Getac Technology Corp.	Getac Inc.	1	Sales	\$ 2,158,749	Note 4	17%
0	Getac Technology Corp.	Getac (UK) Ltd.	1	Sales	256,481	Note 4	2%
0	Getac Technology Corp.	Getac Technology GmbH	1	Sales	522,643	Note 4	4%
0	Getac Technology Corp.	Getac Technology GmbH	1	Accounts receivable	184,246	Note 4	1%
0	Getac Technology Corp.	Mitac Technology(Kyoto) Co., Ltd.	1	Sales	113,969	Note 4	1%
0	Getac Technology Corp.	Getac (SuZhou) Mobile Ltd.	1	Sales	119,633	Note 4	1%
1	Pacific Royale Ltd.	Mitac Precision Developments Ltd.	3	Other receivables	745,440	Operation	2%
3	Getac Technology (Kunshan) Co., Ltd.	Getac Technology Corp.	2	Sales	1,308,112	Note 4	10%
3	Getac Technology (Kunshan) Co., Ltd.	Getac Technology Corp.	2	Accounts receivable	1,663,028	Note 4	6%
4	Hot Link Technology Ltd.	Pacific Royale Ltd.	3	Other receivables	490,748	Operation	2%
8	Suzhou Mitac Precision Technology Co., Ltd.	Mitac Precision Developments Ltd.	3	Sales	307,360	Note 4	2%
8	Suzhou Mitac Precision Technology Co., Ltd.	Mitac Precision Developments Ltd.	3	Accounts receivable	198,454	Note 4	1%
9	Mitac Precision Technology (Kunshan) Co., Ltd.	Mitac Precision Developments Ltd.	3	Sales	1,358,275	Note 4	11%
9	Mitac Precision Technology (Kunshan) Co., Ltd.	Mitac Precision Developments Ltd.	3	Accounts receivable	903,901	Note 4	3%
10	Pacific Metal Developments Ltd.	Mitac Precision Developments Ltd.	3	Other receivables	989,261	Operation	3%
15	Mitac Precision Developments Ltd.	Getac Precision Technology Vietnam Co.,	3	Other receivables	782,712	Operation	3%
15	Mitac Precision Developments Ltd.	Mitac Precision Technology (Vietnam) Co.,	3	Other receivables	792,030	Operation	3%
16	Getac Precision Technology Vietnam Co., Ltd.	Mitac Precision Developments Ltd.	3	Sales	712,547	Note 4	6%
16	Getac Precision Technology Vietnam Co., Ltd.	Mitac Precision Developments Ltd.	3	Accounts receivable	594,422	Note 4	2%
23	Getac Precision Technology (ChangShu) Co., Ltd.	Mitac Precision Developments Ltd.	3	Sales	284,849	Note 4	2%
23	Getac Precision Technology (ChangShu) Co., Ltd.	Mitac Precision Developments Ltd.	3	Accounts receivable	191,142	Note 4	1%
24	Talent View Ltd.	Mitac Precision Developments Ltd.	3	Other receivables	524,914	Operation	2%
26	Mitac Computer (Shunde) Ltd.	Getac Technology (Kunshan) Co., Ltd.	3	Other receivables	248,491	Operation	1%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: The relationship with the transaction parties are as follows:

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiary to the Company.

(3) The consolidated subsidiary to the consolidated subsidiary.

Note 3: Ratio of asset/liability is divided by consolidated total assets, and ratio of gain/loss accounts is divided by consolidated sales revenue.

Note 4: The collection period on balances from overseas related parties is 150 days after offsetting certain receivables and payables.

The selling prices on sales to related parties are based on the market value of the goods.

Note 5: Only transaction amounts exceeding \$100 million or 20 percent of the Company's capital are disclosed.

Getac Technology Corp. and Subsidiaries
Information on investees (not including investees in Mainland China)
Six-month period ended June 30, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2019			Net profit (loss) of the investee for the six-month period ended June 30, 2019	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019	Footnote
				Balance as at June 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Getac Technology Corp.	Pacific Royale Ltd.	British Virgin Islands	Investment holdings	\$ 1,752,325	\$ 1,752,325	54,220,869	100	\$ 2,914,022	(\$ 14,743)	(\$ 14,743)	
Getac Technology Corp.	Lian Jie Investment Co., Ltd.	Taiwan	Investment holdings	113,056	113,056	11,305,650	49.98	102,761	(42)	(21)	
Getac Technology Corp.	Fong Yang Technology Co., Ltd.	Taiwan	Data management, info software, e-communication product wholesale and retail	11,000	11,000	1,100,000	100	10,929	4	4	
Getac Technology Corp.	Hot Link Technology Ltd.	British Virgin Islands	Investment holdings	3,628,378	3,628,378	110,776,211	100	8,940,623	307,654	307,654	
Getac Technology Corp.	Waffer Technology Corp.	Taiwan	Manufacture and sales of Magnesium alloy thixomolding	496,228	496,228	40,522,289	24.08	535,589	(345,677)	(73,669)	
Getac Technology Corp.	Mitac Precision Technology Corporation	Taiwan	Wholesale and retail of electric equipment and mold	100	100	10,000	100	6	-	-	
Getac Technology Corp.	Fong Guan Investments Ltd.	Taiwan	Investment holdings	200,500	200,500	20,050,000	100	184,784	(37,002)	(37,002)	
Getac Technology Corp.	National Aerospace Fasteners Corporation	Taiwan	Manufacture, processing, agency, and sales of source control bolts and structural parts for aircraft and ship	394,919	394,919	20,578,174	39.09	739,553	168,442	65,844	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2019			Net profit (loss) of the investee for the six-month period ended June 30, 2019	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019	Footnote
				Balance as at June 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Getac Technology Corp.	Advanced Medical Design Co., Ltd.	Taiwan	Manufacturing and wholesale of medical applicances	\$ 61,850	\$ 50,000	2,185,000	48.56	\$ 58,739	\$ 6,601	2,679	
Getac Technology Corp.	Lian Jie Investment Co., Ltd. II	Taiwan	Investment holdings	48,750	48,750	4,875,000	48.75	59,456 (	2,996) (	1,461)	
Getac Technology Corp.	WHP Workflow Solutions, Inc.	U.S.A.	Software design and development	478,651	478,651	314,600	80.30	500,717	1,477	4,158	
Fong Guan Investments Ltd.	Waffer Technology Corp.	Taiwan	Manufacture and sales of Magnesium alloy thixomolding	200,000	200,000	20,000,000	11.89	234,834 (	345,677)		
Fong Yang Technology Co., Ltd.	Waffer Technology Corp.	Taiwan	Manufacture and sales of Magnesium alloy thixomolding	86	86	5,000	-	76 (	345,677)		
Fong Yang Technology Co., Ltd.	National Aerospace Fasteners Corporation	Taiwan	Manufacture, processing, agency, and sales of source control bolts and structural parts for aircraft and ship	2	2	92	-	1	168,442		
Pacific Royale Ltd.	Getac Inc.	U.S.A.	Selling, providing technical service, repair and maintenance of computers and related products for military and industrial use	86,881	86,881	1,600,000	100	191,782	17,584		
Pacific Royale Ltd.	Integration Technology Ltd.	British Virgin Islands	Investment holdings	63,395	63,395	2,000,001	100	73,438 (	1,381)		
Pacific Royale Ltd.	Harbinger II (BVI) Venture Capital Corp.	British Virgin Islands	Investment holdings	32,263	32,263	908,284	49.96	16,111 (	2,152)		
Pacific Royale Ltd.	Master China Ltd.	British Virgin Islands	Investment holdings	427,367	427,367	13,550,000	None	420,863	152,021		Preferred stock

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2019			Net profit (loss) of the investee for the six-month period ended June 30, 2019	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019	Footnote
				Balance	Balance	Number of shares	Ownership (%)	Book value			
				as at June 30, 2019	as at December 31, 2018						
Pacific Royale Ltd.	Talent View Ltd.	British Virgin Islands	Investment holdings	\$ 536,601	\$ 536,601	17,000,001	100	\$ 528,020	\$ 8		
Pacific Royale Ltd.	Victory Star Developments Ltd.	British Virgin Islands	Investment holdings	327,580	327,580	9,900,001	100	1,283,859	46,059		
Pacific Royale Ltd.	Running Power Ltd.	British Virgin Islands	Investment holdings	29,490	29,490	1,000,001	100	(187,441)	(67,327)		
Pacific Royale Ltd.	Getac (UK) Ltd.	U.K	Sales and repair of computer, software and relevant products	26,850	26,850	350,000	100	(14,125)	(15,712)		
Pacific Royale Ltd.	Harbinger Ruyi Venture Limited	British Virgin Islands	Investment holdings	31,520	31,520	1,000,000	28.57	27,988	(1,146)		
Pacific Royale Ltd.	Getac Technology GmbH	Germany	Sales of computer, software and relevant products	16,377	16,377	1	100	40,693	8,365		
Pacific Royale Ltd.	Harbinger Ruyi II Venture Limited	British Virgin Islands	Investment holdings	49,320	49,320	15,000	48.39	40,802	(953)		
Pacific Royale Ltd.	WHP Workflow Solutions, Inc.	U.S.A.	Software design and development	79,381	79,381	77,179	19.70	117,818	1,477		
Running Power Ltd.	Getac Vedio Solutions Inc.	U.S.A.	Sales of smart mobile surveillance solution (including device hardware, software, cloud technologies and consulting services)	29,640	29,640	1,000,000	100	(187,441)	(67,326)		
Hot Link Technology Ltd.	Master China Ltd.	British Virgin Islands	Investment holdings	571,813	571,813	9,900,001	100	2,509,753	152,021		
Hot Link Technology Ltd.	Pacific Metal Developments Ltd.	British Virgin Islands	Investment holdings and trading	1,287,555	1,287,555	38,900,000	100	1,704,619	17,580		

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2019			Net profit (loss) of the investee for the six-month period ended June 30, 2019	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019	Footnote
				Balance as at June 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Hot Link Technology Ltd.	Mainpower International Ltd.	British Virgin Islands	Investment holdings	\$ 1,147,343	\$ 1,147,343	35,912,843	86.72	\$ 1,438,426	\$ 47,794		
Hot Link Technology Ltd.	ACE Continental Industries Ltd.	British Virgin Islands	Investment holdings and trading	648,709	648,709	20,000,001	100	409,392	(22,110)		
Hot Link Technology Ltd.	Bellingham Investments Ltd.	Samoa	Investment holdings	143,264	143,264	1	100	2,160	(24)		
Hot Link Technology Ltd.	Getac Precision Technologies (Hong Kong) Ltd.	H.K	Investment holdings	505,167	505,167	15,200,001	100	1,349,785	49,965		
Hot Link Technology Ltd.	Mitac Technology Corporation	Kyoto Japan	Import/export electronic product, provide technical consulting, maintenance and repair services	32,290	32,290	1,800	100	16,763	(3,777)		
Hot Link Technology Ltd.	Mitac Precision Developments Ltd.	British Virgin Islands	Investment holdings	599,800	599,800	20,000,001	100	673,181	12,489		
Hot Link Technology Ltd.	Mass Bridge Ltd.	British Virgin Islands	Investment holdings	177,529	177,529	5,500,001	100	436,310	60,209		
ACE Continental Industries Ltd.	Mitac Precision Technology (Vietnam) Co., Ltd.	Vietnam	Manufacture of printer and its components, DVD, cell phone, digital camera and PCB	648,709	648,709	None	100	232,530	(22,273)		
Mitac Precision Technology (Vietnam) Co., Ltd.	Mitac Precision Technology (HA NOI) Co., Ltd.	Vietnam	Manufacture of printer and related products	15,853	15,853	None	100	5,746	(21)		

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2019			Net profit (loss) of the investee for the six-month period ended June 30, 2019	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019	Footnote
				Balance as at June 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Mass Bridge Ltd.	Getac Precision Technology Vietnam Co., Ltd.	Vietnam	Manufacture of personal computers, communication equipment, automobile electronic devices, precision punching dies, casting/forging raw parts for automobiles and motorcycles, and magnesium alloy castings	\$ 177,529	\$ 177,529	None	100	\$ 435,613	\$ 60,207		
National Aerospace Fasteners Corporation	Nafco Group Ltd.	British Virgin Islands	Investment holdings	405,897	405,897	13,000,000	100	407,788	40,994		
Nafco Group Ltd.	Nafco Holdings Ltd.	British Virgin Islands	Investment holdings	405,897	408,897	13,000,000	100	407,788	40,994		

Getac Technology Corp. and Subsidiaries
Information on investments in Mainland China
Six-month period ended June 30, 2019

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six- month period ended June 30, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019 (Note 3)	Net income of investee for the six-month period ended June 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019 (Note 2)	Book value of investments in Mainland China as of June 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Getac Technology (Kunshan) Co., Ltd.	Manufacture and sale of notebooks and related products	\$ 327,580	3	\$ 327,580	\$ -	\$ -	\$ 327,580	\$ 46,058	100	\$ 46,058	\$ 1,283,750	\$ -	
Mitac Precision Technology (KunShan) Co., Ltd.	Design and manufacture of computer chassis and its components, precision plastic injection mold, molding parts and molding equipment processing sales, and maintenance and repair services of own products	784,629	3	652,267	-	-	652,267	152,019	100	152,019	2,929,744	-	
Mitac Precision Technology (Shunde) Ltd.	Design and manufacture of computer chassis and its components, precision plastic injection mold, molding parts, stamping parts and molding equipment processing, design and repair services and steel plate cutting, etc	429,248	3	957,846	-	-	957,846	17,578	100	17,578	714,071	-	

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six- month period ended June 30, 2019			Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019 (Note 3)	Net income of investee for the six-month period ended June 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019 (Note 2)	Book value of investments in Mainland China as of June 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2019	Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Remitted to Mainland China	Remitted back to Taiwan							
Suzhou Mitac Precision Technology Co., Ltd.	Design and manufacture of computer chassis and its components, precision plastic injection mold, molding parts, stamping parts, molding equipment processing, design and repair services, and steel plate cutting, etc	\$ 1,589,287	3	\$ 112,776	\$ -	\$ -	\$ 112,776	\$ 57,122	72.56	\$ 41,447	\$ 1,439,950	\$ -	
Fon Yang Logistic (Kunshan) Ltd.	Agency of domestic/foreign freight transport and import/export declaration and import/export trade	31,255	3	-	-	-	-	(393)	100	(393)	33,744	-	
Getac (SuZhou) Mobile Ltd.	Sales and repair of computers and its peripherals, commercial portable global positioning system, electronic parts, mold production equipment and office equipment, commission agent and import/export trade	32,140	3	4,781	-	-	4,781	(991)	100	(991)	38,399	-	

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six- month period ended June 30, 2019			Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019 (Note 3)	Net income of investee for the six-month period ended June 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019 (Note 2)	Book value of investments in Mainland China as of June 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2019	Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Remitted to Mainland China	Remitted back to Taiwan							
Getac Precision Technology (ChangShu) Co., Ltd.	Manufacture of magnesium alloy	\$ 479,154	3	\$ -	-	-	\$ -	\$ 49,965	100	\$ 49,965	\$ 1,315,806	\$ -	
Suzhou Nafco Precision Ltd.	Production of components for airplane and engine use	405,897	3	405,897	-	-	405,897	40,994	100	40,994	407,788	-	
Cgk Zhongshang Co., Ltd.	Production and sale of optical glass, components of touch panel and touch panel module.	235,454	3	1,643	-	-	1,643	(25,478)	0.70	-	970	-	
Cgk Shenzhen Co., Ltd.	Glass protection	19,335	3	135	-	-	135	(13,187)	0.70	-	95	-	
Vango Technologies, Inc.	Research, develop, manufacture and sale of integrated circuit and Composable Software	216,858	3	12,904	-	-	12,904	(80,748)	4.51	-	5,116	-	Note 4

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Getac Technology Corp.	\$ 2,494,019	\$ 4,140,465	\$ 8,455,376
National Aerospace Fasteners Corporation	405,897	497,088	1,052,545

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others
 - (a) Through investing in Pacific Royale Ltd. and its subsidiaries in a third area, which then invest in Getac Technology (Kunshan) Co., Ltd., Fon Yang Logistic (Kunshan) Ltd., Getac (SuZhou) Mobile Ltd., and Mitac Precision Technology (KunShan) Co., Ltd.
 - (b) Through investing in Hot Link Technology Ltd. and its subsidiaries in a third area, which then invest in Mitac Precision Technology (KunShan) Co., Ltd., Mitac Precision Technology (Shunde) Ltd., Mitac Precision Technology (SuZhou) Ltd. and Getac Precision Metallic Technologies (ChangShu) Ltd..
 - (c) Through investing in a third area establish Nafco Holdings Ltd., which then invests in Suzhou Nafco Precision Ltd.
 - (d) Through investing in Pacific Royale Ltd. in a third area, which then invests in CGK Zhongshan Co., Ltd., Cgk Shenzhen Co., Ltd. and Vango Technologies, Inc.

Note 2: Recognition methods of investment income (loss) are classified into two categories as follows:

- (1) It should be indicated if the company is in the process of incorporation and have no profit or loss yet.
- (2) Basis for recognising investment income (loss) is as follows:
 - (a) The financial statements of Getac Technology (KunShan) Co., Ltd., Mitac Precision Technology (KunShan) Co., Ltd., Mitac Precision Technology (SuZhou) Ltd., and Getac Precision Technology (ChangShu) Co., Ltd. which were reviewed by their R.O.C. parent company's CPA.
 - (b) The financial statements of Suzhou Nafco Precision Ltd., were reviewed by National Aerospace Fasteners Corporation's CPA.
- (3) The financial statements of other companies except those stated in Note 2 (2) (a) and (b) which were not reviewed by a CPA.

Note 3: The difference between the disclosed accumulated amount of remittance from Taiwan to Mainland China for investment approved by the Investment Commission of the Ministry of Economic Affairs and the recognised amount comes from the remitted USD1,200 thousand from Mainland China to Taiwan in 2002 and USD12,000 thousand that has not been remitted from the liquidated subsidiaries in Mainland China.

Note 4: Disposed in the 2nd quarter, 2019.