

**MICROELECTRONICS TECHNOLOGY,
INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
JUNE 30, 2021 AND 2020**

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of MICROELECTRONICS TECHNOLOGY, INC.

Introduction

We have reviewed the accompanying consolidated balance sheets of Microelectronics Technology, Inc. and subsidiaries (the "Group") as at June 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the consolidated statements of changes in equity and of cash flows for the six months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2021 and 2020, and of its consolidated financial performance for the three months and six months then ended and its consolidated cash flows for the six months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Li, Tien-Yi

Lin, Yu-Kuan

For and on behalf of PricewaterhouseCoopers, Taiwan

August 10, 2021

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 review of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' review report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2021, DECEMBER 31, 2020 AND JUNE 30, 2020
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2021 and 2020 are reviewed, not audited)

Assets		Notes	June 30, 2021		December 31, 2020		June 30, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,100,464	19	\$ 1,324,793	25	\$ 986,763	20
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		474	-	5,275	-	2,132	-
1136	Current financial assets at	6(4)						
	amortised cost		26,714	1	27,260	-	28,192	1
1150	Notes receivable	6(5)	-	-	4,081	-	-	-
1170	Accounts receivable, net	6(5)	1,085,161	19	939,742	17	1,115,111	23
1180	Accounts receivable - related	6(5) and 7						
	parties		37,651	1	29,008	1	19,084	-
1200	Other receivables		46,280	1	37,818	1	43,237	1
1210	Other receivables - related parties	7	283	-	340	-	144	-
130X	Inventories	6(6)	1,404,662	24	1,008,191	19	944,077	19
1410	Prepayments		83,081	1	74,798	1	48,461	1
11XX	Total current assets		<u>3,784,770</u>	<u>66</u>	<u>3,451,306</u>	<u>64</u>	<u>3,187,201</u>	<u>65</u>
Non-current assets								
1517	Financial assets at fair value	6(3)						
	through other comprehensive							
	income-non-current		118,504	2	114,443	2	146,400	3
1600	Property, plant and equipment	6(7)	553,330	10	522,570	10	488,255	10
1755	Right-of-use assets	6(8) and 7	487,274	8	520,624	9	316,102	7
1780	Intangible assets	6(9)(10)	301,184	5	304,576	6	305,287	6
1840	Deferred income tax assets		500,248	9	481,756	9	416,829	9
1900	Other non-current assets	7	13,550	-	4,508	-	5,575	-
15XX	Total non-current assets		<u>1,974,090</u>	<u>34</u>	<u>1,948,477</u>	<u>36</u>	<u>1,678,448</u>	<u>35</u>
1XXX	Total Assets		<u>\$ 5,758,860</u>	<u>100</u>	<u>\$ 5,399,783</u>	<u>100</u>	<u>\$ 4,865,649</u>	<u>100</u>

(Continued)

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2021, DECEMBER 31, 2020 AND JUNE 30, 2020
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2021 and 2020 are reviewed, not audited)

Liabilities and Equity		Notes	June 30, 2021		December 31, 2020		June 30, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current Liabilities								
2100	Short-term borrowings	6(11)	\$ 386,362	7	\$ 368,098	7	\$ 306,016	6
2120	Financial liabilities at fair value through profit or loss - current	6(12)	2,378	-	876	-	380	-
2130	Current contract liabilities	6(21)	5,860	-	81,033	1	25,663	1
2170	Accounts payable		1,267,694	22	856,353	16	803,407	17
2200	Other payables	6(13)	280,493	5	363,447	7	294,699	6
2250	Provisions for liabilities - current	6(16)	74,236	2	75,744	1	13,042	-
2280	Current lease liabilities	7	57,888	1	81,730	2	31,607	1
2320	Long-term liabilities, current portion	6(14)	71,873	1	52,340	1	-	-
2399	Other current liabilities	7	7,895	-	8,896	-	10,715	-
21XX	Total current liabilities		2,154,679	38	1,888,517	35	1,485,529	31
Non-current liabilities								
2540	Long-term loans	6(14)	653,052	11	339,089	6	307,945	6
2550	Provisions for liabilities - non-current	6(16)	1,200	-	2,327	-	907	-
2570	Deferred income tax liabilities	6(28)	114,906	2	107,094	2	103,246	2
2580	Non-current lease liabilities	7	408,772	7	439,656	8	262,443	6
2600	Other non-current liabilities		211,877	4	203,570	4	156,138	3
25XX	Total non-current liabilities		1,389,807	24	1,091,736	20	830,679	17
2XXX	Total Liabilities		3,544,486	62	2,980,253	55	2,316,208	48
Equity								
Equity attributable to owners of parent								
	Share capital	6(17)						
3110	Share capital-common stock		2,280,283	39	2,280,283	42	2,280,283	47
	Capital Reserves	6(18)						
3200	Capital surplus		402,937	7	402,937	8	402,937	8
	Retained Earnings	6(19)						
3310	Legal reserve		24,972	-	24,972	-	24,972	1
3320	Special reserve		193,426	3	193,426	4	193,426	4
3350	Unappropriated retained earnings (accumulated deficit)		(308,426)	(5)	(117,336)	(2)	4,023	-
	Other Equity Interest	6(20)						
3400	Other equity interest		(378,818)	(6)	(364,752)	(7)	(356,200)	(8)
31XX	Equity attributable to owners of the parent		2,214,374	38	2,419,530	45	2,549,441	52
3XXX	Total equity		2,214,374	38	2,419,530	45	2,549,441	52
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	Total Liabilities and Equity		\$ 5,758,860	100	\$ 5,399,783	100	\$ 4,865,649	100

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

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings (loss) per share amounts)
(UNAUDITED)

	Items	Notes	Three months ended June 30				Six months ended June 30			
			2021		2020		2021		2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(21)	\$ 1,001,669	100	\$ 1,104,981	100	\$ 2,002,885	100	\$ 2,008,402	100
5000	Operating costs	6(6)	(837,975)	(84)	(866,232)	(78)	(1,731,364)	(86)	(1,618,700)	(81)
5900	Gross profit		<u>163,694</u>	<u>16</u>	<u>238,749</u>	<u>22</u>	<u>271,521</u>	<u>14</u>	<u>389,702</u>	<u>19</u>
	Operating expenses	6(26)(27)								
6100	Selling expenses		(37,065)	(4)	(37,514)	(3)	(66,380)	(3)	(75,955)	(4)
6200	General and administrative expenses		(33,774)	(3)	(33,752)	(3)	(66,654)	(4)	(66,228)	(3)
6300	Research and development expenses		(175,790)	(17)	(186,611)	(17)	(339,912)	(17)	(275,546)	(14)
6450	Gain on reversal of expected credit impairment		-	-	(392)	-	4	-	(663)	-
6000	Total operating expenses		<u>(246,629)</u>	<u>(24)</u>	<u>(258,269)</u>	<u>(23)</u>	<u>(472,942)</u>	<u>(24)</u>	<u>(418,392)</u>	<u>(21)</u>
6900	Operating loss		<u>(82,935)</u>	<u>(8)</u>	<u>(19,520)</u>	<u>(1)</u>	<u>(201,421)</u>	<u>(10)</u>	<u>(28,690)</u>	<u>(2)</u>
	Non-operating income and expenses									
7100	Interest income	6(22)	2,317	-	1,453	-	3,471	-	3,489	-
7010	Other income	6(23)	3,302	-	44,055	4	9,361	1	45,352	2
7020	Other gains and losses	6(24)	2,969	-	(1,010)	-	3,383	-	(6,767)	-
7050	Finance costs	6(25)	(4,614)	-	(3,433)	-	(8,636)	-	(7,162)	-
7000	Total non-operating income and expenses		<u>3,974</u>	<u>-</u>	<u>41,065</u>	<u>4</u>	<u>7,579</u>	<u>1</u>	<u>34,912</u>	<u>2</u>
7900	Profit (loss) before income tax		<u>(78,961)</u>	<u>(8)</u>	<u>21,545</u>	<u>3</u>	<u>(193,842)</u>	<u>(9)</u>	<u>6,222</u>	<u>-</u>
7950	Income tax benefit (expense)	6(28)	<u>(435)</u>	<u>-</u>	<u>(2,887)</u>	<u>(1)</u>	<u>2,752</u>	<u>-</u>	<u>(4,612)</u>	<u>-</u>
8200	Profit (loss) for the period		<u><u>(\$ 79,396)</u></u>	<u><u>(8)</u></u>	<u><u>\$ 18,658</u></u>	<u><u>2</u></u>	<u><u>(\$ 191,090)</u></u>	<u><u>(9)</u></u>	<u><u>\$ 1,610</u></u>	<u><u>-</u></u>
	Other comprehensive income (loss)									
	Components of other comprehensive loss that will not be reclassified to profit or loss									
8316	Unrealised loss from financial assets measured at fair value through other comprehensive income	6(3)(20)	\$ 5,655	1	(\$ 45,259)	(4)	\$ 6,385	-	(\$ 82,466)	(4)
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Currency translation differences of foreign operations	6(20)	(18,994)	(2)	(29,053)	(3)	(25,564)	(1)	(31,447)	(1)
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(28)	<u>3,799</u>	<u>-</u>	<u>5,811</u>	<u>1</u>	<u>5,113</u>	<u>-</u>	<u>6,289</u>	<u>-</u>
8300	Total other comprehensive loss for the period		<u>(\$ 9,540)</u>	<u>(1)</u>	<u>(\$ 68,501)</u>	<u>(6)</u>	<u>(\$ 14,066)</u>	<u>(1)</u>	<u>(\$ 107,624)</u>	<u>(5)</u>
8500	Total comprehensive loss for the period		<u><u>(\$ 88,936)</u></u>	<u><u>(9)</u></u>	<u><u>(\$ 49,843)</u></u>	<u><u>(4)</u></u>	<u><u>(\$ 205,156)</u></u>	<u><u>(10)</u></u>	<u><u>(\$ 106,014)</u></u>	<u><u>(5)</u></u>
	Loss attributable to:									
8610	Owners of the parent		(\$ 79,396)	(8)	\$ 18,658	2	(\$ 191,090)	(9)	\$ 1,610	-
8620	Non-controlling interest		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
			<u><u>(\$ 79,396)</u></u>	<u><u>(8)</u></u>	<u><u>\$ 18,658</u></u>	<u><u>2</u></u>	<u><u>(\$ 191,090)</u></u>	<u><u>(9)</u></u>	<u><u>\$ 1,610</u></u>	<u><u>-</u></u>
	Comprehensive loss attributable to:									
8710	Owners of the parent		(\$ 88,936)	(9)	(\$ 49,843)	(4)	(\$ 205,156)	(10)	(\$ 106,014)	(5)
8720	Non-controlling interest		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
			<u><u>(\$ 88,936)</u></u>	<u><u>(9)</u></u>	<u><u>(\$ 49,843)</u></u>	<u><u>(4)</u></u>	<u><u>(\$ 205,156)</u></u>	<u><u>(10)</u></u>	<u><u>(\$ 106,014)</u></u>	<u><u>(5)</u></u>
	(Loss) earnings per share (in dollars)	6(29)								
9750	Basic		<u>(\$ 0.35)</u>		<u>\$ 0.08</u>		<u>(\$ 0.84)</u>		<u>\$ 0.01</u>	
9850	Diluted		<u><u>(\$ 0.35)</u></u>		<u><u>\$ 0.08</u></u>		<u><u>(\$ 0.84)</u></u>		<u><u>\$ 0.01</u></u>	

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

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Equity attributable to owners of the parent								
	Notes	Share capital- common stock	Capital surplus, additional paid- in capital	Retained earnings			Other equity interest		Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	
<u>2020</u>									
Balance at January 1, 2020		\$ 2,280,283	\$ 402,937	\$ 24,972	\$ 193,426	\$ 2,413	(\$ 104,070)	(\$ 144,506)	\$ 2,655,455
Profit for the period		-	-	-	-	1,610	-	-	1,610
Other comprehensive loss for the 6(3) period		-	-	-	-	-	(25,158)	(82,466)	(107,624)
Total comprehensive income (loss)		-	-	-	-	1,610	(25,158)	(82,466)	(106,014)
Balance at June 30, 2020		\$ 2,280,283	\$ 402,937	\$ 24,972	\$ 193,426	\$ 4,023	(\$ 129,228)	(\$ 226,972)	\$ 2,549,441
<u>2021</u>									
Balance at January 1, 2021		\$ 2,280,283	\$ 402,937	\$ 24,972	\$ 193,426	(\$ 117,336)	(\$ 110,123)	(\$ 254,629)	\$ 2,419,530
Loss for the period		-	-	-	-	(191,090)	-	-	(191,090)
Other comprehensive income (loss) for the period	6(3)	-	-	-	-	-	(20,451)	6,385	(14,066)
Total comprehensive (loss) income		-	-	-	-	(191,090)	(20,451)	6,385	(205,156)
Balance at June 30, 2021		\$ 2,280,283	\$ 402,937	\$ 24,972	\$ 193,426	(\$ 308,426)	(\$ 130,574)	(\$ 248,244)	\$ 2,214,374

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

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Six months ended June 30	
		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) profit before tax		(\$ 193,842)	\$ 6,222
Adjustments			
Adjustments to reconcile profit (loss)			
(Reversal of) loss on expected credit impairment		(4)	663
Depreciation	6(7)(8)(26)	75,658	59,109
Amortization	6(9)(26)	16,802	14,979
Net loss on financial assets at fair value through profit or loss	6(2)(24)	4,774	539
Net loss on financial liabilities at fair value through profit or loss	6(12)(24)	1,503	107
Interest income	6(22)	(3,471)	(3,489)
Interest expense	6(25)	8,636	7,162
Gain on disposal of property, plant and equipment	6(24)	(248)	(65)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		4,081	9,024
Accounts receivable		(162,164)	(39,526)
Other receivables		(7,715)	82,954
Inventories		(400,227)	(95,245)
Prepayments		(8,833)	(719)
Changes in operating liabilities			
Accounts payable		418,802	(98,416)
Other payables		(73,219)	(55,473)
Provisions for liabilities		(2,546)	1,608
Contract liabilities-current		(75,173)	(30,161)
Other current liabilities		(10,019)	349
Accrued pension liabilities		(14,551)	(50,483)
Cash outflow generated from operations		(421,756)	(190,861)
Interest received		2,568	3,548
Interest paid		(8,778)	(7,802)
Income taxes paid		(3,394)	(4,732)
Net cash flows used in operating activities		(431,360)	(199,847)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortized cost		(43)	(299)
Acquisition of property, plant and equipment	6(30)	(92,113)	(48,063)
Proceeds from disposal of property, plant and equipment		5,744	2,395
Acquisition of intangible assets	6(9)	(16,557)	(19,828)
Increase in guarantee deposits paid		(3,954)	(93)
Net cash flows used in investing activities		(106,923)	(65,888)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(31)	1,141,918	2,936,081
Decrease in short-term borrowings	6(31)	(1,122,933)	(3,025,958)
Increase in long-term borrowings	6(31)	365,080	307,820
Decrease in long-term borrowings	6(31)	(7,556)	-
Repayment of principal portion of lease liabilities	6(31)	(53,093)	(16,007)
Net cash flows from financing activities		323,416	201,936
Effects due to changes in exchange rate		(9,462)	(7,171)
Net decrease in cash and cash equivalents		(224,329)	(70,970)
Cash and cash equivalents at beginning of period		1,324,793	1,057,733
Cash and cash equivalents at end of period		\$ 1,100,464	\$ 986,763

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

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2021 AND 2020

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

(Reviewed, not audited)

1. HISTORY AND ORGANISATION

Microelectronics Technology Inc. (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 design, manufacture and sales of terrestrial microwave, satellite communication system products, and related customised products.

On January 1, 2011, the Company merged with the subsidiary, Global PCS Inc.. Under the merger, the Company was the surviving company while Global PCS Inc. was the dissolved company.

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 10, 2021.

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 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 is allowed by FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2020, except for the compliance statement, basis of preparation and basis of consolidation as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2020.

(2) Basis of preparation

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

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements is consistent with those of the year ended December 31, 2020.

- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		
			June 30, 2021	December 31, 2020	June 30, 2020
Microelectronics Technology, Inc.	Sasson International Holding, Inc.	Note 1	100.00	100.00	100.00
Sasson International Holding, Inc.	Welltop Technology Co., Ltd.	Note 1	100.00	100.00	100.00
Sasson International Holding, Inc.	Jupiter Network Corp. (Jupiter)	Note 1	100.00	100.00	100.00
Welltop Technology Co., Ltd.	MTI Laboratory, Inc.	Note 2	100.00	100.00	100.00
Welltop Technology Co., Ltd.	RadioComp ApS	Note 2	100.00	100.00	100.00
Jupiter Network Corp. (Jupiter)	Jupiter Technology (Wuxi) Inc.	Note 3	100.00	100.00	100.00

Note 1: Main operating activity is investments in the manufacturing and trading business.

Note 2: Research, development, design, manufacture and sales of personal wireless communication device, components of subsystem and system and wireless microwave communication system and equipment of electronic system.

Note 3: Main operating activities are design of satellite and microwave communication system equipment and its components, sales of self-made products and providing related technical services.

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

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

E. Significant restrictions: None.

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

(4) Employee benefits

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

(5) Income tax

A. 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.

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

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

There have been no significant changes in the reporting period. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2020.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30, 2021	December 31, 2020	June 30, 2020
Cash on hand and revolving funds	\$ 238	\$ 277	\$ 280
Checking accounts and demand deposits	746,184	839,380	523,084
Time deposits	354,042	485,136	463,399
	<u>\$ 1,100,464</u>	<u>\$ 1,324,793</u>	<u>\$ 986,763</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. Information on restricted cash reclassified as 'Financial assets at amortised cost' is provided in Note 8.

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

<u>Items</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Derivative instruments	\$ 474	\$ 5,275	\$ 2,132
Unlisted stocks	103,218	105,515	109,776
Valuation adjustments	(103,218)	(105,515)	(109,776)
	<u>\$ 474</u>	<u>\$ 5,275</u>	<u>\$ 2,132</u>

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

	<u>Three months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Derivative instruments	<u>\$ 466</u>	<u>\$ 2,132</u>
	<u>Six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Derivative instruments	<u>(\$ 4,774)</u>	<u>(\$ 539)</u>

- B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

	<u>June 30, 2021</u>			<u>December 31, 2020</u>		
	<u>Contract amount</u>		<u>Contract</u>	<u>Contract amount</u>		<u>Contract</u>
<u>Derivative instruments</u>	<u>(Notional principal)</u>		<u>period</u>	<u>(Notional principal)</u>		<u>period</u>
Current items:						
Foreign exchange swap transactions	USD	3,000	2021.05.12~ 2021.07.15	USD	3,000	2020.11.12~ 2021.01.15
Forward foreign exchange contracts	USD	3,000	2021.04.26~ 2021.08.16	USD	7,900	2020.11.03~ 2021.04.28

<u>Derivative instruments</u>	June 30, 2020		
	Contract amount (Notional principal)		Contract period
Current items:			
Foreign exchange swap transactions	USD	3,000	2020.05.13~ 2020.07.15
Forward foreign exchange contracts	USD	5,000	2020.05.13~ 2020.08.17

The Group entered into foreign exchange swap transactions and forward foreign exchange contracts to sell forward contracts to hedge exchange rate risk of export proceeds. However, these forward contracts are not accounted for under hedge accounting.

C. Information on financial assets at fair value through profit or loss is provided in Note 12(2).

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

<u>Items</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Non-current items :			
Equity instruments			
Unlisted stocks	\$ 339,148	\$ 346,139	\$ 359,107
Valuation adjustments	(248,244)	(254,629)	(226,972)
Net exchange differences	27,600	22,933	14,265
	<u>\$ 118,504</u>	<u>\$ 114,443</u>	<u>\$ 146,400</u>

A. The Group has elected to classify equity instrument investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$118,504, \$114,443 and \$146,400 as at June 30, 2021, December 31, 2020 and June 30, 2020, respectively.

B. For the three months and six months ended June 30, 2020, the Group recognised impairment loss of \$45,259 and \$82,466, respectively, after the assessment, as the global pandemic impacted the operation of investees, causing operational difficulty and operating capital to be insufficient, that resulted in the impairment.

C. 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:

	Three months ended June 30	
	2021	2020
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income (loss)	\$ <u>5,655</u>	(\$ <u>45,259</u>)

	Six months ended June 30	
	2021	2020
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income (loss)	\$ <u>6,385</u>	(\$ <u>82,466</u>)

(4) Financial assets at amortised cost

Items	June 30, 2021	December 31, 2020	June 30, 2020
Current items:			
Time deposits	\$ <u>26,714</u>	\$ <u>27,260</u>	\$ <u>28,192</u>

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

	Three months ended June 30	
	2021	2020
Interest income	\$ <u>17</u>	\$ <u>126</u>

	Six months ended June 30	
	2021	2020
Interest income	\$ <u>38</u>	\$ <u>276</u>

B. As of June 30, 2021, December 31, 2020 and June 30, 2020, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$26,714, \$27,260 and \$28,192, respectively.

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

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

(5) Notes and accounts receivable

	June 30, 2021	December 31, 2020	June 30, 2020
Notes receivable	\$ -	\$ 4,081	\$ -
Less: Allowance for uncollectible accounts	-	-	-
	\$ -	\$ 4,081	\$ -
Accounts receivable	\$ 1,085,430	\$ 940,020	\$ 1,115,814
Accounts receivable - related party	37,651	29,008	19,084
Less: Allowance for uncollectible accounts	(269)	(278)	(703)
	\$ <u>1,122,812</u>	\$ <u>968,750</u>	\$ <u>1,134,195</u>

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

	June 30, 2021		December 31, 2020		June 30, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 730,238	\$ -	\$ 635,677	\$ 4,081	\$ 723,881	\$ -
Up to 90 days	241,335	-	315,461	-	404,879	-
91 to 180 days	128,434	-	15,642	-	5,407	-
Over 180 days	23,074	-	2,248	-	731	-
	<u>\$ 1,123,081</u>	<u>\$ -</u>	<u>\$ 969,028</u>	<u>\$ 4,081</u>	<u>\$ 1,134,898</u>	<u>\$ -</u>

The above ageing analysis was based on past due date. As of June 30, 2021, the subsequent collection of past-due accounts receivable amounted to \$184,645.

B. As of June 30, 2021, December 31, 2020 and June 30, 2020, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers amounted to \$1,125,411.

C. As of June 30, 2021, December 31, 2020 and June 30, 2020, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$0, \$4081 and \$0, respectively. As of June 30, 2021, December 31, 2020 and June 30, 2020, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$1,122,812, \$968,750 and \$1,134,195, respectively.

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

(6) Inventories

	June 30, 2021		
	Cost	Allowance for inventory valuation losses and loss for obsolete and slow-moving inventories	Book value
Raw materials	\$ 1,118,346	(\$ 42,471)	\$ 1,075,875
Work in progress	262,784	(46,426)	216,358
Finished goods	121,458	(9,029)	112,429
	<u>\$ 1,502,588</u>	<u>(\$ 97,926)</u>	<u>\$ 1,404,662</u>

	December 31, 2020		
	Cost	Allowance for inventory valuation losses and loss for obsolete and slow-moving inventories	Book value
Raw materials	\$ 770,725	(\$ 62,913)	\$ 707,812
Work in progress	187,431	(45,645)	141,786
Finished goods	167,646	(9,053)	158,593
	<u>\$ 1,125,802</u>	<u>(\$ 117,611)</u>	<u>\$ 1,008,191</u>

June 30, 2020			
	Cost	Allowance for inventory valuation losses and loss for obsolete and slow- moving inventories	Book value
Raw materials	\$ 650,281	(\$ 70,969)	\$ 579,312
Work in progress	261,356	(45,852)	215,504
Finished goods	151,357	(2,096)	149,261
	<u>\$ 1,062,994</u>	<u>(\$ 118,917)</u>	<u>\$ 944,077</u>

The cost of inventories recognised expense for the period:

	Three months ended June 30	
	2021	2020
Cost of goods sold	\$ 839,386	\$ 866,923
Gain on reversal of decline in market value	(1,411)	(691)
Recognised as selling and R&D expenses	2,842	6,341
	<u>\$ 840,817</u>	<u>\$ 872,573</u>

	Six months ended June 30	
	2021	2020
Cost of goods sold	\$ 1,728,630	\$ 1,613,414
Loss on decline in market value	2,734	5,286
Recognised as selling and R&D expenses	10,803	8,619
	<u>\$ 1,742,167</u>	<u>\$ 1,627,319</u>

(7) Property, plant and equipment

Details of property, plant and equipment for its own use are as follows:

	2021						
	Buildings and structures	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
At January 1							
Cost	\$ 427,181	\$ 986,153	\$ 100,371	\$ 2,150	\$ 18,584	\$ -	\$ 1,534,439
Accumulated depreciation and impairment	(102,904)	(812,584)	(81,731)	(2,150)	(12,500)	-	(1,011,869)
	<u>\$ 324,277</u>	<u>\$ 173,569</u>	<u>\$ 18,640</u>	<u>\$ -</u>	<u>\$ 6,084</u>	<u>\$ -</u>	<u>\$ 522,570</u>
At January 1	\$ 324,277	\$ 173,569	\$ 18,640	\$ -	\$ 6,084	\$ -	\$ 522,570
Additions	-	45,967	5,001	-	5,681	22,236	78,885
Reclassifications	-	7,216	-	-	-	-	7,216
Disposals	-	(5,496)	-	-	-	-	(5,496)
Depreciation expense	(9,616)	(28,248)	(4,735)	-	(1,628)	-	(44,227)
Net exchange differences	(3,857)	(1,519)	(239)	-	(3)	-	(5,618)
At June 30	<u>\$ 310,804</u>	<u>\$ 191,489</u>	<u>\$ 18,667</u>	<u>\$ -</u>	<u>\$ 10,134</u>	<u>\$ 22,236</u>	<u>\$ 553,330</u>
At June 30							
Cost	\$ 422,073	\$ 1,003,833	\$ 103,636	\$ 2,109	\$ 24,155	\$ 22,236	\$ 1,578,042
Accumulated depreciation and impairment	(111,269)	(812,344)	(84,969)	(2,109)	(14,021)	-	(1,024,712)
	<u>\$ 310,804</u>	<u>\$ 191,489</u>	<u>\$ 18,667</u>	<u>\$ -</u>	<u>\$ 10,134</u>	<u>\$ 22,236</u>	<u>\$ 553,330</u>

2020							
	Buildings and structures	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
At January 1							
Cost	\$ 418,552	\$ 962,616	\$ 91,449	\$ 2,250	\$ 15,159	\$ 918	\$ 1,490,944
Accumulated depreciation and impairment	(82,421)	(823,724)	(78,100)	(2,250)	(9,223)	-	(995,718)
	<u>\$ 336,131</u>	<u>\$ 138,892</u>	<u>\$ 13,349</u>	<u>\$ -</u>	<u>\$ 5,936</u>	<u>\$ 918</u>	<u>\$ 495,226</u>
At January 1	\$ 336,131	\$ 138,892	\$ 13,349	\$ -	\$ 5,936	\$ 918	\$ 495,226
Additions	-	36,927	6,022	-	-	-	42,949
Reclassifications	-	4,928	-	-	-	(918)	4,010
Disposals	-	(2,293)	(37)	-	-	-	(2,330)
Depreciation expense	(9,433)	(25,794)	(3,892)	-	(2,357)	-	(41,476)
Net exchange differences	(8,551)	(1,449)	(121)	-	(3)	-	(10,124)
At June 30	<u>\$ 318,147</u>	<u>\$ 151,211</u>	<u>\$ 15,321</u>	<u>\$ -</u>	<u>\$ 3,576</u>	<u>\$ -</u>	<u>\$ 488,255</u>
At June 30							
Cost	\$ 407,630	\$ 982,679	\$ 93,290	\$ 2,226	\$ 15,097	\$ -	\$ 1,500,922
Accumulated depreciation and impairment	(89,483)	(831,468)	(77,969)	(2,226)	(11,521)	-	(1,012,667)
	<u>\$ 318,147</u>	<u>\$ 151,211</u>	<u>\$ 15,321</u>	<u>\$ -</u>	<u>\$ 3,576</u>	<u>\$ -</u>	<u>\$ 488,255</u>

(8) Leasing arrangements — lessee

A. The Group leases various assets including land, buildings and equipment. Rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 26,380	\$ 27,057	\$ 26,288
Buildings	460,894	493,567	289,814
	<u>\$ 487,274</u>	<u>\$ 520,624</u>	<u>\$ 316,102</u>
	<u>Three months ended June 30</u>		
	<u>2021</u>	<u>2020</u>	
	<u>Depreciation charge</u>	<u>Depreciation charge</u>	
Land	\$ 177	\$ 174	
Buildings	15,542	8,638	
	<u>\$ 15,719</u>	<u>\$ 8,812</u>	
	<u>Six months ended June 30</u>		
	<u>2021</u>	<u>2020</u>	
	<u>Depreciation charge</u>	<u>Depreciation charge</u>	
Land	\$ 354	\$ 351	
Buildings	31,077	17,282	
	<u>\$ 31,431</u>	<u>\$ 17,633</u>	

C. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Three months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2,469	\$ 1,617
Expense on short-term lease contracts	10,671	1,998
Expense on leases of low-value assets	378	294
	<u>Six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 4,997	\$ 3,234
Expense on short-term lease contracts	15,295	3,386
Expense on leases of low-value assets	607	996

D. For the six months ended June 30, 2021 and 2020, the Group's total cash outflow for leases was \$73,992 and \$23,623, respectively.

(9) Intangible assets

2021				
	Goodwill	Acquired special technology	Computer software	Total
At January 1				
Cost	\$ 383,503	\$ 404,895	\$ 518,101	\$ 1,306,499
Accumulated depreciation and impairment	(116,272)	(404,895)	(480,756)	(1,001,923)
	<u>\$ 267,231</u>	<u>\$ -</u>	<u>\$ 37,345</u>	<u>\$ 304,576</u>
At January 1	\$ 267,231	\$ -	\$ 37,345	\$ 304,576
Additions	-	-	16,557	16,557
Amortisation charge	-	-	(16,802)	(16,802)
Net exchange differences	(2,691)	-	(456)	(3,147)
At June 30	<u>\$ 264,540</u>	<u>\$ -</u>	<u>\$ 36,644</u>	<u>\$ 301,184</u>
At June 30				
Cost	\$ 383,503	\$ 404,895	\$ 531,251	\$ 1,319,649
Accumulated amortisation and impairment	(118,963)	(404,895)	(494,607)	(1,018,465)
	<u>\$ 264,540</u>	<u>\$ -</u>	<u>\$ 36,644</u>	<u>\$ 301,184</u>
2020				
	Goodwill	Acquired special technology	Computer software	Total
At January 1				
Cost	\$ 383,503	\$ 404,895	\$ 489,740	\$ 1,278,138
Accumulated depreciation and impairment	(109,762)	(404,895)	(461,361)	(976,018)
	<u>\$ 273,741</u>	<u>\$ -</u>	<u>\$ 28,379</u>	<u>\$ 302,120</u>
At January 1	\$ 273,741	\$ -	\$ 28,379	\$ 302,120
Additions	-	-	19,828	19,828
Amortisation charge	-	-	(14,979)	(14,979)
Net exchange differences	(1,519)	-	(163)	(1,682)
At June 30	<u>\$ 272,222</u>	<u>\$ -</u>	<u>\$ 33,065</u>	<u>\$ 305,287</u>
At June 30				
Cost	\$ 383,503	\$ 404,895	\$ 501,837	\$ 1,290,235
Accumulated amortisation and impairment	(111,281)	(404,895)	(468,772)	(984,948)
	<u>\$ 272,222</u>	<u>\$ -</u>	<u>\$ 33,065</u>	<u>\$ 305,287</u>

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

	Three months ended June 30	
	2021	2020
Operating costs	\$ 1,507	\$ 1,602
General and administrative expenses	664	231
Research and development expenses	6,338	5,903
	<u>\$ 8,509</u>	<u>\$ 7,736</u>

	Six months ended June 30	
	2021	2020
Operating costs	\$ 3,026	\$ 2,945
General and administrative expenses	935	398
Research and development expenses	12,841	11,636
	<u>\$ 16,802</u>	<u>\$ 14,979</u>

B. Impairment information about the intangible assets is provided in Note 6(10).

(10) Impairment of non-financial assets

There have been no significant changes in the reporting period. Please refer to Note 6(10) in the consolidated financial statements for the year ended December 31, 2020.

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>June 30, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Export financing	\$ 69,650	0.69%	None
Borrowings for material purchase	116,712	0.69%~1.20%	None
Unsecured borrowings	200,000	0.75%~0.98%	None
	<u>\$ 386,362</u>		

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Export financing	\$ 87,718	0.65%~0.87%	None
Borrowings for material purchase	280,380	0.74%~1.23%	None
	<u>\$ 368,098</u>		

<u>Type of borrowings</u>	<u>June 30, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Export financing	\$ 208,892	0.70%~1.35%	None
Borrowings for material purchase	97,124	0.85%~1.48%	None
	<u>\$ 306,016</u>		

For the three months and six months ended June 30, 2021 and 2020, the Group recognised interest expense in profit or loss amounting to \$870, \$1,434, \$1,518 and \$3,546 respectively, due to the short-term borrowings.

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

Items	June 30, 2021	December 31, 2020	June 30, 2020
Current items:			
Financial liabilities held for trading			
Non-hedging derivatives	\$ 2,378	\$ 876	\$ 380
Valuation adjustments	-	-	-
	<u>\$ 2,378</u>	<u>\$ 876</u>	<u>\$ 380</u>

A. For the three months and six months ended June 30, 2021 and 2020, the Group recognised net (loss) gain on financial liabilities held for trading amounting to (\$899), \$1,446, (\$1,503) and (\$107), respectively.

B. Explanations of the transactions and contract information in respect of derivative financial liabilities that the Group does not adopt hedge accounting are as follows:

Unit: In thousands

<u>Non-derivative financial liabilities for hedging</u>	June 30, 2021			December 31, 2020		
	Contract amount (Notional principal)		Contract period	Contract amount (Notional principal)		Contract period
Current items:						
Forward foreign exchange contracts	USD	7,950	2021.04.15~2021.08.27	USD	9,560	2020.10.12~2021.03.26
Foreign exchange swap transactions	USD	2,000	2021.05.26~2021.07.15		-	-
<u>Non-derivative financial liabilities for hedging</u>	June 30, 2020					
	Contract amount (Notional principal)		Contract period			Contract period
Current items:						
Forward foreign exchange contracts	USD	2,100				2020.06.23~2020.08.17

C. The Group entered into forward foreign exchange contracts and foreign exchange swap transactions to sell forward contracts to hedge exchange rate risk of export proceeds. However, these forward contracts are not accounted for under hedge accounting.

(13) Other payables

	June 30, 2021	December 31, 2020	June 30, 2020
Employee bonus payable	\$ 135,552	\$ 199,209	\$ 154,249
Payable on miscellaneous purchases	44,430	32,170	32,693
Payables for machinery and equipment	26,744	34,913	18,912
Accrued export expenses	13,983	17,218	19,325
Payables for consulting service fees	8,024	10,843	9,670
Insurance expense payable	7,829	7,735	6,910
Others	43,931	61,359	52,940
	<u>\$ 280,493</u>	<u>\$ 363,447</u>	<u>\$ 294,699</u>

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>June 30, 2021</u>
Long-term bank borrowings				
Land Bank of Taiwan	Borrowing period is from February 05, 2021 to February 05, 2026; interest is repayable monthly.	0.800%	None	\$ 227,281
The Shanghai Commercial & Savings Bank	Borrowing period is from March 31, 2020 to March 15, 2025; interest is repayable monthly.	0.750%	None	281,933
Mega Bank	Borrowing period is from December 23, 2019 to September 15, 2026; interest is repayable monthly.	0.845%	None	
				<u>215,711</u>
				724,925
Less: Current portion				(71,873)
				<u>\$ 653,052</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
Long-term bank borrowings				
The Shanghai Commercial & Savings Bank	Borrowing period is from March 31, 2020 to March 14, 2025; interest is repayable monthly.	0.750%	None	\$ 281,933
Mega Bank	Borrowing period is from December 23, 2019 to September 15, 2026; interest is repayable monthly.	0.845%	None	
				<u>109,496</u>
				391,429
Less: Current portion				(52,340)
				<u>\$ 339,089</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>June 30, 2020</u>
Long-term bank borrowings				
Mega Bank	Borrowing period is from December 23, 2019 to December 15, 2025; interest is repayable monthly.	0.950%	None	\$ 7,945
The Shanghai Commercial & Savings Bank	Borrowing period is from March 31, 2020 to March 14, 2025; interest is repayable monthly.	0.750%	None	
				300,000
				307,945
Less: Current portion				-
				<u>\$ 307,945</u>

- A. For the three months and six months ended June 30, 2021 and 2020, the Group recognised interest expense in profit or loss amounting to \$1,275, \$382, \$2,121 and \$382, respectively, due to the long-term borrowings.
- B. On January 1, 2019, Ministry of Economic Affairs, R.O.C. (“MOEA”) implemented the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” and companies are subsidised with preferential interest loans, 0.5% of loan interest is subsidised by the National Development Fund, Executive Yuan, for qualified investment projects. The Company has obtained the qualification from the MOEA, and signed loan agreements with financial institutions during December 2019 to August 2021 with the line of credit amounting to \$1.09 billion and terms from five to six years. As of August 10, 2021, the Company has drawn down \$0.784 billion. Funding from these borrowings were used to invest in machineries, equipment and broaden the Company’s working capital.

(15) Pensions

- A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees’ monthly salaries and wages to the retirement fund deposited with

Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method; to the employees expected to be qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

- (b) The pension costs under defined contribution pension plans of the Group for the three months and six months ended June 30, 2021 and 2020 were \$373, \$335, \$741 and \$824, respectively.
 - (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$3,433.
- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount 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.
- (b) The Company’s mainland China subsidiary, Jupiter Technology (Wuxi) Inc, has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage was 19%. Other than the monthly contributions, the Company has no further obligations.
 - (c) The Subsidiary, RadioComp ApS, accrued pension costs based on a certain appropriate rate of total salaries.
 - (d) The pension costs under defined contribution pension plans of the Group for the three months and six months ended June 30, 2021 and 2020 were \$10,972, \$5,259, \$23,344 and \$10,313, respectively.

(16) Provisions

A. Warranties on sales-related products

	2021	2020
Balance at January 1	\$ 9,403	\$ 12,600
Additional provisions	1,202	3,018
Used during the period	(3,749)	(1,405)
Exchange difference	(88)	(264)
Balance at June 30	<u>\$ 6,768</u>	<u>\$ 13,949</u>

The Group gives warranties on sales-related products. Provision for warranty is estimated based on historical warranty data of uninterruptible power supply and solar energy products.

B. Provision for income tax in the United States

The Company recognised provision for contingent income tax liability in 2020 for the products sold under the incoterms DDP in the previous years. The US Internal Revenue Service preliminarily determined that it suspects that the Company traded within the US. Although the Company claimed that those were international trades, considering the case is at the tax negotiation stage, provision for income tax liability amounting to \$68,668 was recognised in accordance with IAS 37.

C. Analysis of total provisions:

	June 30, 2021	December 31, 2020	June 30, 2020
Current	\$ 74,236	\$ 75,744	\$ 13,042
Non-current	\$ 1,200	\$ 2,327	\$ 907

(17) Share capital

As of June 30, 2021, the Company's authorised capital was \$7,000,000, consisting of 0.7 billion shares of ordinary stock (including 50 million shares reserved for employee stock options and convertible bonds issued by the Company), and the paid-in capital was \$2,280,283 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 outstanding are as follows:

	(Unit: In thousand shares)	
	2021	2020
At January 1 (At June 30)	228,028	228,028

(18) Capital surplus

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

(19) 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 year's operating losses, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance. After setting aside or reversal of a special reserve in accordance with related laws, the Company shall appropriate dividends to preferred stock. The Board of Directors should present the distribution of the remaining earnings along with accumulated unappropriated earnings for the approval of the shareholders to distribute dividends to shareholders.

- B. As the Company is in the growth stage, considered entire environment and nature of industry as well as future capital needs and long-term financial plans in order to subsequent operation and stable development. Based on the Company's future budget of capital expenditure and demand of capital, the Company appropriated no less than 30% of distributable earnings to shareholders' dividends, but if the distributable earnings is lower than 5% of paid-in capital, no dividends will be distributed. Cash dividend has a first priority when distributing shareholders' dividends, and the ratio is 30~100% of current total dividends. Remaining dividend can be distributed in the form of stocks. The appropriation of retained earnings will be proposed by the Board of Directors every year, and will be approved by the shareholders.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The Company incurred operating losses for the year ended December 31, 2020, and thus had no earnings for distribution.
- F. The appropriations of earnings of year 2019 as resolved by the shareholders at their meetings on June 18, 2020 are as follows:

(20) Other equity items

	2021		
	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Financial statements translation differences of foreign operations	Total
At January 1	(\$ 254,629)	(\$ 110,123)	(\$ 364,752)
Revaluation	2,517	-	2,517
Revaluation from subsidiaries	3,868	(25,564)	(21,696)
Tax effects of subsidiaries	-	5,113	5,113
At June 30	(\$ 248,244)	(\$ 130,574)	(\$ 378,818)

2020

	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Financial statements translation differences of foreign operations	Total
At January 1	(\$ 144,506)	(\$ 104,070)	(\$ 248,576)
Revaluation	(1,381)	-	(1,381)
Revaluation from subsidiaries	(81,085)	(31,447)	(112,532)
Tax effects of subsidiaries	-	6,289	6,289
At June 30	(\$ 226,972)	(\$ 129,228)	(\$ 356,200)

(21) Operating revenue

	Three months ended June 30	
	2021	2020
Revenue from contracts with customers	\$ 1,001,669	\$ 1,104,981

	Six months ended June 30	
	2021	2020
Revenue from contracts with customers	\$ 2,002,885	\$ 2,008,402

A. Disaggregation of revenue from contracts with customers

The Group derives revenue in the following major geographical regions:

	Three months ended June 30, 2021			
	USA	Mainland China	Other areas	Total
Total segment revenue	\$ 502,260	\$ 305,757	\$ 576,670	\$ 1,384,687
Inter-segment revenue	-	(57,047)	(325,971)	(383,018)
Revenue from external customer contracts	\$ 502,260	\$ 248,710	\$ 250,699	\$ 1,001,669
	Three months ended June 30, 2020			
	USA	Mainland China	Other areas	Total
Total segment revenue	\$ 591,860	\$ 304,474	\$ 649,811	\$ 1,546,145
Inter-segment revenue	(58,165)	-	(382,999)	(441,164)
Revenue from external customer contracts	\$ 533,695	\$ 304,474	\$ 266,812	\$ 1,104,981
	Six months ended June 30, 2021			
	USA	Mainland China	Other areas	Total
Total segment revenue	\$ 897,535	\$ 618,013	\$ 1,148,921	\$ 2,664,469
Inter-segment revenue	-	(119,984)	(541,600)	(661,584)
Revenue from external customer contracts	\$ 897,535	\$ 498,029	\$ 607,321	\$ 2,002,885

	Six months ended June 30, 2020			
	USA	Mainland China	Other areas	Total
Total segment revenue	\$ 1,022,062	\$ 482,589	\$ 1,296,224	\$ 2,800,875
Inter-segment revenue	(58,285)	-	(734,188)	(792,473)
Revenue from external customer contracts	<u>\$ 963,777</u>	<u>\$ 482,589</u>	<u>\$ 562,036</u>	<u>\$ 2,008,402</u>

B. Contract liabilities from customers

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>	<u>January 1, 2020</u>
Contract liabilities:				
Contract liabilities-				
Products sales contracts	<u>\$ 5,860</u>	<u>\$ 81,033</u>	<u>\$ 25,663</u>	<u>\$ 55,824</u>

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

	Three months ended June 30	
	2021	2020
Revenue recognised that was included in the contract liability balance at the beginning of the period	<u>\$ 30,991</u>	<u>\$ 2,271</u>
	Six months ended June 30	
	2021	2020
Revenue recognised that was included in the contract liability balance at the beginning of the period	<u>\$ 51,880</u>	<u>\$ 40,560</u>

Changes in contract liabilities are mainly from the timing difference between performance obligations satisfied and customers' payment.

(22) Interest income

	Three months ended June 30	
	2021	2020
Interest income from bank deposits	<u>\$ 2,317</u>	<u>\$ 1,453</u>
	Six months ended June 30	
	2021	2020
Interest income from bank deposits	<u>\$ 3,471</u>	<u>\$ 3,489</u>

(23) Other income

	Three months ended June 30	
	2021	2020
Other income, others	\$ 3,302	\$ 44,055
	Six months ended June 30	
	2021	2020
Other income, others	\$ 9,361	\$ 45,352

A. For the six months ended June 30, 2021 and 2020, the Group recognised government grant income of \$0 and \$26,921, respectively, for salary and working capital subsidies from the Ministry of Economic Affairs under the ‘Salary and Working Capital Subsidies for Businesses Suffered by the COVID-19 Handled by the Ministry of Economic Affairs’.

B. For the three months and six months ended June 30, 2021 and 2020, the Group recognised government grant income of \$2,701 \$0, \$6,419 and \$13,300, respectively, for the subsidiaries from the Ministry of Economic Affairs under the ‘Low Earth Orbit (LEO) Radio Frequency Front End (RFFE) Solution Development Plan’.

(24) Other gains and losses

	Three months ended June 30	
	2021	2020
Gains (losses) on disposals of property, plant and equipment	\$ 193	(\$ 36)
Currency exchange gains (losses)	4,557	(4,262)
(Losses) gain on financial assets (liabilities) at fair value through profit or loss	(433)	3,578
Miscellaneous disbursements	(1,348)	(290)
	<u>\$ 2,969</u>	<u>(\$ 1,010)</u>
	Six months ended June 30	
	2021	2020
Gains on disposals of property, plant and equipment	\$ 248	\$ 65
Currency exchange gains (losses)	10,995	(5,066)
Losses on financial assets (liabilities) at fair value through loss	(6,277)	(646)
Miscellaneous disbursements	(1,583)	(1,120)
	<u>\$ 3,383</u>	<u>(\$ 6,767)</u>

(25) Finance costs

	Three months ended June 30	
	2021	2020
Interest expense	\$ 2,145	\$ 1,816
Interest expense of lease liability	2,469	1,617
	<u>\$ 4,614</u>	<u>\$ 3,433</u>

	Six months ended June 30	
	2021	2020
Interest expense	\$ 3,639	\$ 3,928
Interest expense of lease liability	4,997	3,234
	<u>\$ 8,636</u>	<u>\$ 7,162</u>

(26) Expenses by nature

	Three months ended June 30	
	2021	2020
Employee benefit expense	\$ 250,288	\$ 232,834
Depreciation charges on property, plant and equipment	38,077	29,637
Amortisation	8,509	7,736
	<u>\$ 296,874</u>	<u>\$ 270,207</u>

	Six months ended June 30	
	2021	2020
Employee benefit expense	\$ 481,901	\$ 455,611
Depreciation charges on property, plant and equipment	75,658	59,109
Amortisation	16,802	14,979
	<u>\$ 574,361</u>	<u>\$ 529,699</u>

(27) Employee benefit expense

	Three months ended June 30	
	2021	2020
Salary expenses	\$ 214,717	\$ 206,107
Labour and health insurance fees	18,340	14,265
Pension costs	11,345	5,594
Other personnel expenses	5,886	6,868
	<u>\$ 250,288</u>	<u>\$ 232,834</u>

	Six months ended June 30	
	2021	2020
Salary expenses	\$ 408,806	\$ 402,003
Labour and health insurance fees	37,071	29,137
Pension costs	24,085	11,137
Other personnel expenses	11,939	13,334
	<u>\$ 481,901</u>	<u>\$ 455,611</u>

- A. According to the Articles of Incorporation of the Company, the ratio of distributable profit of the current year shall not be lower than 7% for employees' compensation in the form of stocks/cash, and employees must be working for the Company. The current year's earnings, if any, shall not be higher than 1% for directors' remuneration. Appropriation of employees' compensation and directors' remuneration shall be submitted to the shareholders' meeting. If the Company has accumulated deficit, earnings should be reserved to cover losses and then be appropriated to employees' compensation and directors' remuneration based on the abovementioned ratios.
- B. For the three months and six months ended June 30, 2021 and 2020, employees' remuneration was accrued at \$0, \$123, \$0 and \$123, respectively; while directors' remuneration was accrued at \$0, \$18, \$0 and \$18, respectively. The aforementioned amounts were recognized in salary expenses.
- The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 7% and 1% of distributable profit for the six months ended June 30, 2020. For 2020, the employees' compensation and directors' remuneration resolved by the Board of Directors both amounted to \$0, which were in agreement with those amounts recognised in the 2020 financial statements.
- The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 7% and 1% of distributable profit for the six months ended June 30, 2021. However, there were no amounts accrued for both periods as the Company incurred losses before tax.
- C. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Income tax

A. Income tax (benefit) expense

(a) Components of income tax (benefit) expense:

	Three months ended June 30	
	2021	2020
Current tax:		
Current tax on profits for the period	\$ 155	\$ 1,841
Tax of foreign source income withheld at source	1,265	1,217
Prior year income tax overestimation	-	(171)
Total current tax	1,420	2,887
Deferred tax:		
Origination and reversal of deferred tax assets	17,201	7,579
Impact of tax losses	(18,186)	(7,579)
Total deferred tax	(985)	-
Income tax expense	\$ 435	\$ 2,887

	Six months ended June 30	
	2021	2020
Current tax:		
Current tax on profits for the period	\$ 1,393	\$ 3,566
Tax of foreign source income withheld at source	1,840	1,217
Prior year income tax overestimation	-	(171)
Total current tax	3,233	4,612
Deferred tax:		
Origination and reversal of deferred tax assets	12,089	16,842
Impact of tax losses	(18,074)	(16,842)
Total deferred tax	(5,985)	-
Income tax (benefit) expense	(\$ 2,752)	\$ 4,612

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

	Three months ended June 30	
	2021	2020
Currency translation differences	(\$ 3,799)	(\$ 5,811)

	Six months ended June 30	
	2021	2020
Currency translation differences	(\$ 5,113)	(\$ 6,289)

(c) The income tax charged/(credited) to equity during the period: None.

B. The Company's income tax returns through 2017 have been assessed and approved by the Tax

Authority.

(29) (Losses) earnings per share

Three months ended June 30, 2021			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Losses per share (in dollars)</u>
<u>Basic losses per share</u>			
Loss attributable to the parent	(\$ 79,396)	228,028	(\$ 0.35)
<u>Diluted losses per share</u>			
Loss attributable to the parent	(79,396)	228,028	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	-	
	(\$ 79,396)	228,028	(\$ 0.35)
Three months ended June 30, 2020			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 18,658	228,028	\$ 0.08
<u>Diluted earnings per share</u>			
Profit attributable to the parent	18,658	228,028	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	5	
	\$ 18,658	228,033	\$ 0.08

Six months ended June 30, 2021			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Losses per share (in dollars)</u>
<u>Basic losses per share</u>			
Loss attributable to the parent	(\$ 191,090)	228,028	(\$ 0.84)
<u>Diluted losses per share</u>			
Loss attributable to the parent	(191,090)	228,028	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	-	
	(\$ 191,090)	228,028	(\$ 0.84)
Six months ended June 30, 2020			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 1,610	228,028	\$ 0.01
<u>Diluted earnings per share</u>			
Profit attributable to the parent	1,610	228,028	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	12	
	\$ 1,610	228,040	\$ 0.01

(30) Supplemental cash flow information

Investing activities with partial cash payments:

	Six months ended June 30	
	2021	2020
Purchase of property, plant and equipment	\$ 78,885	\$ 42,949
Add: Opening balance of payable on equipment	34,913	24,037
Ending balance of prepayment for equipment	5,156	1,080
Less: Ending balance of payable on equipment	(26,744)	(18,912)
Opening balance of prepayment for equipment	-	(1,123)
Effect of exchange rate changes	(97)	32
Cash paid during the period	<u>\$ 92,113</u>	<u>\$ 48,063</u>

(31) Changes in liabilities from financing activities

	Lease liabilities	Short-term	Long-term	Total
		borrowings	borrowings	
January 1, 2021	\$ 521,386	\$ 368,098	\$ 391,429	\$ 1,280,913
Changes in cash flow from financing activities	(53,093)	18,985	357,524	323,416
Impact of changes in foreign exchange rate	(1,633)	(721)	-	(2,354)
Changes in other non-cash items	-	-	(24,028)	(24,028)
June 30, 2021	<u>\$ 466,660</u>	<u>\$ 386,362</u>	<u>\$ 724,925</u>	<u>\$ 1,577,947</u>

	Lease liabilities	Short-term	Long-term	Total
		borrowings	borrowings	
January 1, 2020	\$ 311,032	\$ 396,748	\$ 125	\$ 707,905
Changes in cash flow from financing activities	(16,007)	(89,877)	307,820	201,936
Impact of changes in foreign exchange rate	(975)	(855)	-	(1,830)
June 30, 2020	<u>\$ 294,050</u>	<u>\$ 306,016</u>	<u>\$ 307,945</u>	<u>\$ 908,011</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Cybertan Technology Inc.	Entities with significant influence to the Group

(2) Significant related party transactions

A. Operating revenue

	<u>Three months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Sales of goods:		
Cybertan Technology Inc.	\$ <u>50,269</u>	\$ <u>18,644</u>
	<u>Six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Sales of goods:		
Cybertan Technology Inc.	\$ <u>86,576</u>	\$ <u>94,563</u>

The sales prices are based on mutual agreement, and no similar transactions can be compared with. The credit terms are 30 days from invoice date for the related parties. For third parties, credit terms are 30~90 days from invoice date or after monthly billings.

B Receivables from related parties

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Accounts receivable:			
Entities with significant influence to the Group	\$ 37,651	\$ 29,008	\$ 19,084
Other receivables:			
Entities with significant influence to the Group	<u>283</u>	<u>340</u>	<u>144</u>
	<u>\$ 37,934</u>	<u>\$ 29,348</u>	<u>\$ 19,228</u>

C. Lease transactions—lessee

(a) The Group leases buildings from Cybertan Technology Inc.. Rental contracts are typically made for periods of 10 years. Rents are paid at the end of year.

(b) Acquisition of right-of-use assets:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Cybertan Technology Inc.	\$ <u>392,845</u>	\$ <u>419,034</u>	\$ <u>207,204</u>

(c) Lease liabilities

(i) Outstanding balance:

	June 30, 2021	December 31, 2020	June 30, 2020
Cybertan Technology Inc.	\$ 396,684	\$ 445,225	\$ 210,153

(ii) Interest expense

	Three months ended June 30	
	2021	2020
Cybertan Technology Inc.	\$ 2,024	\$ 1,107

	Six months ended June 30	
	2021	2020
Cybertan Technology Inc.	\$ 4,109	\$ 2,215

(d) As of June 30, 2021, December 31, 2020 and June 30, 2020, guarantee deposits paid (shown as 'Other non-current assets') to entities with significant influence to the Group all amounted to \$5,765, \$1,972 and \$1,972, respectively.

(3) Key management compensation

	Three months ended June 30	
	2021	2020
Salaries and other short-term employee benefits	\$ 9,419	\$ 10,222
Post-employment benefits	706	423
	<u>\$ 10,125</u>	<u>\$ 10,645</u>

	Six months ended June 30	
	2021	2020
Salaries and other short-term employee benefits	\$ 23,259	\$ 23,159
Post-employment benefits	951	773
	<u>\$ 24,210</u>	<u>\$ 23,932</u>

8. PLEDGED ASSETS

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

	Book value			
Pledged asset	June 30, 2021	December 31, 2020	June 30, 2020	Purpose
Time deposits (shown as 'Financial assets at amortised cost-current')	\$ 539	\$ 546	\$ 523	Guarantee for business card

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

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 in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</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	\$ 474	\$ 5,275	\$ 2,132
Financial assets at fair value through other comprehensive income			
Designation of equity instruments	118,504	114,443	146,400
Financial assets at amortised cost			
Cash and cash equivalents	1,100,464	1,324,793	986,763
Financial assets at amortised cost	26,714	27,260	28,192
Notes receivable	-	4,081	-
Accounts receivable (including related party transactions)	1,122,812	968,750	1,134,195
Other receivables (including related party transactions)	46,563	38,158	43,381
Guarantee deposits paid	8,394	4,508	4,521
	<u>\$ 2,423,925</u>	<u>\$ 2,487,268</u>	<u>\$ 2,345,584</u>

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ 2,378	\$ 876	\$ 380
Financial liabilities at amortised cost			
Short-term borrowings	386,362	368,098	306,016
Accounts payable (including related party transactions)	1,267,694	856,353	803,407
Other payables	280,493	363,447	294,699
Long-term borrowings	724,925	391,429	307,945
	<u>\$ 2,661,852</u>	<u>\$ 1,980,203</u>	<u>\$ 1,712,447</u>
Lease liability	<u>\$ 466,660</u>	<u>\$ 521,386</u>	<u>\$ 294,050</u>

B. Financial risk management policies

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2020.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group uses forward foreign exchange contracts, transacted with Company treasury.
- iii. The Group hedges foreign exchange rate by using forward exchange and cross currency swap contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Notes 6(2) and (12).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB, USD, and EUR). 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, 2021			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 51,786	27.86	\$ 1,442,758
RMB:NTD	4,164	4.31	17,947
EUR:NTD	1,049	33.15	34,774
USD:RMB	9,934	6.46	276,761
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 49,733	27.86	\$ 1,385,561
RMB:NTD	1,978	4.31	8,525
EUR:NTD	492	33.15	16,310
USD:RMB	8,338	6.46	232,297
December 31, 2020			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 40,781	28.48	\$ 1,161,443
RMB:NTD	5,540	4.36	24,154
EUR:NTD	1,152	35.02	40,343
USD:RMB	13,965	6.52	397,723
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 41,198	28.48	\$ 1,173,319
RMB:NTD	803	4.36	3,501
EUR:NTD	765	35.02	26,790
USD:RMB	10,609	6.52	302,144

June 30, 2020			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 37,218	29.63	\$ 1,102,769
RMB:NTD	5,422	4.19	22,718
EUR:NTD	487	33.27	16,202
USD:RMB	8,750	7.08	259,263
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 27,960	29.63	\$ 828,455
RMB:NTD	31,048	4.19	130,091
EUR:NTD	559	33.27	18,598
USD:RMB	9,722	7.08	288,063

- v. The total exchange gain (loss), including realised and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and six months ended June 30, 2021 and 2020 amounted to \$4,557, (\$4,262), \$10,995 and (\$5,066), respectively.

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

Six months ended June 30, 2021				
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%	\$	14,428	\$ -
RMB:NTD	1%		179	-
EUR:NTD	1%		348	-
USD:RMB	1%		2,768	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	13,856)	\$ -
RMB:NTD	1%	(	85)	-
EUR:NTD	1%	(	163)	-
USD:RMB	1%	(	2,323)	-
Six months ended June 30, 2020				
Sensitivity analysis				
	Degree of variation		Effect on profit or loss	Effect on other comprehensive income
(Foreign currency : functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	11,028	\$ -
RMB:NTD	1%		227	-
EUR:NTD	1%		162	-
USD:RMB	1%		2,593	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	8,285)	\$ -
RMB:NTD	1%	(	1,301)	-
EUR:NTD	1%	(	186)	-
USD:RMB	1%	(	2,881)	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares issued by the overseas and domestic companies. 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, post-tax profit for the six months ended June 30, 2021 and 2020 would have increased/decreased by \$5 and \$21, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$1,185 and \$1,464, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost and at fair value through profit or loss.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a optimised credit rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored.
- iii. Impairment assessment of credit risk on financial assets at amortised cost is as follows:
 - (i) The Group adopts following assumptions under IFRS 9, 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.
 - (ii) In line with credit risk management procedure, when the counterparty is unable to pay the past-due payables, the default has occurred.

- (iii) The Group used the forecastability to adjust historical and timely information and considered credit rating of issue banks to assess the default possibility of accounts and notes receivable.
- (iv) The Group's financial assets at amortised cost are including time deposits deposited in banks and restricted time deposits. Such banks all have optimised credit rating, no past due has occurred, and no significant changes in the entire economic environment, therefore no credit loss is expected and the impact to the financial statement is remote.
- iv. Impairment assessment of credit risk on accounts and notes receivable is as follows:
- (i) The Group classifies customers' accounts and notes receivable in accordance with credit rating of customer. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- (ii) The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts and notes receivable. As of June 30, 2021, December 31, 2020 and June 30, 2020, the provision matrix is as follows:

	<u>Not past due</u>	<u>90 days past due</u>	<u>91-180 days past due</u>	<u>Over 181 days past due</u>	<u>Total</u>
<u>June 30, 2021</u>					
Expected loss rate	0%-1%	0%-1%	0%-1%	0%-1%	
Total book value	\$ 730,238	\$ 241,335	\$ 128,434	\$ 23,074	\$ 1,123,081
Loss allowance	\$ -	\$ 1	\$ 12	\$ 256	\$ 269
	<u>Not past due</u>	<u>90 days past due</u>	<u>91-180 days past due</u>	<u>Over 181 days past due</u>	<u>Total</u>
<u>December 31, 2020</u>					
Expected loss rate	0%-1%	0%-1%	0%-1%	0%-1%	
Total book value	\$ 639,758	\$ 315,461	\$ 15,642	\$ 2,248	\$ 973,109
Loss allowance	\$ -	\$ 3	\$ 2	\$ 273	\$ 278
	<u>Not past due</u>	<u>90 days past due</u>	<u>91-180 days past due</u>	<u>Over 181 days past due</u>	<u>Total</u>
<u>June 30, 2020</u>					
Expected loss rate	0%-1%	0%-1%	0%-1%	0%-1%	
Total book value	\$ 723,881	\$ 404,879	\$ 5,407	\$ 731	\$ 1,134,898
Loss allowance	\$ -	\$ 2	\$ 3	\$ 698	\$ 703

- (iii) Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts and notes receivable are as follows:

	<u>2021</u>	<u>2020</u>
At January 1	\$ 278	\$ 1,253
Write-offs of uncollectible receivables	- (	1,212)
(Reversal of) provision for impairment loss	(4)	663
Effect of exchange rate changes	(5)	(1)
At June 30	<u>\$ 269</u>	<u>\$ 703</u>

- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of other receivables. As of June 30, 2021, December 31, 2020 and June 30, 2020, the provision matrix is as follows:

	Not past due	90 days past due	91-180 days past due	Over 181 days past due	Total
<u>June 30, 2021</u>					
Expected loss rate	0%	0%	0%	0%	
Total book value	\$ 30,793	\$ 15,603	\$ 6	\$ 161	\$ 46,563
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -
	Not past due	90 days past due	91-180 days past due	Over 181 days past due	Total
<u>December 31, 2020</u>					
Expected loss rate	0%	0%	0%	0%	
Total book value	\$ 32,151	\$ 5,285	\$ 722	\$ -	\$ 38,158
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -
	Not past due	90 days past due	91-180 days past due	Over 181 days past due	Total
<u>June 30, 2020</u>					
Expected loss rate	0%	0%	0%	0%	
Total book value	\$ 42,949	\$ 432	\$ -	\$ -	\$ 43,381
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Company treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- iii. 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.

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
June 30, 2021						
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$ 331,110	\$ 55,794	\$ -	\$ -	\$ -	\$ 386,904
Accounts payable	1,107,937	159,757	-	-	-	1,267,694
Other payables	280,493	-	-	-	-	280,493
Long-term borrowings	14,519	68,377	163,326	530,561	16,228	793,011
Lease liability	16,956	50,867	67,823	203,468	161,141	500,255
<u>Derivative financial liabilities</u>	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Forward foreign exchange transactions and forward exchange swap transaction	\$ 2,378	\$ -	\$ -	\$ -	\$ -	\$ 2,378
December 31, 2020						
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$ 319,824	\$ 48,488	\$ -	\$ -	\$ -	\$ 368,312
Accounts payable	768,871	87,482	-	-	-	856,353
Other payables	363,447	-	-	-	-	363,447
Long-term borrowings	800	58,541	78,339	264,760	25,377	427,817
Lease liability	16,935	50,806	67,741	203,224	195,169	533,875
<u>Derivative financial liabilities</u>	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Forward foreign exchange transactions	\$ 876	\$ -	\$ -	\$ -	\$ -	\$ 876
June 30, 2020						
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$ 174,369	\$ 132,282	\$ -	\$ -	\$ -	\$ 306,651
Accounts payable	754,775	48,632	-	-	-	803,407
Other payables	294,699	-	-	-	-	294,699
Long-term borrowings	586	20,472	76,904	215,183	1,291	314,436
Lease liability	9,578	28,734	38,312	114,935	150,056	341,615
<u>Derivative financial liabilities</u>	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Forward foreign exchange transactions	\$ 380	\$ -	\$ -	\$ -	\$ -	\$ 380

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's derivative instruments and emerging stocks are included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, financial assets at amortised cost, other financial assets, short-term borrowings, accounts payable and other payables are approximate to their fair values.

C. 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 are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

June 30, 2021	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Foreign exchange swap contracts	\$ -	\$ 248	\$ -	\$ 248
Forward foreign exchange contracts	-	226	-	226
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	118,504	118,504
	<u>\$ -</u>	<u>\$ 474</u>	<u>\$ 118,504</u>	<u>\$ 118,978</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange swap transactions	\$ -	\$ 35	\$ -	\$ 35
Forward foreign exchange contracts	-	2,343	-	2,343
	<u>\$ -</u>	<u>\$ 2,378</u>	<u>\$ -</u>	<u>\$ 2,378</u>

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Forward exchange swap transactions and forward foreign exchange contracts	\$ -	\$ 5,275	\$ -	\$ 5,275
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	114,443	114,443
	<u>\$ -</u>	<u>\$ 5,275</u>	<u>\$ 114,443</u>	<u>\$ 119,718</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	<u>\$ -</u>	<u>\$ 876</u>	<u>\$ -</u>	<u>\$ 876</u>
 June 30, 2020	 Level 1	 Level 2	 Level 3	 Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Forward exchange swap transactions and forward foreign exchange contracts	\$ -	\$ 2,132	\$ -	\$ 2,132
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	146,400	146,400
	<u>\$ -</u>	<u>\$ 2,132</u>	<u>\$ 146,400</u>	<u>\$ 148,532</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	<u>\$ -</u>	<u>\$ 380</u>	<u>\$ -</u>	<u>\$ 380</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. When assessing non-standard and low-complexity financial instruments, for example, interest rate swap contracts and foreign exchange swap contracts, 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.
- ii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models

used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

D. For the six months ended June 30, 2021 and 2020, there was no transfer between Level 1 and Level 2.

E. As of June 30, 2020, convertible bonds amounting to \$5,996 were converted into 205,432 preferred shares. The following chart is the movement of Level 3 for the six months ended June 30, 2021 and 2020:

	2021		
	Equity securities	Derivative instruments	Total
At January 1	\$ 114,443	\$ -	\$ 114,443
Gain recognised in other comprehensive income	6,385	-	6,385
Net exchange differences	(2,324)	-	(2,324)
At June 30	<u>\$ 118,504</u>	<u>\$ -</u>	<u>\$ 118,504</u>

	2020		
	Equity securities	Derivative instruments	Total
At January 1	\$ 224,207	\$ 5,996	\$ 230,203
Transfers for the period	5,926	(5,926)	-
Loss recognised in other comprehensive income	(82,466)	-	(82,466)
Net exchange differences	(1,267)	(70)	(1,337)
At June 30	<u>\$ 146,400</u>	<u>\$ -</u>	<u>\$ 146,400</u>

F. Treasury department is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price.

G. 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:

	Fair value at	Valuation	Significant unobservable	Range	Relationship of
	June 30, 2021	technique	input	(weighted average)	inputs to fair value
Non-derivative equity instrument:					
\$	11,177	Market comparable companies	Discount for lack of marketability P/B ratio	30%	The higher the discount
Unlisted shares				100%	for lack of marketability, the lower the fair value
	-	Discounted cash flow	Long-term pre-tax operating margin	Not applicable	The higher the long-term pre-tax operating margin, the higher the fair value
Unlisted shares					
Venture capital shares	107,327	Net asset value	Not applicable	Not applicable	The higher the net assets value, the higher the fair value
	Fair value at	Valuation	Significant unobservable	Range	Relationship of
	December 31, 2020	technique	input	(weighted average)	inputs to fair value
Non-derivative equity instrument:					
\$	8,660	Market comparable companies	Discount for lack of marketability P/B ratio	30%	The higher the discount
Unlisted shares				100%	for lack of marketability, the lower the fair value
	12,457	Discounted cash flow	Long-term pre-tax operating margin	Not applicable	The higher the long-term pre-tax operating margin, the higher the fair value
Unlisted shares					
Venture capital shares	93,326	Net asset value	Not applicable	Not applicable	The higher the net assets value, the higher the fair value
	Fair value at	Valuation	Significant unobservable	Range	Relationship of
	June 30, 2020	technique	input	(weighted average)	inputs to fair value
Non-derivative equity instrument:					
\$	11,292	Market comparable companies	Discount for lack of marketability P/B ratio	30%	The higher the discount
Unlisted shares				100%	for lack of marketability, the lower the fair value
	12,960	Discounted cash flow	Long-term pre-tax operating margin	Not applicable	The higher the long-term pre-tax operating margin, the higher the fair value
Unlisted shares					
Venture capital shares	122,148	Net asset value	Not applicable	Not applicable	The higher the net assets value, the higher the fair value

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets categorised within Level 3 if the inputs used to valuation models have changed:

			June 30, 2021			
	Input	Change	Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instruments	Discount for lack of marketability	±10%	\$ -	\$ -	\$ 479	\$ 479
	P/B ratio	±10%	-	-	1,118	(1,118)
	Long-term pre-tax operating margin	±1%	-	-	-	-
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,597</u>	<u>(\$ 639)</u>
			December 31, 2020			
	Input	Change	Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instruments	Discount for lack of marketability	±10%	\$ -	\$ -	\$ 371	(\$ 371)
	P/B ratio	±10%	-	-	866	(866)
	Long-term pre-tax operating margin	±1%	-	-	133	(133)
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,370</u>	<u>(\$ 1,370)</u>

			June 30, 2020			
	Input	Change	Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instruments	Discount for lack of marketability	±10%	\$ -	\$ -	\$ 338	(\$ 338)
	P/B ratio	±10%	-	-	1,129	(1,129)
	Long-term pre-tax operating margin	±1%	-	-	130	(130)
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,597</u>	<u>(\$ 1,597)</u>

(4) Other

Due to the impact of the COVID-19 pandemic in 2021, there were supply problems in raw materials and shortage of workers in the production line of the suppliers in Mainland China and the operating revenue of the Group was therefore affected. However, the Group expects that the impact will be gradually reduced as the pandemic has been stabilised, the suppliers have gradually resumed their production and the Company has rearranged the Group's resources for the operational adjustments and countermeasures.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period: Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative financial instruments undertaken during the reporting periods: Please refer to Note 6(2) (12).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third areas, with investee companies in the Mainland China: Please refer to table 7.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker, which is the General Manager, that are used to make strategic decisions and the Group was identified as a single reportable segment.

(2) Measurement of segment information

The Group's General Manager assesses the performance of the operating segments based on the pre-tax net income (loss).

(3) Information about segment profit or loss, assets and liabilities

	Six months ended June 30	
	2021	2020
Revenue from external customers	\$ 2,002,885	\$ 2,008,402
Inter-segment revenue	\$ 661,584	\$ 792,473
Total segment revenue	\$ 2,664,469	\$ 2,800,875
Segment (loss) income	(\$ 193,842)	\$ 6,222
Segment assets	\$ 5,758,860	\$ 4,865,649
Segment liabilities	\$ 3,544,486	\$ 2,316,208

(4) Reconciliation for segment income (loss)

Total measurement of segment income is consistent with the operating income shown in the Group's financial statements. Therefore, no reconciliation was needed.

Microelectronics Technology, Inc. and Subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Six months ended June 30, 2021

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of June 30, 2021				Note
				Number of shares	Book value	Ownership (%)	Fair value	
Microelectronics Technology, Inc.	Stocks - Taiwan Aerospace Corporation	None	Financial assets at fair value through other comprehensive income	648,576	\$ 11,177	0.48	\$ 11,177	
Sasson International Holding, Inc.	Stocks - Optical Scientific, Inc.	None	Financial assets at fair value through profit or loss	16,023	-	5.02	-	
Sasson International Holding, Inc.	Stocks - Firetide, Inc.	None	Financial assets at fair value through profit or loss	1,333,360	-	2.24	-	
Sasson International Holding, Inc.	Stocks - Taicom Capital Ltd.	None	Financial assets at fair value through other comprehensive income	20,000	107,327	Note	107,327	
Sasson International Holding, Inc.	Stocks - New Edge Signal Solutions LCC	None	Financial assets at fair value through other comprehensive income	1,355,663	-	12.5	-	
Sasson International Holding, Inc.	Stocks - Kymeta Corporation	None	Financial assets at fair value through other comprehensive income	205,432	-	0.05	-	

Note: Holding of 10,000 ordinary shares and 10,000 preference shares for 11.43% and 16.67% ownership, respectively.

Microelectronics Technology, Inc. and Subsidiaries
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
Six months ended June 30, 2021

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Note
Microelectronics Technology, Inc.	Jupiter Technology (wuxi), Inc.	Indirect subsidiary of the Company	Purchases	\$ 269,103	13%	60 days	Not applicable	Not applicable	(\$ 206,564)	(17%)	
Jupiter Technology (wuxi), Inc.	Microelectronics Technology, Inc.	Parent Company	Sales	(269,103)	(42%)	60 days	Not applicable	Not applicable	206,564	97%	

Microelectronics Technology, Inc. and Subsidiaries
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
Six months ended June 30, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2021	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Jupiter Technology (wuxi), Inc.	Microelectronics Technology, Inc.	Parent company	\$ 206,564	2.40	\$ -	\$ -	\$ -	\$ -

Microelectronics Technology, Inc. and Subsidiaries
Significant inter-company transactions during the reporting periods
Six months ended June 30, 2021

Table 4

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	Microelectronics Technology, Inc.	Jupiter Technology (wuxi), Inc.	1	Purchases and processing overhead	\$ 269,103	Same as those to the third parties	13.44%
0	Microelectronics Technology, Inc.	Jupiter Technology (wuxi), Inc.	1	Accounts payable	206,564	Payment term is 60 days from invoice date	3.59%
0	Microelectronics Technology, Inc.	Jupiter Technology (wuxi), Inc.	1	Other current liabilities	11,913	Based on the mutual agreement	0.21%
0	Microelectronics Technology, Inc.	MTI Laboratory, Inc.	1	Research and development expenses	61,350	Same as those to the third parties	3.06%
0	Microelectronics Technology, Inc.	MTI Laboratory, Inc.	1	Accrued expense	61,013	Based on the mutual agreement	1.06%
0	Microelectronics Technology, Inc.	Radiocomp ApS	1	Research and development expenses	76,403	Same as those to the third parties	3.81%
0	Microelectronics Technology, Inc.	Radiocomp ApS	1	Accrued expense	13,923	Based on the mutual agreement	0.24%

Note 1: The information of transactions between the Company and the subsidiaries should be noted in “Number” column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationship with counterparties are as follows:

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiaries to the Company.

(3) The consolidated subsidiaries to other consolidated subsidiaries.

Note 3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note 4: Only transaction amounts over \$10 million were disclosed and if transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it was not required to be disclosed separately.

Microelectronics Technology, Inc. and Subsidiaries
Information on investees
Six months ended June 30, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2021			Investment income		Note
				Balance as at June 30, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the six months ended June 30, 2021	(loss) recognised by the Company for the six months ended June 30, 2021	
Microelectronics Technology, Inc.	Sasson International Holding, Inc.	British Virgin Is.	Investment management	\$ 908,778	\$ 908,778	3,920	100	\$ 1,529,191	\$ 8,721	\$ 22,832	Note 1
Sasson International Holding, Inc.	Welltop Technology Co., Ltd.	British Virgin Is.	Investment management	218,255	234,863	7,834,000	100	324,721	7,488	7,488	Note 2
Sasson International Holding, Inc.	Jupiter Network Corp.	British Virgin Is.	Investment management	865,660	931,533	31,071,800	100	1,000,347	44	44	Note 2
Welltop Technology Co., Ltd.	MTI Laboratory, Inc.	U.S.A	Communications	41,790	44,970	1,500,000	100	132,400	3,339	3,339	Note 2
Welltop Technology Co., Ltd.	Radiocomp ApS	Denmark	Communications	130,998	140,966	1,527,944	100	172,837	4,149	4,149	Note 2

Note 1: Subsidiary of the Company.
Note 2: Indirect subsidiary of the Company.

Microelectronics Technology, Inc. and Subsidiaries
Information on investees in Mainland China
Six months ended June 30, 2021

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the six months ended		Accumulated amount of remittance from Taiwan to Mainland China as of	Net income of investee for the six months ended June 30, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended June 30, 2021 (Note 2)	Book value of investments in Mainland China as of June 30, 2021	Accumulated amount of investment income remitted back to Taiwan as of		Note
				January 1, 2021	Remitted to Mainland China	Remitted back to Taiwan	June 30, 2021					June 30 2021	June 30 2021	
Jupiter Technology (wuxi), Inc. (Note 1)	The manufactures and sales of satellite and microwave communication system and related technical and consultation services	\$ 863,660	Through investing in an existing company in the third area, which then invested in the investee in Mainland China.	\$ 863,660	\$ -	\$ -	\$ 863,660	\$ 44	100	\$ 44	\$ 1,000,308	\$ -	-	-

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2021	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
Microelectronics Technology, Inc.	\$ 974,264	\$ 1,086,763	\$ 1,328,624

Note 1: It was indirectly invested through Jupiter Network Corp.
Note 2: Investment profit or loss was recognised based on the financial statements that were reviewed by R.O.C. parent company’s CPA.

Microelectronics Technology, Inc. and Subsidiaries
Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas
Six months ended June 30, 2021

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing		Interest during the six months ended		Others (Note)
	Amount	%	Amount	%	Balance	%	Balance at June 30, 2021	Purpose	Maximum balance during the six months ended June 30, 2021	Balance at June 30, 2021	Interest rate	June 30, 2021	
Jupiter Technology (wuxi), Inc.	\$ 269,103	12	\$ -	-	(\$ 206,564)	16	\$ -	-	\$ -	\$ -	-	\$ -	\$ 11,913

Note: It consisted of current liabilities amounting to \$11,913.

Microelectronics Technology, Inc. and Subsidiaries

Major shareholders information

June 30, 2021

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Name of major shareholders	No. of shares held	Ownership (%)
Cybertan Technology Inc.	58,046,995	25.45%

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data disclosed was the settlor's separate account for the fund set by the trustee.

As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.