

**ZENITRON CORPORATION 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 Zenitron Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Zenitron Corporation 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 related 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

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

Basis for qualified conclusion

As explained in Note 4(3)B, the financial statements of certain insignificant consolidated subsidiaries were not reviewed by independent auditors. Total assets of these subsidiaries amounted to NT\$2,173,853 thousand and NT\$1,993,045 thousand, constituting 11% and 13% of the consolidated total assets as at June 30, 2021 and 2020, respectively, total liabilities amounted to NT\$1,167,521 thousand and NT\$884,291 thousand, both constituting 8% of the consolidated total liabilities as at June 30, 2021 and 2020, respectively, and the total comprehensive (loss) income amounted to (NT\$6,670) thousand, NT\$21,325 thousand, (NT\$2,823) thousand and (NT\$17,736) thousand, constituting (4)%, 7%, (1)% and (2.8)% of the consolidated total comprehensive income for the three months and six months then ended, respectively.

Qualified conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent auditors as described in the *Basis for qualified conclusion* section above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 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.

Chen, Chin-Chang

Yi-Fan Lin

For and on behalf of PricewaterhouseCoopers, Taiwan

August 13, 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 audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

ZENITRON CORPORATION 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 | | | | | | | |
| Cash and cash equivalents | 6(1) | \$ 1,423,881 | 8 | \$ 1,676,223 | 9 | \$ 1,280,430 | 8 |
| Financial assets at fair value through profit or loss - current | 6(2) | 15,223 | - | 25,307 | - | 20,520 | - |
| Financial assets at fair value through other comprehensive income - current | 6(3) | 736 | - | 858,856 | 4 | 1,126,096 | 7 |
| Notes receivable, net | 6(4) | 311,589 | 2 | 220,785 | 1 | 187,534 | 1 |
| Accounts receivable, net | 6(4) | 9,010,872 | 47 | 9,146,660 | 47 | 6,543,255 | 43 |
| Other receivables | | 71,184 | - | 100,253 | 1 | 53,223 | - |
| Inventories, net | 6(5) | 6,473,677 | 34 | 6,377,512 | 33 | 5,299,917 | 35 |
| Other current assets | | 130,053 | 1 | 84,546 | 1 | 115,513 | 1 |
| Total current assets | | <u>17,437,215</u> | <u>92</u> | <u>18,490,142</u> | <u>96</u> | <u>14,626,488</u> | <u>95</u> |
| Non-current assets | | | | | | | |
| Financial assets at fair value through other comprehensive income - non-current | 6(3) | 928,688 | 5 | 95,894 | 1 | 97,905 | 1 |
| Property, plant and equipment | 6(6) | 430,215 | 2 | 440,004 | 2 | 440,461 | 3 |
| Right-of-use assets | 6(7) | 80,989 | 1 | 98,306 | 1 | 95,384 | 1 |
| Investment property, net | 6(9) and 8 | 36,764 | - | 37,036 | - | 37,307 | - |
| Deferred income tax assets | | 61,398 | - | 63,504 | - | 52,395 | - |
| Other non-current assets | 8 | 65,337 | - | 65,291 | - | 64,224 | - |
| Total non-current assets | | <u>1,603,391</u> | <u>8</u> | <u>800,035</u> | <u>4</u> | <u>787,676</u> | <u>5</u> |
| Total assets | | <u>\$ 19,040,606</u> | <u>100</u> | <u>\$ 19,290,177</u> | <u>100</u> | <u>\$ 15,414,164</u> | <u>100</u> |

(Continued)

ZENITRON CORPORATION 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 | | | | | | | |
| Short-term borrowings | 6(10) | \$ 7,458,020 | 39 | \$ 8,668,103 | 45 | \$ 5,408,722 | 35 |
| Short-term notes and bills payable | 6(11) | 649,465 | 3 | 549,506 | 3 | 499,556 | 3 |
| Notes payable | | 6,121 | - | 2,528 | - | 7,051 | - |
| Accounts payable | | 4,811,924 | 25 | 4,403,301 | 23 | 3,773,279 | 25 |
| Other payables | | 874,261 | 5 | 447,222 | 2 | 527,281 | 3 |
| Current income tax liabilities | | 119,246 | 1 | 59,326 | - | 9,729 | - |
| Current lease liabilities | 6(7) | 42,484 | - | 40,234 | - | 36,075 | - |
| Other current liabilities | | 99,231 | 1 | 72,945 | 1 | 79,738 | 1 |
| Total current liabilities | | <u>14,060,752</u> | <u>74</u> | <u>14,243,165</u> | <u>74</u> | <u>10,341,431</u> | <u>67</u> |
| Non-current liabilities | | | | | | | |
| Deferred income tax liabilities | | 114,468 | 1 | 114,468 | 1 | 114,468 | 1 |
| Non-current lease liabilities | 6(7) | 40,341 | - | 59,073 | - | 58,946 | - |
| Other non-current liabilities | | 70,313 | - | 71,913 | - | 67,709 | 1 |
| Total non-current liabilities | | <u>225,122</u> | <u>1</u> | <u>245,454</u> | <u>1</u> | <u>241,123</u> | <u>2</u> |
| Total liabilities | | <u>14,285,874</u> | <u>75</u> | <u>14,488,619</u> | <u>75</u> | <u>10,582,554</u> | <u>69</u> |
| Equity attributable to owners of parent | | | | | | | |
| Share capital | 6(13) | | | | | | |
| Common stock | | 2,138,249 | 11 | 2,138,249 | 11 | 2,138,249 | 14 |
| Capital surplus | 6(14) | | | | | | |
| Capital surplus | | 958,734 | 5 | 958,734 | 5 | 958,734 | 6 |
| Retained earnings | 6(15) | | | | | | |
| Legal reserve | | 718,200 | 4 | 718,200 | 4 | 718,200 | 5 |
| Unappropriated retained earnings | | 684,306 | 4 | 643,662 | 3 | 362,396 | 2 |
| Other equity interest | | | | | | | |
| Other equity interest | | 255,243 | 1 | 342,713 | 2 | 654,031 | 4 |
| Total equity attributable to owners of parent | | <u>4,754,732</u> | <u>25</u> | <u>4,801,558</u> | <u>25</u> | <u>4,831,610</u> | <u>31</u> |
| Total equity | | <u>4,754,732</u> | <u>25</u> | <u>4,801,558</u> | <u>25</u> | <u>4,831,610</u> | <u>31</u> |
| Significant contingent liabilities and unrecognised contract commitments | 9 | | | | | | |
| Significant subsequent events | 11 | | | | | | |
| Total liabilities and equity | | <u>\$ 19,040,606</u> | <u>100</u> | <u>\$ 19,290,177</u> | <u>100</u> | <u>\$ 15,414,164</u> | <u>100</u> |

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

ZENITRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(Expressed in thousands of New Taiwan Dollars, except for earnings per share)
(UNAUDITED)

| Items | Notes | Three months ended June 30 | | | | Six months ended June 30 | | | |
|---|-------|----------------------------|-------|--------------|-------|--------------------------|-------|---------------|-------|
| | | 2021 | | 2020 | | 2021 | | 2020 | |
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| Operating Revenue | 6(16) | \$ 10,371,851 | 100 | \$ 7,210,819 | 100 | \$ 20,839,924 | 100 | \$ 13,432,378 | 100 |
| Operating Costs | 6(5) | (9,729,008) | (94) | (6,831,451) | (95) | (19,641,181) | (94) | (12,711,051) | (95) |
| Gross profit | | 642,843 | 6 | 379,368 | 5 | 1,198,743 | 6 | 721,327 | 5 |
| Operating Expenses | 6(20) | | | | | | | | |
| Selling expenses | | (273,978) | (2) | (190,345) | (3) | (504,991) | (2) | (369,893) | (3) |
| General and administrative expenses | | (92,245) | (1) | (82,845) | (1) | (163,163) | (1) | (142,794) | (1) |
| Total operating expenses | | (366,223) | (3) | (273,190) | (4) | (668,154) | (3) | (512,687) | (4) |
| Operating Profit | | 276,620 | 3 | 106,178 | 1 | 530,589 | 3 | 208,640 | 1 |
| Non-operating Income and Expenses | | | | | | | | | |
| Interest income | | 786 | - | 2,781 | - | 1,425 | - | 3,940 | - |
| Other income | 6(17) | 15,138 | - | 5,385 | - | 21,765 | - | 20,285 | - |
| Other gains and losses | 6(18) | 22,653 | - | 69,315 | 1 | 37,318 | - | 61,690 | 1 |
| Finance costs | 6(19) | (27,467) | - | (30,710) | - | (57,805) | - | (69,783) | (1) |
| Total non-operating income and expenses | | 11,110 | - | 46,771 | 1 | 2,703 | - | 16,132 | - |
| Profit before Income Tax | | 287,730 | 3 | 152,949 | 2 | 533,292 | 3 | 224,772 | 1 |
| Income tax expense | 6(21) | (41,696) | - | (13,671) | - | (94,701) | (1) | (34,273) | - |
| Profit for the Period | | \$ 246,034 | 3 | \$ 139,278 | 2 | \$ 438,591 | 2 | \$ 190,499 | 1 |
| Other Comprehensive Income | | | | | | | | | |
| Components of other comprehensive income (loss) that will not be reclassified to profit or loss | | | | | | | | | |
| Unrealised gains from investments in equity instruments measured at fair value through other comprehensive income | 6(3) | (\$ 35,795) | - | \$ 195,284 | 3 | (\$ 27,138) | - | \$ 478,519 | 4 |
| Components of other comprehensive income (loss) that will be reclassified to profit or loss | | | | | | | | | |
| Exchange differences on translation of foreign financial statements | | (47,049) | (1) | (43,019) | (1) | (51,979) | - | (29,216) | - |
| Other Comprehensive Income for the Period | | (\$ 82,844) | (1) | \$ 152,265 | 2 | (\$ 79,117) | - | \$ 449,303 | 4 |
| Total Comprehensive Income | | \$ 163,190 | 2 | \$ 291,543 | 4 | \$ 359,474 | 2 | \$ 639,802 | 5 |
| Net profit attributable to: | | | | | | | | | |
| Owners of the parent | | \$ 246,034 | 3 | \$ 139,278 | 2 | \$ 438,591 | 2 | \$ 190,499 | 1 |
| Non-controlling interest | | - | - | - | - | - | - | - | - |
| | | \$ 246,034 | 3 | \$ 139,278 | 2 | \$ 438,591 | 2 | \$ 190,499 | 1 |
| Comprehensive income attributable to: | | | | | | | | | |
| Owners of the parent | | \$ 163,190 | 2 | \$ 291,543 | 4 | \$ 359,474 | 2 | \$ 639,802 | 5 |
| Non-controlling interest | | - | - | - | - | - | - | - | - |
| | | \$ 163,190 | 2 | \$ 291,543 | 4 | \$ 359,474 | 2 | \$ 639,802 | 5 |
| Earnings per Share (in dollars) | 6(22) | | | | | | | | |
| Basic earnings per share | | \$ 1.15 | | \$ 0.65 | | \$ 2.05 | | \$ 0.89 | |
| Diluted earnings per share | | \$ 1.15 | | \$ 0.65 | | \$ 2.04 | | \$ 0.89 | |

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

ZENITRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(Expressed in thousands of New Taiwan Dollars)
(UNAUDITED)

| | Notes | Equity attributable to owners of the parent | | | | | | Total equity |
|---|-------|---|-----------------|---------------|----------------------------------|-----------------------|---|--------------|
| | | Share capital - common stock | Capital surplus | Legal reserve | Unappropriated retained earnings | Other Equity Interest | Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income | |
| <u>Six months ended June 30, 2020</u> | | | | | | | | |
| Balance at January 1, 2020 | | \$ 2,138,249 | \$ 965,034 | \$ 695,154 | \$ 390,067 | (\$ 90,671) | \$ 307,875 | \$ 4,405,708 |
| Net income for the period | | - | - | - | 190,499 | - | - | 190,499 |
| Other comprehensive income (loss) | 6(3) | - | - | - | - | (29,216) | 478,519 | 449,303 |
| Total comprehensive income (loss) | | - | - | - | 190,499 | (29,216) | 478,519 | 639,802 |
| Appropriations and distribution of 2019 earnings | | | | | | | | |
| Legal reserve | 6(15) | - | - | 23,046 | (23,046) | - | - | - |
| Cash dividends | | - | - | - | (207,600) | - | - | (207,600) |
| Cash payment from capital surplus | | - | (6,300) | - | - | - | - | (6,300) |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | 6(3) | - | - | - | 12,476 | - | (12,476) | - |
| Balance at June 30, 2020 | | \$ 2,138,249 | \$ 958,734 | \$ 718,200 | \$ 362,396 | (\$ 119,887) | \$ 773,918 | \$ 4,831,610 |
| <u>Six months ended June 30, 2021</u> | | | | | | | | |
| Balance at January 1, 2021 | | \$ 2,138,249 | \$ 958,734 | \$ 718,200 | \$ 643,662 | (\$ 165,691) | \$ 508,404 | \$ 4,801,558 |
| Net income for the period | | - | - | - | 438,591 | - | - | 438,591 |
| Other comprehensive loss | 6(3) | - | - | - | - | (51,979) | (27,138) | (79,117) |
| Total comprehensive income (loss) | | - | - | - | 438,591 | (51,979) | (27,138) | 359,474 |
| Appropriation and distribution of 2020 earnings (Note) | | | | | | | | |
| Cash dividends | 6(15) | - | - | - | (406,300) | - | - | (406,300) |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | 6(3) | - | - | - | 8,353 | - | (8,353) | - |
| Balance at June 30, 2021 | | \$ 2,138,249 | \$ 958,734 | \$ 718,200 | \$ 684,306 | (\$ 217,670) | \$ 472,913 | \$ 4,754,732 |

Note: The appropriations for cash dividends and cash payment from capital surplus have been resolved by the Board of Directors but have not yet been reported to the shareholders.

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

ZENITRON CORPORATION 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 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| Profit before tax | | \$ 533,292 | \$ 224,772 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Net loss (gain) on financial assets at fair value through profit or loss | 6(18) | 1,733 | (47,097) |
| Expected credit gain | 6(4) | (11,807) | (11,263) |
| Depreciation and amortization | 6(20) | 34,969 | 35,812 |
| Loss on disposal of property, plant and equipment | 6(18) | 186 | 20 |
| Interest expense | 6(19) | 57,805 | 69,783 |
| Interest income | | (1,425) | (3,940) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Financial assets at fair value through profit or loss | | 8,351 | 96,627 |
| Notes and accounts receivable | | 56,791 | 432,379 |
| Other receivables | | 25,190 | 22,832 |
| Inventories | | (96,165) | (1,115,246) |
| Other current assets | | (45,507) | (443) |
| Changes in operating liabilities | | | |
| Notes and accounts payable | | 412,216 | 591,489 |
| Other payables | | 22,396 | (8,022) |
| Other current liabilities | | 26,286 | 25,025 |
| Other non-current liabilities | | (1,600) | (4,640) |
| Cash inflow generated from operations | | 1,022,711 | 308,088 |
| Interest received | | 1,425 | 3,940 |
| Interest paid | | (59,462) | (73,324) |
| Income tax paid | | (26,666) | (31,159) |
| Net cash flows from operating activities | | <u>938,008</u> | <u>207,545</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Acquisition of financial assets at fair value through other comprehensive income | | (29,840) | - |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | | 13,373 | 11,852 |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | | 13,571 | 19,854 |
| Acquisition of property, plant and equipment | 6(6) | (2,374) | (4,505) |
| Proceeds from disposal of property, plant and equipment | | 71 | 91 |
| Decrease (increase) in refundable deposits | | 1,070 | (290) |
| Increase in other non-current assets | | (3,201) | (130) |
| Net cash flows (used in) from investing activities | | <u>(7,330)</u> | <u>26,872</u> |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Decrease in short-term loans | 6(24) | (1,210,083) | (103,586) |
| Increase in short-term notes and bills payable | 6(24) | 99,959 | 75 |
| Payments of lease liabilities | 6(24) | (20,481) | (21,923) |
| Net cash flows used in financing activities | | (1,130,605) | (125,434) |
| Effect of exchange rate changes | | (52,415) | (27,113) |
| Net (decrease) increase in cash and cash equivalents | | (252,342) | 81,870 |
| Cash and cash equivalents at beginning of period | | 1,676,223 | 1,198,560 |
| Cash and cash equivalents at end of period | | <u>\$ 1,423,881</u> | <u>\$ 1,280,430</u> |

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

ZENITRON CORPORATION 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)
(UNAUDITED)

1. HISTORY AND ORGANISATION

Zenitron Corporation (the “Company”) was incorporated as a company limited by shares in October 1982. The Company has been listed on the Taiwan Stock Exchange and started trading since August 26, 2002. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the sales of electrical components.

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

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

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

Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’

The amendment extends the application period of the practical expedient by one year to cover COVID-19-related rent concessions that reduce only lease payments originally due on or before June 30, 2022, provided that all specified conditions are met. The original amendment covered only lease payments originally due on or before June 30, 2021.

(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, basis of consolidation and additional policies 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 at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit 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:
Basis for preparation of the current period financial statements and the 2020 consolidated financial statements is the same.
- B. Subsidiaries included in the consolidated financial statements:

| Name of investor | Name of subsidiaries | Main business activities | Ownership (%) | | | Description |
|------------------|---|--------------------------------|---------------|-------------------|---------------|---------------|
| | | | June 30, 2021 | December 31, 2020 | June 30, 2020 | |
| The Company | Supertronic International Corp. (Supertronic) | Investment business | 100.00 | 100.00 | 100.00 | Note 2 |
| The Company | Yo-Teh Investment Corporation (Yo-Teh) | Investment business | 100.00 | 100.00 | 100.00 | Notes 1 and 2 |
| The Company | Zenicom Corporation (Zenicom) | Sales of electronic components | 100.00 | 100.00 | 100.00 | Note 2 |

| Name of investor | Name of subsidiaries | Main business activities | Ownership (%) | | | Description |
|------------------|---|---|---------------|-------------------|---------------|-------------|
| | | | June 30, 2021 | December 31, 2020 | June 30, 2020 | |
| The Company | Zenitron (HK) Limited (Zenitron (HK)) | Sales of electronic components | 1.47 | 1.47 | 1.47 | Note 2 |
| Supertronic | Zenitron (HK) | Sales of electronic components | 98.53 | 98.53 | 98.53 | Note 2 |
| Supertronic | Zenicom (HK) Limited (Zenicom (HK)) | Sales of electronic components | 100.00 | 100.00 | 100.00 | Note 2 |
| Zenitron (HK) | Zenitron (Shanghai) International Trading Co., Ltd. (Zenitron (Shanghai)) | Sales of electronic components | 100.00 | 100.00 | 100.00 | Note 2 |
| Zenitron (HK) | Zenitron (Shenzhen) Technology Co., Ltd. (Zenitron (Shenzhen)) | Sales of electronic components | 100.00 | 100.00 | 100.00 | Note 2 |
| Zenitron (HK) | Shanghai Zenitron Electronic Trading Co., Ltd. (Shanghai Zenitron) | Sales of electronic components | 100.00 | 100.00 | 100.00 | Note 2 |
| Zenitron (HK) | ZTHC (Shanghai) Co., Ltd. (ZTHC (Shanghai)) | Sales of computer storage device, providing technical service and sales of related components | 100.00 | 100.00 | 100.00 | Note 2 |

Note 1: Yo-Teh, the subsidiary of the Company reduced its capital, which amounted to \$100,833 on June 30, 2020.

Note 2: The individual financial statements of the Company's consolidated subsidiaries as of June 30, 2021 and 2020 were not reviewed by independent auditors, except for Supertronic and Zenitron (HK), whose financial statements were reviewed by independent auditors.

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

Pensions

Defined benefit plans

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

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 was no significant change 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

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|---------------------------------------|----------------------|--------------------------|----------------------|
| Cash on hand and revolving funds | \$ 307 | \$ 944 | \$ 366 |
| Checking accounts and demand deposits | 1,384,570 | 1,446,046 | 1,099,429 |
| Time deposits | 39,004 | 229,233 | 180,635 |
| | <u>\$ 1,423,881</u> | <u>\$ 1,676,223</u> | <u>\$ 1,280,430</u> |

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

B. The Group has no cash and cash equivalents pledged to others.

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

| | <u>June 30, 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 | | | |
| Listed stocks | \$ 24,445 | \$ 45,927 | \$ 46,799 |
| Emerging stocks | 1,163 | 1,163 | 1,130 |
| | 25,608 | 47,090 | 47,929 |
| Valuation adjustment | (10,385) | (21,783) | (27,409) |
| | <u>\$ 15,223</u> | <u>\$ 25,307</u> | <u>\$ 20,520</u> |

A. The Group recognised net (loss) profit amounting to (\$1,051), \$53,196, (\$1,733) and \$47,097 on financial assets at fair value through profit or loss for the three months and six months ended June 30, 2021 and 2020, respectively.

B. The Group acquired disposal proceeds amounting to \$76,182 from disposing Fresco Logic Inc. in the second quarter of 2020. In accordance with the trading contract, part of the disposal proceeds amounting to US\$ 303 thousand will be set aside for any pending expenses, and the remaining amount will be received by the Group one year after the trade date. The Group received the remaining amount in the second quarter of 2021, which was recognised as gain on disposal and shown as other income.

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

D. Information relating to financial assets at fair value through profit or loss is provided in Note 12(3).

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

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|----------------------|----------------------|--------------------------|----------------------|
| Current items | | | |
| Equity instruments | | | |
| Listed stocks | \$ - | \$ 347,990 | \$ 349,790 |
| Emerging stocks | 2,462 | 2,462 | 2,388 |
| | <u>2,462</u> | <u>350,452</u> | <u>352,178</u> |
| Valuation adjustment | (1,726) | 508,404 | 773,918 |
| | <u>\$ 736</u> | <u>\$ 858,856</u> | <u>\$ 1,126,096</u> |
| Non-current items | | | |
| Equity instruments | | | |
| Listed stocks | \$ 342,772 | \$ - | \$ - |
| Unlisted stocks | 111,277 | 95,894 | 97,905 |
| | <u>454,049</u> | <u>95,894</u> | <u>97,905</u> |
| Valuation adjustment | 474,639 | - | - |
| | <u>\$ 928,688</u> | <u>\$ 95,894</u> | <u>\$ 97,905</u> |

- A. The Group has elected to classify stock investments with steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$929,424, \$954,750 and \$1,224,001 as at June 30, 2021, December 31, 2020 and June 30, 2020, respectively. Without considering any collateral held or other credit enhancements, until the end of the reporting period, the maximum credit risk in relation to the financial loss arising from unsatisfied performance obligation of the counterparties is the carrying amount of financial assets.
- B. Aiming to adjust strategic investment, the Group reclassified investments in equity instruments amounting to \$858,283 from current to non-current during the three months ended March 31, 2021, and sold stock investments at fair value amounting to \$13,571 and \$19,854 which resulted to a cumulative gain on disposal of \$8,353 and \$12,476 during the six months ended June 30, 2021 and 2020, respectively.
- C. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

| | <u>Three months ended June 30</u> | |
|--|-----------------------------------|-------------|
| | <u>2021</u> | <u>2020</u> |
| <u>Equity instruments at fair value through other comprehensive income</u> | | |
| Fair value change recognised in other comprehensive income | (\$ 35,795) | \$ 195,284 |
| Cumulative gains reclassified to retained earnings due to derecognition | (\$ 2,116) | (\$ 5,975) |

| | 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 | (\$ 27,138) | \$ 478,519 |
| Cumulative gains reclassified to retained earnings due to derecognition | (\$ 8,353) | (\$ 12,476) |

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

E. Information relating to fair value of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(4) Notes and accounts receivable

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--|---------------------|---------------------|---------------------|
| Notes receivable | \$ 311,589 | \$ 220,785 | \$ 187,534 |
| Accounts receivable | \$ 9,100,691 | \$ 9,255,767 | \$ 6,628,912 |
| Less: Allowance for uncollectible accounts | (89,819) | (109,107) | (85,657) |
| | <u>\$ 9,010,872</u> | <u>\$ 9,146,660</u> | <u>\$ 6,543,255</u> |

A. The Group uses historical experience and takes into consideration the customers' historical default records, current financial conditions and economic conditions of the industry to estimate expected loss rate in recognising loss allowance. In addition, the Group provides for adequate allowance for uncollectible accounts from individual customers where there is an indication that they are impaired based on specific identification or a credit impairment actually occurred and the customers did not provide any collateral.

B. The ageing analysis of accounts and notes receivable 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 | \$ 8,487,495 | \$ 311,589 | \$ 8,688,643 | \$ 220,785 | \$ 6,134,507 | \$ 187,534 |
| Up to 30 days | 420,314 | - | 301,830 | - | 325,039 | - |
| 31 to 90 days | 120,538 | - | 187,497 | - | 89,278 | - |
| Over 90 days | 72,344 | - | 77,797 | - | 80,088 | - |
| | <u>\$ 9,100,691</u> | <u>\$ 311,589</u> | <u>\$ 9,255,767</u> | <u>\$ 220,785</u> | <u>\$ 6,628,912</u> | <u>\$ 187,534</u> |

The above ageing analysis was based on past due date.

C. The Group applies the simplified approach using the provision matrix based on the loss rate methodology to estimate expected credit loss.

D. The Group adjusts historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. On June 30, 2021, December 31, 2020 and June 30, 2020, the provision matrix and loss rate methodology are as follows:

| | <u>Not past due</u> | <u>Up to 30 days past due</u> | <u>31~90 days past due</u> | <u>Over 90 days past due</u> | <u>Total</u> |
|---------------------------|---------------------|-----------------------------------|--------------------------------|----------------------------------|---------------------|
| <u>June 30, 2021</u> | | | | | |
| Expected loss rate | 0.11%-0.54% | 0.11%-2.5% | 0.11%-100% | 0.11%-100% | |
| Total accounts receivable | <u>\$ 8,487,495</u> | <u>\$ 420,314</u> | <u>\$ 120,538</u> | <u>\$ 72,344</u> | <u>\$ 9,100,691</u> |
| <u>December 31, 2020</u> | | | | | |
| Expected loss rate | 0.11%-0.44% | 0.11%-2.5% | 0.11%-100% | 0.11%-100% | |
| Total accounts receivable | <u>\$ 8,688,643</u> | <u>\$ 301,830</u> | <u>\$ 187,497</u> | <u>\$ 77,797</u> | <u>\$ 9,255,767</u> |
| <u>June 30, 2020</u> | | | | | |
| Expected loss rate | 0.11%-0.44% | 0.11%-2.5% | 0.11%-100% | 0.11%-100% | |
| Total accounts receivable | <u>\$ 6,134,507</u> | <u>\$ 325,039</u> | <u>\$ 89,278</u> | <u>\$ 80,088</u> | <u>\$ 6,628,912</u> |

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

| | <u>2021</u> | <u>2020</u> |
|----------------------------------|----------------------------|----------------------------|
| | <u>Accounts receivable</u> | <u>Accounts receivable</u> |
| At January 1 | \$ 109,107 | \$ 97,944 |
| Reversal of impairment loss | (11,807) | (11,263) |
| Transfers to overdue receivables | (6,879) | - |
| Write-offs | - | (492) |
| Effect of foreign exchange | (602) | (532) |
| At June 30 | <u>\$ 89,819</u> | <u>\$ 85,657</u> |

F. As of June 30, 2021, December 31, 2020, June 30, 2020 and January 1, 2020, the balances of receivables (including notes receivable) from contracts with customers amounted to \$9,412,280, \$9,476,552, \$6,816,446 and \$7,249,849, respectively. Without considering any collateral held or other credit enhancements, until the end of the reporting period, the maximum credit risk in relation to the financial loss arising from unsatisfied performance obligation of the counterparties is the carrying amount of financial assets.

G. Transferred financial assets that are derecognised in their entirety

The Group entered into a factoring agreement with financial institutions to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the accounts receivable but is liable for the losses incurred on any business dispute. The Group meets the condition of financial assets derecognition as it did not provide other collaterals except for issuing a promissory note equal to the facility as the collateral. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable, and the related information is as follows:

| June 30, 2021 | | | | | |
|---|--|------------------------|-------------------------------------|---|--|
| <u>Purchaser of accounts receivable</u> | <u>Accounts receivable transferred (amount derecognised)</u> | <u>Amount advanced</u> | <u>Amount available for advance</u> | <u>Interest rate of amount advanced</u> | |
| Chang Hwa Bank | \$ 1,294,180 | \$ 1,294,180 | \$ - | 0.85%~0.94% | |
| Bank SinoPac | 376,557 | 376,557 | - | 0.85%~0.94% | |

| December 31, 2020 | | | | | |
|---|--|----------------------------|------------------------|-------------------------------------|---|
| <u>Purchaser of accounts receivable</u> | <u>Accounts receivable transferred</u> | <u>Amount derecognised</u> | <u>Amount advanced</u> | <u>Amount available for advance</u> | <u>Interest rate of amount advanced</u> |
| Chang Hwa Bank | \$ 1,564,867 | \$ 1,564,867 | \$ 1,564,867 | \$ - | 0.94%~1.16% |
| Bank SinoPac | 217,716 | 206,831 | 206,831 | 10,885 | 0.94%~1.16% |

| June 30, 2020 | | | | | |
|---|--|----------------------------|------------------------|-------------------------------------|---|
| <u>Purchaser of accounts receivable</u> | <u>Accounts receivable transferred</u> | <u>Amount derecognised</u> | <u>Amount advanced</u> | <u>Amount available for advance</u> | <u>Interest rate of amount advanced</u> |
| Chang Hwa Bank | \$ 854,353 | \$ 854,353 | \$ 854,353 | \$ - | 1.06%~1.9% |
| Bank SinoPac | 138,821 | 131,880 | 131,880 | 6,941 | 1.06%~1.9% |

H. Transferred financial assets that are not derecognised in their entirety

(a) The Group entered into a factoring agreement with Chang Hwa Bank to sell its accounts receivable. Under the agreement, the Group transferred the entire accounts receivable and is obligated to provide partial guarantees for the default risk of the transferred accounts receivable. Therefore, the Group did not derecognise these accounts receivable. Related advance payments are recorded under short-term borrowings. As of December 31, 2020, the related information on accounts receivable that were sold but had not reached maturity is as follows:

| | <u>December 31, 2020</u> |
|---------------------------------|--------------------------|
| Accounts receivable transferred | \$ 427,312 |
| Amount advanced | USD 15,000 thousand |

(b) There were no transferred financial assets that are not derecognised in their entirety on June 30, 2021 and 2020.

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

(5) Inventories

| | June 30, 2021 | | |
|-------------------------|---------------------|------------------------------|---------------------|
| | Cost | Allowance for valuation loss | Book value |
| Merchandise inventories | \$ 6,474,490 | (\$ 449,716) | \$ 6,024,774 |
| Inventories in transit | 448,903 | - | 448,903 |
| | <u>\$ 6,923,393</u> | <u>(\$ 449,716)</u> | <u>\$ 6,473,677</u> |

| | December 31, 2020 | | |
|-------------------------|---------------------|------------------------------|---------------------|
| | Cost | Allowance for valuation loss | Book value |
| Merchandise inventories | \$ 6,233,422 | (\$ 412,900) | \$ 5,820,522 |
| Inventories in transit | 556,990 | - | 556,990 |
| | <u>\$ 6,790,412</u> | <u>(\$ 412,900)</u> | <u>\$ 6,377,512</u> |

| | June 30, 2020 | | |
|-------------------------|---------------------|------------------------------|---------------------|
| | Cost | Allowance for valuation loss | Book value |
| Merchandise inventories | \$ 5,222,550 | (\$ 348,357) | \$ 4,874,193 |
| Inventories in transit | 425,724 | - | 425,724 |
| | <u>\$ 5,648,274</u> | <u>(\$ 348,357)</u> | <u>\$ 5,299,917</u> |

The cost of inventories recognised as expense for the period:

| | Three months ended June 30 | |
|---------------------------------|----------------------------|---------------------|
| | 2021 | 2020 |
| Cost of goods sold | \$ 9,671,067 | \$ 6,802,705 |
| Loss on decline in market value | 57,941 | 28,746 |
| | <u>\$ 9,729,008</u> | <u>\$ 6,831,451</u> |

| | Six months ended June 30 | |
|---------------------------------|--------------------------|----------------------|
| | 2021 | 2020 |
| Cost of goods sold | \$ 19,598,508 | \$ 12,691,968 |
| Loss on decline in market value | 42,673 | 19,083 |
| | <u>\$ 19,641,181</u> | <u>\$ 12,711,051</u> |

(6) Property, plant and equipment

| | Land | Buildings and structures | Transportation equipment | Office equipment | Total |
|---|-------------------|--------------------------|--------------------------|------------------|-------------------|
| <u>At January 1, 2021</u> | | | | | |
| Cost | \$ 252,592 | \$ 409,175 | \$ 51,828 | \$ 113,366 | \$ 826,961 |
| Accumulated depreciation | - | (264,545) | (31,918) | (90,494) | (386,957) |
| | <u>\$ 252,592</u> | <u>\$ 144,630</u> | <u>\$ 19,910</u> | <u>\$ 22,872</u> | <u>\$ 440,004</u> |
| <u>2021</u> | | | | | |
| Opening net book amount as at January 1 | \$ 252,592 | \$ 144,630 | \$ 19,910 | \$ 22,872 | \$ 440,004 |
| Additions | - | - | - | 2,374 | 2,374 |
| Disposals | - | - | (185) | (72) | (257) |
| Depreciation charge | - | (3,504) | (2,668) | (4,912) | (11,084) |
| Net exchange differences | - | (606) | (49) | (167) | (822) |
| Closing net book amount as at June 30 | <u>\$ 252,592</u> | <u>\$ 140,520</u> | <u>\$ 17,008</u> | <u>\$ 20,095</u> | <u>\$ 430,215</u> |
| <u>At June 30, 2021</u> | | | | | |
| Cost | \$ 252,592 | \$ 408,159 | \$ 48,986 | \$ 113,930 | \$ 823,667 |
| Accumulated depreciation | - | (267,639) | (31,978) | (93,835) | (393,452) |
| | <u>\$ 252,592</u> | <u>\$ 140,520</u> | <u>\$ 17,008</u> | <u>\$ 20,095</u> | <u>\$ 430,215</u> |
| | Land | Buildings and structures | Transportation equipment | Office equipment | Total |
| <u>At January 1, 2020</u> | | | | | |
| Cost | \$ 252,592 | \$ 408,193 | \$ 52,602 | \$ 110,365 | \$ 823,752 |
| Accumulated depreciation | - | (256,041) | (35,212) | (83,299) | (374,552) |
| | <u>\$ 252,592</u> | <u>\$ 152,152</u> | <u>\$ 17,390</u> | <u>\$ 27,066</u> | <u>\$ 449,200</u> |
| <u>2020</u> | | | | | |
| Opening net book amount as at January 1 | \$ 252,592 | \$ 152,152 | \$ 17,390 | \$ 27,066 | \$ 449,200 |
| Additions | - | - | 3,270 | 1,235 | 4,505 |
| Disposals | - | - | (72) | (39) | (111) |
| Depreciation charge | - | (4,072) | (2,557) | (4,964) | (11,593) |
| Net exchange differences | - | (1,226) | (71) | (243) | (1,540) |
| Closing net book amount as at June 30 | <u>\$ 252,592</u> | <u>\$ 146,854</u> | <u>\$ 17,960</u> | <u>\$ 23,055</u> | <u>\$ 440,461</u> |
| <u>At June 30, 2020</u> | | | | | |
| Cost | \$ 252,592 | \$ 406,304 | \$ 53,592 | \$ 109,964 | \$ 822,452 |
| Accumulated depreciation | - | (259,450) | (35,632) | (86,909) | (381,991) |
| | <u>\$ 252,592</u> | <u>\$ 146,854</u> | <u>\$ 17,960</u> | <u>\$ 23,055</u> | <u>\$ 440,461</u> |

(7) Lease arrangements – lessee

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--------------------------|------------------|-------------------|------------------|
| Right-of-use assets: | | | |
| Buildings and structures | \$ 80,989 | \$ 98,306 | \$ 95,384 |
| Lease liabilities: | | | |
| Current | \$ 42,484 | \$ 40,234 | \$ 36,075 |
| Non-current | 40,341 | 59,073 | 58,946 |
| | <u>\$ 82,825</u> | <u>\$ 99,307</u> | <u>\$ 95,021</u> |

- A. The Group leases various assets including buildings. Rental contracts are typically made for periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise transportation equipment, buildings and structures. Low-value assets comprise office equipment. Right-of-use asset and lease liabilities were not recognised for these leases.
- C. The depreciation charges on right-of-use assets are as follows:

| | <u>Three months ended June 30</u> | |
|--------------------------|-----------------------------------|------------------|
| | <u>2021</u> | <u>2020</u> |
| Buildings and structures | <u>\$ 10,836</u> | <u>\$ 10,917</u> |
| | <u>Six months ended June 30</u> | |
| | <u>2021</u> | <u>2020</u> |
| Buildings and structures | <u>\$ 21,560</u> | <u>\$ 21,765</u> |

- D. For the three months and six months ended June 30, 2021 and 2020, the additions to right-of-use assets were \$1,517, \$94,953, \$5,891 and \$95,659, respectively.
- E. Except for the depreciation charge, the information on profit or loss in relation 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 | \$ 902 | \$ 310 |
| Expense on short-term leases and leases of low-value assets | 3,867 | 3,636 |
| | <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 | \$ 1,867 | \$ 515 |
| Expense on short-term leases and leases of low-value assets | 6,383 | 7,208 |

- F. For the three months and six months ended June 30, 2021 and 2020, the Group's total cash outflow for leases were \$15,201, \$14,911, \$28,731 and \$29,646, respectively.
- G. The Group has applied the practical expedient to "Covid-19-related rent concessions", and recognised the gain from changes in lease payments arising from the rent concessions amounting to \$132 and \$1,045 by increasing other income for the six months ended June 30, 2021 and 2020, respectively.

(8) Lease arrangements – lessor

For the three months and six months ended June 30, 2021 and 2020, the Group recognised rent income in the amounts of \$1,795, \$1,723, \$3,575 and \$3,439, respectively, based on the operating lease agreement, which does not include variable lease payments.

(9) Investment property

| | <u>Land</u> | <u>Buildings</u> | <u>Total</u> |
|---|------------------|------------------|------------------|
| <u>January 1, 2021</u> | | | |
| Cost | \$ 32,466 | \$ 29,941 | \$ 62,407 |
| Accumulated depreciation and impairment | (15,410) | (9,961) | (25,371) |
| | <u>\$ 17,056</u> | <u>\$ 19,980</u> | <u>\$ 37,036</u> |
| <u>2021</u> | | | |
| Opening net book amount as at January 1 | \$ 17,056 | \$ 19,980 | \$ 37,036 |
| Depreciation charge | - | (272) | (272) |
| Closing net book amount as at June 30 | <u>\$ 17,056</u> | <u>\$ 19,708</u> | <u>\$ 36,764</u> |
| <u>June 30, 2021</u> | | | |
| Cost | \$ 32,466 | \$ 29,941 | \$ 62,407 |
| Accumulated depreciation and impairment | (15,410) | (10,233) | (25,643) |
| | <u>\$ 17,056</u> | <u>\$ 19,708</u> | <u>\$ 36,764</u> |
| | <u>Land</u> | <u>Buildings</u> | <u>Total</u> |
| <u>January 1, 2020</u> | | | |
| Cost | \$ 32,466 | \$ 29,941 | \$ 62,407 |
| Accumulated depreciation and impairment | (15,410) | (9,418) | (24,828) |
| | <u>\$ 17,056</u> | <u>\$ 20,523</u> | <u>\$ 37,579</u> |
| <u>2020</u> | | | |
| Opening net book amount as at January 1 | \$ 17,056 | \$ 20,523 | \$ 37,579 |
| Depreciation charge | - | (272) | (272) |
| Closing net book amount as at June 30 | <u>\$ 17,056</u> | <u>\$ 20,251</u> | <u>\$ 37,307</u> |
| <u>June 30, 2020</u> | | | |
| Cost | \$ 32,466 | \$ 29,941 | \$ 62,407 |
| Accumulated depreciation and impairment | (15,410) | (9,690) | (25,100) |
| | <u>\$ 17,056</u> | <u>\$ 20,251</u> | <u>\$ 37,307</u> |

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

| | Three months ended June 30 | |
|---|----------------------------|--------|
| | 2021 | 2020 |
| Rental revenue from investment property | \$ 645 | \$ 637 |
| Direct operating expenses arising from the investment property that generated rental income during the period | \$ 136 | \$ 136 |

| | Six months ended June 30 | |
|---|--------------------------|----------|
| | 2021 | 2020 |
| Rental revenue from investment property | \$ 1,281 | \$ 1,273 |
| Direct operating expenses arising from the investment property that generated rental income during the period | \$ 272 | \$ 272 |

B. The fair value of the investment property held by the Group was \$84,667, \$95,101 and \$89,970 as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively, which were based on the trading prices of nearby areas.

C. Refer to Note 8 for further information on investment property pledged to others as collateral.

(10) Short-term borrowings

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|----------------------|---------------|-------------------|---------------|
| Unsecured borrowings | \$ 7,458,020 | \$ 8,668,103 | \$ 5,408,722 |
| Interest rate range | 0.56%~4.10% | 0.64%~4.25% | 0.81%~4.79% |

A. For the three months and six months ended June 30, 2021 and 2020, the interest expense recognised in profit or loss amounted to \$23,829, \$27,588, \$50,037 and \$63,928, respectively.

B. As of June 30, 2021, December 31, 2020 and June 30, 2020, the Group provided collaterals for the financing facility of short-term borrowings and issued guaranteed notes as collateral in the amount of \$16,045,432, \$15,271,888 and \$15,286,061, respectively.

(11) Short-term notes and bills payable

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--|---------------|-------------------|---------------|
| Short-term notes and bills payable | \$ 650,000 | \$ 550,000 | \$ 500,000 |
| Discount on short-term notes and bills payable | (535) | (494) | (444) |
| | \$ 649,465 | \$ 549,506 | \$ 499,556 |
| Coupon rate | 1%~1.2% | 1%~1.2% | 1%~1.2% |

The abovementioned commercial paper was secured by financial institutions.

(12) 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 contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.
- (b) The pension costs under the defined benefit pension plan of the Company for the three months and six months ended June 30, 2021 and 2020 were \$49, \$114, \$98 and \$228, respectively.
- (c) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2021 amount to \$180.
- 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 not lower than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the three months and six months ended June 30, 2021 and 2020 were \$3,917, \$3,539, \$7,825 and \$7,263, respectively.
- (b) The overseas subsidiaries, Zenitron (HK) Limited, Zenitron (Shanghai) International Trading Co., Ltd, Zenitron (Shenzhen) Technology Co. Ltd., ZTHC (Shanghai) Co., Ltd., and Shanghai Zenitron Electronic Trading Co., Ltd, have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the local pension regulations are based on a certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, aforementioned companies have no further obligations. For the three months and six months ended June 30, 2021 and 2020, the amount of pension expenses that were recognised were \$7,733, (\$1,773), \$15,455 and \$3,029, respectively.
- C. The overseas subsidiaries, Supertronic International Corp., Zenicom (HK) Limited and domestic subsidiaries, Yo-Teh Investment Corporation, have no employees, thus, they have no pension plan.

(13) Share capital

- A. As of June 30, 2021, the Company's authorised capital was \$3,500,000, consisting of 350 million shares of ordinary stock (including 20 million shares reserved for employee stock options), and the paid-in capital was \$2,138,249 with a par value of \$10 (in dollars) per share.
- B. As of June 30, 2021 and 2020, the beginning and ending number of outstanding shares were both 213,825 thousand shares.

(14) 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.

(15) Retained earnings

- A. In accordance with the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, and setting aside or reversal of special reserve in accordance with related laws, if any. The remaining earnings are the distributable earnings for the year.
- B. Dividend policy:
 - (a) The distribution of dividends shall be above 50% of the current year's distributable earnings and the cash dividends distributed shall not be lower than 20% of the current actual earnings distributed.
 - (b) The Board of Directors is authorised to distribute all or part of the dividends and bonus in cash through a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors which shall be reported to the shareholders during their meeting.
 - (c) When the Company has no deficit, the Board of Directors is authorised to distribute all or part of the legal reserve (for the part that exceeds 25% of paid-in capital) and capital surplus if it meets the requirements under the Company Act in cash through a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors which shall be reported to the shareholders during their meeting.
- 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 appropriations of 2020 and 2019 earnings as resolved by the shareholders on July 5, 2021 and June 12, 2020, respectively, are as follows:

(a) The distribution of 2020 and 2019 earnings were as follows:

| | 2020 | | 2019 | |
|----------------|-------------------|---|-------------------|---|
| | Amount | Dividend per share and cash distributed | Amount | Dividend per share and cash distributed |
| Legal surplus | \$ 48,424 | | \$ 23,046 | |
| Cash dividends | 406,300 | \$ 1.90 | 207,600 | \$ 0.9708 |
| | <u>\$ 454,724</u> | | <u>\$ 230,646</u> | |

(b) For the year ended December 31, 2019, the cash payment from capital surplus was \$0.0294 per share, totaling \$6,300.

The aforementioned distribution of 2020 earnings had been approved by the Board of Directors, and reported to the shareholders' meeting on July 5, 2021. Refer to Note 11 for details.

(16) Operating revenue

| | Three months ended June 30 | |
|---------------------------------------|----------------------------|---------------------|
| | 2021 | 2020 |
| Revenue from contracts with customers | <u>\$ 10,371,851</u> | <u>\$ 7,210,819</u> |

| | Six months ended June 30 | |
|---------------------------------------|--------------------------|----------------------|
| | 2021 | 2020 |
| Revenue from contracts with customers | <u>\$ 20,839,924</u> | <u>\$ 13,432,378</u> |

The Group derives revenue from the transfer of goods at a point in time in the following geographical regions:

| Three months ended June 30, 2021 | China | Taiwan | Others | Total |
|-------------------------------------|--|---------------------|-------------------|-------------------|
| | Revenue from external customer contracts | <u>\$ 9,171,685</u> | <u>\$ 931,257</u> | <u>\$ 268,909</u> |

| Three months ended June 30, 2020 | China | Taiwan | Others | Total |
|-------------------------------------|--|---------------------|-------------------|-------------------|
| | Revenue from external customer contracts | <u>\$ 6,204,156</u> | <u>\$ 798,172</u> | <u>\$ 208,491</u> |

| Six months ended June 30, 2021 | China | Taiwan | Others | Total |
|--|----------------------|---------------------|-------------------|----------------------|
| Revenue from external customer contracts | <u>\$ 18,510,343</u> | <u>\$ 1,839,047</u> | <u>\$ 490,534</u> | <u>\$ 20,839,924</u> |
| Six months ended June 30, 2020 | China | Taiwan | Others | Total |
| Revenue from external customer contracts | <u>\$ 11,356,389</u> | <u>\$ 1,725,348</u> | <u>\$ 350,641</u> | <u>\$ 13,432,378</u> |

(17) Other income

| | Three months ended June 30 | |
|--------------------|----------------------------|------------------|
| | 2021 | 2020 |
| Rent income | 1,795 | 1,723 |
| Advertising income | 3,311 | 2,431 |
| Other income | 10,032 | 1,231 |
| | <u>\$ 15,138</u> | <u>\$ 5,385</u> |
| | Six months ended June 30 | |
| | 2021 | 2020 |
| Rent income | 3,575 | 3,439 |
| Advertising income | 6,189 | 4,378 |
| Other income | 12,001 | 12,468 |
| | <u>\$ 21,765</u> | <u>\$ 20,285</u> |

(18) Other gains and losses

| | Three months ended June 30 | |
|---|----------------------------|------------------|
| | 2021 | 2020 |
| Foreign exchange gains | \$ 23,865 | \$ 16,185 |
| (Losses) gains on financial assets at fair value through profit or loss | (1,051) | 53,196 |
| Losses on disposals of property, plant and equipment | (149) | (10) |
| Others | (12) | (56) |
| | <u>\$ 22,653</u> | <u>\$ 69,315</u> |
| | Six months ended June 30 | |
| | 2021 | 2020 |
| Foreign exchange gains | \$ 39,360 | \$ 14,681 |
| (Losses) gains on financial assets at fair value through profit or loss | (1,733) | 47,097 |
| Losses on disposals of property, plant and equipment | (186) | (20) |
| Others | (123) | (68) |
| | <u>\$ 37,318</u> | <u>\$ 61,690</u> |

(19) Finance costs

| | Three months ended June 30 | |
|------------------------|----------------------------|------------------|
| | 2021 | 2020 |
| Interest expense | \$ 23,829 | \$ 27,588 |
| Other interest expense | 3,638 | 3,122 |
| | <u>\$ 27,467</u> | <u>\$ 30,710</u> |

| | Six months ended June 30 | |
|------------------------|--------------------------|------------------|
| | 2021 | 2020 |
| Interest expense | \$ 50,037 | \$ 63,928 |
| Other interest expense | 7,768 | 5,855 |
| | <u>\$ 57,805</u> | <u>\$ 69,783</u> |

(20) Expenses by nature

| | Three months ended June 30 | |
|----------------------------------|----------------------------|------------|
| | 2021 | 2020 |
| Employee benefit expense | | |
| Salary expenses | \$ 179,548 | \$ 158,435 |
| Labour and health insurance fees | 10,695 | 7,255 |
| Pension costs | 11,699 | 1,880 |
| Other personnel expenses | 9,041 | 7,460 |
| Depreciation | 16,317 | 16,748 |
| Amortisation | 1,084 | 1,057 |

| | Six months ended June 30 | |
|----------------------------------|--------------------------|------------|
| | 2021 | 2020 |
| Employee benefit expense | | |
| Salary expenses | \$ 353,678 | \$ 300,550 |
| Labour and health insurance fees | 22,188 | 16,800 |
| Pension costs | 23,378 | 10,520 |
| Other personnel expenses | 17,549 | 14,950 |
| Depreciation | 32,916 | 33,630 |
| Amortisation | 2,053 | 2,182 |

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 3%~12% for employees' compensation and shall not be higher than 3% for directors' remuneration.

B. The Company's directors' remuneration and employees' compensation accounted as operating expenses were as follows:

| | Three months ended June 30 | |
|-------------------------|----------------------------|-----------------|
| | 2021 | 2020 |
| Directors' remuneration | \$ 6,000 | \$ 2,500 |
| Employees' compensation | 8,000 | 5,000 |
| | <u>\$ 14,000</u> | <u>\$ 7,500</u> |

| | Six months ended June 30 | |
|-------------------------|--------------------------|------------------|
| | 2021 | 2020 |
| Directors' remuneration | \$ 10,000 | \$ 4,000 |
| Employees' compensation | 15,000 | 7,000 |
| | <u>\$ 25,000</u> | <u>\$ 11,000</u> |

C. For the six months ended June 30, 2021, the employees' compensation and directors' remuneration were estimated and accrued based on a certain percentage of distributable profit of current year as of the end of reporting period.

D. The employees' compensation of \$18,000 and directors' remuneration of \$15,000 for 2020 were resolved by the Board of Directors and were in agreement with those amounts recognised in the 2020 financial statements.

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

(21) Income taxes

A. Income tax expense

| | Three months ended June 30 | |
|---|----------------------------|------------------|
| | 2021 | 2020 |
| Current tax: | | |
| Current tax on profits for the period | \$ 44,947 | \$ 18,858 |
| Total current tax | <u>44,947</u> | <u>18,858</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (3,251) | (5,187) |
| Total deferred tax | <u>(3,251)</u> | <u>(5,187)</u> |
| Income tax expense | <u>\$ 41,696</u> | <u>\$ 13,671</u> |

| | Six months ended June 30 | |
|---|--------------------------|------------------|
| | 2021 | 2020 |
| Current tax: | | |
| Current tax on profits for the period | \$ 92,595 | \$ 37,858 |
| Total current tax | <u>92,595</u> | <u>37,858</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 2,106 | (3,585) |
| Total deferred tax | <u>2,106</u> | <u>(3,585)</u> |
| Income tax expense | <u>\$ 94,701</u> | <u>\$ 34,273</u> |

B. The Company's and domestic subsidiaries' income tax returns through 2017 and 2019 have been assessed and approved by the Tax Authority, respectively.

(22) Earnings per share

| | Three months ended June 30, 2021 | | |
|--|----------------------------------|---|--|
| | <u>Profit after tax</u> | <u>Weighted average number of ordinary shares outstanding (shares in thousands)</u> | <u>Earnings per share (in dollars)</u> |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 246,034 | 213,825 | \$ 1.15 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 246,034 | 213,825 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 506 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 246,034</u> | <u>214,331</u> | <u>\$ 1.15</u> |

| Three months ended June 30, 2020 | | | |
|--|------------------|--|------------------------------------|
| | Profit after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 139,278 | 213,825 | \$ 0.65 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 139,278 | 213,825 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 358 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 139,278 | 214,183 | \$ 0.65 |

| Six months ended June 30, 2021 | | | |
|--|------------------|--|------------------------------------|
| | Profit after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 438,591 | 213,825 | \$ 2.05 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 438,591 | 213,825 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 806 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 438,591 | 214,631 | \$ 2.04 |

| Six months ended June 30, 2020 | | | |
|--|------------------|--|------------------------------------|
| | Profit after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 190,499 | 213,825 | \$ 0.89 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 190,499 | 213,825 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 612 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 190,499 | 214,437 | \$ 0.89 |

(23) Supplemental cash flow information

| | June 30, 2021 | June 30, 2020 |
|--|---------------|---------------|
| Cash dividends declared but yet to be paid and cash payment from capital surplus | \$ 406,300 | \$ 213,900 |

(24) Changes in liabilities from financing activities

| | Short-term borrowings | Short-term notes and bills payable | Lease liabilities | Liabilities from financing activities-gross |
|--|--------------------------|---------------------------------------|-------------------|---|
| January 1, 2021 | \$ 8,668,103 | \$ 549,506 | \$ 99,307 | \$ 9,316,916 |
| Changes in cash flow from financing activities | (1,210,083) | 99,959 | (20,481) | (1,130,605) |
| Changes in other non-cash items | - | - | 3,999 | 3,999 |
| June 30, 2021 | \$ 7,458,020 | \$ 649,465 | \$ 82,825 | \$ 8,190,310 |

| | Short-term borrowings | Short-term notes and bills payable | Lease liabilities | Liabilities from financing activities-gross |
|--|--------------------------|---------------------------------------|-------------------|---|
| January 1, 2020 | \$ 5,512,308 | \$ 499,481 | \$ 21,715 | \$ 6,033,504 |
| Changes in cash flow from financing activities | (103,586) | 75 | (21,923) | (125,434) |
| Changes in other non-cash items | - | - | 95,229 | 95,229 |
| June 30, 2020 | <u>\$ 5,408,722</u> | <u>\$ 499,556</u> | <u>\$ 95,021</u> | <u>\$ 6,003,299</u> |

(25) Seasonality of operations

Due to the seasonal nature of the 3C electronic channel, higher revenues and operating profits are usually expected in the second half of the year as compared to the first six months.

7. RELATED PARTY TRANSACTIONS

Key management compensation

| | Three months ended June 30 | |
|---|----------------------------|----------|
| | 2021 | 2020 |
| Salaries and other short-term employee benefits | \$ 19,519 | \$ 9,411 |

| | Six months ended June 30 | |
|---|--------------------------|-----------|
| | 2021 | 2020 |
| Salaries and other short-term employee benefits | \$ 34,299 | \$ 19,069 |

8. PLEDGED ASSETS

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

| Pledged assets | Book value | | | Purpose |
|---|------------------|----------------------|------------------|-----------------------|
| | June 30, 2021 | December 31, 2020 | June 30, 2020 | |
| Accounts receivable, net: | | | | |
| Accounts receivable as collateral | \$ - | \$ 427,312 | \$ - | Short-term borrowings |
| Investment property | 2,906 | 2,945 | 2,984 | Short-term borrowings |
| Guarantee deposits paid (shown as 'other non-current assets') | 10,000 | 10,000 | 10,000 | Court deposits |
| | <u>\$ 12,906</u> | <u>\$ 440,257</u> | <u>\$ 12,984</u> | |

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

As of June 30, 2021, other significant commitments were as follows:

As a requirement for the release of imported goods before duty and customs clearance, the Group has applied for customs guarantee with certain banks in the amount of \$20,000.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) The distribution of 2020 earnings had been resolved at the shareholders' meeting on July 5, 2021. Refer to Note 6(15) for details.

(2) The Company issued the fourth domestic unsecured convertible bonds as approved by the regulatory authority on July 12, 2021. The total issuance was not more than \$600 million with a circulation period of three years. The unsecured convertible bonds had been publicly offered on July 30, 2021 and issued on August 3, 2021.

12. OTHERS

(1) Capital risk management

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.

(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 | \$ 15,223 | \$ 25,307 | \$ 20,520 |
| Financial assets at fair value through other comprehensive income | | | |
| Designation of equity instrument | \$ 929,424 | \$ 954,750 | \$ 1,224,001 |

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|--|----------------------|--------------------------|----------------------|
| <u>Financial assets</u> | | | |
| Financial assets at amortised cost / receivables | | | |
| Cash and cash equivalents | \$ 1,423,881 | \$ 1,676,223 | \$ 1,280,430 |
| Notes receivable | 311,589 | 220,785 | 187,534 |
| Accounts receivable | 9,010,872 | 9,146,660 | 6,543,255 |
| Other receivables | 71,184 | 100,253 | 53,223 |
| Guarantee deposits paid (shown as 'other non-current assets') | 56,511 | 57,581 | 56,733 |
| | <u>\$ 10,874,037</u> | <u>\$ 11,201,502</u> | <u>\$ 8,121,175</u> |
| <u>Financial liabilities</u> | | | |
| Financial liabilities at amortised cost | | | |
| Short-term borrowings | \$ 7,458,020 | \$ 8,668,103 | \$ 5,408,722 |
| Short-term notes and bills payable | 649,465 | 549,506 | 499,556 |
| Notes payable | 6,121 | 2,528 | 7,051 |
| Accounts payable | 4,811,924 | 4,403,301 | 3,773,279 |
| Other accounts payable | 874,261 | 447,222 | 527,281 |
| Guarantee deposits received (shown as 'other non-current liabilities') | 3,126 | 3,139 | 3,176 |
| | <u>\$ 13,802,917</u> | <u>\$ 14,073,799</u> | <u>\$ 10,219,065</u> |
| Lease liabilities | <u>\$ 82,825</u> | <u>\$ 99,307</u> | <u>\$ 95,021</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

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, except for the items explained below:

(a) Market risk

Foreign exchange risk

- i. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, RMB and HKD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| | | | | | | | June 30, 2021 | |
|--|-------------------------------|------------------|--|---------------------------|-----------------------------|---|---------------|--|
| | | | Sensitivity analysis | | | | | |
| (Foreign currency: functional currency) | Foreign currency amount | Exchange rate | Book value (In thousands of NTD) | Degree of variation | Effect on profit or loss | Effect on other comprehensive income | | |
| | (In thousands) | | | | | | | |
| <u>Financial assets</u> | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | |
| USD:NTD | \$ 207,491 | 27.81 | \$ 5,770,325 | 1% | \$ 57,703 | \$ - | | |
| JPY:NTD | 296,022 | 0.25 | 74,006 | 1% | 740 | - | | |
| RMB:NTD | 55,508 | 4.28 | 237,574 | 1% | 2,376 | - | | |
| USD:HKD (Note) | 217,966 | 7.76 | 6,061,634 | 1% | 60,616 | - | | |
| JPY:HKD (Note) | 100,585 | 0.07 | 25,146 | 1% | 251 | - | | |
| <u>Financial liabilities</u> | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | |
| USD:NTD | \$ 251,383 | 27.91 | \$ 7,016,100 | 1% | \$ 70,161 | \$ - | | |
| JPY:NTD | 120,754 | 0.25 | 30,189 | 1% | 302 | - | | |
| USD:HKD (Note) | 149,643 | 7.76 | 4,176,536 | 1% | 41,765 | - | | |
| USD:RMB (Note) | 7,880 | 6.46 | 219,931 | 1% | 2,199 | - | | |
| JPY:HKD (Note) | 69,262 | 0.07 | 17,316 | 1% | 173 | - | | |
| December 31, 2020 | | | | | | | | |
| | | | Sensitivity analysis | | | | | |
| (Foreign currency: functional currency) | Foreign currency amount | Exchange rate | Book value (In thousands of NTD) | Degree of variation | Effect on profit or loss | Effect on other comprehensive income | | |
| | (In thousands) | | | | | | | |
| <u>Financial assets</u> | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | |
| USD:NTD | \$ 199,209 | 28.43 | \$ 5,663,512 | 1% | \$ 56,635 | \$ - | | |
| JPY:NTD | 230,186 | 0.27 | 62,150 | 1% | 622 | - | | |
| RMB:NTD | 55,091 | 4.35 | 239,646 | 1% | 2,396 | - | | |
| USD:HKD (Note) | 233,273 | 7.76 | 6,631,961 | 1% | 66,320 | - | | |
| JPY:HKD (Note) | 63,162 | 0.08 | 17,054 | 1% | 171 | - | | |
| <u>Financial liabilities</u> | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | |
| USD:NTD | \$ 281,890 | 28.53 | \$ 8,042,322 | 1% | \$ 80,423 | \$ - | | |
| JPY:NTD | 53,597 | 0.28 | 15,007 | 1% | 150 | - | | |
| USD:HKD (Note) | 160,790 | 7.76 | 4,587,339 | 1% | 45,873 | - | | |
| USD:RMB (Note) | 7,175 | 6.52 | 204,703 | 1% | 2,047 | - | | |
| JPY:HKD (Note) | 46,403 | 0.08 | 12,993 | 1% | 130 | - | | |

June 30, 2020

| (Foreign currency: functional currency) | Foreign currency amount (In thousands) | Exchange rate | Book value (In thousands of NTD) | Sensitivity analysis | | |
|--|---|------------------|--|---------------------------|-----------------------------|---|
| | | | | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 132,201 | 29.58 | \$ 3,910,506 | 1% | \$ 39,105 | \$ - |
| JPY:NTD | 252,754 | 0.27 | 68,244 | 1% | 682 | - |
| RMB:NTD | 54,674 | 4.17 | 227,991 | 1% | 2,280 | - |
| USD:HKD (Note) | 126,712 | 7.76 | 3,748,141 | 1% | 37,481 | - |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 170,664 | 29.68 | \$ 5,065,308 | 1% | \$ 50,653 | \$ - |
| JPY:NTD | 196,725 | 0.28 | 55,083 | 1% | 551 | - |
| USD:HKD (Note) | 88,318 | 7.76 | 2,621,278 | 1% | 26,213 | - |
| USD:RMB (Note) | 4,664 | 7.08 | 138,428 | 1% | 1,384 | - |

Note: The functional currencies of certain consolidated entities are not NTD, thus, this information must be considered when reporting. For example, when a subsidiary's functional currency is RMB, the subsidiary's segments that are involved with USD must be taken into consideration.

ii. The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and six months ended June 30, 2021 and 2020, amounted to \$23,865, \$16,185 \$39,360 and \$14,681, respectively.

(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. An active market refers to a market in which transactions for an asset or liability take place with enough frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks and OTC stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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 and non-financial instruments measured at fair value

(a) The related information on financial and non-financial instruments measured at fair value by level based on the nature, characteristics and risks of the assets and liabilities are as follows:

| June 30, 2021 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|---------------------|----------------|-------------------|---------------------|
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Listed stocks | \$ 14,898 | \$ - | \$ - | \$ 14,898 |
| Emerging stocks | 325 | - | - | 325 |
| Financial assets at fair value through other comprehensive income | | | | |
| Listed stocks | 817,411 | - | - | 817,411 |
| Emerging stocks | 736 | - | - | 736 |
| Unlisted stocks | - | - | 111,277 | 111,277 |
| | <u>\$ 833,370</u> | <u>\$ -</u> | <u>\$ 111,277</u> | <u>\$ 944,647</u> |
| | | | | |
| December 31, 2020 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Listed stocks | \$ 25,054 | \$ - | \$ - | \$ 25,054 |
| Emerging stocks | 253 | - | - | 253 |
| Financial assets at fair value through other comprehensive income | | | | |
| Listed stocks | 858,283 | - | - | 858,283 |
| Emerging stocks | 573 | - | - | 573 |
| Unlisted stocks | - | - | 95,894 | 95,894 |
| | <u>\$ 884,163</u> | <u>\$ -</u> | <u>\$ 95,894</u> | <u>\$ 980,057</u> |
| | | | | |
| June 30, 2020 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Listed stocks | \$ 20,190 | \$ - | \$ - | \$ 20,190 |
| Emerging stocks | 330 | - | - | 330 |
| Financial assets at fair value through other comprehensive income | | | | |
| Listed stocks | 1,125,348 | - | - | 1,125,348 |
| Emerging stocks | 748 | - | - | 748 |
| Unlisted stocks | - | - | 97,905 | 97,905 |
| | <u>\$ 1,146,616</u> | <u>\$ -</u> | <u>\$ 97,905</u> | <u>\$ 1,244,521</u> |

- (b) The methods and assumptions the Group used to measure fair value are as follows:
- i. For the instruments the Group used market quoted prices as their fair values (that is, Level 1), the Group uses the closing price as market quoted price.
 - ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
 - iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk, 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.
 - iv. The Group considers adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.
- C. For the six months ended June 30, 2021 and 2020, there was no transfer between Level 1 and Level 2.
- D. The following chart is the movement of Level 3 for the six months ended June 30, 2021 and 2020:

| | 2021 | 2020 |
|---------------------------------|------------|------------|
| At January 1 | \$ 95,894 | \$ 139,107 |
| Acquired in the period | 29,840 | - |
| Sold in the period | - | (28,598) |
| Proceeds from capital reduction | (13,373) | (11,852) |
| Effect of exchange rate changes | (1,084) | (752) |
| At June 30 | \$ 111,277 | \$ 97,905 |

- E. Investment segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- F. The following is the qualitative information on 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 June 30, 2021 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---------------------------------------|---|--------------------------------------|--------------------------------|--|
| Non-derivative equity instrument: Unlisted shares | \$ 111,277 | Net asset value | Not applicable | Not applicable | Not applicable |
| | Fair value at December 31, 2020 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
| Non-derivative equity instrument: Unlisted shares | \$ 95,854 | Net asset value | Not applicable | Not applicable | Not applicable |
| | Fair value at June 30, 2020 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
| Non-derivative debt instrument: Non-derivative equity instrument: Unlisted shares | \$ 27,500 | Most recent non-active market price | Not applicable | Not applicable | Not applicable |
| Unlisted shares | 70,405 | Net asset value | Not applicable | Not applicable | Not applicable |
| | \$ 97,905 | | | | |

(4) Other matter

Due to the COVID-19 pandemic, the Group has implemented various preventive measures imposed by the government as announced by the Central Epidemic Command Center (CECC) and the epidemic prevention regulations stipulated in the Communicable Disease Control Act, such as real-name registration upon entry, taking turns coming to the office, to reduce the risks of personal contact and cross infection. The pandemic had no significant impact on the Group's overall operations and financial position.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Notes 13(1) A, B and J.

(4) Major shareholders information

The Company has no shareholders with a shareholding ratio above 5%.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry. The Board of Directors who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Segment information

The pre-tax net income is used to measure the operating segment profit (loss) and performance of the operating segments. The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

| | Three months ended June 30 | |
|-------------------------------|----------------------------|--------------|
| | 2021 | 2020 |
| Segment revenue | \$ 10,371,851 | \$ 7,210,819 |
| Segment income | \$ 246,034 | \$ 139,278 |
| Segment income, including: | | |
| Depreciation and amortisation | \$ 17,401 | \$ 17,805 |

| | Six months ended June 30 | |
|-------------------------------|--------------------------|---------------|
| | 2021 | 2020 |
| Segment revenue | \$ 20,839,924 | \$ 13,432,378 |
| Segment income | \$ 438,591 | \$ 190,499 |
| Segment income, including: | | |
| Depreciation and amortisation | \$ 34,969 | \$ 35,812 |

(3) Reconciliation for segment income (loss)

- A. The revenue from external customers reported to the Board of Directors is measured in a manner consistent with that in the statement of comprehensive income.
- B. The Group's Board of Directors assesses performance of operating segments and allocates resources based on pre-tax net income; thus, reconciliation is not needed.

Zenitron Corporation and Subsidiaries

Loans to others

Six months ended June 30, 2021

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

| No. (Note 1) | Creditor | Borrower | General ledger account (Note 2) | Is a related party | Maximum outstanding balance during the six months ended June 30, 2021 (Note 3) | Balance at June 30, 2021 (Note 8) | Actual amount drawn down | Interest rate | Nature of loan (Note 4) | Amount of transactions with the borrower (Note 5) | Reason for short- term financing (Note 6) | Allowance for doubtful accounts | Collateral | | Limit on loans granted to a single party (Note 7) | Ceiling on total loans granted (Note 7) | Footnote |
|-----------------|---|---|---------------------------------------|--------------------------|---|--------------------------------------|-----------------------------|------------------|-------------------------------|--|---|---------------------------------------|------------|-------|--|---|----------|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | Zenitron Coporation | ZTHC (Shanghai) Co., Ltd. | Other receivables | Yes | \$ 613,760 | \$ 599,760 | \$ - | - | 2 | \$ - | Operating capital | \$ - | - | \$ - | \$ 1,901,893 | \$ 1,901,893 | |
| 1 | ZTHC (Shanghai) Co., Ltd. | Zenitron (Shanghai) International Trading Co., Ltd. | Other receivables | Yes | 87,680 | 86,200 | - | - | 2 | - | Operating capital | - | - | - | 707,204 | 707,204 | |
| 1 | ZTHC (Shanghai) Co., Ltd. | Zenitron (Shenzhen) Technology Co., Ltd. | Other receivables | Yes | 263,040 | 258,600 | - | - | 2 | - | Operating capital | - | - | - | 707,204 | 707,204 | |
| 2 | Shanghai Zenitron Electronic Trading Co., Ltd | Zenitron (Shanghai) International Trading Co., Ltd. | Other receivables | Yes | 52,608 | 51,720 | 43,100 | 4.35% | 2 | - | Operating capital | - | - | - | 177,228 | 177,228 | |
| 3 | Supertronic International Corp. | Zenitron Coporation | Other receivables | Yes | 83,580 | 83,580 | - | - | 2 | - | Operating capital | - | - | - | 5,469,808 | 5,469,808 | |

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

(1) The Company is '0'.

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

Note 2: The name of account in which the loans are recognised, such as receivables-related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: The maximum outstanding balance of loans to others for the year.

Note 4: The nature of the loan as follows:

(1) '1' for business transaction.

(2) '2' for short-term financing.

Note 5: The amount of business transactions when nature of the loan is 1, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Purpose of loan when nature of loan is 2, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company's "Procedures for Provision of Loans", the calculation and amount are as follows:

(1) Limit on loans granted to a single party is 40% of the creditor company's net assets based on the latest financial statements.

(2) Ceiling on total loans granted is 40% of the creditor company's net assets based on the latest financial statements.

(3) Limit on loans granted between foreign companies which the Company directly or indirectly holds 100% of their voting shares is 200% of the creditor company's net assets based on the latest financial statements.

Note 8: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of

Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated.

However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments

or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies",

the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though

the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

Zenitron Corporation and Subsidiaries
Provision of endorsements and guarantees to others
Six months ended June 30, 2021

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

| Number (Note 1) | Endorser/ guarantor | Party being endorsed/guaranteed Company name | Relationship with the endorser/ guarantor (Note 2) | Limit on endorsements/ guarantees provided for a single party (Note 3) | Maximum outstanding endorsement/ guarantee amount as of June 30, 2021 (Note 4) | Outstanding endorsement/ guarantee amount at June 30, 2021 (Note 5) | Actual amount drawn down (Note 6) | Amount of endorsements/ guarantees secured with collateral | Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/guarantor company | Ceiling on total amount of endorsements/ guarantees provided (Note 3) | Provision of endorsements/ guarantees by parent company to subsidiary (Note 7) | Provision of endorsements/ guarantees by subsidiary to parent company (Note 7) | Provision of endorsements / guarantees to the party in Mainland China (Note 7) | Footnote |
|--------------------|------------------------|--|--|---|--|---|---|--|--|--|--|--|---|----------|
| | | | | | | | | | | | | | | |
| 0 | Zenitron Coporation | Zenitron (HK) Limited | 3 | \$ 7,132,098 | \$ 2,090,720 | \$ 2,044,480 | \$ 671,710 | \$ - | 43.00% | \$ 7,132,098 | Y | N | N | |
| 0 | Zenitron Coporation | Zenitron (Shenzhen) Technology Co., Ltd. | 3 | 7,132,098 | 536,510 | 527,200 | 315,059 | - | 11.09% | 7,132,098 | Y | N | Y | |
| 0 | Zenitron Coporation | Zenitron (Shanghai) International Trading Co., Ltd. | 3 | 7,132,098 | 783,180 | 774,870 | 289,110 | - | 16.30% | 7,132,098 | Y | N | Y | |
| 0 | Zenitron Coporation | ZTHC (Shanghai) Co., Ltd. | 3 | 7,132,098 | 455,300 | 447,310 | 249,980 | - | 9.41% | 7,132,098 | Y | N | Y | |

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

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/ guaranteed subsidiary.
- (3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/ guaranteed company.
- (4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
- (5) Mutual guarantee of the trade as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: The calculation for and amount of limit on endorsements/guarantees are as follows: (If any contingent loss is recognised in the financial statements, the recognised amount should be indicated)

- (1) Limit on endorsements/guarantees provided for a single party is 150% of the Company's net assets.
- (2) Ceiling on total amount of endorsements/guarantees is 150% of the Company's net assets.

Note 4: The year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities.

And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 6: The actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Zenitron Corporation and Subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
June 30, 2021

Table 3

Expressed in NTD
(Except as otherwise indicated)

| | | | | | As of June 30, 2021 | | | | |
|--------------------------------|--------------------------------|---|----------|---|-------------------------------|---------------------|---------------|---------------|-------------------|
| Securities held by | Marketable securities (Note 1) | Relationship with the securities issuer | | General ledger account | Number of shares (Share/Unit) | Book value (Note 3) | Ownership (%) | Fair value | Footnote (Note 4) |
| | | | (Note 2) | | | | | | |
| Zenitron Corporation | Stock | Yeong Guan Group | - | Current financial assets at fair value through profit or loss | 153,834 | \$ 11,183,732 | 0.14 | \$ 11,183,732 | |
| Zenitron Corporation | Stock | Orient Pharma Co., Ltd. | - | Current financial assets at fair value through other comprehensive income | 39,462 | 736,361 | 0.02 | 736,361 | |
| Zenitron Corporation | Stock | ADLINK TECHNOLOGY INC. | - | Non-current financial assets at fair value through other comprehensive income | 13,334,592 | 817,410,490 | 6.13 | 817,410,490 | |
| Zenitron Corporation | Stock | NU INC. | - | Non-current financial assets at fair value through other comprehensive income | 1,136,364 | 8,610,838 | 7.89 | 8,610,838 | |
| Zenitron Corporation | Stock | Quadlink Technology Inc. | - | Non-current financial assets at fair value through other comprehensive income | 500,000 | 10,000,000 | 3.62 | 10,000,000 | |
| Zenitron Corporation | Stock | MEAN WELL ENTERPRISES CO., LTD. | - | Non-current financial assets at fair value through other comprehensive income | 200,000 | 57,340,000 | 0.13 | 57,340,000 | |
| Zenicom Corporation | Stock | Yeong Guan Group | - | Current financial assets at fair value through profit or loss | 51,087 | 3,714,025 | 0.05 | 3,714,025 | |
| Zenicom Corporation | Stock | Orient Pharma Co., Ltd. | - | Current financial assets at fair value through profit or loss | 17,454 | 325,692 | 0.01 | 325,692 | |
| Supertronic International Corp | Stock | Capital Investment Development Corp. | - | Non-current financial assets at fair value through other comprehensive income | 1,520,000 | 35,326,926 | 3.57 | 35,326,926 | |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 'Financial instruments'.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Zenitron Corporation and Subsidiaries
Purchases or sales of goods from or to related parties reaching NTS100 million or 20% of paid-in capital or more
Six months ended June 30, 2021

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

| Purchaser/seller | Counterparty | Relationship with the counterparty (Note 2) | Transaction | | | Differences in transaction terms compared to third party transactions (Note 1) | | | Notes/accounts receivable (payable) | | Footnote (Note 3) |
|---|---|---|-------------------|--------------|---------------------------------------|--|--|--|-------------------------------------|---|-------------------|
| | | | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | |
| Zenitron Coporation | Zenitron (HK) Limited | 1 | Sales | \$ 3,832,320 | (35) | Approximately 60~90 days after monthly billings | Selling price is based on initial cost plus necessary profit | Approximately 30~120 days after monthly billings for third parties | \$ 1,235,752 | 22 | |
| Zenitron (HK) Limited | Zenitron Coporation | 2 | Purchases | 3,832,320 | 32 | Approximately 60~90 days after monthly billings | Approximately the same as the normal price | Approximately 10~75 days after monthly billings for third parties | (1,235,752) | 42 | |
| Zenitron Coporation | Zenitron (Shanghai) International Trading Co., Ltd. | 1 | Sales | (250,614) | (2) | Approximately 60~90 days after monthly billings | Selling price is based on initial cost plus necessary profit | Approximately 30~120 days after monthly billings for third parties | 54,787 | 1 | |
| Zenitron (Shanghai) International Trading Co., Ltd. | Zenitron Coporation | 2 | Purchases | 250,614 | 34 | Approximately 60~90 days after monthly billings | Approximately the same as the normal price | Approximately 10~75 days after monthly billings for third parties | (54,787) | (33) | |
| Zenitron Coporation | Zenitron (Shenzhen) Technology Co., Ltd. | 1 | Sales | (186,829) | (2) | Approximately 60~90 days after monthly billings | Selling price is based on initial cost plus necessary profit | Approximately 30~120 days after monthly billings for third parties | 46,564 | 1 | |
| Zenitron (Shenzhen) Technology Co., Ltd. | Zenitron Coporation | 2 | Purchases | 186,829 | 31 | Approximately 60~90 days after monthly billings | Approximately the same as the normal price | Approximately 10~75 days after monthly billings for third parties | (46,564) | (36) | |
| Zenitron (HK) Limited | Zenitron (Shenzhen) Technology Co., Ltd. | 3 | Sales | (356,926) | (3) | Approximately 60~90 days after monthly billings | Selling price is based on initial cost plus necessary profit | Approximately 30~120 days after monthly billings for third parties | 45,583 | 1 | |
| Zenitron (Shenzhen) Technology Co., Ltd. | Zenitron (HK) Limited | 3 | Purchases | 356,926 | 59 | Approximately 60~90 days after monthly billings | Approximately the same as the normal price | Approximately 10~75 days after monthly billings for third parties | (45,583) | (36) | |
| Zenitron (HK) Limited | Zenitron (Shanghai) International Trading Co., Ltd. | 3 | Sales | (351,453) | (3) | Approximately 60~90 days after monthly billings | Selling price is based on initial cost plus necessary profit | Approximately 30~120 days after monthly billings for third parties | 58,686 | 1 | |
| Zenitron (Shanghai) International Trading Co., Ltd. | Zenitron (HK) Limited | 3 | Purchases | 351,453 | 47 | Approximately 60~90 days after monthly billings | Approximately the same as the normal price | Approximately 10~75 days after monthly billings for third parties | (58,686) | (35) | |
| Zenicom (HK) Limited | Zenitron Coporation | 2 | Sales | (103,200) | (100) | Approximately 60~90 days after monthly billings | Selling price is based on initial cost plus necessary profit | Approximately 30~120 days after monthly billings for third parties | 26,619 | 100 | |
| Zenitron Coporation | Zenicom (HK) Limited | 1 | Purchases | 103,200 | 1 | Approximately 60~90 days after monthly billings | Approximately the same as the normal price | Approximately 10~75 days after monthly billings for third parties | (26,619) | (1) | |

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NTS10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Zenitron Corporation and Subsidiaries

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
Six months ended June 30, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

| Creditor | Counterparty | Relationship with the counterparty (Note 2) | Balance as at June 30, 2021 (Note 1) | Turnover rate | Overdue receivables | | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|----------------------------|-----------------------|--|--|---------------|---------------------|--------------|--|------------------------------------|
| | | | | | Amount | Action taken | | |
| <u>Accounts receivable</u> | | | | | | | | |
| Zenitron Coporation | Zenitron (HK) Limited | 1 | \$ 1,235,752 | 6.66 | \$ - | - | \$ 278,100 | \$ - |

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties....

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Zenitron Corporation and Subsidiaries
Significant inter-company transactions during the reporting period
Six months ended June 30, 2021

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction | | | Percentage of consolidated total operating revenues or total assets (Note 3) |
|--------------------|-----------------------|---|-----------------------|------------------------|--------------|--|---|
| | | | | General ledger account | Amount | Transaction terms | |
| 0 | Zenitron Coporation | Zenitron (HK) Limited | 1 | Sales | \$ 3,832,320 | Selling price has no obvious difference from the third parties | 18 |
| 0 | Zenitron Coporation | Zenitron (HK) Limited | 1 | Accounts receivable | 1,235,752 | 60~90 days after monthly billings | 6 |
| 0 | Zenitron Coporation | Zenitron (Shanghai) International Trading Co., Ltd. | 1 | Sales | 250,614 | Selling price has no obvious difference from the third parties | 1 |
| 0 | Zenitron Coporation | Zenitron (Shanghai) International Trading Co., Ltd. | 1 | Accounts receivable | 54,787 | 60~90 days after monthly billings | 0 |
| 0 | Zenitron Coporation | Zenitron (Shenzhen) Technology Co., Ltd. | 1 | Sales | 186,829 | Selling price has no obvious difference from the third parties | 1 |
| 0 | Zenitron Coporation | Zenitron (Shenzhen) Technology Co., Ltd. | 1 | Accounts receivable | 46,564 | 60~90 days after monthly billings | 0 |
| 1 | Zenitron (HK) Limited | Zenitron (Shenzhen) Technology Co., Ltd. | 3 | Sales | 356,926 | Selling price has no obvious difference from the third parties | 2 |
| 1 | Zenitron (HK) Limited | Zenitron (Shenzhen) Technology Co., Ltd. | 3 | Accounts receivable | 45,583 | 60~90 days after monthly billings | 0 |
| 1 | Zenitron (HK) Limited | Zenitron (Shanghai) International Trading Co., Ltd. | 3 | Sales | 351,453 | Selling price has no obvious difference from the third parties | 2 |
| 1 | Zenitron (HK) Limited | Zenitron (Shanghai) International Trading Co., Ltd. | 3 | Accounts receivable | 58,686 | 60~90 days after monthly billings | 0 |

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

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Zenitron Corporation and Subsidiaries

Information on investees

Six months ended June 30, 2021

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor | Investee (Notes 1 and 2) | Location | Main business activities | Initial investment amount | | Shares held as at June 30, 2021 | | | Net profit (loss) of the investee for the six months ended June 30, 2021 (Note 2(2)) | Investment income (loss) recognised by the Company for the six months ended June 30, 2021 (Note 2(3)) | Footnote |
|---------------------------------|---------------------------------|-----------|---|--------------------------------|------------------------------------|---------------------------------|---------------|------------|--|---|------------------------|
| | | | | Balance as at June 30, 2021 | Balance as at December 31, 2020 | Number of shares | | | | | |
| | | | | | | (in thousand) | Ownership (%) | Book value | | | |
| Zenitron Coporation | Zenicom Corporation | Taiwan | Trading of electronic components and assembly | \$ 55,854 | \$ 55,854 | 1,520 | 100.00 | \$ 29,257 | (\$ 1,219) | (\$ 1,219) | Subsidiary |
| Zenitron Coporation | Zenitron (HK) Limited | Hong Kong | Trading of electronic components and assembly | 2,008 | 2,008 | 510 | 1.47 | 38,147 | 376,640 | 5,537 | Second-tier subsidiary |
| Zenitron Coporation | Supertronic International Corp. | B. V. I. | Reinvested holding company | 618,023 | 618,023 | 18,704 | 100.00 | 2,734,904 | 371,358 | 371,358 | Subsidiary |
| Zenitron Coporation | Yo-Teh Investment Corporation | Taiwan | Reinvested holding company | 84,167 | 84,167 | 7,700 | 100.00 | 66,372 | 8,697 | 8,697 | Subsidiary |
| Supertronic International Corp. | Zenitron (HK) Limited | Hong Kong | Trading of electronic components and assembly | 471,639 | 471,639 | 34,272 | 98.53 | 2,556,912 | 376,640 | 371,103 | Subsidiary |
| Supertronic International Corp. | Zenicom (HK) Limited | Hong Kong | Trading of electronic components and assembly | 92,780 | 92,780 | 23,800 | 100.00 | 85,806 | 223 | 223 | Subsidiary |

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at June 30, 2021' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee for the six months ended June 30, 2021' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognised by the Company for the six months ended June 30, 2021' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Zenitron Corporation and Subsidiaries
Information on investments in Mainland China
Six months ended June 30, 2021

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method (Note 1) | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021 | Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the six months ended June 30, 2021 | | Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2021 | Net income (loss) 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 June 30, 2021 | Footnote |
|---|---|---|----------------------------------|--|---|---|---|---|---|---|---|--|----------|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| Zenitron (Shanghai) International Trading Co., Ltd. | Trading of electronic components and assembly | \$ 157,730 | (2) | \$ 97,270 | \$ - | \$ - | \$ 97,270 | (\$ 9,114) | 100.00 | (\$ 9,114) | \$ 169,589 | \$ - | |
| ZTHC (Shanghai) Co., Ltd. | Selling computer memory equipment and related components and providing technical support | 116,601 | (2) | 116,601 | - | - | 116,601 | 32,039 | 100.00 | 32,039 | 353,602 | - | |
| Zenitron (Shenzhen) Technology Co., Ltd. | Trading of electronic components and assembly | 93,080 | (2) | 32,620 | - | - | 32,620 | (33,681) | 100.00 | (33,681) | 34,201 | - | |
| Shanghai Zenitron Electronic Trading Co., Ltd. | Trading of electronic components and assembly | 94,760 | (2) | - | - | - | - | 232 | 100.00 | 232 | 88,614 | - | |
| 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 | | | | | | | |
| Zenitron Corporation | | \$ 246,491 | | \$ 443,484 | | \$ 2,852,839 | | | | | | | |

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in Zenitron (HK) Limited, an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: Basis for investment income (loss) recognition is the unreviewed financial statements of the investees.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.