

**LANNER ELECTRONICS INC.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Six Months Ended June 30, 2022 and 2021**

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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## Independent Auditors' Review Report

To the Board of Directors LANNER ELECTRONICS INC.:

### Introduction

We have reviewed the accompanying consolidated balance sheets of LANNER ELECTRONICS INC. ("the Company") and its subsidiaries ("the Group") as of June 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the changes in equity and 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 the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the 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 conducted in accordance with the generally accepted auditing standards 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 stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$430,762 thousand and \$242,031 thousand, constituting 5% and 3% of the consolidated total assets; and the total liabilities amounting to \$96,911 thousand and \$35,383 thousand, constituting 2% and 1% of the consolidated total liabilities as of June 30, 2022 and 2021, respectively; as well as the total comprehensive income (loss) amounting to \$8,912 thousand, \$(2,030) thousand, \$11,005 thousand and \$(6,638) thousand, constituting 4%, (3)%, 3% and (3)% of the consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2022 and 2021, respectively.

**Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews and the review report of another auditor (please refer to Other Matter paragraph), 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 of June 30, 2022 and 2021, and of its consolidated financial performance for the three months and six months then ended, as well as 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” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

**Other Matter**

We did not review the financial statements of LANNER ELECTRONICS USA, INC. (LANNER (USA)), a subsidiary of the Group. Those financial statements were reviewed by another auditor, whose review report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for LANNER (USA) is based solely on the review report of another auditor. The financial statements of LANNER (USA) reflect the total assets amounting to \$1,237,132 thousand and \$763,827 thousand, constituting 16% and 11% of the consolidated total assets as of June 30, 2022 and 2021, as well as the total revenues amounting to \$839,341 thousand, \$526,709 thousand, \$1,330,585 thousand and \$1,069,511 thousand, constituting 36%, 33%, 32% and 32% of the consolidated total revenues for the three months and six months ended June 30, 2022 and 2021, respectively.

The engagement partners on the audit resulting in this independent auditors’ report are Po-Shu Huang and Chung-Shun Wu.

KPMG

Taipei, Taiwan (Republic of China)  
August 4, 2022

**Notes to Readers**

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

The independent auditors’ review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors’ review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2022 and 2021**

**LANNER ELECTRONICS INC. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**June 30, 2022, December 31 and June 30, 2021**

**(Expressed in Thousands of New Taiwan Dollars)**

	June 30, 2022		December 31, 2021		June 30, 2021			June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>Assets</b>													
11xx <b>Current assets:</b>							21xx <b>Current liabilities:</b>						
1100 Cash and cash equivalents (note 6(a))	\$ 1,259,480	16	1,532,616	20	1,595,980	22	2100 Short-term borrowings (note 6(j))	\$ 167,881	2	164,258	2	64,383	1
1110 Current financial assets at fair value through profit or loss (note 6(b))	546,037	7	591,481	8	740,224	10	2322 Current portion of long-term borrowings (notes 6(j) and 8)	-	-	313	-	-	-
1136 Current financial assets at amortised cost, net (note 6(c))	80,000	1	260,000	3	-	-	Current financial liabilities at fair value through profit or loss (notes 6(b) and 7)	11,335	-	10,530	-	12,663	-
1150 Notes receivable, net (note 6(d))	24,799	-	19,060	-	13,825	-	2130 Current contract liabilities (note 6(s))	77,052	1	88,294	1	30,040	-
1170 Accounts receivable, net (note 6(d))	1,427,576	18	1,259,843	16	937,741	13	2170 Accounts payable	1,279,306	16	1,653,402	21	1,265,473	18
1200 Other receivables (notes 6(c) and 7)	20,669	-	22,169	-	6,480	-	2216 Dividend payable (note 6(q))	354,130	4	-	-	389,420	5
130x Inventories (note 6(f))	2,897,197	36	2,532,830	32	2,324,666	32	2219 Other payables (notes 6(t) and 7)	698,241	9	674,500	9	630,608	9
1410 Prepayments	54,611	1	74,192	1	59,621	1	2230 Current tax liabilities	185,844	2	199,446	3	154,026	2
1476 Other financial assets—current (note 8)	1,100	-	3,590	-	2,873	-	2250 Provisions—current (note 6(k))	58,137	1	54,979	1	49,505	1
1479 Other current assets	133,834	2	125,198	2	105,308	2	2280 Current lease liabilities (notes 6(m) and 7)	32,697	-	37,165	-	27,971	-
<b>Total current assets</b>	<b>6,445,303</b>	<b>81</b>	<b>6,420,979</b>	<b>82</b>	<b>5,786,718</b>	<b>80</b>	2399 Other current liabilities (note 6(s))	202,329	3	212,990	2	187,619	3
15xx <b>Non-current assets:</b>							<b>Total current liabilities</b>	<b>3,066,952</b>	<b>38</b>	<b>3,095,877</b>	<b>39</b>	<b>2,811,708</b>	<b>39</b>
1600 Property, plant and equipment (notes 6(h) and 8)	1,201,626	15	1,216,336	16	1,234,680	17	25xx <b>Non-current liabilities:</b>						
1755 Right-of-use assets (notes 6(i) )	84,659	1	102,939	1	99,394	2	2530 Bonds payable (note 6(l))	889,218	11	885,443	11	881,685	12
1840 Deferred income tax assets	101,493	2	100,007	1	73,239	1	2540 Long-term borrowings (notes 6(j) and 8)	-	-	566	-	-	-
1915 Prepayments for equipment	74,427	1	7,964	-	12,974	-	2570 Deferred income tax liabilities	216,713	3	216,706	3	193,684	3
1995 Other non-current assets (note 7)	20,043	-	26,032	-	24,220	-	2580 Non-current lease liabilities (notes 6(m) and 7)	51,997	1	65,828	1	71,605	1
<b>Total non-current assets</b>	<b>1,482,248</b>	<b>19</b>	<b>1,453,278</b>	<b>18</b>	<b>1,444,507</b>	<b>20</b>	2630 Long-term deferred revenue (note 6(s))	38,967	-	36,232	-	32,954	-
							2640 Accrued pension liabilities	39,774	1	39,777	1	39,601	1
							2670 Other non-current liabilities	12,124	-	9,246	-	954	-
							<b>Total non-current liabilities</b>	<b>1,248,793</b>	<b>16</b>	<b>1,253,798</b>	<b>16</b>	<b>1,220,483</b>	<b>17</b>
							<b>Total liabilities</b>	<b>4,315,745</b>	<b>54</b>	<b>4,349,675</b>	<b>55</b>	<b>4,032,191</b>	<b>56</b>
							2xxx <b>Equity attributable to owners of parent (notes 6(g), 6(l), 6(p) and 6(q)):</b>						
							3100 Share capital:						
							3110 Common stock	1,180,424	15	1,170,034	15	1,180,044	16
							3200 Capital surplus	771,090	10	744,705	9	746,143	10
							3300 Retained earnings:						
							3310 Legal reserve	467,203	6	417,739	5	358,912	5
							3320 Special reserve	135,875	2	128,464	2	92,949	1
							3350 Unappropriated retained earnings	1,130,569	14	1,198,582	16	979,926	14
								1,733,647	22	1,744,785	23	1,431,787	20
							3400 Other equity:						
							3410 Financial statements translation differences for foreign operations	(74,126)	(1)	(135,875)	(2)	(132,663)	(2)
							3500 Treasury shares	-	-	-	-	(27,437)	-
							<b>Total equity attributable to owners of parent</b>	<b>3,611,035</b>	<b>46</b>	<b>3,523,649</b>	<b>45</b>	<b>3,197,874</b>	<b>44</b>
							36xx <b>Non-controlling interests</b>	771	-	933	-	1,160	-
							3xxx <b>Total equity</b>	<b>3,611,806</b>	<b>46</b>	<b>3,524,582</b>	<b>45</b>	<b>3,199,034</b>	<b>44</b>
<b>Total assets</b>	<b>\$ 7,927,551</b>	<b>100</b>	<b>7,874,257</b>	<b>100</b>	<b>7,231,225</b>	<b>100</b>	2-3xxx <b>Total liabilities and equity</b>	<b>\$ 7,927,551</b>	<b>100</b>	<b>7,874,257</b>	<b>100</b>	<b>7,231,225</b>	<b>100</b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with generally accepted auditing standards**

**LANNER ELECTRONICS INC. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the three months and six months ended June 30, 2022 and 2021**

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	For the three months ended June 30				For the six months ended June 30				
	2022		2021		2022		2021		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	<b>Operating revenue (note 6(s) )</b>	\$ 2,338,418	100	1,616,142	100	4,141,125	100	3,345,331	100
5000	<b>Operating costs (notes 6(f), 6(h), 6(i), 6(m), 6(n), 6(q) and 6(t))</b>	1,668,800	71	1,195,273	74	2,990,886	72	2,439,114	73
5900	<b>Gross profit, net</b>	669,618	29	420,869	26	1,150,239	28	906,217	27
6000	<b>Operating expenses (notes 6(d), 6(h), 6(i), 6(m), 6(n), 6(q), 6(t) and 7):</b>								
6100	Selling expenses	135,750	6	116,026	7	249,879	6	228,206	7
6200	Administrative expenses	113,577	5	91,164	7	216,350	5	189,231	6
6300	Research and development expenses	160,283	7	133,162	8	315,529	8	272,450	8
6450	Impairment loss determined in accordance with IFRS9	779	-	937	-	(7,435)	-	1,440	-
	<b>Total operating expenses</b>	410,389	18	341,289	22	774,323	19	691,327	21
6900	<b>Operating profit</b>	259,229	11	79,580	4	375,916	9	214,890	6
7000	<b>Non-operating income and expenses (notes 6(l), 6(m), 6(u) and 7):</b>								
7100	Interest income	2,041	-	2,332	-	3,202	-	4,469	-
7010	Other income	5,109	-	8,231	1	16,840	-	15,499	1
7020	Other gains and losses	15,835	1	(5,141)	-	34,073	1	(4,296)	-
7050	Financial costs	(4,338)	-	(3,549)	-	(8,739)	-	(8,181)	-
	<b>Total non-operating income and expenses</b>	18,647	1	1,873	1	45,376	1	7,491	1
7900	<b>Net Income before tax</b>	277,876	12	81,453	5	421,292	10	222,381	7
7950	<b>Less: income tax expenses (benefit) (note 6(o))</b>	46,208	2	(3,018)	-	78,381	2	25,788	1
	<b>Net income</b>	231,668	10	84,471	5	342,911	8	196,593	6
8300	<b>Other comprehensive income (loss) (note 6(p)):</b>								
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>								
8361	Exchange differences on translation of foreign financial statements	1,611	-	(22,006)	(1)	61,668	2	(4,136)	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	1,611	-	(22,006)	(1)	61,668	2	(4,136)	-
8300	<b>Other comprehensive income</b>	1,611	-	(22,006)	(1)	61,668	2	(4,136)	-
8500	<b>Total comprehensive income</b>	\$ <u>233,279</u>	<u>10</u>	<u>62,465</u>	<u>4</u>	<u>404,579</u>	<u>10</u>	<u>192,457</u>	<u>6</u>
	<b>Net income attributable to:</b>								
8610	Owners of parent	\$ 231,704	10	83,126	5	342,992	8	189,063	6
8620	Non-controlling interests	(36)	-	1,345	-	(81)	-	7,530	-
	<b>Total comprehensive income attributable to:</b>	\$ <u>231,668</u>	<u>10</u>	<u>84,471</u>	<u>5</u>	<u>342,911</u>	<u>8</u>	<u>196,593</u>	<u>6</u>
8710	Owners of parent	\$ 233,375	10	62,145	4	404,741	10	184,864	6
8720	Non-controlling interests	(96)	-	320	-	(162)	-	7,593	-
	<b>Total comprehensive income attributable to:</b>	\$ <u>233,279</u>	<u>10</u>	<u>62,465</u>	<u>4</u>	<u>404,579</u>	<u>10</u>	<u>192,457</u>	<u>6</u>
9750	<b>Basic earnings per share (New Taiwan Dollars) (note 6(r))</b>	\$ <u>1.96</u>		<u>0.70</u>		<u>2.92</u>		<u>1.60</u>	
9850	<b>Diluted earnings per share (New Taiwan Dollars) (note 6(r))</b>	\$ <u>1.70</u>		<u>0.62</u>		<u>2.53</u>		<u>1.41</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
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LANNER ELECTRONICS INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings				Financial statements translation differences for foreign operations	Treasury shares	Total equity attributable to owners of parent			
			Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings						
<b>Balance at January 1, 2021</b>	\$ 1,180,044	741,768	358,912	92,949	1,187,707	1,639,568	(128,464)	-	3,432,916	178,091	3,611,007	
Appropriation and distribution of retained earnings:												
Cash dividends	-	-	-	-	(389,420)	(389,420)	-	-	(389,420)	-	(389,420)	
Net income	-	-	-	-	189,063	189,063	-	-	189,063	7,530	196,593	
Other comprehensive income (loss)	-	-	-	-	-	-	(4,199)	-	(4,199)	63	(4,136)	
Total comprehensive income (loss)	-	-	-	-	189,063	189,063	(4,199)	-	184,864	7,593	192,457	
Purchase of treasury share	-	-	-	-	-	-	-	(27,437)	(27,437)	-	(27,437)	
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(7,424)	(7,424)	-	-	(7,424)	(184,524)	(191,948)	
Remuneration cost of employee stock options	-	4,375	-	-	-	-	-	-	4,375	-	4,375	
<b>Balance at June 30, 2021</b>	\$ 1,180,044	746,143	358,912	92,949	979,926	1,431,787	(132,663)	(27,437)	3,197,874	1,160	3,199,034	
<b>Balance at January 1, 2022</b>	\$ 1,170,034	744,705	417,739	128,464	1,198,582	1,744,785	(135,875)	-	3,523,649	933	3,524,582	
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	49,464	-	(49,464)	-	-	-	-	-	-	
Special reserve	-	-	-	7,411	(7,411)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(354,130)	(354,130)	-	-	(354,130)	-	(354,130)	
Net income	-	-	-	-	342,992	342,992	-	-	342,992	(81)	342,911	
Other comprehensive income (loss)	-	-	-	-	-	-	61,749	-	61,749	(81)	61,668	
Total comprehensive income (loss)	-	-	-	-	342,992	342,992	61,749	-	404,741	(162)	404,579	
Remuneration cost of employee stock options	-	2,800	-	-	-	-	-	-	2,800	-	2,800	
Issuance of shares for exercise of employee stock options	10,390	23,585	-	-	-	-	-	-	33,975	-	33,975	
<b>Balance at June 30, 2022</b>	\$ 1,180,424	771,090	467,203	135,875	1,130,569	1,733,647	(74,126)	-	3,611,035	771	3,611,806	

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**LANNER ELECTRONICS INC. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the six months ended June 30, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from (used in) operating activities:</b>		
Consolidated net income before tax	\$ 421,292	222,381
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit and loss:</b>		
Depreciation expense	66,086	64,573
Impairment loss (gain) determined in accordance with IFRS9	(7,435)	1,440
Net gain on financial assets or liabilities at fair value through profit or loss	(852)	(362)
Interest expense	8,739	8,181
Interest income	(3,202)	(4,469)
Share-based payment transactions	2,800	4,375
Loss on disposal of property, plant and equipment	-	1
Total adjustments to reconcile profit	<u>66,136</u>	<u>73,739</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets or liabilities at fair value through profit or loss	46,296	(195,437)
Notes receivable	(5,739)	(7,349)
Accounts receivable	(161,396)	60,800
Accounts receivable due from related parties	-	26
Other receivables	2,339	4,187
Inventories	(364,367)	(585,424)
Prepayments	19,581	19,867
Other current assets	(8,636)	(23,595)
Other financial assets—current	2,416	(22)
Total changes in operating assets, net	<u>(469,506)</u>	<u>(726,947)</u>
Changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	805	(357)
Contract liabilities	(11,242)	(7,140)
Accounts payable	(374,096)	202,960
Other payables	27,082	(3,710)
Provisions	3,158	4,559
Other current liabilities	(9,768)	(7,194)
Net defined benefit liabilities	(3)	1
Deferred revenue	1,842	(3,094)
Total changes in operating liabilities, net	<u>(362,222)</u>	<u>186,025</u>
Total changes in operating assets and liabilities, net	<u>(831,728)</u>	<u>(540,922)</u>
Total adjustments	<u>(765,592)</u>	<u>(467,183)</u>
Cash used in operating activities	(344,300)	(244,802)
Interest income received	3,276	4,429
Interest paid	(6,614)	(3,038)
Income taxes paid	(91,983)	(5,075)
<b>Net cash used in operating activities</b>	<u>(439,621)</u>	<u>(248,486)</u>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of financial assets at amortised cost	180,000	-
Acquisition of property, plant and equipment	(16,426)	(39,582)
Proceeds from disposal of property, plant and equipment	-	1,058
Decrease (increase) in refundable deposits	4,319	(229)
Decrease (increase) in other non-current assets	1,670	(6,400)
Increase in prepayments for equipment	(70,836)	(4,668)
<b>Net cash provided by (used in) investing activities</b>	<u>98,727</u>	<u>(49,821)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	-	139,707
Decrease in short-term borrowings	-	(420,280)
Repayments of long-term borrowings	(915)	-
Payment of lease liabilities	(22,020)	(21,193)
Increase in other non-current liabilities	2,878	(32)
Proceeds from exercise of employee stock options	33,975	-
Payments to acquire treasury shares	-	(27,437)
Acquisition of ownership interests in subsidiaries	-	(179,637)
<b>Net cash provided by (used in) financing activities</b>	<u>13,918</u>	<u>(508,872)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>53,840</u>	<u>(3,161)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(273,136)</u>	<u>(810,340)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>1,532,616</u>	<u>2,406,320</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 1,259,480</u>	<u>1,595,980</u>

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
Reviewed only, not audited in accordance with generally accepted auditing standards

## LANNER ELECTRONICS INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

#### (1) Company history

LANNER ELECTRONICS INC. (the Company) was incorporated on October 30, 1986, under the laws of the Republic of China (ROC). The Company and its subsidiaries (the Group) are mainly engaged in the manufacturing and trading of computer peripheral equipment, computer software design and development services, and related information processing trade business.

#### (2) Approval date and procedures of the consolidated financial statements

The consolidated financial statements were authorized for issue by the Board of Directors on August 4, 2022.

#### (3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

**(4) Summary of significant accounting policies**

Except for the following, the significant accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2021. For related information, please referred to note 4 of the consolidated financial statement for the year ended December 31, 2021.

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (Regulations) and IAS 34 "Interim Financial Reporting", which was endorsed and issued into effect by the FSC. These consolidated financial statements do not include all of the information required by the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC) for the year-end consolidated financial statements.

(Continued)

**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Basis of consolidation

The basis for consolidation applied in these consolidated financial statements is consistent with that applied in the consolidated financial statements for the year ended December 31, 2021. For the related information, please refer to note 4(c) to the consolidated financial statements for the year ended December 31, 2021.

List of subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Scope of business	Percentage of ownership			Note
			June 30, 2022	December 31, 2021	June 30, 2021	
The Company	LANNER ELECTRONICS USA, INC. (LANNER (USA))	Trading of computer peripheral products	100.00 %	100.00 %	100.00 %	
The Company	LANNER ELECTRONICS (MAURITIUS) INC. (LANNER (MAURITIUS))	Investing	100.00 %	100.00 %	100.00 %	
The Company	LANNER ELECTRONICS CANADA LTD. (LCA)	Trading of computer peripheral products	100.00 %	100.00 %	100.00 %	Notes 2 and 5
The Company	LANNER TECHNOLOGY JAPAN Co., Ltd. (LANNER (JAPAN))	Trading of computer peripheral products	80.00 %	80.00 %	80.00 %	Note 5
The Company	Whitebox Solutions Inc.	Manufacture and trading of computer peripheral products	100.00 %	100.00 %	100.00 %	Note 5
The Company	Lanner Europe B.V. (LNL)	Trading of computer peripheral products	100.00 %	100.00 %	-	% Notes 3 and 5
The Company	LannerTech electronics Inc.	Trading of computer peripheral products	100.00 %	100.00 %	-	% Notes 4 and 5
LANNER (MAURITIUS)	LANCOM HOLDING CO., LTD. (LANCOM)	Investing	100.00 %	100.00 %	100.00 %	
LANCOM	Beijing L&S Lancom Platform Tech. Co., Ltd. (L&S)	Trading of computer peripheral products	100.00 %	100.00 %	100.00 %	Note 1
LANCOM	Lanner Technology (Dongguan) Co., Ltd. (Lanner Technology)	Manufacture and trading of computer peripheral products	100.00 %	100.00 %	100.00 %	Note 5
L&S	Dongguan Lihua Haiwell Tech. Co., Ltd. (Haiwell)	Manufacture and trading of computer peripheral products	100.00 %	100.00 %	100.00 %	

Note 1: On March 4, 2021, the board of directors approved the Group's acquisition of 20% shares of Beijing L&S Lancom Platform Tech. Co., Ltd. The acquisition process was completed in May 2021.

Note 2: On May 25, 2021, LEI TECHNOLOGY CANADA LTD. filed to change its name to LANNER ELECTRONICS CANADA LTD.

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**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Note 3: The Group established a new Branch, LNL, in July 2021, with investment amount of \$28,006 thousand.

Note 4: The Group established a new Branch, LannerTech electronics Inc., in August 2021, with investment amount of \$6,000 thousand.

Note 5: It is an insignificant subsidiary, and its financial statements have not been reviewed.

(c) **Employee benefits**

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other one time events.

(d) **Income tax**

Income tax expense for the period is best estimated by multiplying pretax income of the reporting period by the effective annual tax rate which was forecasted by the management. This should be recognized fully as tax expense for the current period and allocated to current and deferred taxes based on its proportionate size.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty**

The preparation of the consolidated financial statements is in conformity with IAS 34 "Interim Financial Reporting" endorsed by FSC. The standard requires management to make judgments, estimations and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

During the preparation of the consolidated financial statements, except for additional information, the management adopts similar method used in accounting policy judgements and assumptions which are in conformity with note 5 of the consolidated financial statements for the year ended December 31, 2021.

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**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(6) Explanation of significant accounts**

Except for the following disclosures, there were no material differences in description of significant accounts between the interim consolidated financial statements for the current period and the 2021 consolidated financial statements. Please refer to note 6 of the consolidated financial statements for the year ended December 31, 2021.

(a) Cash and cash equivalents

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Cash on hand	\$ 363	360	353
Demand deposits	329,778	542,579	443,489
Checking deposits	7,680	8,902	8,246
Time deposits	350,247	147,400	928,400
Foreign currency deposits	<u>571,412</u>	<u>833,375</u>	<u>215,492</u>
Cash and cash equivalents per consolidated statements of cash flow	<u>\$ 1,259,480</u>	<u>1,532,616</u>	<u>1,595,980</u>

Please refer to note 6(v) for the credit risk, exchange rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging— forward exchange contracts	\$ -	1,945	-
Non-derivative financial assets— open end funds	501,858	572,246	671,615
Non-derivative financial assets— financing products	<u>44,179</u>	<u>17,290</u>	<u>68,609</u>
Total	<u>\$ 546,037</u>	<u>591,481</u>	<u>740,224</u>
	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Financial liabilities held for trading:			
Derivative instruments not used for hedging— forward exchange contracts	\$ <u>57</u>	<u>-</u>	<u>352</u>

Please refer to note 6(u) for the gains or losses on financial assets and liabilities remeasured at fair value through profit or loss.

(Continued)

**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group uses derivative financial instruments to manage the exposures due to fluctuations of foreign exchange risk from its operating activities. The Group reported the following mandatorily measured at fair value through profit or loss and derivative instruments not used for hedging without the application of hedge accounting:

	<b>June 30, 2022</b>		
	<b>Contract amount (thousand dollars)</b>	<b>Currency</b>	<b>Maturity dates</b>
Forward exchange sold	USD      6,000 / TWD     178,238	USD/TWD	July 7, 2022~ August 8, 2022
	<b>December 31, 2021</b>		
	<b>Contract amount (thousand dollars)</b>	<b>Currency</b>	<b>Maturity dates</b>
Forward exchange sold	USD      19,000 / TWD     527,825	USD/TWD	January 7, 2022~ April 7, 2022
	<b>June 30, 2021</b>		
	<b>Contract amount (thousand dollars)</b>	<b>Currency</b>	<b>Maturity dates</b>
Forward exchange sold	USD      7,000 / TWD     194,710	USD/TWD	July 9, 2021~ September 7, 2021

The Group had not provided any financial assets mentioned above as collateral as of June 30, 2022, December 31 and June 30, 2021.

(c) Financial assets measured at amortized cost

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Time deposits	\$ <b>80,000</b>	<b>260,000</b>	-
Interest rate (%)	0.55~0.925	0.53~0.55	-
Maturity dates	2022.07~ 2022.12	2022.02~ 2022.06	-

The Group has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

As of June 30, 2022, December 31 and June 30, 2021, the Group's financial assets measured at amortized cost had not pledged as collateral.

(Continued)

**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Notes and accounts receivable (including related parties)

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Notes receivable	\$ 24,799	19,060	13,825
Accounts receivable	1,463,325	1,301,929	973,923
Less: allowance for impairment	<u>35,749</u>	<u>42,086</u>	<u>36,182</u>
	<u>\$ 1,452,375</u>	<u>1,278,903</u>	<u>951,566</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision in Asia (except China), America, and Europe was determined as follows:

	<u>June 30, 2022</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 1,193,549	0.13%~1.93%	3,171
1 to 30 days past due	66,729	1.95%~15.00%	1,484
31 to 60 days past due	3,037	16.05%~18.00%	546
61 to 90 days past due	1,222	18.75%~30%	367
91 to 120 days past due	-	30%~100%	-
More than 121 days past due	<u>12,753</u>	100%	<u>12,753</u>
	<u>\$ 1,277,290</u>		<u>18,321</u>
	<u>December 31, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 1,037,583	0.13%~1.93%	1,358
1 to 30 days past due	32,560	1.95%~15.00%	638
31 to 60 days past due	8,152	16.05%~18.00%	1,308
61 to 90 days past due	32	18.75%~30%	6
91 to 120 days past due	1,662	30%~100%	501
More than 121 days past due	<u>21,088</u>	100%	<u>21,088</u>
	<u>\$ 1,101,077</u>		<u>24,899</u>

(Continued)

**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>June 30, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 760,632	0.11%~1.57%	952
1 to 30 days past due	25,306	2.91%~5.13%	746
31 to 60 days past due	5,792	5.75%~32.04%	749
61 to 90 days past due	1,054	36.51%~45.75%	421
91 to 120 days past due	1,005	53.08%~70.84%	710
More than 121 days past due	18,606	100%	18,606
	<b>\$ 812,395</b>		<b>22,184</b>

The loss allowance provision in China was determined as follows:

	<b>June 30, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 190,745	0.70%~0.98%	1,385
1 to 30 days past due	4,037	1.24%~1.32%	50
31 to 60 days past due	60	1.04%~1.93%	1
61 to 90 days past due	-	2.36%~2.45%	-
91 to 120 days past due	-	2.36%~4.33%	-
121 to 150 days past due	-	6.25%	-
151 to 180 days past due	-	25.00%	-
More than 181 days past due	15,992	100%	15,992
	<b>\$ 210,834</b>		<b>17,428</b>

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 192,633	0.90%~0.98%	1,753
1 to 30 days past due	4,152	1.24%~1.32%	51
31 to 60 days past due	7,152	1.04%~1.93%	138
61 to 90 days past due	748	2.36%~2.45%	18
91 to 120 days past due	-	2.00%	-
121 to 150 days past due	-	6.25%	-
151 to 180 days past due	-	25.00%	-
More than 181 days past due	15,227	100%	15,227
	<b>\$ 219,912</b>		<b>17,187</b>

(Continued)



**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>June 30, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 158,910	1.01%	1,582
1 to 30 days past due	882	1.13%	10
31 to 60 days past due	456	1.41%	6
61 to 90 days past due	-	3.48%	-
91 to 120 days past due	-	3.45%	-
121 to 150 days past due	-	12.99%	-
151 to 180 days past due	5,633	51.98%	2,928
More than 181 days past due	9,472	100%	9,472
	<b>\$ 175,353</b>		<b>13,998</b>

The movement in the allowance for notes and accounts receivable was as follows:

	<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>
Balance on January 1	\$ 42,086	34,743
Impairment (reversed) losses recognized	(7,435)	1,440
Foreign exchange losses (gains)	1,098	(1)
Balance on June 30	<b>\$ 35,749</b>	<b>36,182</b>

The Group has not provided the notes and accounts receivable as collateral or factored them for cash. For other credit risk information, please refers to note 6(v).

(e) Other receivables

	<b>December 31,</b>		
	<b>June 30, 2022</b>	<b>2021</b>	<b>June 30, 2021</b>
Other receivables – related parties	\$ 29	479	57
Other	59,518	59,729	52,734
Less Loss allowance	38,878	38,039	46,311
	<b>\$ 20,669</b>	<b>22,169</b>	<b>6,480</b>

The movement in the allowance for other receivables was as follows:

	<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>
Balance on January 1	\$ 38,039	46,389
Foreign exchange losses (gains)	839	(78)
Balance on June 30	<b>\$ 38,878</b>	<b>46,311</b>

For other credit risk information, please refers to note 6(v).

(Continued)

**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (f) Inventories

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Merchandise	\$ 48	338	353
Finished goods	1,178,919	1,070,913	859,054
Work in process	463,517	352,158	298,735
Raw material	1,254,713	1,109,421	1,166,524
Total	<u>\$ 2,897,197</u>	<u>2,532,830</u>	<u>2,324,666</u>

Inventories are measured at the lower of cost and net realizable value. Hence, the Group makes judgments and estimates in the net realizable value of inventory for financial statement. The rapid development on technology may significantly affect the market demand on electronic products, which can lead to product obsolescence, resulting in the cost of inventory to exceed its net realizable value. Valuation of the inventory is based according to the estimated future demand for its products. Hence, there is a possibility for the valuation to have a significant fluctuation.

As of June 30, 2022, December 31 and June 30, 2021, the Group's financial assets measured at amortized cost had not pledged as collateral.

Aside from charging operating costs through the ordinary sale of inventories, other gains and losses directly recorded under operating costs were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Loss on market value of inventory	<u>\$ 39,581</u>	<u>7,267</u>	<u>78,155</u>	<u>22,798</u>

## (g) Changes in a parent's ownership interest in a subsidiary – Acquisitions of NCI

In May of 2021, the Group acquired equity interest in Beijing L&S Lancom Platform Tech. Co. Ltd. for \$179,637 thousand in cash, increasing its ownership from 80% to 100%.

The effects of the changes in shareholdings were as follows:

Carrying amount of non-controlling interest on acquisition	\$ 184,524
Consideration paid to non-controlling interests	(179,637)
Contingent consideration – measured at fair value through profit and loss – current	<u>(12,311)</u>
Unappropriated retained earning – Differences between consideration and carrying amounts of subsidiary acquired	<u>\$ (7,424)</u>

(Continued)

**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Total</u>
Cost or deemed cost:					
Balance at January 1, 2022	\$ 519,167	674,347	163,945	573,145	1,930,604
Additions	-	-	4,204	12,222	16,426
Disposals	-	-	(120)	(39,321)	(39,441)
Reclassification	-	-	3,712	661	4,373
Effect of changes in exchange rates	1,895	7,226	1,141	5,315	15,577
Balance at June 30, 2022	<u>\$ 521,062</u>	<u>681,573</u>	<u>172,882</u>	<u>552,022</u>	<u>1,927,539</u>
Balance at January 1, 2021	\$ 519,553	673,526	172,560	553,444	1,919,083
Additions	-	-	504	39,078	39,582
Disposals	-	-	(9,388)	(40,814)	(50,202)
Reclassification	-	-	-	1,217	1,217
Effect of changes in exchange rates	(218)	(648)	(102)	(345)	(1,313)
Balance at June 30, 2021	<u>\$ 519,335</u>	<u>672,878</u>	<u>163,574</u>	<u>552,580</u>	<u>1,908,367</u>
Depreciation and impairment loss:					
Balance at January 1, 2022	\$ -	165,981	131,411	416,876	714,268
Depreciation	-	11,558	5,130	29,091	45,779
Disposal	-	-	(120)	(39,321)	(39,441)
Effect of changes in exchange rates	-	1,639	615	3,053	5,307
Balance at June 30, 2022	<u>\$ -</u>	<u>179,178</u>	<u>137,036</u>	<u>409,699</u>	<u>725,913</u>
Balance at January 1, 2021	\$ -	141,669	133,897	401,790	677,356
Depreciation	-	12,216	5,151	28,540	45,907
Disposal	-	-	(9,388)	(39,755)	(49,143)
Effect of changes in exchange rates	-	(191)	(69)	(173)	(433)
Balance at June 30, 2021	<u>\$ -</u>	<u>153,694</u>	<u>129,591</u>	<u>390,402</u>	<u>673,687</u>
Carrying value:					
January 1, 2022	<u>\$ 519,167</u>	<u>508,366</u>	<u>32,534</u>	<u>156,269</u>	<u>1,216,336</u>
June 30, 2022	<u>\$ 521,062</u>	<u>502,395</u>	<u>35,846</u>	<u>142,323</u>	<u>1,201,626</u>
January 1, 2021	<u>\$ 519,553</u>	<u>531,857</u>	<u>38,663</u>	<u>151,654</u>	<u>1,241,727</u>
June 30, 2021	<u>\$ 519,335</u>	<u>519,184</u>	<u>33,983</u>	<u>162,178</u>	<u>1,234,680</u>

Please refer to note 8 for the information of the pledged property, plant and equipment, as of June 30, 2022, December 31 and June 30, 2021.

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**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Right-of-use assets

The Group leases its assets including its buildings and transportation equipment. Information about leases, for which the Group is the lessee, is presented below:

	<u>Building</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2022	\$ 128,692	16,202	144,894
Write-off	-	(5,003)	(5,003)
Effect of changes in foreign exchange rates	3,024	-	3,024
Balance at June 30, 2022	<u>\$ 131,716</u>	<u>11,199</u>	<u>142,915</u>
Balance at January 1, 2021	\$ 134,474	15,039	149,513
Additions	5,823	5,771	11,594
Write-off	(2,051)	(4,608)	(6,659)
Effect of changes in foreign exchange rates	(221)	-	(221)
Balance at June 30, 2021	<u>\$ 138,025</u>	<u>16,202</u>	<u>154,227</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2022	\$ 32,600	9,355	41,955
Depreciation	18,034	2,273	20,307
Write-off	-	(5,003)	(5,003)
Effect of changes in foreign exchange rates	997	-	997
Balance at June 30, 2022	<u>\$ 51,631</u>	<u>6,625</u>	<u>58,256</u>
Balance at January 1, 2021	\$ 33,896	7,459	41,355
Depreciation	16,465	2,201	18,666
Write-off	(2,051)	(2,903)	(4,954)
Effect of changes in foreign exchange rates	(234)	-	(234)
Balance at June 30, 2021	<u>\$ 48,076</u>	<u>6,757</u>	<u>54,833</u>
Carrying value:			
January 1, 2022	<u>\$ 96,092</u>	<u>6,847</u>	<u>102,939</u>
June 30, 2022	<u>\$ 80,085</u>	<u>4,574</u>	<u>84,659</u>
January 1, 2021	<u>\$ 100,578</u>	<u>7,580</u>	<u>108,158</u>
June 30, 2021	<u>\$ 89,949</u>	<u>9,445</u>	<u>99,394</u>

(Continued)

**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(j) Short-term and long-term borrowings

The details, terms and clauses of the Group's short-term and long-term borrowings were as follows:

(i) Short-term borrowings

<b>June 30, 2022</b>			
<b>Currency</b>	<b>Interest rate (%)</b>	<b>Maturity year</b>	<b>Amount</b>
Secured loans	RMB	3.8	2022
			<b>\$ <u>167,881</u></b>
<b>December 31, 2021</b>			
<b>Currency</b>	<b>Interest rate (%)</b>	<b>Maturity year</b>	<b>Amount</b>
Secured loans	RMB	3.85	2022
			<b>\$ <u>164,258</u></b>
<b>June 30, 2021</b>			
<b>Currency</b>	<b>Interest rate (%)</b>	<b>Maturity year</b>	<b>Amount</b>
Unsecured loans	RMB	3.85	2021
			\$ 64,321
Unsecured loans	USD	4.99	2021
			62
Total			<b>\$ <u>64,383</u></b>

Please refer to note 6(v) for the disclosures on the Group's risk exposure to interest rates and liquidity risks.

As of June 30, 2022, December 31 and June 30, 2021, the unused credit facilities of the Group's short-term borrowings amounted to \$1,641,358 thousand, \$1,593,779 thousand and \$1,554,942 thousand, respectively.

(ii) Long-term borrowings

<b>December 31, 2021</b>			
<b>Currency</b>	<b>Interest rate (%)</b>	<b>Maturity year</b>	<b>Amount</b>
Secured loans	USD	2.49	2024
			<b>\$ <u>879</u></b>
Current			\$ 313
Non-current			566
Total			<b>\$ <u>879</u></b>

Please refer to note 6(v) for the disclosures on the Group's risk exposure to interest rates and liquidity risks.

(iii) Collateral of loans

The Group has mortgaged their assets as collateral of loans. Please refer to note 8.

(Continued)

**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (k) Provisions

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Warranty	\$ <u>58,137</u>	<u>54,979</u>	<u>49,505</u>

The Group's lawsuit filed by its former employee for his alleged wrongful termination has settled on April 2021. The Group did not have a significant change in the provisions for the six months ended June 30, 2021. Please refer to note 6(n) of the consolidated financial statements for the year ended December 31, 2021 for relative information.

## (l) Bonds payable

(i) The information of unsecured convertible bonds issued by the Group was as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Total amount of convertible bonds upon issuance	\$ 900,000	900,000	900,000
Unamortized discount on bonds payable	<u>10,782</u>	<u>14,557</u>	<u>18,315</u>
Ending balance of bonds payable	\$ <u>889,218</u>	<u>885,443</u>	<u>881,685</u>
Equity component – conversion options (recorded as capital surpluses – share options)	\$ <u>22,680</u>	<u>22,680</u>	<u>22,680</u>
	<u>For the three months ended June 30</u>	<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Interest expenses	\$ <u>1,889</u>	<u>1,874</u>	<u>3,775</u>
			<u>3,743</u>

(ii) The conversion price of the unsecured convertible bonds issued by the Group on August 10, 2021, after adjusting the dividend distribution, was \$52.44 per share. There were no significant changes in other relevant information and methods. For relevant information, please refer to note 6 (n) of the consolidated financial statements for the year ended December 31, 2021.

## (m) Lease liabilities

The Group's lease liabilities were as follow:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Current	\$ <u>32,697</u>	<u>37,165</u>	<u>27,971</u>
Non-current	\$ <u>51,997</u>	<u>65,828</u>	<u>71,605</u>

For the maturity analysis, please refer to note 6(v).

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**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Interest on lease liabilities	<u>\$ 811</u>	<u>998</u>	<u>1,691</u>	<u>2,023</u>
Expenses relating to short-term leases	<u>\$ 877</u>	<u>1,165</u>	<u>1,814</u>	<u>2,224</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 894</u>	<u>337</u>	<u>1,154</u>	<u>955</u>

The amounts recognized in the statement of cash flows for the Group was as follows:

	<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>
Total cash outflow for leases	<u>\$ 26,679</u>	<u>26,395</u>

(n) Employee benefits

(i) Defined benefit plans

Since prior fiscal year, there was no material volatility of the market, no material reimbursement and settlement or other material one-time events. As a result, the pension cost in the accompanying consolidated financial statements was measured and disclosed according to the actuarial report as of December 31, 2021 and 2020.

The Group's expenses recognized in profit or loss were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Operating costs	\$ 93	102	185	205
Selling expenses	30	29	58	57
Administrative expenses	108	105	221	206
Research and development expenses	<u>61</u>	<u>56</u>	<u>120</u>	<u>116</u>
Total	<u>\$ 292</u>	<u>292</u>	<u>584</u>	<u>584</u>

(Continued)

**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labour Insurance and the local government were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Operating costs	\$ 2,625	2,383	5,165	4,790
Selling expenses	1,412	1,141	2,600	2,339
Administrative expenses	2,136	1,650	3,935	3,283
Research and development expenses	4,814	3,779	8,898	7,494
<b>Total</b>	<b>\$ 10,987</b>	<b>8,953</b>	<b>20,598</b>	<b>17,906</b>

(o) Income tax

Income tax expense was best estimated by multiplying pretax income for the interim reporting period by the effective tax rate which was forecasted by the management.

The Group's income tax expenses (benefit) were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Current tax expense (benefit)				
Current period	\$ 65,912	17,868	98,085	46,674
Adjustment for prior periods	(19,704)	(20,886)	(19,704)	(20,886)
<b>Income tax expense (benefit) from continuing operations</b>	<b>\$ 46,208</b>	<b>(3,018)</b>	<b>78,381</b>	<b>25,788</b>

The tax returns of the Company have been assessed by the tax authorities through 2020.

(p) Capital and other equity

As of June 30, 2022, December 31 and June 30, 2021, the ordinary shares with par value of \$10 per share, amounted to \$2,000,000 thousand, \$2,000,000 thousand and \$1,500,000; also, 118,042 thousand, 117,003 thousand and 118,004 thousand common stocks, respectively, were issued from the shares mentioned above. All issued shares were paid up upon issuance.

(Continued)



**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

A reconciliation of the Company's outstanding shares for the six months ended June 30, 2022 and 2021 were as follows:

	Unit: thousands shares	
	<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	117,003	118,004
Exercise of employee share options	1,039	-
Balance at June 30	<b><u>118,042</u></b>	<b><u>118,004</u></b>

(i) Issue of common stock

For the six months ended June 30, 2022, the Company issued 1,039 thousand shares of common stocks, as its employees exercised their stock option at \$32.7 per share. For the six months ended June 30, 2021, there are no employee options exercised.

(ii) Capital surplus

The composition of the Company's capital surplus are as follows:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Share premium from issuance	\$ 709,057	679,476	685,289
Changes in equity of associates and joint ventures accounted for using equity method	17,539	17,539	17,539
Employee share options	12,314	15,510	11,135
Share options	22,680	22,680	22,680
Employee share options expired	9,500	9,500	9,500
	<b><u>\$ 771,090</u></b>	<b><u>744,705</u></b>	<b><u>746,143</u></b>

(iii) Retained earnings – Earnings distribution

In accordance with the Company's articles of incorporation that after-tax earnings from the current year shall first be used to offset against any prior year's deficit and pay income tax; and 10% of the remaining balance shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Special reserve may be appropriated for operations or to meet regulations. After the distribution of dividends, the remaining earnings, if any, may be appropriated according to the proposal presented in the annual stockholders' meetings by the board of directors. Distribution plan shall be executed after a resolution by the shareholders' meeting. The Company authorizes the Distribution plan paid in cash shall be executed after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

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**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The amount of cash dividends on the appropriations of earnings for 2021 and 2020 had been approved during the board meeting on May 5, 2022 and May 6, 2021, as follows :

	<b>2021</b>	<b>2020</b>	
Dividends distributed to common shareholders:			
Cash	<b>\$ 354,130</b>	<b>389,420</b>	
 (iv) Other equities (net of tax)			
	<b>Foreign exchange differences arising from foreign operation</b>	<b>Non-controlling interests</b>	<b>Total</b>
Balance at January 1, 2022	\$ (135,875)	(25,108)	(160,983)
Foreign exchange differences arising from net assets of foreign operation	61,749	(81)	61,668
Balance at June 30, 2022	<b>\$ (74,126)</b>	<b>(25,189)</b>	<b>(99,315)</b>
 Balance at January 1, 2021	 \$ (128,464)	 (25,149)	 (153,613)
Foreign exchange differences arising from net assets of foreign operation	(4,199)	63	(4,136)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	24,900	24,900
Balance at June 30, 2021	<b>\$ (132,663)</b>	<b>(186)</b>	<b>(132,849)</b>

(q) Share-based payment

On December 9, 2019, the Securities and Futures Bureau approved the Company's issuance of 3,000 units of Employee's Stock option; with each unit representing 1,000 shares of common stock, wherein a total of 3,000 thousand shares may be subscribed. The option holder is eligible, two years after issuance until the sixth year of issuance, to convert a certain percentage of options to common stocks at the price designated on the issuance date. Under such circumstances as changes in equity or distribution of cash dividends, the exercise price per share and the number of subscriptions per option are to be adjusted using a specific formula. However, the adjusted exercise price should not be lower than the par value. All options were granted on March 19, 2020 and their fair value on the grant date was priced using the Black Scholes option pricing model. The weighted-average data of each assumption were as follows:

Dividend rate	-
Expected volatility	25.78 %
Risk-free interest rate	0.4750 %
Expected life	5 years

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**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Company estimates the compensation to be \$22,105 thousand based on the above assumptions. The compensation will be amortized over three years. Under the fair value method, the compensation of the option were estimated to be \$2,800 thousand and \$4,375 thousand for the six months ended June 30, 2022 and 2021. The additional paid-in capital also increased due to the stock option plan.

The outstanding stock option rights were as follows:

<u>Employee stock options in 2019</u>	<b>For the six months ended June 30, 2022</b>	
	<b>Units</b>	<b>Exercise price (dollars)</b>
Outstanding balance as of January 1	2,940	\$ 32.70
Options granted	-	-
Options exercised	1,039	32.70
Options cancelled	-	-
Options expired	-	-
Outstanding balance as of June 30	<u>1,901</u>	32.70
Exercisable as of June 30	<u>1,901</u>	-
Exercisable shares per unit as of June 30	<u>1,000</u>	
Fair market value	<u>\$ 8.6</u>	
	<b>For the six months ended June 30, 2021</b>	
<u>Employee stock options in 2019</u>	<b>Units</b>	<b>Exercise price (dollars)</b>
Outstanding balance as of January 1	2,940	\$ 34.70
Options granted	-	-
Options exercised	-	-
Options cancelled	-	-
Options expired	-	-
Outstanding balance as of December 31	<u>2,940</u>	34.70
Exercisable as of December 31	<u>-</u>	-
Fair market value	<u>\$ 8.6</u>	

As of June 30, 2022, the expected duration of the employee stock option issued in 2019 was 2.72 years.

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**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (r) Earnings per share

## (i) Basic earnings per share

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Net income attributable to ordinary shareholders of the Company	<u>\$ 231,704</u>	<u>83,126</u>	<u>342,992</u>	<u>189,063</u>
Weighted-average number of ordinary shares	<u>118,042</u>	<u>117,931</u>	<u>117,583</u>	<u>117,966</u>
Basic earnings per share (in NTD)	<u>\$ 1.96</u>	<u>0.70</u>	<u>2.92</u>	<u>1.60</u>

## (ii) Diluted earnings per share

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Net income of the company	\$ 231,704	83,126	342,992	189,063
Effect of after tax interest expense of conversion bonds	<u>1,511</u>	<u>1,499</u>	<u>3,020</u>	<u>2,994</u>
Net income attributable to ordinary shareholders of the Company (diluted)	<u>\$ 233,215</u>	<u>84,625</u>	<u>346,012</u>	<u>192,057</u>
Weighted-average number of ordinary shares (basic)	118,042	117,931	117,583	117,966
Effect of dilutive potential ordinary shares				
Effect of employee stock bonus	772	484	1,449	1,015
Effect of employee stock option	819	1,298	786	1,362
Effect of conversion of convertible bonds	<u>17,162</u>	<u>16,181</u>	<u>17,162</u>	<u>16,181</u>
Weighted-average number of ordinary shares (diluted)	<u>136,795</u>	<u>135,894</u>	<u>136,980</u>	<u>136,524</u>
Diluted earnings per share (in NTD)	<u>\$ 1.70</u>	<u>0.62</u>	<u>2.53</u>	<u>1.41</u>

For calculation of the dilutive effect of the stock option, the average market value is assessed based on the quoted market price where the Company's option is outstanding.

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**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

<b>For the three months ended June 30, 2022</b>			
	<b>Sale of Network Communication and other related products</b>	<b>Others</b>	<b>Total</b>
Primary geographical markets:			
America	\$ 1,360,606	68,440	1,429,046
Asia	516,585	10,403	526,988
Europe	380,961	881	381,842
Others	489	53	542
	<u>\$ 2,258,641</u>	<u>79,777</u>	<u>2,338,418</u>
Primary merchandises/services lines:			
Network communication apparatus	\$ 2,070,811	78,082	2,148,893
Others	187,830	1,695	189,525
	<u>\$ 2,258,641</u>	<u>79,777</u>	<u>2,338,418</u>
<b>For the three months ended June 30, 2021</b>			
	<b>Sale of Network Communication and other related products</b>	<b>Others</b>	<b>Total</b>
Primary geographical markets:			
America	841,385	11,106	852,491
Asia	\$ 495,497	6,840	502,337
Europe	250,299	2,227	252,526
Others	8,738	50	8,788
	<u>\$ 1,595,919</u>	<u>20,223</u>	<u>1,616,142</u>
Primary merchandises/services lines:			
Network communication apparatus	\$ 1,477,496	19,802	1,497,298
Others	118,423	421	118,844
	<u>\$ 1,595,919</u>	<u>20,223</u>	<u>1,616,142</u>

(Continued)

**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>For the six months ended June 30, 2022</b>		
	<b>Sale of Network Communication and other related products</b>	<b>Others</b>	<b>Total</b>
Primary geographical markets:			
America	2,333,138	96,396	2,429,534
Asia	\$ 1,104,360	18,550	1,122,910
Europe	578,465	2,294	580,759
Others	<u>7,831</u>	<u>91</u>	<u>7,922</u>
	<b><u>\$ 4,023,794</u></b>	<b><u>117,331</u></b>	<b><u>4,141,125</u></b>
Primary merchandises/services lines:			
Network communication apparatus	\$ 3,650,906	114,064	3,764,970
Others	<u>372,888</u>	<u>3,267</u>	<u>376,155</u>
	<b><u>\$ 4,023,794</u></b>	<b><u>117,331</u></b>	<b><u>4,141,125</u></b>
	<b>For the six months ended June 30, 2021</b>		
	<b>Sale of Network Communication and other related products</b>	<b>Others</b>	<b>Total</b>
Primary geographical markets:			
America	1,668,616	23,853	1,692,469
Asia	\$ 1,143,536	16,181	1,159,717
Europe	425,380	2,853	428,233
Others	<u>64,649</u>	<u>263</u>	<u>64,912</u>
	<b><u>\$ 3,302,181</u></b>	<b><u>43,150</u></b>	<b><u>3,345,331</u></b>
Primary merchandises/services lines:			
Network communication apparatus	\$ 3,070,754	42,328	3,113,082
Others	<u>231,427</u>	<u>822</u>	<u>232,249</u>
	<b><u>\$ 3,302,181</u></b>	<b><u>43,150</u></b>	<b><u>3,345,331</u></b>

Unearned revenue, net for the Group's amounted to \$1,797 thousand, \$(556) thousand, \$1,300 thousand and \$(3,306) thousand for the three months and six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022, December 31 and June 30, 2021, accumulated unearned revenue amounted to \$53,772 thousand, \$51,930 thousand and \$49,644 thousand, respectively. Unearned revenue was booked due to identifiable services to be rendered.

(Continued)

**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Contract balance

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Current contract liabilities	<u>\$ 77,052</u>	<u>88,294</u>	<u>30,040</u>

For details on accounts receivable and allowance for impairment, please refer to note 6(c).

The amount of revenue recognized for the six months ended June 30, 2022 and 2021 that was included in the contract liability balance at the beginning of the period was \$88,294 thousand and \$37,180 thousand, respectively.

The contract liabilities primarily relate to the advance consideration received from customers for the electronic components sales contracts, for which revenue is recognized when products are delivered to customers.

(t) Remuneration to employees, directors and supervisors

According to the Articles of Association, once the Company has annual profit, it should appropriate 10%~20% of the profit to its employees and 2% or less to its directors and supervisors as remuneration. The pervading target given via shares includes those dependent employees of the Company's subsidiaries under certain requirements.

For the three months and six months ended June 30, 2022 and 2021, the Company recognized its employee remuneration of \$34,693 thousand, \$10,682 thousand, \$53,276 thousand and \$28,608 thousand, respectively, and directors' and supervisors' remuneration of \$3,470 thousand, \$1,068 thousand, \$5,328 thousand and \$2,861 thousand, respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

For the years ended December 31, 2021 and 2019, the Company estimated its employees' compensation were \$87,068 thousand and \$101,146 thousand, respectively, and the estimated amounts of directors' and supervisors' remuneration were \$8,707 thousand and \$10,115 thousand, respectively. There is no difference from the distribution of board resolutions. Related information would be available at the Market Observation Post System website.

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**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(u) Non-operating income and expenses

(i) Interest income

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Interest income from bank deposits	\$ <u>2,041</u>	<u>2,332</u>	<u>3,202</u>	<u>4,469</u>

(ii) Other income

The details of the Group's other income were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Rent income	\$ 1,478	1,412	2,908	2,833
Other	<u>3,631</u>	<u>6,819</u>	<u>13,932</u>	<u>12,666</u>
Total other income	<u>\$ 5,109</u>	<u>8,231</u>	<u>16,840</u>	<u>15,499</u>

(iii) Other gains and losses

The details of the Group's other gains and losses were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Losses on disposal of property, plant and equipment	\$ -	(1)	-	(1)
Gains on foreign exchange, net	10,361	394	34,152	8,046
Gains on financial assets (liabilities) at fair value through profit or loss	6,116	3,349	852	362
Other losses	<u>(642)</u>	<u>(8,883)</u>	<u>(931)</u>	<u>(12,703)</u>
Net other gains and losses	<u>\$ 15,835</u>	<u>(5,141)</u>	<u>34,073</u>	<u>(4,296)</u>

(iv) Finance costs

The details of the Group's finance costs were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Interest expense	\$ <u>4,338</u>	<u>3,549</u>	<u>8,739</u>	<u>8,181</u>

(Continued)



**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(x) of the consolidated financial statements for the year ended December 31, 2021.

(i) Credit risk

As of June 30, 2022, December 31 and June 30, 2021, the major client contributed approximately 14%, 13% and 9% of total receivables, respectively. The other four clients contributed no more than 16%, 23% and 26% of total receivables, respectively.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within a year	1-2 years	3-5 years	Over 5 years
<b>June 30, 2022</b>						
Non-derivative financial liabilities						
Short-term borrowings	\$ 167,881	169,293	169,293	-	-	-
Accounts payable	1,279,306	1,279,306	1,279,306	-	-	-
Dividends payable	354,130	354,130	354,130	-	-	-
Other payables	698,241	698,241	698,241	-	-	-
Bonds payable	889,218	900,000	-	900,000	-	-
Lease liabilities	84,694	89,397	35,182	30,619	21,910	1,686
Guarantee deposits received	3,224	3,224	-	-	-	3,224
Contingent consideration	11,278	11,278	11,278	-	-	-
Derivative financial liabilities						
Other forward exchange contracts:						
Outflow	57	57	57	-	-	-
	<u>\$ 3,488,029</u>	<u>3,504,926</u>	<u>2,547,487</u>	<u>930,619</u>	<u>21,910</u>	<u>4,910</u>
<b>December 31, 2021</b>						
Non-derivative financial liabilities						
Short-term borrowings	\$ 164,258	165,614	165,614	-	-	-
Accounts payable	1,653,402	1,653,402	1,653,402	-	-	-
Other payables	674,500	674,500	674,500	-	-	-
Long-term borrowings (including due within a year)	879	941	335	344	262	-
Bonds payable	885,443	900,000	-	900,000	-	-
Lease liabilities	102,993	109,596	40,363	31,445	37,788	-
Guarantee deposits received	957	957	-	-	-	957
Contingent consideration	10,530	10,530	10,530	-	-	-
	<u>\$ 3,492,962</u>	<u>3,515,540</u>	<u>2,544,744</u>	<u>931,789</u>	<u>38,050</u>	<u>957</u>

(Continued)

**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1-2 years</u>	<u>3-5 years</u>	<u>Over 5 years</u>
<b>June 30, 2021</b>						
Non-derivative financial liabilities						
Short-term borrowings	\$ 64,383	64,907	64,907	-	-	-
Accounts payable	1,265,473	1,265,473	1,265,473	-	-	-
Dividends payable	389,420	389,420	389,420	-	-	-
Other payables	630,608	630,680	630,680	-	-	-
Bonds payable	881,685	900,000	-	-	900,000	-
Lease liabilities	99,576	108,059	31,429	27,831	48,799	-
Guarantee deposits received	954	954	-	-	-	954
Contingent consideration	12,311	12,311	12,311	-	-	-
Derivative financial liabilities						
Other forward exchange contracts:						
Outflow	352	352	352	-	-	-
	<u>\$ 3,344,762</u>	<u>3,372,156</u>	<u>2,394,572</u>	<u>27,831</u>	<u>948,799</u>	<u>954</u>

## (iii) Currency risk

## 1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<b>June 30, 2022</b>			
Financial assets:			
Monetary items:			
USD (note)	\$ 78,930	29.6720	2,342,018
Financial liabilities:			
Monetary items:			
USD (note)	\$ 38,271	29.6720	1,135,589
<b>December 31, 2021</b>			
Financial assets:			
Monetary items:			
USD (note)	\$ 80,213	27.6300	2,216,295
Financial liabilities:			
Monetary items:			
USD (note)	\$ 44,873	27.6300	1,239,848
<b>June 30, 2021</b>			
Financial assets:			
Monetary items:			
USD (note)	\$ 39,801	27.8100	1,106,879
Financial liabilities:			
Monetary items:			
USD (note)	\$ 28,693	27.8100	797,948

Note: Amounts are designated before consolidation.

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**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of foreign currency exchange gains and losses on cash and cash equivalents, trade receivables and trade and other payables that are denominated in foreign currency. A 1 dollar appreciation (depreciation) of the NTD against the USD as of June 30, 2022 and 2021 would have increased or decreased the net income by \$32,527 thousand and \$8,886 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary item

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on Monetary items is disclosed by total amount. For the three months and six months ended June 30, 2022 and 2021, foreign exchange gains (loss) (including realized and unrealized abortions) amounted to \$10,361 thousand, \$394 thousand, \$34,152 thousand and \$8,046 thousand, respectively.

(iv) Interest rate analysis

Please refer to the note for liquidity risk management and the Group's interest rate exposure to its financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure of the interest rate on derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the management of the Group's assessment on the reasonably possible interval of interest rate change.

If the interest rate increases or decreases by 1%, the Group's net income will increase or decrease by \$672 thousand and \$258 thousand, respectively, for the six months ended June 30, 2022 and 2021, with all other variable factors remain constant. This is mainly due to the Group's borrowing in variable rates.

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**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Information of fair value

1) Categories and fair value of financial instruments

Except for the following, carrying amount of the Group's financial assets and liabilities are valued approximately to their fair value. No additional disclosure is required in accordance to the Regulations.

	<b>June 30, 2022</b>				
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through profit or loss					
Financial assets					
mandatorily measured at fair value through profit or loss	\$ <b>546,037</b>	<b>501,858</b>	<b>44,179</b>	<b>-</b>	<b>546,037</b>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	\$ 57	-	57	-	57
Contingent consideration assumed in a business combination	11,278	-	-	11,278	11,278
Subtotal	<u>11,335</u>	<u>-</u>	<u>57</u>	<u>11,278</u>	<u>11,335</u>
Financial liabilities measured at amortized cost					
Bonds payable	889,218	-	889,218	-	889,218
Total	<u>\$ 900,553</u>	<u>-</u>	<u>889,275</u>	<u>11,278</u>	<u>900,553</u>
	<b>December 31, 2021</b>				
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through profit or loss					
Derivative financial assets for hedging	\$ 1,945	-	1,945	-	1,945
Financial assets mandatorily measured at fair value through profit or loss	589,536	572,246	17,290	-	589,536
Total	<u>\$ 591,481</u>	<u>572,246</u>	<u>19,235</u>	<u>-</u>	<u>591,481</u>

(Continued)

**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Contingent consideration assumed in a business combination	\$ 10,530	-	-	10,530	10,530
Financial liabilities measured at amortized cost					
Bonds payable	885,443	-	835,443	-	835,443
Total	<u>\$ 895,973</u>	<u>-</u>	<u>835,443</u>	<u>10,530</u>	<u>845,973</u>
	June 30, 2021				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 740,224	<u>671,615</u>	<u>68,609</u>	<u>-</u>	<u>740,224</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	\$ 352	-	352	-	352
Contingent consideration assumed in a business combination	12,311	-	-	12,311	12,311
Subtotal	<u>12,663</u>	<u>-</u>	<u>352</u>	<u>12,311</u>	<u>12,663</u>
Financial liabilities measured at amortized cost					
Bonds payable	881,685	-	881,685	-	881,685
Total	<u>\$ 894,348</u>	<u>-</u>	<u>882,037</u>	<u>12,311</u>	<u>894,348</u>

2) Valuation techniques and assumptions used in fair value determination

The financial instruments of the Group are evaluated by using the publicly-adopted valuation models. Forward contracts are referred to the evaluation outcomes from financial institutions. The financial instrument in China is evaluated based on the market value. Contingent consideration assumed in a business combination is measured at fair value using discounted cash flow methodology and incorporates the probability of occurrence.

(w) Financial risk management

The objective and policies of the consolidated company are identical to those disclosed in note 6(y) of the consolidated financial statements for the year ended December 31, 2021.

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**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(x) Capital management

The disclosure of objectives, policies and procedures of the Group's capital management are the same as those specified in the consolidated financial statements for the year ended December 31, 2021; and there were no significant changes in the Group's collective quantitative information from those disclosed in the consolidated financial statements for the year ended December 31, 2021. For related information, please refer to note 6(z) of the consolidated financial statements for the year ended December 31, 2021.

(y) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities for the six months ended June 30, 2022 and 2021 were as follows:

	January 1, 2022	Cash flows	Non-cash changes			June 30, 2022
			Foreign exchange movement	Amortization of commercial paper discount	Others	
Short-term borrowings	\$ 164,258	-	3,623	-	-	167,881
Bonds payable	885,443	-	-	3,775	-	889,218
Long-term borrowings (including current portion)	879	(915)	36	-	-	-
Lease liabilities	102,993	(22,020)	2,030	-	1,691	84,694
Total liabilities from financing activities	<u>\$ 1,153,573</u>	<u>(22,935)</u>	<u>5,689</u>	<u>3,775</u>	<u>1,691</u>	<u>1,141,793</u>

  

	January 1, 2021	Cash flows	Non-cash changes			June 30, 2021
			Foreign exchange movement	Amortization of commercial paper discount	Others	
Short-term borrowings	\$ 345,065	(280,573)	(109)	-	-	64,383
Bonds payable	877,942	-	-	3,743	-	881,685
Lease liabilities	108,846	(21,193)	11	2,023	9,889	99,576
Total liabilities from financing activities	<u>\$ 1,331,853</u>	<u>(301,766)</u>	<u>(98)</u>	<u>5,766</u>	<u>9,889</u>	<u>1,045,644</u>

(7) Related-party transactions

(a) Related-party and relationship between the Company

The Group has transactions with its related parties as follows:

<u>Related-parties</u>	<u>Relationship between the Company</u>
Jie Wei Investment Development Co., Ltd. (Jie Wei)	One of the board of directors of the Company also serves as a director of the related-party
Lanner Foundation	Related party
Haiwell Lancom Electronic Co., Ltd.	Related party
Mr. Zhang Jun Hai	Mr. Zhang Jun Hai had been a member of key management of the Group but was no longer regarded as a related party since April, 2021.

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**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Significant related party transactions

(i) Receivables from related parties

The details of the Group's receivables from related parties were as follow:

<u>Accounts</u>	<u>Type of related parties</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Other receivable	Other related parties	\$ <u>29</u>	<u>479</u>	<u>57</u>

(ii) Payables to related parties

The payables due to related parties were as follows:

<u>Accounts</u>	<u>Type of related parties</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Other payable	Key managemnt of Consolidated Company	\$ <u>54,582</u>	<u>54,582</u>	<u>40,231</u>

(iii) Leases

1) Lessee

Lease contracts with the period from June 2020 to May 2025 were signed with other related party on April 2020. In accordance with the contract, the Group provided \$175 thousand as deposit and booked the same amount under non-current assets. For the three months ended June 30, 2022 and 2021 and the six months ended June 30, 2022 and 2021, the Group recognized the amount of \$8 thousand, \$8 thousand, \$17 thousand and \$17 thousand as interest expense, respectively. As of June 30, 2022, December 31 and June 30, 2021, the balance of lease liabilities amounted to \$3,749 thousand, \$4,392 thousand and \$5,034 thousand, respectively.

2) Lessor

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Other related parties	\$ <u>97</u>	<u>90</u>	<u>195</u>	<u>180</u>

The amount of rent is based on neighboring rent, and the rental is collected monthly from other related parties.

(iv) Contribution

With the approval from the broad of directors, the Group agreed to contribute \$3,000 thousand and \$5,000 thousand to Lanner Foundation for the year ended December 31, 2022 and 2021.

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**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Property transactions

In March 2021, the Group acquired 20% shares of Beijing L&S Lancom Platform Tech. Co., Ltd, at a value of \$179,637 thousand (RMB44,701 thousand), from Mr. Zhang Jun Hai. The share transfer registration was completed in May 2021. Except for the contingent consideration of \$11,278 thousand, all payments related to the acquisition were paid in full as of June 30, 2022.

(c) Key management personnel compensations

Key management personnel compensation comprised:

	<b>For the three months ended June 30</b>		<b>For the three months ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 34,160	26,311	67,808	54,847
Post-employment benefits	203	191	420	377
	<b><u>\$ 34,363</u></b>	<b><u>26,502</u></b>	<b><u>68,228</u></b>	<b><u>55,224</u></b>

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Certificate of deposits (recorded under other financial assets — current)	Guarantee for customs	\$ 1,000	3,416	2,416
Other equipment	Guarantee for long- term borrowings	-	1,635	-
		<b><u>\$ 1,000</u></b>	<b><u>5,051</u></b>	<b><u>2,416</u></b>

**(9) Commitments and contingencies**

For the year ended June 30, 2022, the total amount for the Group's acquisition of machinery and equipment based on the agreement, and the cumulative payment, amounted \$97,026 thousands and \$72,539, respectively.

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None.**

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**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(12) Other**

- (a) The following is a summary statement of employee benefits, depreciation and amortization expensed by function:

By function By nature	Three months ended June 30, 2022			Three months ended June 30, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	56,206	248,811	305,017	54,749	204,649	259,398
Labor and health insurance	5,755	13,608	19,363	6,599	13,097	19,696
Pension	2,718	8,561	11,279	2,485	6,760	9,245
Others	3,510	8,268	11,778	3,371	8,417	11,788
Depreciation	10,761	22,595	33,356	11,128	21,808	32,936
Amortization	-	-	-	-	-	-

By function By nature	Six months ended June 30, 2022			Six months ended June 30, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	110,063	452,909	562,972	108,307	414,533	522,840
Labor and health insurance	11,706	28,515	40,221	12,885	27,549	40,434
Pension	5,350	15,832	21,182	4,995	13,495	18,490
Others	6,812	15,573	22,385	6,859	15,264	22,123
Depreciation	21,022	45,064	66,086	22,136	42,437	64,573
Amortization	-	-	-	-	-	-

- (b) Operating and seasonality

The Group operations were not affected by seasonal and cyclical factors.

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**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

**(13) Other disclosures****(a) Information on significant transactions:**

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties:

Unit: thousand dollars/thousand shares

No.	Name of company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for one party	Highest balance for guarantees and endorsements during the year	Ending balance of guarantees and endorsements	Amount actually drawn	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum allowable amount for guarantees and endorsements	Parent company endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements / guarantees to third parties on behalf of company in Mainland China
		Name	Relationship with the Company										
0	The Company	Haiwell	(2)	722,207	119,679	119,679	66,740	-	3.31 %	1,805,518	Y	N	Y
0	The Company	L&S	(2)	722,207	101,612	101,612	101,612	-	2.81 %	1,805,518	Y	N	Y

Note 1: The guarantee's relationship with the guarantor is as follows:

- (1) A company with which it does business.
- (2) A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.
- (3) A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.
- (4) A company in which the public company holds, directly and indirectly, 90 percent or more of voting shares.
- (5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- (7) Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: The aggregate amount of guarantee by the Company is limited to 50 percent of total equity.

Note 3: The guaranteed amount is limited to 20 percent for one party.

Note 4: The Company endorses others due to business relationships, and the amount of the endorsement guarantee shall not exceed the amount of the company's business transactions with it.

**(iii) Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included):**

Unit: thousand dollars/thousand shares

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	June 30, 2022				Remarks
				Number of shares	Book value	Holding percentage	Market value	
The Company	Mutual fund: Capital Money Market Fund	—	Financial assets at fair value though profit or loss – current	9,838	160,582	-	160,582	
The Company	Taishin 1699 Money Market Fund	—	Financial assets at fair value though profit or loss – current	10,259	140,561	-	140,561	
The Company	First Financial Holding	—	Financial assets at fair value though profit or loss – current	6,476	100,358	-	100,358	
The Company	Franklin Templeton Sinoam Money Market Fund	—	Financial assets at fair value though profit or loss – current	9,585	100,357	-	100,357	
L&S	China Merchants Bank Financial Products – Financial plan 8008	—	Financial assets at fair value though profit or loss – current	-	44,179	-	44,179	

- (iv) Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital: None.
- (v) Information on acquisition of real estate with purchase amount exceeding 300 million or 20% of the Company's paid-in capital: None.
- (vi) Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital: None.

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## LANNER ELECTRONICS INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

- (vii) Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company's paid-in capital:

Unit: thousand dollars

Name of Company	Counter-party	Relationship	Transaction details				The status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
The Company	LANNER (USA)	Subsidiary	(Sales)	(1,239,426)	(37)	%90 days	-	-	735,089	49	%
LANNER (USA)	The Company	Subsidiary	Purchase	1,239,426	93	%90 days	-	-	(735,089)	(93)	%
The Company	LCA	Subsidiary	(Sales)	(429,944)	(13)	%90 days	-	-	151,797	10	%
LCA	The Company	Subsidiary	Purchase	429,944	90	%90 days	-	-	(151,797)	(89)	%
Haiwell	L&S	Subsidiary	(Sales)	(273,648)	(62)	%60 days	-	-	-	-	%
L&S	Haiwell	Subsidiary	Purchase	273,648	100	%60 days	-	-	-	-	%

Note 1: The transactions within the Group were eliminated in the consolidated interim financial statements.

- (viii) Information regarding receivables from related-parties exceeding 100 million or 20% of the Company's paid-in capital:

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party (Note)	Turnover rate	Overdue amount		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
The Company	LANNER (USA)	Subsidiary	735,089	4.28	-		257,767 (Until August 4, 2022)	-
The Company	LCA	Subsidiary	151,797	5.35	-		70,148 (Until August 4, 2022)	-

Note: The transactions within the Group were eliminated in the consolidated interim financial statements.

- (ix) Information regarding trading in derivative financial instruments: Please refer to Notes 6(b).
- (x) Significant transactions and business relationship between the parent company and its subsidiaries for the six months ended June 30, 2022:

Unit: thousand dollars

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
0	The Company	LANNER (USA)	1	Sales	1,239,426	No significant differences	29.93%
0	The Company	Haiwell	1	Sales	63,257	No significant differences	1.53 %
0	The Company	LCA	1	Sales	429,944	No significant differences	10.38%
0	The Company	LANNER (USA)	1	Accounts receivable	735,089	No significant differences	9.27 %
0	The Company	Haiwell	1	Accounts receivable	16,863	No significant differences	0.21 %
0	The Company	LCA	1	Accounts receivable	151,797	No significant differences	1.91 %
1	Haiwell	L&S	3	Sales	273,648	No significant differences	6.61 %
1	Haiwell	L&S	3	Current contract liabilities	271,758	No significant differences	3.43 %

Note 1: Company numbering is as follows:

- (1) Parent company is 0.
- (2) Subsidiary starts from 1.

Note 2: The number of the relationship with the transaction counterparty represents the following:

- (1) "1" represents downstream transactions.
- (2) "2" represents upstream transactions.
- (3) "3" represents sidestream transactions.

Note 3: The transactions within the Group were eliminated in the consolidated interim financial statements.

(Continued)

**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

## (b) Information on investees:

The following are the information on investees for the six months ended June 30, 2022 (excluding information on investees in Mainland China):

Name of investor	Investor investee	Address	Scope of business.	Original cost		Ending balance			Net income of investee	Investment income (losses)	Remarks
				June 30, 2022	December 31, 2021	Shares	Ratio of shares	Book value			
The Company	LANNER ELECTRONICS USA, INC.	USA	Trading of computer peripheral equipment	248,819	248,819	7,850	100 %	296,189	41,824	41,824	(Note 1)
The Company	LANNER ELECTRONICS (MAURITIUS) INC.	Mauritius	Investing	119,282	119,282	3,853	100 %	937,200	(69,428)	(69,428)	(Note 1)
The Company	LEI TECHNOLOGY CANADA LTD.	Canada	Trading of computer peripheral equipment	153,926	153,926	5,105	100 %	148,466	28,199	28,199	(Note 1)
The Company	LANNER TECHNOLOGY JAPAN CO., LTD.	Japan	Trading of computer peripheral equipment	8,145	8,145	3	80 %	3,084	(404)	(323)	(Note 1)
The Company	Whitebox Solutions Inc.	Taiwan	Manufacture and trading of computer peripheral products	7,500	7,500	750	100 %	7,417	3	3	(Note 1)
The Company	Lanner Europe B.V	Netherlands	Trading of computer peripheral equipment	28,006	28,006	820	100 %	13,799	(10,648)	(10,648)	(Note 1)
The Company	LannerTech electronics Inc.	Taiwan	Trading of computer peripheral equipment	6,000	6,000	600	100 %	(1,342)	(4,775)	(4,775)	(Note 1)
Lanner Electronics (Mauritius) Inc.	Lancom Holding Co., Ltd.	Samoa	Investing	112,543	112,543	2,623	100 %	980,295	(69,428)	(69,428)	(Note 1)

Note 1: Aforementioned amounts have been eliminated upon consolidation.

## (c) Information on investment in mainland China:

## (i) The names of investees in Mainland China, the scope of businesses and products, and other information:

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2022	Investment flow during current period		Cumulative investment (amount) from Taiwan as of June 30, 2022	Net income (losses) on investee	Direct / indirect investment holding percentage	Investment income (losses) (Note 2)	Book value (Note 2)	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
L&S	Trading of computer peripheral equipment	118,388	(3)	110,274	-	-	110,274	(67,407)	100.00 %	(67,407) (2)	945,488 (2)	-
Haiwell	Manufacture and trading of computer peripheral products	92,037	(4)	-	-	-	-	(54,934)	100.00 %	(34,569) (2)	114,311 (2)	-
Lanner Technology	Trading of computer peripheral equipment	22,099	(1)	-	-	-	-	(1,289)	100.00 %	(1,289) (1)	6,836 (1)	-

Note 1: The method of investment is divided into the following four categories:

- (1) Remittance from third-region companies to invest in Mainland China.
- (2) Through the establishment of third-region companies then investing in Mainland China.
- (3) Through transferring the investment to third-region existing companies then investing in Mainland China.
- (4) Other methods – Investing in Mainland China through Beijing L & S Lancom Platform Tech. Co., Ltd.

Note 2: The Group's details of income from investment were as follow :

- (1) Aforementioned invested company prepares its own financial reports that have not been reviewed by the independent auditors and were recognized under the equity method.
- (2) The investment income (losses) were recognized under the equity method and based on the financial statements audited by the auditor of the Company.

Note 3: Aforementioned amounts have been eliminated upon consolidated interim financial statements.

## (ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount remitted from Taiwan to Mainland China at the end of the period	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
The Company	110,274	369,086	- (Note 1)

Note 1: The Company was certified as an operations center by the Industrial Development Bureau, Ministry of Economic Affairs, in approval letter No. 11020425720, and the certification is valid from 2021 to 2024. The Company has no limitation on investment in Mainland China during the abovementioned period.

## (iii) Significant transactions with investees in Mainland China:

Please refer to note 13(a)(j) for details.

(Continued)

**LANNER ELECTRONICS INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Major shareholders:

<b>Shareholder's Name</b>	<b>Shareholding</b>	<b>Shares</b>	<b>Percentage</b>
Yi-Wen Chou		10,161,089	8.60 %
Delta Electronics, Inc.		6,763,845	5.73 %
Fubon Life Insurance Co., Ltd.		6,642,000	5.62 %
The business department of Standard Chartered International Commercial Bank Fiduciary Investment Account of Swedbank's Robur global fund investment		6,000,000	5.08 %

**(14) Segment information**

The Group is mainly engaged in the manufacturing and selling of internet and communication equipment. Management reviews the Company's overall performance regularly to evaluate the performance of each segment and allocate its resources accordingly. As the production procedure is highly similar, the Group is identified as a sole operating segment.