

**LANNER ELECTRONICS INC.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2021 and 2020**

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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, 2021 and 2020, 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 \$242,031 thousand and \$283,696 thousand, constituting 3% and 5% of the consolidated total assets; the total liabilities amounting to \$35,383 thousand and \$16,697 thousand, each constituting 1% of the consolidated total liabilities as of June 30, 2021 and 2020, respectively; and the total comprehensive income (loss) amounting to \$(2,030) thousand, \$27,518 thousand, \$(6,638) thousand and \$25,460 thousand, constituting (3)%, 15%, (3)% and 10% of the consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2021 and 2020, 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, 2021 and 2020, 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 \$763,827 thousand and \$638,217 thousand, each constituting 11% of the consolidated total assets as of June 30, 2021 and 2020, and the total revenues amounting to \$526,709 thousand, \$411,930 thousand, \$1,069,511 thousand and \$841,791 thousand, constituting 33%, 24%, 32% and 26% of the consolidated total revenues for the three months and six months ended June 30, 2021 and 2020, respectively.

KPMG

Taipei, Taiwan (Republic of China)
August 12, 2021

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, 2021 and 2020

LANNER ELECTRONICS INC. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2021, December 31 and June 30, 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets		June 30, 2021		December 31, 2020		June 30, 2020		Liabilities and Equity		June 30, 2021		December 31, 2020		June 30, 2020	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 1,595,980	22	2,406,320	34	960,781	17	2100	Short-term borrowings (notes 6(j) and 8)	\$ 64,383	1	345,065	5	226,831	4
1110	Current financial assets at fair value through profit or loss (note 6(b))	740,224	10	544,425	7	206,692	4	2120	Current portion of long-term borrowings (notes 6(j) and 8)	-	-	-	-	66	-
1150	Notes receivable, net (note 6(c))	13,825	-	6,476	-	29,703	1		Current financial liabilities at fair value through profit or loss (notes 6(b) and 6(f))	12,663	-	709	-	-	-
1170	Accounts receivable, net (note 6(c))	937,741	13	999,981	14	1,037,061	18	2130	Current contract liabilities (notes 6(s) and 7)	30,040	-	37,180	1	110,689	2
1180	Accounts receivable—related parties, net (note 6(c))	-	-	26	-	-	-	2170	Accounts payable	1,265,473	18	1,062,513	15	626,280	11
1200	Other receivables (notes 6(d) and 7)	6,480	-	10,745	-	65,204	1	2216	Dividend payable (note 6(p))	389,420	5	-	-	330,420	6
130x	Inventories (note 6(e))	2,324,666	32	1,739,242	24	1,822,780	32	2230	Current tax liabilities	154,026	2	133,313	2	109,485	2
1476	Other financial assets—current (note 8)	2,873	-	2,811	-	2,828	-	2219	Other payables (note 6(t))	630,608	9	634,941	9	511,167	8
1410	Prepayments	59,621	1	79,488	1	62,947	1	2250	Provisions—current (note 6(k))	49,505	1	44,946	1	44,203	1
1479	Other current assets	105,308	2	81,713	1	101,633	2	2280	Current lease liabilities (notes 6(m) and 7)	27,971	-	32,093	-	22,899	-
	Total current assets	<u>5,786,718</u>	<u>80</u>	<u>5,871,227</u>	<u>81</u>	<u>4,289,629</u>	<u>76</u>	2399	Other current liabilities (note 6(s))	187,619	3	196,676	3	197,697	3
	Non-current assets:								Total current liabilities	<u>2,811,708</u>	<u>39</u>	<u>2,487,436</u>	<u>36</u>	<u>2,179,737</u>	<u>37</u>
1600	Property, plant and equipment (notes 6(g) and 8)	1,234,680	17	1,241,727	17	1,260,148	22		Non-current liabilities:						
1755	Right-of-use assets (notes 6(h) and 7)	99,394	2	108,158	1	35,891	1	2530	Bonds payable (note 6(l))	881,685	12	877,942	12	-	-
1915	Prepayments for equipment	12,974	-	9,523	-	10,571	-	2630	Long-term deferred revenue (note 6(s))	32,954	-	34,185	-	34,816	1
1840	Deferred income tax assets	73,239	1	73,369	1	60,524	1	2570	Deferred income tax liabilities	193,684	3	193,686	3	175,114	3
1995	Other non-current assets (note 7)	24,220	-	17,591	-	20,544	-	2580	Non-current lease liabilities (notes 6(m) and 7)	71,605	1	76,753	1	14,086	-
	Total non-current assets	<u>1,444,507</u>	<u>20</u>	<u>1,450,368</u>	<u>19</u>	<u>1,387,678</u>	<u>24</u>	2640	Accrued pension liabilities	39,601	1	39,600	1	38,740	1
								2670	Other non-current liabilities	954	-	986	-	1,012	-
									Total non-current liabilities	<u>1,220,483</u>	<u>17</u>	<u>1,223,152</u>	<u>17</u>	<u>263,768</u>	<u>5</u>
									Total liabilities	<u>4,032,191</u>	<u>56</u>	<u>3,710,588</u>	<u>53</u>	<u>2,443,505</u>	<u>42</u>
									Equity attributable to owners of parent (notes 6(f), 6(l), 6(p) and 6(q)):						
									Share capital:						
								3110	Common stock	1,180,044	16	1,180,044	16	1,181,804	21
								3200	Capital surplus	746,143	10	741,768	10	715,347	13
									Retained earnings:						
								3310	Legal reserve	358,912	5	358,912	5	358,912	6
								3320	Special reserve	92,949	1	92,949	-	92,949	2
								3350	Unappropriated retained earnings	979,926	14	1,187,707	16	858,798	15
										<u>1,431,787</u>	<u>20</u>	<u>1,639,568</u>	<u>21</u>	<u>1,310,659</u>	<u>23</u>
									Other equity:						
								3410	Financial statements translation differences for foreign operations	(132,663)	(2)	(128,464)	(2)	(128,921)	(2)
								3500	Treasury shares	(27,437)	-	-	-	(9,691)	-
									Total equity attributable to owners of parent	<u>3,197,874</u>	<u>44</u>	<u>3,432,916</u>	<u>45</u>	<u>3,069,198</u>	<u>55</u>
								36xx	Non-controlling interests	1,160	-	178,091	2	164,604	3
									Total equity	<u>3,199,034</u>	<u>44</u>	<u>3,611,007</u>	<u>47</u>	<u>3,233,802</u>	<u>58</u>
									Total liabilities and equity	<u>\$ 7,231,225</u>	<u>100</u>	<u>7,321,595</u>	<u>100</u>	<u>5,677,307</u>	<u>100</u>
	Total assets	<u>\$ 7,231,225</u>	<u>100</u>	<u>7,321,595</u>	<u>100</u>	<u>5,677,307</u>	<u>100</u>			<u>\$ 7,231,225</u>	<u>100</u>	<u>7,321,595</u>	<u>100</u>	<u>5,677,307</u>	<u>100</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

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2021 and 2020

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

	For the three months ended June 30				For the six months ended June 30				
	2021		2020		2021		2020		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note 6(s))								
	\$	1,616,142	100	1,744,008	100	3,345,331	100	3,294,950	100
5000	Operating cost (notes 6(e), 6(g), 6(h), 6(m), 6(n), 6(q) and 6(t))								
		1,195,273	74	1,216,656	70	2,439,114	73	2,304,542	70
	Gross profit, net								
		420,869	26	527,352	30	906,217	27	990,408	30
	Operating expenses (notes 6(c), 6(d), 6(g), 6(h), 6(m), 6(n), 6(q), 6(t) and 7):								
6100	Selling expenses	116,026	7	122,565	7	228,206	7	274,499	8
6200	Administrative expenses	91,164	7	85,412	5	189,231	6	161,866	5
6300	Research and development expenses	133,162	8	133,182	7	272,450	8	260,533	8
6450	Impairment loss determined in accordance with IFRS9	937	-	46,298	3	1,440	-	45,911	1
	Total operating expenses	<u>341,289</u>	<u>22</u>	<u>387,457</u>	<u>22</u>	<u>691,327</u>	<u>21</u>	<u>742,809</u>	<u>22</u>
	Operating profit	<u>79,580</u>	<u>4</u>	<u>139,895</u>	<u>8</u>	<u>214,890</u>	<u>6</u>	<u>247,599</u>	<u>8</u>
	Non-operating income and expenses (notes 6(l), 6(m), 6(u) and 7):								
7100	Interest income	2,332	-	1,482	-	4,469	-	3,998	-
7010	Other income	8,231	1	7,922	-	15,499	1	15,981	-
7020	Other gains and losses	(5,141)	-	135,887	8	(4,296)	-	138,207	4
7050	Financial costs	(3,549)	-	(508)	-	(8,181)	-	(2,954)	-
	Total non-operating income and expenses	<u>1,873</u>	<u>1</u>	<u>144,783</u>	<u>8</u>	<u>7,491</u>	<u>1</u>	<u>155,232</u>	<u>4</u>
	Net Income before tax	<u>81,453</u>	<u>5</u>	<u>284,678</u>	<u>16</u>	<u>222,381</u>	<u>7</u>	<u>402,831</u>	<u>12</u>
7950	Less: income tax expenses (benefit) (note 6(o))	<u>(3,018)</u>	<u>-</u>	<u>68,986</u>	<u>4</u>	<u>25,788</u>	<u>1</u>	<u>108,614</u>	<u>3</u>
	Net income	<u>84,471</u>	<u>5</u>	<u>215,692</u>	<u>12</u>	<u>196,593</u>	<u>6</u>	<u>294,217</u>	<u>9</u>
8300	Other comprehensive income (loss):								
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(22,006)	(1)	(27,103)	(2)	(4,136)	-	(45,020)	(1)
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(22,006)</u>	<u>(1)</u>	<u>(27,103)</u>	<u>(2)</u>	<u>(4,136)</u>	<u>-</u>	<u>(45,020)</u>	<u>(1)</u>
8300	Other comprehensive income	<u>(22,006)</u>	<u>(1)</u>	<u>(27,103)</u>	<u>(2)</u>	<u>(4,136)</u>	<u>-</u>	<u>(45,020)</u>	<u>(1)</u>
	Total comprehensive income	<u>\$ 62,465</u>	<u>4</u>	<u>188,589</u>	<u>10</u>	<u>192,457</u>	<u>6</u>	<u>249,197</u>	<u>8</u>
	Net income attributable to:								
8610	Owners of parent	\$ 83,126	5	186,796	10	189,063	6	259,363	8
8620	Non-controlling interests	1,345	-	28,896	2	7,530	-	34,854	1
		<u>\$ 84,471</u>	<u>5</u>	<u>215,692</u>	<u>12</u>	<u>196,593</u>	<u>6</u>	<u>294,217</u>	<u>9</u>
	Total comprehensive income attributable to:								
8710	Owners of parent	\$ 62,145	4	164,870	9	184,864	6	223,391	7
8720	Non-controlling interests	320	-	23,719	1	7,593	-	25,806	1
		<u>\$ 62,465</u>	<u>4</u>	<u>188,589</u>	<u>10</u>	<u>192,457</u>	<u>6</u>	<u>249,197</u>	<u>8</u>
9750	Basic earnings per share (New Taiwan Dollars) (note 6(r))	<u>\$ 0.70</u>		<u>1.58</u>		<u>1.60</u>		<u>2.20</u>	
9850	Diluted earnings per share (New Taiwan Dollars) (note 6(r))	<u>\$ 0.62</u>		<u>1.56</u>		<u>1.41</u>		<u>2.15</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, 2021 and 2020

(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						
Balance at January 1, 2020	\$ 1,180,084	709,964	310,278	57,366	1,014,072	1,381,716	(92,949)	-	3,178,815	294,425	3,473,240	
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	48,634	-	(48,634)	-	-	-	-	-	-	
Special reserve	-	-	-	35,583	(35,583)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(330,420)	(330,420)	-	-	(330,420)	(33,799)	(364,219)	
Net income	-	-	-	-	259,363	259,363	-	-	259,363	34,854	294,217	
Other comprehensive income (loss)	-	-	-	-	-	-	(35,972)	-	(35,972)	(9,048)	(45,020)	
Total comprehensive income (loss)	-	-	-	-	259,363	259,363	(35,972)	-	223,391	25,806	249,197	
Purchase of treasury share	-	-	-	-	-	-	-	(9,691)	(9,691)	-	(9,691)	
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(123,864)	(123,864)	
Remuneration cost of employee stock options	-	2,493	-	-	-	-	-	-	2,493	-	2,493	
Non-controlling interests	-	-	-	-	-	-	-	-	-	2,036	2,036	
Issuance of shares for exercise of employee stock options	1,720	2,890	-	-	-	-	-	-	4,610	-	4,610	
Balance at June 30, 2020	<u>\$ 1,181,804</u>	<u>715,347</u>	<u>358,912</u>	<u>92,949</u>	<u>858,798</u>	<u>1,310,659</u>	<u>(128,921)</u>	<u>(9,691)</u>	<u>3,069,198</u>	<u>164,604</u>	<u>3,233,802</u>	
Balance at January 1, 2021	\$ 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 shares	-	-	-	-	-	-	-	(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	
Balance at June 30, 2021	<u>\$ 1,180,044</u>	<u>746,143</u>	<u>358,912</u>	<u>92,949</u>	<u>979,926</u>	<u>1,431,787</u>	<u>(132,663)</u>	<u>(27,437)</u>	<u>3,197,874</u>	<u>1,160</u>	<u>3,199,034</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

Consolidated Statements of Cash Flows

For the six months ended June 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2021	2020
Cash flows from (used in) operating activities:		
Consolidated net income before tax	\$ 222,381	402,831
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation expense	64,573	71,470
Impairment loss determined in accordance with IFRS9	1,440	45,911
Net gain on financial assets or liabilities at fair value through profit or loss	(362)	(2,402)
Interest expense	8,181	2,954
Interest income	(4,469)	(3,998)
Share-based payment transactions	4,375	2,493
Loss on disposal of property, plant and equipment	1	69
Gain on disposal of investments	-	(138,767)
Total adjustments to reconcile profit	<u>73,739</u>	<u>(22,270)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets or liabilities at fair value through profit or loss	(195,437)	(103,190)
Notes receivable	(7,349)	(20,660)
Accounts receivable	60,800	71,892
Accounts receivable due from related parties	26	-
Other receivables	4,187	1,551
Inventories	(585,424)	8,719
Prepayments	19,867	(59,365)
Other current assets	(23,595)	(2,746)
Other financial assets	(22)	(23)
Total changes in operating assets, net	<u>(726,947)</u>	<u>(103,822)</u>
Changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	(357)	-
Contract liabilities	(7,140)	75,477
Accounts payable	202,960	(498,421)
Other payables	(3,710)	(59,479)
Provisions	4,559	2,596
Other current liabilities	(7,194)	(26,442)
Net defined benefit liabilities	1	(3)
Deferred revenue	(3,094)	(736)
Total changes in operating liabilities, net	<u>186,025</u>	<u>(507,008)</u>
Total changes in operating assets and liabilities, net	<u>(540,922)</u>	<u>(610,830)</u>
Total adjustments	<u>(467,183)</u>	<u>(633,100)</u>
Cash provided by operating activities	(244,802)	(230,269)
Interest income received	4,429	3,826
Interest paid	(3,038)	(2,011)
Income taxes paid	(5,075)	(35,071)
Net cash used in operating activities	<u>(248,486)</u>	<u>(263,525)</u>
Cash flows from (used in) investing activities:		
Proceeds from disposal of subsidiaries (reduced the deduction of cash)	-	145,232
Acquisition of property, plant and equipment	(39,582)	(34,822)
Proceeds from disposal of property, plant and equipment	1,058	339
Decrease in refundable deposits	(229)	813
Net cash inflows from business combination	-	8,145
Decrease in other non-current assets	(6,400)	(95)
Decrease (increase) in prepayments for equipment	(4,668)	1,968
Net cash provided by (used in) investing activities	<u>(49,821)</u>	<u>121,580</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	139,707	162,338
Decrease in short-term borrowings	(420,280)	(120,110)
Repayments of long-term borrowings	-	(1,030)
Payment of lease liabilities	(21,193)	(18,055)
Decrease in other non-current liabilities	(32)	(14)
Cash dividends paid	-	(33,799)
Proceeds from exercise of employee stock options	-	4,610
Payments to acquire treasury shares	(27,437)	(9,691)
Acquisition of ownership interests in subsidiaries	(179,637)	-
Changes in non-controlling interests	-	2,036
Net cash used in financing activities	<u>(508,872)</u>	<u>(13,715)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(3,161)</u>	<u>(38,216)</u>
Net decrease in cash and cash equivalents	(810,340)	(193,876)
Cash and cash equivalents at beginning of period	2,406,320	1,154,657
Cash and cash equivalents at end of period	<u>\$ 1,595,980</u>	<u>960,781</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, 2021 and 2020

(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 12, 2021.

(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, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (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, 2022, would not have a significant impact on its consolidated financial statements:

- 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”

(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:

Standards or Interpretations	Content of amendment	Effective date per IASB
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, 2020. For related information, please referred to note 4 of the consolidated financial statement for the year ended December 31, 2020.

- (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 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.

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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, 2020. For the related information, please refer to note 4(c) to the consolidated financial statements for the year ended December 31, 2020.

List of subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Scope of business	Percentage of ownership			Note
			June 30, 2021	December 31, 2020	June 30, 2020	
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 3 and 4
The Company	LANNER TECHNOLOGY JAPAN Co., Ltd. (LANNER (JAPAN))	Trading of computer peripheral products	80.00 %	80.00 %	80.00 %	Note 4
The Company	Whitebox Solutions Inc,	Manufacture and trading of computer peripheral products	100.00 %	100.00 %	- %	Notes 1 and 4
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 %	80.00 %	80.00 %	Note 2
LANCOM	Lanner Technology (Dongguan) Co., Ltd. (Lanner Technology)	Manufacture and trading of computer peripheral products	100.00 %	100.00 %	100.00 %	Note 4
L&S	Dongguan Lihua Haiwell Tech. Co., Ltd. (Haiwell)	Manufacture and trading of computer peripheral products	100.00 %	100.00 %	100.00 %	

Note 1: The Group established a new Branch, Whitebox Solutions Inc., in September 2020, with investment amount of \$7,500 thousand.

Note 2: 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 2020.

Note 3: On May 25, 2021, LEI TECHNOLOGY CANADA LTD. filed to change its name to LEI ELECTRONICS CANADA LTD.

Note 4: It is an insignificant subsidiary, and its financial statements have not been reviewed.

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

(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, 2020.

(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 2020 consolidated financial statements. Please refer to note 6 of the consolidated financial statements for the year ended December 31, 2020.

(a) Cash and cash equivalents

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Cash	\$ 353	362	360
Demand deposits	443,489	1,030,472	391,310
Checking deposits	8,246	28,811	24,333
Time deposits	928,400	989,400	482,000
Foreign currency deposits	<u>215,492</u>	<u>357,275</u>	<u>62,778</u>
Cash and cash equivalents per consolidated statements of cash flow	<u>\$ 1,595,980</u>	<u>2,406,320</u>	<u>960,781</u>

(Continued)

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

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, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging— forward exchange contracts	\$ -	2,047	2,157
Non-derivative financial assets— open end funds	671,615	520,901	204,535
Non-derivative financial assets— financing products	<u>68,609</u>	<u>21,477</u>	<u>-</u>
Total	<u>\$ 740,224</u>	<u>544,425</u>	<u>206,692</u>
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Financial liabilities held for trading:			
Derivative instruments not used for hedging— forward exchange contracts	<u>\$ 352</u>	<u>709</u>	<u>-</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.

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:

	<u>June 30, 2021</u>		
	<u>Contract amount (thousand dollars)</u>	<u>Currency</u>	<u>Maturity dates</u>
Forward exchange sold	USD 7,000 /	USD/TWD	June 4, 2021~
	TWD 194,710		September 7, 2021
	<u>December 31, 2020</u>		
	<u>Contract amount (thousand dollars)</u>	<u>Currency</u>	<u>Maturity dates</u>
Forward exchange sold	USD 13,000 /	USD/TWD	January 7, 2021~
	TWD 367,749		April 28, 2021

(Continued)

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

	June 30, 2020		
	Contract amount (thousand dollars)	Currency	Maturity dates
Forward exchange sold	USD 8,000 / TWD 238,149	USD/TWD	July 10, 2020~ August 28, 2020

The Group had not provided any financial assets mentioned above as collateral as of June 30, 2021, December 31 and June 30, 2020.

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

	June 30, 2021	December 31, 2020	June 30, 2020
Notes receivable	\$ 13,825	6,476	29,703
Accounts receivable	973,923	1,034,724	1,060,707
Accounts receivable—related parties	-	26	-
Less: allowance for impairment	36,182	34,743	23,646
	\$ 951,566	1,006,483	1,066,764

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:

	June 30, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
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
	\$ 812,395		22,184

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

	December 31, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 725,535	0.11%~1.57%	782
1 to 30 days past due	27,571	2.91%~5.13%	1,416
31 to 60 days past due	17,147	5.75%~32.04%	986
61 to 90 days past due	1,011	36.51%~45.75%	369
91 to 120 days past due	552	53.08%~70.84%	391
More than 121 days past due	12,950	100%	12,950
	\$ 784,766		16,894

	June 30, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 766,821	0.04%~0.11%	2,045
1 to 30 days past due	139,105	1.11%~1.47%	1,753
31 to 60 days past due	16,188	1.71%~33.34%	1,296
61 to 90 days past due	429	17.10%~78.15%	139
91 to 120 days past due	3,457	54.02%~100%	2,624
More than 121 days past due	9,422	100%	9,422
	\$ 935,422		17,279

The loss allowance provision in China was determined as follows:

	June 30, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
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
	\$ 175,353		13,998

(Continued)

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

	December 31, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 245,816	0%~1.55%	8,119
1 to 30 days past due	220	0.27%~4.78%	2
31 to 60 days past due	-	5.09%~9.93%	-
61 to 90 days past due	721	11.72%~20.20%	25
91 to 120 days past due	-	22.60%~28.71%	-
121 to 150 days past due	-	42.60%~48.80%	-
151 to 180 days past due	-	75.62%~86.50%	-
More than 181 days past due	9,703	100%	9,703
	\$ 256,460		17,849
		June 30, 2020	
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 130,882	0%~1.55%	763
1 to 30 days past due	13,645	0.27%~4.78%	37
31 to 60 days past due	5,055	5.09%~9.93%	258
61 to 90 days past due	110	11.72%~20.20%	13
121 to 150 days past due	-	42.60%~48.80%	-
More than 181 days past due	5,296	100%	5,296
	\$ 154,988		6,367

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

	For the six months ended June 30	
	2021	2020
Balance on January 1	\$ 34,743	29,691
Impairment losses recognized	1,440	282
Foreign exchange gains	(1)	(705)
Disposal of a subsidiary	-	(5,622)
Balance on June 30	\$ 36,182	23,646

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).

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

(d) Other receivables

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Other receivables – related parties	\$ 57	3,926	36,776
Other	52,734	53,208	73,342
Less Loss allowance	<u>46,311</u>	<u>46,389</u>	<u>44,914</u>
	<u><u>\$ 6,480</u></u>	<u><u>10,745</u></u>	<u><u>65,204</u></u>

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

	<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Balance on January 1	\$ 46,389	-
Impairment losses recognized	-	45,629
Foreign exchange losses	<u>(78)</u>	<u>(715)</u>
Balance on June 30	<u><u>\$ 46,311</u></u>	<u><u>44,914</u></u>

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

(e) Inventories

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Merchandise	\$ 353	261	555
Finished goods	859,054	863,188	743,764
Work in process	298,735	239,297	316,911
Raw material	<u>1,166,524</u>	<u>636,496</u>	<u>761,550</u>
Total	<u><u>\$ 2,324,666</u></u>	<u><u>1,739,242</u></u>	<u><u>1,822,780</u></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, 2021, December 31 and June 30, 2020, the Group's inventories had not pledged as collateral.

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

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

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Loss on (reversal of) market value of inventory	<u>\$ 7,267</u>	<u>9,231</u>	<u>22,798</u>	<u>32,194</u>

(f) 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&A Lancome Platform of Technology Co. Ltd. for \$179,637 thousand in cash, increasing its ownership from 80% to 100%. The Group's ownership of the subsidiary did not change in 2020.

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>

(g) 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, 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	<u>(218)</u>	<u>(648)</u>	<u>(102)</u>	<u>(345)</u>	<u>(1,313)</u>
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>
Balance at January 1, 2020	\$ 509,258	684,491	174,423	583,501	1,951,673
Additions	12,095	9,631	321	12,775	34,822
Disposals	-	-	(3,643)	(25,029)	(28,672)
Disposal of a subsidiary	-	(17,894)	-	(5,079)	(22,973)
Reclassification	-	-	-	260	260
Effect of changes in exchange rates	<u>(436)</u>	<u>(7,575)</u>	<u>(824)</u>	<u>(5,407)</u>	<u>(14,242)</u>
Balance at June 30, 2020	<u>\$ 520,917</u>	<u>668,653</u>	<u>170,277</u>	<u>561,021</u>	<u>1,920,868</u>

(Continued)

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Total</u>
Depreciation and impairment loss:					
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>
Balance at January 1, 2020	\$ -	118,364	127,816	394,409	640,589
Depreciation	-	12,258	5,331	35,826	53,415
Disposal	-	-	(3,643)	(24,621)	(28,264)
Disposal of a subsidiary	-	(428)	-	(1,154)	(1,582)
Effect of changes in exchange rates	-	(464)	(187)	(2,787)	(3,438)
Balance at June 30, 2020	<u>\$ -</u>	<u>129,730</u>	<u>129,317</u>	<u>401,673</u>	<u>660,720</u>
Carrying value:					
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>
January 1, 2020	<u>\$ 509,258</u>	<u>566,127</u>	<u>46,607</u>	<u>189,092</u>	<u>1,311,084</u>
June 30, 2020	<u>\$ 520,917</u>	<u>538,923</u>	<u>40,960</u>	<u>159,348</u>	<u>1,260,148</u>

Please refer to note 8 for the information of the pledged property, plant and equipment, as of June 30, 2021, December 31 and June 30, 2020.

(h) 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, 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>
Balance at January 1, 2020	\$ 69,122	7,976	77,098
Additions	9,131	7,063	16,194
Lease modification	(4,575)	-	(4,575)
Disposal of a subsidiary	(2,311)	-	(2,311)
Effect of changes in foreign exchange rates	(1,342)	-	(1,342)
Balance at June 30, 2020	<u>\$ 70,025</u>	<u>15,039</u>	<u>85,064</u>

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

	<u>Building</u>	<u>Transportation equipment</u>	<u>Total</u>
Accumulated depreciation and impairment losses:			
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>
Balance at January 1, 2020	\$ 35,356	2,569	37,925
Depreciation	15,709	2,346	18,055
Lease modification	(4,575)	-	(4,575)
Disposal of a subsidiary	(1,313)	-	(1,313)
Effect of changes in foreign exchange rates	(919)	-	(919)
Balance at June 30, 2020	<u>\$ 44,258</u>	<u>4,915</u>	<u>49,173</u>
Carrying value:			
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>
January 1, 2020	<u>\$ 33,766</u>	<u>5,407</u>	<u>39,173</u>
June 30, 2020	<u>\$ 25,767</u>	<u>10,124</u>	<u>35,891</u>

(i) Intangible assets

	<u>Goodwill</u>
Carrying value:	
January 1, 2020	<u>\$ 4,342</u>
June 30, 2020	<u>\$ -</u>

The intangible assets of the Group were derecognized, due to the disposal of subsidiary between January 1 and June 30, 2020. For other relative information, please refer to note 6(i) to the consolidated financial statements for the year ended December 31, 2020.

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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

June 30, 2021				
	Currency	Interest rate (%)	Maturity year	Amount
Unsecured loans	RMB	3.85	2021	\$ 64,321
Unsecured loans	USD	4.99	2021	<u>62</u>
Total				<u><u>\$ 64,383</u></u>
December 31, 2020				
	Currency	Interest rate	Maturity year	Amount
Unsecured loans	RMB	3.85	2021	\$ 64,430
Unsecured loans	USD	0.80~4.99	2021	<u>280,635</u>
Total				<u><u>\$ 345,065</u></u>
June 30, 2020				
	Currency	Interest rate (%)	Maturity year	Amount
Secured loans	USD	1.19	2020	\$ 44,274
Unsecured loans	RMB	4.05	2021	62,381
Unsecured loans	USD	0.96~1.30	2020	<u>120,176</u>
Total				<u><u>\$ 226,831</u></u>

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, 2021, December 31 and June 30, 2020, the unused credit facilities of the Group's short-term borrowings amounted to \$1,554,942 thousand, \$1,409,064 thousand and \$1,628,847 thousand, respectively.

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

(ii) Long-term borrowings

	June 30, 2020		
	Currency	Interest rate (%)	Maturity year
Secured loans	USD	4.18	2020
Current			\$ <u>66</u>
Non-current			-
Total			\$ <u><u>66</u></u>

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.

(k) Provisions

	June 30, 2021	December 31, 2020	June 30, 2020
Warranty	\$ <u>49,505</u>	\$ <u>44,946</u>	\$ <u>44,203</u>

The Group's lawsuit filed by its former employee for his alleged wrongful termination has settled on April 2021. As of 30 June 2021, the Group has estimated and reversed the provision amount of \$24,748 thousand. The Group did not have a significant change in the provisions for the six months ended June 30, 2020. Please refer to note 6(j) of the consolidated financial statements for the year ended December 31, 2020 for relative information.

(l) Bonds payable

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

	June 30, 2021	December 31, 2020
Total amount of convertible bonds upon issuance	\$ 900,000	\$ 900,000
Unamortized discount on bonds payable	<u>(18,315)</u>	<u>(22,058)</u>
Ending balance of bonds payable	\$ <u><u>881,685</u></u>	\$ <u><u>877,942</u></u>
Equity component – conversion options (recorded as capital surpluses – share options)	\$ <u><u>22,680</u></u>	\$ <u><u>22,680</u></u>
	For the three months ended June 30, 2021	For the six months ended June 30, 2021
Interest expenses	\$ <u><u>1,874</u></u>	\$ <u><u>3,743</u></u>

(Continued)

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

(ii) On June 19, 2020, the first domestic unsecured convertible bonds issued by the Group were approved at the shareholders' meeting under private placement and fully funded on the November 19, 2020 . The primary terms and conditions of the bonds are as below.

- 1) Principal amount: \$900,000 thousand.
- 2) Issue price: 100% of the principal amount of the bonds, with a par value of \$100 thousand.
- 3) Coupon rate: 0%.
- 4) Repayment method: The Group may redeem the bonds in cash at 100% par value of the bonds upon maturity, with the exception of those converted into ordinary shares of the Group by the private bondholders in accordance with Article 10 of the issuance and conversion method.
- 5) Issue period: 3 years (December 4, 2020 to December 4, 2023).
- 6) Conversion Period:

The private bondholders shall convert the convertible bonds 3 months after the issuance date (March 5, 2021) to 10 days before the maturity date (November 24, 2023), with the exceptions of the following: (1) the closing period in accordance with the applicable laws,(2) the period starting from the fifteen business days prior to the date of record for determination wherein the shareholders are entitled to receive the distributions or rights to subscribe for new shares from a capital increase for cash, and ends on the date of record for the distribution of the right/benefits (3) the period starting from the date of record of the capital decrease and ends one day prior to the re issuance of the trading of shares after the capital decrease .

- 7) Conversion price and adjustment:

The conversion price was set at \$55.62 per share. After the issuance of the converted bonds, if the Group issue additional common share (included but not limited to capital increase by issuing additional stock shares through public or private placement, capital increased out of retained earnings, capitalization of reserves, company merged or issuance of new shares due to acquisition of shares of another company, stock split or cash capital increase through issue oversea depositary receipt) apart from common shares that entitled to conversion rights or stock options to exchange for common shares or when new shares are issued for employee compensation, the conversion price shall be adjusted according to the formula in the issuance terms as follows. Adjustment price will be base on the Ex-date of the new issuance share and be disclose on the Taiwan Market Observation Post System. However, if there is a scheduled payment date then the adjustment price will be base on the date when payment fully received. If the priced changed after the Ex-date then the price per share shall be adjusted according to the formula. If the adjustment price after the calculation is lower than the Ex-date price then the price will be re-announced.

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

(m) Lease liabilities

The Group's lease liabilities were as follow:

	June 30, 2021	December 31, 2020	June 30, 2020
Current	<u>\$ 27,971</u>	<u>32,093</u>	<u>22,899</u>
Non-current	<u>\$ 71,605</u>	<u>76,753</u>	<u>14,086</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Interest on lease liabilities	<u>\$ 998</u>	<u>223</u>	<u>2,023</u>	<u>528</u>
Expenses relating to short-term leases	<u>\$ 1,165</u>	<u>567</u>	<u>2,224</u>	<u>957</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 337</u>	<u>564</u>	<u>955</u>	<u>1,308</u>

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

	For the six months ended June 30	
	2021	2020
Total cash outflow for leases	<u>\$ 26,395</u>	<u>20,848</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, 2020 and 2019.

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

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Operating costs	\$ 102	93	205	187
Selling expenses	29	54	57	108
Administrative expenses	105	85	206	171
Research and development expenses	<u>56</u>	<u>54</u>	<u>116</u>	<u>109</u>
Total	<u>\$ 292</u>	<u>286</u>	<u>584</u>	<u>575</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:

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Operating costs	\$ 2,383	1,598	4,790	3,796
Selling expenses	1,141	274	2,339	2,042
Administrative expenses	1,650	1,334	3,283	2,660
Research and development expenses	3,779	1,822	7,494	5,934
Total	<u>\$ 8,953</u>	<u>5,028</u>	<u>17,906</u>	<u>14,432</u>

(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 were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Current tax expense				
Current period	\$ 17,868	71,664	46,674	111,292
Adjustment for prior periods	<u>(20,886)</u>	<u>(2,678)</u>	<u>(20,886)</u>	<u>(2,678)</u>
Income tax expense from continuing operations	<u>\$ (3,018)</u>	<u>68,986</u>	<u>25,788</u>	<u>108,614</u>

Due to the impact of coronavirus pandemic, the Company applied for postponement of the payment of the Profit-seeking Enterprise Income Tax and undistributed surplus earning tax for 2020 and 2019, respectively, wherein the National Taxation Bureau of the Northern Area has agreed to the postponement of the payment for twelve months.

The tax returns of the Company have been assessed by the tax authorities through 2018.

(p) Capital and other equity

As of June 30, 2021, December 31 and June 30, 2020, the ordinary shares with par value of \$10 per share, amounted to \$1,500,000 thousand; also, 118,004 thousand, 118,004 thousand and 118,180 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, 2021 and 2020 were as follows:

	Unit: thousands shares	
	For the six months ended June 30	
	2021	2020
Balance at January 1	118,004	118,008
Exercise of employee share options	-	172
Balance at June 30	<u>118,004</u>	<u>118,180</u>

(i) Issue of common stock

For the six months ended June 30, 2020, the Company issued 172 thousand shares of common stocks, as its employees exercised their stock option at \$26.8 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:

	June 30, 2021	December 31, 2020	June 30, 2020
Share premium from issuance	\$ 685,289	685,289	685,601
Changes in equity of associates and joint ventures accounted for using equity method	17,539	17,539	17,539
Employee share options	11,135	6,760	2,815
Share options	22,680	22,680	-
Employee share options expired	9,500	9,500	9,392
	<u>\$ 746,143</u>	<u>741,768</u>	<u>715,347</u>

In accordance with the ROC Company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

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

(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.

In accordance with Article 241 of the Company Act, the distribution of its legal reserve and the following capital reserve, in whole or in part, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash ; Once upon by cash, the Company authorizes the distribution 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.

After the abovementioned appropriation, in order to operate proper investment and maintain Capital adequacy ratio simultaneously, the Company uses the Residual dividend policy to measure its monetary demand for the future according to its budget planned for the following years, then executes financial intermediation with retain earnings, after which, distributes cash dividends with the remaining earnings, which should not less than 30% of the total dividends amount.

In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. The amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of June 30, 2021, December 31 and June 30, 2020 the special earnings reserve amounted to \$92,949 thousand, respectively.

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The Company's cash dividends for 2020 and 2019 were resolved in the board of directors meeting, which was held on May 6, 2021 and May 7, 2020 respectively, and approved in the shareholders' meeting, which was held on July 26, 2021 and June 19, 2020. The earnings were appropriated as follows:

	<u>2020</u>	<u>2019</u>
Legal reserve	\$ <u>58,827</u>	<u>48,634</u>
Special reserve	\$ <u>35,515</u>	<u>35,583</u>
Dividends distributed to common shareholders:		
Cash	\$ <u>389,420</u>	<u>330,420</u>

(iv) Treasury stock

In accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 459 thousand shares and 216 thousand shares for the six months ended June 30, 2021 and 2020 in order to maintain the Company's creditworthiness and shareholders' equity. As of June 30, 2021, and 2020, the treasury shares that have not been cancelled amounted to 459 thousand shares and 216 thousand shares.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(v) Other equities (net of tax)

	<u>Foreign exchange differences arising from foreign operation</u>	<u>Non-controlling interests</u>	<u>Total</u>
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	\$ <u>(132,663)</u>	<u>(186)</u>	<u>(132,849)</u>
Balance at January 1, 2020	\$ (92,949)	(21,369)	(114,318)
Foreign exchange differences arising from net assets of foreign operation	(35,972)	(9,048)	(45,020)
Balance at June 30, 2020	\$ <u>(128,921)</u>	<u>(30,417)</u>	<u>(159,338)</u>

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LANNER ELECTRONICS INC. AND SUBSIDIARIES
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(q) Share-based payment

On August 25, 2015, 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 September 17, 2015 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	34.99	%
Risk-free interest rate	0.8779	%
Expected life	5	years

The Company estimates the compensation to be \$20,657 thousand based on the above assumptions. The compensation has been amortized from 2015 to 2018.

The outstanding stock option rights as follows:

<u>Employee stock options in 2015</u>	<u>For the six months ended June 30, 2020</u>	
	<u>Units</u>	<u>Exercise price (dollars)</u>
Outstanding balance as of January 1	212	\$ 26.8
Options granted	-	-
Options exercised	172	26.8
Options cancelled	-	-
Options expired	-	-
Outstanding balance as of June 30	<u>40</u>	26.8
Exercisable as of June 30	<u>40</u>	-
Exercisable shares per unit as of June 30—adjusted	<u>1,000</u>	
Fair market value	<u>\$ 4.3</u>	

The Group established a share option program that entitles the employee to purchase shares in the company on 2015. The option has been granted on September 17, 2020.

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LANNER ELECTRONICS INC. AND SUBSIDIARIES
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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

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 \$4,375 thousand and \$2,493 thousand for the six months ended June 30, 2021 and 2020. 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 2015</u>	<u>For the six months ended June 30,</u> <u>2021</u>	
	<u>Units</u>	<u>Exercise price</u> <u>(dollars)</u>
Outstanding balance as of January 1	2,940	\$ 34.70
Options granted	-	-
Options exercised	-	-
Options cancelled	-	-
Options expired	-	-
Outstanding balance as of June 30	<u>2,940</u>	34.70
Exercisable as of June 30	<u>-</u>	-
Exercisable shares per unit as of June 30—adjusted	<u>-</u>	
Fair market value	<u>\$ 8.6</u>	

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LANNER ELECTRONICS INC. AND SUBSIDIARIES
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Employee stock options in 2015	For the six months ended June 30, 2020	
	Units	Exercise price (dollars)
Outstanding balance as of January 1	-	\$ -
Options granted	3,000	36.45
Options exercised	-	-
Options cancelled	-	-
Options expired	-	-
Outstanding balance as of December 31	<u>3,000</u>	36.45
Exercisable as of December 31	<u>-</u>	-
Exercisable shares per unit as of December 31 – adjusted	<u>-</u>	
Fair market value	<u>\$ 8.6</u>	

As of June 30, 2021, the expected duration of the employee stock option issued in 2019 was 3.72 years.

(r) Earnings per share

(i) Basic earnings per share

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Net income attributable to ordinary shareholders of the Company	<u>\$ 83,126</u>	<u>186,796</u>	<u>189,063</u>	<u>259,363</u>
Weighted-average number of ordinary shares	<u>117,931</u>	<u>117,964</u>	<u>117,966</u>	<u>117,992</u>
Basic earnings per share (in NT dollars)	<u>\$ 0.70</u>	<u>1.58</u>	<u>1.60</u>	<u>2.20</u>

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LANNER ELECTRONICS INC. AND SUBSIDIARIES
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(ii) Diluted earnings per share

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Net income of the company	\$ 83,126	186,796	189,063	259,363
Effect of after tax interest expense of conversion bonds	1,499	-	2,994	-
Net income attributable to ordinary shareholders of the Company (diluted)	<u>\$ 84,625</u>	<u>186,796</u>	<u>192,057</u>	<u>259,363</u>
Weighted-average number of ordinary shares (basic)	117,931	117,964	117,966	117,964
Effect of dilutive potential ordinary shares				
Effect of employee stock bonus	484	704	1,015	1,576
Effect of employee stock option	1,298	1,082	1,362	1,096
Effect of conversion of convertible bonds	16,181	-	16,181	-
Weighted-average number of ordinary shares (diluted)	<u>135,894</u>	<u>119,750</u>	<u>136,524</u>	<u>120,636</u>
Diluted earnings per share (in NT dollars)	<u>\$ 0.62</u>	<u>1.56</u>	<u>1.41</u>	<u>2.15</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.

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended June 30, 2021		
	Sale of Network Communication and other related products	Others	Total
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>

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LANNER ELECTRONICS INC. AND SUBSIDIARIES
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For the three months ended June 30, 2021			
Sale of Network Communication and other related products			
	Others	Total	
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>
For the three months ended June 30, 2020			
Sale of Network Communication and other related products			
	Others	Total	
Primary geographical markets:			
America	825,840	8,761	834,601
Asia	\$ 622,513	7,190	629,703
Europe	272,521	967	273,488
Others	6,174	42	6,216
	<u>\$ 1,727,048</u>	<u>16,960</u>	<u>1,744,008</u>
Primary merchandises/services lines:			
Network communication apparatus	\$ 1,415,067	16,695	1,431,762
Others	311,981	265	312,246
	<u>\$ 1,727,048</u>	<u>16,960</u>	<u>1,744,008</u>
For the six months ended June 30, 2021			
Sale of Network Communication and other related products			
	Others	Total	
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	64,649	263	64,912
	<u>\$ 3,302,181</u>	<u>43,150</u>	<u>3,345,331</u>

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LANNER ELECTRONICS INC. AND SUBSIDIARIES
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	For the six months ended June 30, 2021		
	Sale of Network Communication and other related products	Others	Total
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>
	<u>\$ 3,302,181</u>	<u>43,150</u>	<u>3,345,331</u>
	For the six months ended June 30, 2020		
	Sale of Network Communication and other related products	Others	Total
Primary geographical markets:			
America	1,522,597	24,281	1,546,878
Asia	\$ 1,315,819	16,312	1,332,131
Europe	405,232	1,319	406,551
Others	<u>9,279</u>	<u>111</u>	<u>9,390</u>
	<u>\$ 3,252,927</u>	<u>42,023</u>	<u>3,294,950</u>
Primary merchandises/services lines:			
Network communication apparatus	\$ 2,708,063	39,916	2,747,979
Others	<u>544,864</u>	<u>2,107</u>	<u>546,971</u>
	<u>\$ 3,252,927</u>	<u>42,023</u>	<u>3,294,950</u>

Unearned revenue, net for the Group's amounted to \$(556) thousand, \$(706) thousand, \$(3,306) thousand and \$(12) thousand for the three months and six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021, December 31 and June 30, 2020, accumulated unearned revenue amounted to \$49,644 thousand, \$52,738 thousand and \$55,071 thousand, respectively. Unearned revenue was booked due to identifiable services to be rendered.

(ii) Contract balance

	June 30, 2021	December 31, 2020	June 30, 2020
Current contract liabilities	<u>\$ 30,040</u>	<u>37,180</u>	<u>110,689</u>

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

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The amount of revenue recognized for the six months ended June 30, 2021 and 2020 that was included in the contract liability balance at the beginning of the period was \$37,180 thousand and \$35,212 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, 2021 and 2020, the Company recognized its employee remuneration of \$10,682 thousand, \$31,509 thousand, \$28,608 thousand and \$43,678 thousand, respectively, and directors' and supervisors' remuneration of \$1,068 thousand, \$3,151 thousand, \$2,861 thousand and \$4,368 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, 2020 and 2019, the Company estimated its employees' compensation were \$101,146 thousand and \$82,353 thousand, respectively, and the estimated amounts of directors' and supervisors' remuneration were \$10,115 thousand and \$8,235 thousand, respectively. Related information would be available at the Market Observation Post System website.

(u) Non-operating income and expenses

(i) Interest income

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Interest income from bank deposits	<u>\$ 2,332</u>	<u>1,482</u>	<u>4,469</u>	<u>3,998</u>

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LANNER ELECTRONICS INC. AND SUBSIDIARIES
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(ii) Other income

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

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Rent income	\$ 1,412	1,461	2,833	2,895
Other	<u>6,819</u>	<u>6,461</u>	<u>12,666</u>	<u>13,086</u>
Total other income	<u>\$ 8,231</u>	<u>7,922</u>	<u>15,499</u>	<u>15,981</u>

(iii) Other gains and losses

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

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Losses on disposal of property, plant and equipment	\$ (1)	(189)	(1)	(69)
Gain on disposal of investments	-	138,767	-	138,767
Gains (losses) on foreign exchange, net	394	(4,934)	8,046	(1,737)
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	3,349	2,288	362	2,402
Other losses	<u>(8,883)</u>	<u>(45)</u>	<u>(12,703)</u>	<u>(1,156)</u>
Net other gains and losses	<u>\$ (5,141)</u>	<u>135,887</u>	<u>(4,296)</u>	<u>138,207</u>

(iv) Finance costs

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

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Interest expense	<u>\$ 3,549</u>	<u>508</u>	<u>8,181</u>	<u>2,954</u>

(Continued)

LANNER ELECTRONICS INC. AND SUBSIDIARIES
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(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(v) of the consolidated financial statements for the year ended December 31, 2020.

(i) Credit risk

As of June 30, 2021, December 31 and June 30, 2020, the major client contributed approximately 9%, 11% and 14% of total receivables, respectively. The other four clients contributed no more than 26%, 18% and 33% 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
June 30, 2021						
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>
December 31, 2020						
Non-derivative financial liabilities						
Short-term borrowings	\$ 345,065	345,399	345,399	-	-	-
Accounts payable	1,062,513	1,062,513	1,062,513	-	-	-
Other payables	634,941	634,941	634,941	-	-	-
Bonds payable	877,942	900,000	-	-	900,000	-
Lease liabilities	108,846	117,370	35,762	25,475	56,133	-
Guarantee deposits received	986	986	-	-	-	986
Derivative financial liabilities						
Other forward exchange contracts:						
Outflow	709	709	709	-	-	-
	<u>\$ 3,031,002</u>	<u>3,061,918</u>	<u>2,079,324</u>	<u>25,475</u>	<u>956,133</u>	<u>986</u>

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LANNER ELECTRONICS INC. AND SUBSIDIARIES
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June 30, 2020	<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>
Non-derivative financial liabilities						
Short-term borrowings	\$ 226,831	228,771	228,771	-	-	-
Accounts payable	626,280	626,280	626,280	-	-	-
Dividends payable	330,420	330,420	330,420	-	-	-
Other payables	511,167	511,167	511,167	-	-	-
Long-term borrowings (including due within a year)	66	66	66	-	-	-
Lease liabilities	36,985	39,167	19,695	13,717	5,755	-
Guarantee deposits received	1,012	1,012	-	-	-	1,012
	<u>\$ 1,732,761</u>	<u>1,736,883</u>	<u>1,716,399</u>	<u>13,717</u>	<u>5,755</u>	<u>1,012</u>

(iii) Currency risk

1) Exposure to foreign currency risk

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

June 30, 2021	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
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
December 31, 2020			
Financial assets:			
Monetary items:			
USD (note)	\$ 48,545	28.0450	1,361,444
Financial liabilities:			
Monetary items:			
USD (note)	\$ 39,840	28.0450	1,117,323
June 30, 2020			
Financial assets:			
Monetary items:			
USD (note)	\$ 39,085	29.5160	1,153,634
Financial liabilities:			
Monetary items:			
USD (note)	\$ 20,440	29.5160	603,308

Note: Amounts are designated before consolidation.

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LANNER ELECTRONICS INC. AND SUBSIDIARIES
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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, 2021 and 2020 would have increased or decreased the net income by \$8,886 thousand and \$14,917 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, 2021 and 2020, foreign exchange gains (loss) (including realized and unrealized abortions) amounted to \$394 thousand, \$(4,934) thousand, \$8,046 thousand and \$1,737 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 \$258 thousand and \$908 thousand, respectively, for the six months ended June 30, 2021 and 2020, 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
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(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.

	June 30, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets					
mandatorily measured at fair value through profit or loss	\$ 740,224	671,615	68,609	-	740,224
Total	<u>\$ 740,224</u>	<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>
	December 31, 2020				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets for hedging	\$ 2,047	-	2,047	-	2,047
Financial assets mandatorily measured at fair value through profit or loss	542,378	520,901	21,477	-	542,378
Total	<u>\$ 544,425</u>	<u>520,901</u>	<u>23,524</u>	<u>-</u>	<u>544,425</u>

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LANNER ELECTRONICS INC. AND SUBSIDIARIES
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	December 31, 2020				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	\$ <u>709</u>	-	<u>709</u>	-	<u>709</u>
Financial liabilities measured at amortized cost					
Bonds payable	<u>877,942</u>	-	<u>877,942</u>	-	<u>877,942</u>
Total	<u>\$ 878,651</u>	<u>-</u>	<u>878,651</u>	<u>-</u>	<u>878,651</u>
	June 30, 2020				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets for hedging	\$ 2,157	-	2,157	-	2,157
Financial assets mandatorily measured at fair value through profit or loss	<u>204,535</u>	<u>100,567</u>	<u>103,968</u>	-	<u>204,535</u>
Total	<u>\$ 206,692</u>	<u>100,567</u>	<u>106,125</u>	<u>-</u>	<u>206,692</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(w) of the consolidated financial statements for the year ended December 31, 2020.

(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, 2020; 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, 2020. For related information, please refer to note 6(x) of the consolidated financial statements for the year ended December 31, 2020.

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LANNER ELECTRONICS INC. AND SUBSIDIARIES
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(y) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities for the six months ended June 30, 2021 and 2020 were as follows:

	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
Lease liabilities	108,846	(21,193)	11	2,023	9,889	99,576
Bonds payable	877,942	-	-	3,743	-	881,685
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>

	January 1, 2020	Cash flows	Non-cash changes			June 30, 2020
			Foreign exchange movement	Amortization of commercial paper discount	Others	
Short-term borrowings	\$ 250,944	42,228	(3,960)	-	(62,381)	226,831
Long-term borrowings (including current portion)	1,097	(1,030)	(1)	-	-	66
Lease liabilities	40,477	(18,055)	1,786	528	12,249	36,985
Total liabilities from financing activities	<u>\$ 292,518</u>	<u>23,143</u>	<u>(2,175)</u>	<u>528</u>	<u>(50,132)</u>	<u>263,882</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
Beijing HDZX Technology Co., Ltd. (HDZX)	Originally accounted for as a subsidiary in the consolidated financial statement. The Group disposed of the subsidiary's shares in June, 2020 but the subsidiary remained to be a related party because the president of HDZX and the general manager of the Group's subsidiary are the same person. As of December 25, 2020, HDZX was no longer a related party to the Group.
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
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(b) Significant related party transactions

(i) Advance receipts (recorded under current contract liabilities)

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Other related-party			
HDZC	\$ <u>-</u>	<u>-</u>	<u>81,564</u>

(ii) Leases

1) Lessee

Lease contracts with the period from June 2015 to May 2020 and June 2020 to May 2025 were signed with other related party on April 2015 and April 2020. In accordance with the contract, the Group provided \$175 thousand as deposit and booked the same amount under non-current assets. At the date of initial application of IFRS 16, the Company recognized right-of-use asset \$1,855 thousand and lease liability \$1,855 thousand, respectively, because of the aforementioned lease transaction. For the three months ended June 30, 2021 and 2020 and the six months ended June 30, 2021 and 2020, the Group recognized the amount of \$8 thousand, \$1 thousand, \$17 thousand and \$5 thousand as interest expense, respectively. As of June 30, 2021, December 31 and June 30, 2020, the balance of lease liabilities amounted to \$5,034 thousand, \$5,677 thousand and \$6,427 thousand, respectively.

2) Lessor

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Other related parties	\$ <u>90</u>	<u>-</u>	<u>180</u>	<u>-</u>

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

(iii) Contribution

With the approval from the broad of directors, the Group agreed to contribute \$5,000 thousand to Lanner Foundation for the year ended December 31, 2021 and 2020.

(iv) Property translation auditor

The main management personnel of the Group purchased part of the shares of HDZX, the amount of the shares transaction was \$61,728 thousand (RMB14,843 thousand). As of June 30, 2020, according to the agreement, \$36,776 thousand has not yet been received, which is recorded under other receivable.

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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 \$12,311 thousand, all payments related to the acquisition were paid in full as of June 30, 2021.

(c) Key management personnel compensations

Key management personnel compensation comprised:

	For the three months ended June 30		For the three months ended June 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 26,311	29,236	54,847	52,101
Post-employment benefits	191	186	377	394
	<u>\$ 26,502</u>	<u>29,422</u>	<u>55,224</u>	<u>52,495</u>

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	June 30, 2021	December 31, 2020	June 30, 2020
Certificate of deposits (recorded under other financial assets — current)	Guarantee for customs	\$ 2,416	2,394	2,394
Land	Guarantee for long and short-term borrowings	-	-	302,670
Building	Guarantee for long and short-term borrowings	-	-	139,799
		<u>\$ 2,416</u>	<u>2,394</u>	<u>444,863</u>

(9) Commitments and contingencies: None.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

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LANNER ELECTRONICS INC. AND SUBSIDIARIES
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(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, 2021			Three months ended June 30, 2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	54,749	204,649	259,398	51,142	190,473	241,615
Labor and health insurance	6,599	13,097	19,696	5,453	11,232	16,685
Pension	2,485	6,760	9,245	1,691	3,623	5,314
Others	3,371	8,417	11,788	3,482	7,908	11,390
Depreciation	11,128	21,808	32,936	10,967	24,759	35,726
Amortization	-	-	-	-	-	-

By function By nature	Six months ended June 30, 2021			Six months ended June 30, 2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	108,307	414,533	522,840	103,037	385,265	488,302
Labor and health insurance	12,885	27,549	40,434	11,468	26,065	37,533
Pension	4,995	13,495	18,490	3,983	11,024	15,007
Others	6,859	15,264	22,123	7,097	14,226	21,323
Depreciation	22,136	42,437	64,573	22,643	48,827	71,470
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:

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	Dongguan Lihua Haiwell Tech. Co., Ltd.	(2)	639,575	129,717	64,322	64,859	-	2.01 %	1,598,937	Y		Y
0	The Company	Beijing L&S Lancom Platform Tech. Co., Ltd.	(2)	639,575	198,899	98,626	-	-	3.08 %	1,598,937	Y		Y

Unit: thousand dollars/thousand shares

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):

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	June 30, 2021				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	20,345	331,267	-	331,267	
The Company	Taishin 1699 Money Market Fund	—	Financial assets at fair value though profit or loss – current	10,259	140,173	-	140,173	
The Company	First Financial Holding	—	Financial assets at fair value though profit or loss – current	6,476	100,085	-	100,085	
The Company	Franklin Templeron Sinoam Money Market Fund	—	Financial assets at fair value though profit or loss – current	9,585	100,090	-	100,090	
Beijing L & S Lancom Platform of Technology CO., Ltd.	China Merchants Bank Financial Products – Jyu Yi Sheng Jin 98045	—	Financial assets at fair value though profit or loss – current	-	68,609	-	68,609	

Unit: thousand dollars/thousand shares

- (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
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- (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 ELECTRONICS USA, INC.	Subsidiary	(Sales)	(929,483)	(38)	%90 days	-	-	265,175	32 %	
LANNER ELECTRONICS USA, INC.	The Company	Subsidiary	Purchase	929,483	83	%90 days	-	-	(265,175)	(63) %	
The Company	Dongguan Lihua Haiwell Tech. Co., Ltd.	Subsidiary	(Sales)	(136,832)	(6)	%60 days	-	-	56,018	7 %	
Dongguan Lihua Haiwell Tech. Co., Ltd.	The Company	Subsidiary	Purchase	136,832	22	%60 days	-	-	(56,018)	(32) %	
The Company	LEI TECHNOLOGY CANADA INC.	Subsidiary	(Sales)	(117,820)	(5)	%90 days	-	-	37,303	4 %	
LEI TECHNOLOGY CANADA INC.	The Company	Subsidiary	Purchase	117,820	88	%90 days	-	-	(37,303)	(91) %	
Dongguan Lihua Haiwell Tech. Co., Ltd.	Beijing L&S Lancom Platform Tech. Co., Ltd.	Subsidiary	(Sales)	(378,423)	(61)	%60 days	-	-	-	- %	
Beijing L&S Lancom Platform Tech. Co., Ltd.	Dongguan Lihua Haiwell Tech. Co., Ltd.	Subsidiary	Purchase	378,423	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	265,175	6.21	-		119,583 (Until August 12, 2021)	-

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, 2021:

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 ELECTRONICS USA, INC.	1	Sales	929,483	No significant differences	27.78%
0	The Company	Dongguan Lihua Haiwell Technology Co., Ltd.	1	Sales	136,832	No significant differences	4.09 %
0	The Company	LEI Technology Canada Ltd.	1	Sales	117,820	No significant differences	3.52 %
0	The Company	LANNER ELECTRONICS USA, INC.	1	Accounts receivable	265,175	No significant differences	3.67 %
0	The Company	Dongguan Lihua Haiwell Technology Co., Ltd.	1	Accounts receivable	56,018	No significant differences	0.77 %

(Continued)

LANNER ELECTRONICS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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	LEI Technology Canada Ltd.	1	Accounts receivable	37,303	No significant differences	0.52 %
1	Dongguan Lihua Haiwell Technology Co., Ltd.	Beijing L & S Lancom Platform of Technology CO., Ltd.	3	Sales	378,423	No significant differences	11.49%
1	Dongguan Lihua Haiwell Technology Co., Ltd.	Beijing L & S Lancom Platform of Technology CO., Ltd.	3	Current contract liabilities	146,564	No significant differences	2.03 %

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.

(b) Information on investees:

The following are the information on investees for the six months ended June 30, 2021 (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, 2021	December 31, 2020	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 %	271,657	2,512	2,512	(Note 1)
The Company	LANNER ELECTRONICS (MAURITIUS) INC.	Mauritius	Investing	119,282	84,990	2,653	100 %	939,432	42,726	42,726	(Note 1)
The Company	LEI TECHNOLOGY CANADA LTD.	Canada	Trading of computer peripheral equipment	153,926	153,926	5,105	100 %	146,191	(5,806)	(5,806)	(Note 1)
The Company	LANNER TECHNOLOGY JAPAN CO., LTD.	Japan	Trading of computer peripheral equipment	8,145	8,145	3	80 %	4,642	(1,213)	(971)	(Note 1)
The Company	Whitebox Solutions Inc.	Taiwan	Manufacture and trading of computer peripheral products	7,500	7,500	750	100 %	7,442	(1)	(1)	(Note 1)
Lanner Electronics (Mauritius) Inc.	Lancom Holding Co., Ltd.	Samoa	Investing	112,543	78,251	2,623	100 %	977,864	43,022	43,022	(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, 2021	Investment flow during current period		Cumulative investment (amount) from Taiwan as of June 30, 2021	Net income on investee	Direct / indirect investment holding percentage	Investment income (loss) (Note 2)	Book value (Note 2)	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
Beijing L&S Lancom Platform Tech. Co., Ltd.	Trading of computer peripheral equipment	118,388	(3)	75,982	34,292	-	110,274	49,173	100.00 %	41,400	930,121	-
Dongguan Lihua Haiwell Tech. Co., Ltd.	Manufacture and trading of computer peripheral products	92,037	(4)	-	-	-	-	25,748	100.00 %	20,598	112,557	-
Lanner Technology (Dongguan) Co., Ltd. (Lanner Technology)	Trading of computer peripheral equipment	22,099	(1)	-	-	-	-	624	100.00 %	624	9,145	-

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

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 of Technology Co., Ltd.

Note 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.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Yi-Wen Chou		10,146,089	8.61 %
Fubon Life Insurance Co., Ltd.		9,435,000	7.99 %
Delta Electronics, Inc.		6,763,845	5.73 %
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.