Stock Code:6669

WIWYNN CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

With Independent Auditors' Review Report
for the Six Months Ended June 30, 2019 and 2018

Address: 8, No. 90, Sec.1, Xintai 5th Rd., Xizhi Dist., New Taipei City, Taiwan
Telephone: (02)6615-8888

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.

Table of contents

Independent Auditors' Review Report

To the Board of Directors Wiwynn Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Wiwynn Corporation and its subsidiaries as of June 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2019 and 2018, as well as the changes in equity and cash flows for the six months ended June 30, 2019 and 2018, 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 Standards 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

We conducted our reviews in accordance with Statement of Auditing Standards 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.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Wiwynn Corporation and its subsidiaries as of June 30, 2019 and 2018, and of its consolidated financial performance for the three months and six months ended June 30, 2019 and 2018, as well as its consolidated cash flows for the six months ended June 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Chia-Chien Tang and Ming-Hung Huang.

KPMG

Taipei, Taiwan (Republic of China)
August 9, 2019

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of 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 Originally Issued in Chinese)

Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2019 and 2018

Wiwynn Corporation and Subsidiaries

Consolidated Balance Sheets

June 30, 2019, December 31, and June 30, 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	June 30, 2019 Amount	%	December 31, 2018 Amount	%	June 30, 2018 Amount	%
	Current assets:						
1100	Cash and cash equivalents (note 6(a))	$ 7,735,654	20	1,403,592	5	1,327,300	5
1110	Financial assets at fair value through profit or loss-current (note 6(b))	8,755	-	-	-	-	-
1170	Accounts receivable, net (notes 6(c)(s))	13,327,224	35	9,462,834	34	12,226,460	46
1180	Accounts receivable - related parties, net (notes 6(c)(s) and 7)	334,751	1	24,196	-	314,936	1
1200	Other receivables (note 6(d))	2,938	-	7,578	-	8,072	-
1210	Other receivables-related parties (notes 6(d) and 7)	93,610	-	98,779	-	72,660	-
130X	Inventories (note 6(e))	15,380,051	40	13,863,936	49	12,237,499	46
1479	Other current assets (note 6(i))	301,530	1	2,722,455	10	189,766	1
	Total current assets	37,184,513	97	27,583,370	98	26,376,693	99
	Non-current assets:						
1600	Property, plant and equipment (note 6(f))	167,762	-	125,543	-	77,162	-
1755	Right-of-use assets (notes 6(g) and 7)	238,533	1	-	-	-	-
1780	Intangible assets (note 6(h))	8,796	-	7,242	-	9,844	-
1840	Deferred tax assets	291,066	1	291,066	1	40,348	-
1990	Other non-current assets (notes 6(i) and 8)	300,191	1	196,821	1	163,503	1
	Total non-current assets	1,006,348	3	620,672	2	290,857	1
	Total assets	$ 38,190,861	100	28,204,042	100	26,667,550	100

	Liabilities and Equity	June 30, 2019 Amount	%	December 31, 2018 Amount	%	June 30, 2018 Amount	%
	Current liabilities:						
2100	Short-term borrowings (notes 6(j) and 8)	$ 814,086	2	2,962,661	11	138,543	-
2130	Contract liabilities-current (note 6(s))	619,954	2	381,814	1	358,881	1
2170	Accounts payable	6,150,019	16	1,120,338	4	5,900,427	22
2180	Accounts payable - related parties (note 7)	7,023,024	19	3,842,663	14	7,338,022	28
2200	Other payables (note 6(p))	4,668,873	12	1,162,375	4	1,765,803	7
2220	Other payables-related parties (notes 6(u) and 7)	280,233	1	692,868	2	285,883	1
2230	Current tax liabilities	789,211	2	1,438,451	5	796,360	3
2280	Lease liabilities-current (notes 6(l) and 7)	66,479	-	-	-	-	-
2399	Other current liabilities	445,726	1	232,842	1	259,648	1
	Current liabilities	20,857,605	55	11,834,012	42	16,843,567	63
	Non-current liabilities:						
2540	Long-term borrowings (note 6(k))	-	-	5,522,236	20	1,818,007	7
2570	Deferred tax liabilities	70,382	-	70,382	-	21,580	-
2580	Lease liabilities-non-current (notes 6(l) and 7)	177,756	-	-	-	-	-
2640	Net defined benefit liabilities	625	-	625	-	53,623	-
2670	Other non-current liabilities	-	-	-	-	654	-
	Non-current liabilities	248,763	-	5,593,243	20	1,893,864	7
	Total liabilities	21,106,368	55	17,427,255	62	18,737,431	70
	Equity (notes 6(p)(q)):						
3110	Common shares	1,745,428	5	1,520,288	6	1,264,405	5
3150	Stock dividend to be distributed	-	-	-	-	255,193	1
	Total shares	1,745,428	5	1,520,288	6	1,519,598	6
3200	Capital surplus	8,815,591	23	2,853,756	10	2,839,304	10
3300	Retained earnings	6,286,891	16	6,229,893	22	3,437,782	13
3400	Other equity	236,583	1	172,850	-	133,435	1
	Total equity	17,084,493	45	10,776,787	38	7,930,119	30
	Total liabilities and equity	$ 38,190,861	100	28,204,042	100	26,667,550	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Reviewed only, not audited in accordance with generally accepted auditing standards

Wiwynn Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

For the six months ended June 30, 2019 and 2018

(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			
		2019		2018		2019		2018	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	**Opeating revenue (notes 6(s) and 7)**	$ 42,263,224	100	46,367,401	100	80,699,564	100	85,919,698	100
5000	**Operating costs (notes 6(e)(g)(n), 7 and 12)**	39,388,335	93	43,092,494	93	75,485,903	94	80,639,894	94
	Gross profit from operations	2,874,889	7	3,274,907	7	5,213,661	6	5,279,804	6
	Operating expenses (notes 6(c)(g)(l)(n)(q)(u), 7 and 12):								
6100	Selling expenses	199,124	-	452,150	1	447,069	-	763,746	1
6200	Administrative expenses	289,170	1	327,427	-	469,889	1	482,424	-
6300	Research and development expenses	302,952	1	409,607	1	664,799	1	580,001	1
6450	Expected credit loss (gain)	8,631	-	(8,673)	-	(1,081)	-	-	-
	Total operating expenses	799,877	2	1,180,511	2	1,580,676	2	1,826,171	2
	Net operating income	2,075,012	5	2,094,396	5	3,632,985	4	3,453,633	4
	Non-operating income and expenses (notes 6(l)(t) and 7):								
7010	Other income	16,031	-	12,839	-	31,812	-	18,676	-
7020	Other gains and losses	80,106	-	210,488	-	107,316	-	208,634	-
7050	Finance costs	(80,144)	-	(61,434)	-	(184,566)	-	(113,343)	-
	Total non-operating income and expenses	15,993	-	161,893	-	(45,438)	-	113,967	-
7900	**Income before tax**	2,091,005	5	2,256,289	5	3,587,547	4	3,567,600	4
7950	**Income tax expense (note 6(o))**	432,750	1	521,233	1	735,660	-	782,126	1
	Net income	1,658,255	4	1,735,056	4	2,851,887	4	2,785,474	3
8300	**Other comprehensive income (note 6(p)):**								
8360	**Items that may be reclassified subsequently to profit or loss**								
8361	Exchange differences on translation of foreign financial statements	46,625	-	148,400	-	63,733	-	141,572	-
8399	Income tax related to items that may be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	46,625	-	148,400	-	63,733	-	141,572	-
8300	**Other comprehensive income (net of tax)**	46,625	-	148,400	-	63,733	-	141,572	-
8500	**Total comprehensive income**	$ 1,704,880	4	1,883,456	4	2,915,620	4	2,927,046	3
	Profit attributable to:								
8610	Owners of parent	$ 1,658,255	4	1,735,056	4	2,851,887	4	2,785,474	3
	Comprehensive income attributable to:								
8710	Owners of parent	$ 1,704,880	4	1,883,456	4	2,915,620	4	2,927,046	3
	Earnings per share (expressed in New Taiwan dollars) (note 6(r))								
9750	**Basic earnings per share**	$ 9.50		11.07		17.38		19.07	
9850	**Diluted earnings per share**	$ 9.48		10.67		17.27		18.06	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Reviewed only, not audited in accordance with generally accepted auditing standards

Wiwynn Corporation and Subsidiaries

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent								
	Total shares			Retained earnings				Other equity	
	Common shares	Stock dividend to be distributed	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Total equity
Balance on January 1, 2018	$ 1,060,775	-	545,921	74,350	-	1,343,537	1,417,887	(8,137)	3,016,446
Appropriation and distribution of retain earnings:									
Legal reserve	-	-	-	120,848	-	(120,848)	-	-	-
Special reserve	-	-	-	-	8,137	(8,137)	-	-	-
Cash dividends	-	-	-	-	-	(510,386)	(510,386)	-	(510,386)
Stock dividends	-	255,193	-	-	-	(255,193)	(255,193)	-	-
Net income	-	-	-	-	-	2,785,474	2,785,474	-	2,785,474
Other comprehensive income	-	-	-	-	-	-	-	141,572	141,572
Total comprehensive income	-	-	-	-	-	2,785,474	2,785,474	141,572	2,927,046
Cash subscription	200,000	-	2,200,000	-	-	-	-	-	2,400,000
Issue of common shares-employee stock options	3,630	-	1,766	-	-	-	-	-	5,396
Share-based payments	-	-	91,617	-	-	-	-	-	91,617
Balance on June 30, 2018	**$ 1,264,405**	**255,193**	**2,839,304**	**195,198**	**8,137**	**3,234,447**	**3,437,782**	**133,435**	**7,930,119**
Balance on January 1, 2019	$ 1,520,288	-	2,853,756	195,198	8,137	6,026,558	6,229,893	172,850	10,776,787
Effects of retrospective application	-	-	-	-	-	(2,204)	(2,204)	-	(2,204)
Balance on January 1, 2019 after adjustments	1,520,288	-	2,853,756	195,198	8,137	6,024,354	6,227,689	172,850	10,774,583
Appropriation and distribution of retain earnings:									
Legal reserve	-	-	-	557,758	-	(557,758)	-	-	-
Special reserve	-	-	-	-	(8,137)	8,137	-	-	-
Cash dividends	-	-	-	-	-	(2,792,685)	(2,792,685)	-	(2,792,685)
Net income	-	-	-	-	-	2,851,887	2,851,887	-	2,851,887
Other comprehensive income	-	-	-	-	-	-	-	63,733	63,733
Total other comprehensive income	-	-	-	-	-	2,851,887	2,851,887	63,733	2,915,620
Cash subscription	188,100	-	5,769,888	-	-	-	-	-	5,957,988
Issue of common shares-employee stock options	37,040	-	27,985	-	-	-	-	-	65,025
Share-based payments	-	-	163,962	-	-	-	-	-	163,962
Balance on June 30, 2019	**$ 1,745,428**	-	**8,815,591**	**752,956**	-	**5,533,935**	**6,286,891**	**236,583**	**17,084,493**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Reviewed only, not audited in accordance with generally accepted auditing standards

Wiwynn Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the six months ended June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2019	2018
Cash flows from (used in) operating activities:		
Income before tax	$ 3,587,547	3,567,600
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	84,699	15,806
Amortization expense	2,674	2,419
Expected credit gain	(1,081)	-
Net losses on financial assets or liabilities at fair value through profit or loss	24,756	26,164
Interest expense	184,566	113,343
Interest income	(31,771)	(18,638)
Share-based payments	163,962	91,617
Losses on disposal of property, plant and equipment	6	-
Unrealized foreign exchange losses	-	70,170
Total adjustments to reconcile profit	427,811	300,881
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in financial assets mandatorily measured at fair value through profit or loss-current	(33,511)	-
Increase in accounts receivable, net	(3,800,478)	(3,521,262)
Increase in accounts receivable-related parties, net	(310,555)	(126,587)
Decrease in other receivable	4,678	273,309
Decrease in other receivable-related parties	7,635	493,596
Increase in inventories	(1,368,654)	(2,783,056)
Decrease in other current assets	2,461,595	29,442
Total changes in operating assets	(3,039,290)	(5,634,558)
Changes in operating liabilities:		
Decrease in financial liabilities held-for-trading-current	-	(30,210)
Increase in contract liabilities-current	238,140	358,881
Increase in accounts payable	5,005,241	4,186,847
Increase (decrease) in accounts payable-related parties	3,180,361	(6,563,594)
Increase in other payable	718,826	347,150
Increase (decrease) in other payable-related parties	(557,274)	74,190
Decrease in provisions-current	-	(188,226)
Increase (decrease) in other current liabilities	210,218	(237,372)
Increase in other non-current liabilities	-	3
Total changes in operating liabilities	8,795,512	(2,052,331)
Total changes in operating assets and liabilities	5,756,222	(7,686,889)
Total adjustments	6,184,033	(7,386,008)
Cash inflow (outflow) generated from operations	9,771,580	(3,818,408)
Interest received	29,448	16,890
Interest paid	(190,462)	(115,982)
Income taxes paid	(1,425,730)	(345,231)
Net cash flows from (used in) operating activities	8,184,836	(4,262,731)
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(30,135)	(29,626)
Proceeds from disposal of property, plant and equipment	27	-
Acquisition of intangible assets	(4,228)	(7,039)
Increase in other non-current assets	(26,326)	(3,451)
Increase in prepayments for equipment	(147,992)	(4,950)
Net cash flows used in investing activities	(208,654)	(45,066)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	5,324,524	10,261,932
Decrease in short-term borrowings	(7,476,916)	(15,118,047)
Increase in long-term borrowings	-	1,747,837
Decrease in long-term borrowings	(5,522,236)	-
Cash subscription	5,957,988	2,400,000
Exercise of employee stock options	65,025	5,396
Payment of lease liabilities	(22,107)	-
Net cash flows used in financing activities	(1,673,722)	(702,882)
Effect of exchange rate changes on cash and cash equivalents	29,602	(61,164)
Net increase (decrease) in cash and cash equivalents	6,332,062	(5,071,843)
Cash and cash equivalents at beginning of period	1,403,592	6,399,143
Cash and cash equivalents at end of period	$ **7,735,654**	**1,327,300**

See accompanying notes to consolidated financial statements.

Wiwynn Corporation and Subsidiaries

Notes to Consolidated Financial Statements

For the six months ended June 30, 2019 and 2018

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

(1) Company history

Wiwynn Corporation (the "Company") was incorporated on March 3, 2012, as a company limited by shares under the laws of the Republic of China (ROC). Wiwynn Corporation and subsidiaries (the Group) were engaged in research, development, design, testing and sales of abovementioned products, semi-products, peripheral equipments and parts:

(i) Computer and peripheral equipments

(ii) Data storage media

(iii) Electric appliances and media products

(iv) Information software

(v) Export business relating to the business of the Company

(vi) Management consult services

(vii) Information software services

(viii) Data processing services

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

The consolidated financial statements were authorized for issuance by the board of directors on August 9, 2019.

(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. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16"Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below:

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(c).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The Group decided to apply recognition exemptions to short-term leases of partial contracts. Leases classified as operating leases under IAS 17. At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) Impacts on financial statements

On transition to IFRS 16, the Group recognized $70,229 thousand of right-of-use assets and $72,409 thousand of lease liabilities, and the difference were transferred from other current assets and recognized in retained earnings. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 2.04%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

		January 1, 2019
Operating lease commitment at December 31, 2018	$	59,445
Extension and termination options reasonably certain to be exercised		15,486
Discounted cash flow of interest expense		(2,522)
Discounted using the incremental borrowing rate at January 1, 2019	$	**72,409**

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021

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.

(4) Summary of significant accounting policies:

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2018. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2018.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 "Interim Financial Reporting" which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding June 30, 2019	Shareholding December 31, 2018	Shareholding June 30, 2018	Description
The Company	Wiwynn Technology Service Japan, Inc. (WYJP)	Sales of data storage equipment	100 %	100 %	100 %	-
The Company	Wiwynn International Corporation (WYUDE)	Sales of data storage equipment	100 %	100 %	100 %	-
The Company	Wiwynn Technology Service Hong Kong Limited (WYHK)	Investment activities and sale of data storage equipment	100 %	100 %	100 %	-
The Company	Wiwynn Korea Ltd. (WYKR)	Sales of data storage equipment	100 %	100 %	100 %	-
The Company	Wiwynn Technology Service Malaysia SDN. BHD. (WYMY)	Sales of data storage equipment	100 %	100 %	100 %	-
The Company	Wiwynn Mexico SA.de C.V. (WYMX)	Human resource service provision	100 %	-	-	(Note)
WYHK	Wiwynn Technology Service Kun Shan Ltd. (WYKS)	Sales of data storage equipment	100 %	100 %	100 %	-

Note: WYMX was incorporated on February 14, 2019.

Note 1: The aforementioned subsidiaries were recognized based on the reviewed financial statements by the certified accountant.

(ii) List of subsidiaries which are not included in the consolidated financial statements: None.

(c) Lease (applicable from January 1, 2019)

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the Group has the right to direct the use of the asset. :

- The Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

- In rare cases where the decision on how, and for what purpose, the asset is used is predetermined, the Group has the right to direct the use of an asset if either:

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a leasee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including substantively fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— payments for purchase or termination options that are reasonably certain to be exercised.

(Continued)

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is a change in the assessment on lease term as to whether it will be extended or terminated; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of short-term lease that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(d) Income Taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as 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 of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(e) Employee benefits

The pension cost in the interim period was calculated and disclosed 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 significant one-time events.

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and endorsed by the FSC) requires management to make judgments, estimates 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.

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2018. For the related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2018.

(6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2018. Please refer to Note 6 of the consolidated financial statements for the year ended December 31, 2018.

(a) Cash and cash equivalents

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand	$ 492	385	198
Demand and checking deposits	7,735,162	1,403,207	1,286,112
Time deposits	-	-	40,990
	$ 7,735,654	1,403,592	1,327,300

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

	June 30, 2019	December 31, 2018	June 30, 2018
Mandatorily measured at fair value through profit or loss:			
Foreign currency swap contracts	$ 8,755	-	-

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The Group uses derivative financial instruments to hedge the certain foreign exchange risk that the Group is exposed to, arising from its operating activities. As of June 30, 2019, derivative financial instruments, which were not qualified for hedge accounting and accounted under mandatorily measured at fair value through profit or loss, were as follows:

Foreign currency swap contracts:

	June 30, 2019		
	Contract amount (in thousand)	**Currency**	**Maturity date**
Foreign currency swap sold	USD$ 30,000	USD to NTD	2019/8/1
Foreign currency swap purchased	USD$ 110,000	NTD to USD	2019/7/25~2019/8/1

(c) Accounts receivable

	June 30, 2019	December 31, 2018	June 30, 2018
Accounts receivable — measured at amortized cost	$ 12,475,911	6,209,138	10,415,328
Accounts receivable-related parties — measured at amortized cost	334,751	24,196	314,936
Accounts receivable — measured at fair value through other comprehensive income	860,656	3,264,120	1,811,132
Less: loss allowance	(9,343)	(10,424)	-
	$ 13,661,975	9,487,030	12,541,396

The Group has assessed a portion of its trade receivables that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such trade receivables were measured at fair value through other comprehensive income.

The Group applies the simplified approach to provide for 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, including macroeconomic and relevant industry information. The loss allowance provision were determined as follows:

	June 30, 2019		
	Gross carrying amount	**Weighted - average loss rate**	**Loss allowance provision**
Current	$ 13,647,573	0%~100%	1,557
Past due under 30 days	19,798	0%~100%	7,186
Past due 31 to 60 days	2,407	-	-
Past due 61 to 90 days	411	-	-
Past due 91 to 180 days	1,129	0%~53.14%	600
Total	$ 13,671,318		9,343

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	December 31, 2018		
	Gross carrying amount	Weighted - average loss rate	Loss allowance provision
Current	$ 9,471,011	-	-
Past due under 30 days	5,660	-	-
Past due 31 to 60 days	10	-	-
Past due 61 to 90 days	-	-	-
Past due 91 to 180 days	20,773	50%	10,424
Total	$ 9,497,454		10,424

	June 30, 2018		
	Gross carrying amount	Weighted - average loss rate	Loss allowance provision
Current	$ 12,463,723	-	-
Past due under 30 days	65,028	-	-
Past due 31 to 60 days	12,645	-	-
Total	$ 12,541,396		-

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

	For the six months ended June 30	
	2019	2018
Balance on January 1	10,424	-
Impairment losses recognized	8,631	8,673
Impairment losses reversed	(9,712)	(8,673)
Balance on June 30	$ 9,343	-

As of June 30, 2019, December 31 and June 30, 2018, the accounts receivable were not pledged.

For further credit risk information, please refers to Note 6(v).

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The Group and financial institution entered into the accounts receivable factoring contracts. According to the contracts, the Group did not bear the risks of uncollectible of accounts receivable, except the loss of business dispute. Therefore, the accounts receivable factoring met the criteria of financial assets derecognition. As of June 30, 2019, December 31 and June 30, 2018, the Group sold its accounts receivable without recourse as follows:

Unit: USD in thousands

	June 30, 2019				
Purchaser	**Assignment Facility**	**Factoring Line**	**Advanced Amount**	**Range of Interest Rate**	**Collateral**
CITI, New York branch	229,842	300,000	229,842	2.84%~3.18%	None

	December 31, 2018				
Purchaser	**Assignment Facility**	**Factoring Line**	**Advanced Amount**	**Range of Interest Rate**	**Collateral**
Yuanta Commercial Bank	$ -	5,000	-	-	None
CITI, New York branch	97,159	300,000	97,159	2.00%~3.18%	None
	$ 97,159	305,000	97,159		

	June 30, 2018				
Purchaser	**Assignment Facility**	**Factoring Line**	**Advanced Amount**	**Range of Interest Rate**	**Collateral**
CITI, New York branch	$ 265,466	300,000	265,466	2.00%~2.88%	None

(d) Other receivables

	June 30, 2019	December 31, 2018	June 30, 2018
Other receivables	$ 2,938	7,578	8,072
Other receivables - related parties	93,610	98,779	72,660
Less: loss allowance	-	-	-
	$ 96,548	106,357	80,732

For further credit risk information, please refers to Note 6(v).

(e) Inventories

	June 30, 2019	December 31, 2018	June 30, 2018
Raw materials	$ 7,471,037	6,889,680	9,081,719
Finished goods	6,777,470	5,298,564	2,372,889
Inventory in transit	1,131,544	1,675,692	782,891
	$ 15,380,051	13,863,936	12,237,499

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Except cost of goods sold, the remaining gains or losses which were recognized as cost sales were as follow:

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Royalty	13,291	23,381	25,054	40,891
Other	(1,413)	(1,064)	(2,082)	(2,395)
	$ 11,878	22,317	22,972	38,496

As of June 30, 2019, December 31 and June 30, 2018, the inventories were not pledged.

(f) Property, plant and equipment

	Research and development equipment	Machinery and equipment	Office equipment	Lease improvements	Other equipment	Total
Carrying value：						
Balance on January 1, 2019	$ 33,183	11,970	17,603	17,600	45,187	125,543
Balance on June 30, 2019	$ 37,563	20,078	18,797	26,346	64,978	167,762
Balance on January 1, 2018	$ 28,962	1,609	11,438	6,069	3,490	51,568
Balance on June 30, 2018	$ 24,536	12,399	16,611	14,808	8,808	77,162

There were no significant additions, disposal, impairment loss or reversal gain for property, plant and equipment for the six months ended June 30, 2019 and 2018, please refer to the Note 12 for the amounts of depreciation. For other related information, please refer to Note 6(f) of the consolidated financial statements for the year ended December 31, 2018.

(g) Right-of-use assets

The Group leases buildings and other equipment. Information about leases for which the Group as a lessee is presented below:

	Buildings	Other equipment	Total
Cost:			
Balance on January 1, 2019	$ -	-	-
Effects of retrospective application	98,844	-	98,844
Acquisitions	192,823	853	193,676
Effect of changes in foreign exchange rates	258	2	260
Balance on June 30, 2019	$ 291,925	855	292,780
Accumulated depreciation:			
Balance on January 1, 2019	$ -	-	-
Effects of retrospective application	28,615	-	28,615
Depreciation for the year	25,511	70	25,581
Effect of changes in foreign exchange rates	51	-	51
Balance on June 30, 2019	$ 54,177	70	54,247
Carrying amount:			
Balance on January 1, 2019	$ 237,748	785	238,533

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The Group leases offices and warehouses under an operating lease for the six months ended June 30, 2018, please refer to Note 6(m).

(h) Intangible assets

		Software
Carrying amount：		
Balance on January 1, 2019	$	7,242
Balance on June 30, 2019	$	8,796
Balance on January 1, 2018	$	5,224
Balance on June 30, 2018	$	9,844

There were no significant additions, disposal, impairment loss or reversal gain for intangible assets for the six months ended June 30, 2019 and 2018. Please refer to Note 12 for the amounts of amortization. For other related information, please refer to the Note 6(g) of the consolidated financial statements for the year ended December 31, 2018

(i) Other current assets and other non-current assets

		June 30, 2019	December 31, 2018	June 30, 2018
Other current assets:				
Tax refundable	$	139,198	2,637,660	115,705
Other prepayments		116,692	79,611	54,231
Others		45,640	5,184	19,830
	$	301,530	2,722,455	189,766
Other non-current assets:				
Refundable deposits		28,289	3,650	3,351
Restricted deposits		155,360	153,665	155,500
Prepayments for equipment		116,542	39,506	4,652
	$	300,191	196,821	163,503

(j) Short-term borrowings

The details of the Group for short-term borrowings were as follows:

	June 30, 2019				
	Currency	Interest rate collars	Expiration		Amount
Unsecured bank borrowings	USD	3.00%~3.07%	2019/7/26	$	814,086
Unused credit line				$	8,921,754

	December 31, 2018				
	Currency	Interest rate collars	Expiration		Amount
Unsecured bank borrowings	USD	3.35%~4.50%	2019/1/22~2019/2/19	$	2,962,661
Unused credit line				$	5,814,201

(Continued)

	June 30, 2018				
	Currency	**Interest rate collars**	**Expiration**		**Amount**
Secured bank borrowings	RMB	4.35%	2018/9/20	$	138,543
Unused credit line				$	7,857,500

For the collateral for short-term borrowings, please refer to Note 8.

(k) Long-term borrowing

The details of the Group's for long-term borrowing were as follows:

	December 31, 2018				
	Currency	**Interest rate collars**	**Expiration**		**Amount**
Unsecured syndicated bank borrowing	USD	3.86%	2021/5/27	$	5,522,236
Less: current portion					-
Total				$	5,522,236
Unused credit line				$	-

	June 30, 2018				
	Currency	**Interest rate collars**	**Expiration**		**Amount**
Unsecured syndicated bank borrowing	USD	3.33%	2021/5/27	$	1,818,007
Less: current portion					-
Total				$	1,818,007
Unused credit line				$	3,660,000

April 20, 2018, the Group entered into a 3-year loan agreement with Yuanta Bank (the lead bank) and 13 other participating banks, with significant terms as follows:

Total credit facility : USD $180,000

Maturity date : The date 3 years after the first drawdown date, which should be within 6 months from the date the agreement was signed.

Availability period : Since the facility is revolving, each availability period should be more than 2 months and less than 6 months.

The related financial covenants and restrictions for the syndicated loans mentioned above were as follows:

(i) Current ratio (current assets/current liabilities): shall not be lower than 100%.

(ii) Net financial liability ratio [(financial liabilities-cash and cash equivalents)/tangible net assets value]: shall not be higher than 120%. The financial liabilities include long-term and short-term borrowings (include current portion of long-term borrowings), short-term notes and bills payable and bonds payable (include convertible bond).

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(iii) Interest coverage ratio [(income before tax + depreciation + amortization+ interest expense)/interest expense]: shall not be lower than 3 time.

(iv) Tangible net assets value (equity minus intangible assets): shall not be lower than $5,000,000 thousand during 2018 and shall not be lower than $6,000,000 thousand during 2019.

According to the Group's syndicated loan agreement with the bank, during the credit term, the Group is committed to maintain the financial ratios. If a breach of covenant occurs, the Group may have to pay the penalty to the bank.

The aforementioned financial covenants were reviewed once every six months from December 31, 2018, based on the year-end consolidated financial statements audited by certified public accountant, and the semi-annual consolidated financial statements reviewed by certified public accountant. The Group was in compliance with the above financial covenants and restrictions in December 31, 2018. As of June 30, 2019, the Group had fully repaid its loan.

(l) Lease liabilities

	June 30, 2019		
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**
Less than one year	$ 70,657	4,178	66,479
Between one and five years	183,141	5,385	177,756
	$ 253,798	9,563	244,235
Current	$ 70,657	4,178	66,479
Non-current	$ 183,141	5,385	177,756

The Group recognized its lease liability amounting to $193,676 thousand, with an interest rate of 2.01%. The lease liabilities are due in April, 2024.

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30, 2019	For the six months ended June 30, 2019
Interest expenses on lease liabilities	$ 1,213	1,599
Expenses relating to short-term leases	$ 1,303	3,420

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

	For the six months ended June 30, 2019
Total cash outflow for leases	$ 27,126

(Continued)

(i) Real estate leases

As of June 30, 2019, the Group leases land and buildings for its office space and employee dormitory. The leases of office space typically run for a period of 5 years, and of employee dormitory for 2 to 3 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases other equipment, with lease terms of 2 to 3 years. In some cases, the Group has options to purchase the assets at the end of the contract term.

(m) Operating leases

There were no significant change in operating lease for the six months ended June 30, 2018. Please refer to Note 6(l) of the consolidated financial statements for the year ended December 31, 2018 for other related information.

(n) Employee benefits

(i) Defined benefit plans

The expenses recognized in expense for the Group were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Operating expense	$ 22	21	43	36

(ii) Defined contribution plans

The Group's expenses under the pension plan for the three months ended March 31, 2019 and 2018 were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Operating expense	$ 3,698	-	5,845	-
Operating cost	7,210	5,988	14,349	11,611
	$ 10,908	5,988	20,194	11,611

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(o) Income Taxes

(i) Income tax expense

The components of income tax were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Current tax expense				
Current period	$ 432,750	521,233	735,660	782,126

(ii) There were no income tax expense recognized in other comprehensive income for the six months ended June 30, 2019 and 2018.

(iii) The ROC income tax authorities have examined the Company' s income tax returns for all years through 2017.

(p) Capital and other equity

Except for the following disclosures, there was no significant difference in capital and other equity for the six months ended June 30, 2019 and 2018. For the related information, please refer to the Note 6(o) of the consolidated financial statements for the year ended December 31, 2018.

(i) Common shares

On December 27, 2018, the Company's board of directors approved a resolution to distribute the cash subscription amounted to $188,100 thousand, which consisted of 18,810 thousand shares. The Company apply for these shares to be traded and offered publicly by the total amount of $5,957,988 thousand (deducted issuance costs of $3,000 thousand). The base date for capital subscription was set on March 26, 2019 and all related registration procedures had been completed.

On June 22, 2018, the Company's shareholders meeting approved a resolution to distribute the retained earnings with the amounts of $255,193 thousand, which consisted of 25,519 thousand shares. The base date for capital increase was set on August 1, 2018, and the related registration procedures had been completed.

On December 21, 2017, the Company's board of directors approved a resolution to distribute the cash subscription amounted to $200,000 thousand, which consisted of 20,000 thousand shares, with a par value of $120 in New Taiwan dollars. The base date for capital subscription was set on March 19, 2018, and all related registration procedures had been completed.

The Company issued 3,704 thousand and 363 thousand new shares of common shares with the amounts of $65,025 thousand and $5,396 thousand for the execution of employee stock options for the six months ended June 30, 2019 and 2018. All the related registration procedures had been completed.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Capital surplus

The balances of capital surplus were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
A premium issuance of common shares for cash	$ 8,436,510	2,666,622	2,666,622
Employee stock options	362,896	170,949	156,497
others	16,185	16,185	16,185
	$ 8,815,591	2,853,756	2,839,304

(iii) Retained earnings

The Company's article of incorporation stipulate that if the Company has a profit as a result of the yearly accounting closing, ten percent of the profit net of tax and the amount for making up of any accumulated loss shall be set aside as legal reserve, and thereafter an amount, including the reserved special reserve, shall be set aside, along with any undistributed profits accumulated from previous years to be identified as profits to be distributed. The amount of dividends to shareholders shall not less than ten percent of profit from the currency year.

As the Company is a technology and capital-intensive enterprise and is in its growth phase, it has adopted a more prudent approach in the appropriation of its remaining earnings as its dividend policy, in order to sustain its long-term capital needs and thereby maintain continuous development and steady growth. Under this approach, the distribution of cash dividend is not lower than 10% of total distribution of dividends.

1) Legal reserve

According to the ROC Company Act, the Company must retain 10 % of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Permit No. 1010012865 as issued by the Financial Supervisory Commission on April 6, 2012, a special reserve equal to the contra account of other shareholders' equity is appropriated from current and prior period earnings. When the debit balance of any of the contra accounts in the shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The appropriation of 2018 and 2017 earnings that were approved by the shareholders' meeting on June 25, 2019 and June 22, 2018, respectively, were as follows:

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

		2018	2017
Dividends distributed to ordinary shareholders			
Cash	$	2,792,685	510,386
Shares		-	255,193
	$	2,792,685	765,579

(iv) Other equity (net of tax)

		Exchange differences on translation of foreign financial statements
Balance on January 1, 2019	$	172,850
Exchange differences on translation of foreign financial statements		63,733
Balance on June 30, 2019	$	236,583

		Exchange differences on translation of foreign financial statements
Balance on January 1, 2018	$	(8,137)
Exchange differences on translation of foreign financial statements		141,572
Balance on June 30, 2018	$	133,435

(q) Share-based payment

Except for the following disclosures, there were no significant differences in share-based payment transactions for the six months ended June 30, 2019 and 2018. For the related information, please refer to Note 6(p) of the consolidated financial statements for the year ended December 31, 2018.

	Equity-settled
	Cash subscription reserved for employee in 2019
Grant date	February 27, 2019
Number of shares granted	2,821,000
Recipients	Employee
Grant period	Immediately

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The Company adopted the market approach to evaluate the fair value of the cash subscription reserved for employee subscription at grant date. The assumptions adopted in this valuation model were as follows:

	Cash subscription reserved for employee in 2019
Fair value at grant date (expressed in New Taiwan dollars)	$ 305.3
Exercise price (expressed in New Taiwan dollars)	248
Fair value of option at grant date (expressed in New Taiwan dollars)	57.3
Debt – equity ratios	23.00 %
Premium of minority discount	31.5 %
Lack of Marketability Discount	22 %
Minority Discount	24 %

The expense were recognized as profit or loss were as follow:

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Expense resulting from employee stock options	$ -	6,809	2,319	13,617
Expense resulting from cash subscription reserved for employee	-	-	161,643	78,000
Total	$ -	6,809	163,962	91,617

(r) Earnings per share

The calculation of basic and diluted earnings per share is as follows:

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Basic earnings per share:				
Profit attributable to common shareholders of the Company	$ 1,658,255	1,735,056	2,851,887	2,785,474
Weighted-average common stock outstanding (in thousands)	174,532	156,802	164,077	146,079
	$ 9.50	11.07	17.38	19.07

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Diluted earnings per share:				
Profit attributable to common shareholders of the Company	$ 1,658,255	1,735,056	2,851,887	2,785,474
Weighted-average common stock outstanding (in thousands)	174,532	156,802	164,077	146,079
Effect of potentially dilutive common stock (in thousands):				
Employee compensation	312	4,299	955	6,757
Employee stock option	16	1,436	103	1,436
Weighted average common stock outstanding plus the effect of potentially dilutive common stock (in thousands)	174,860	162,537	165,135	154,272
	$ 9.48	10.67	17.27	18.06

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Primary geographical markets				
Taiwan	$ 1,824	13,112	2,057	17,533
America	28,613,604	31,423,193	58,469,198	58,551,544
Europe	9,339,122	9,753,844	15,446,676	18,117,416
Asia	2,757,545	3,443,347	4,233,044	6,266,972
Other	1,551,129	1,733,905	2,548,589	2,966,233
	$ 42,263,224	46,367,401	80,699,564	85,919,698
Major products				
Hyperscale data center	$ 42,263,224	46,367,401	80,699,564	85,919,698

(Continued)

(ii) Contract balance

	June 30, 2019	December 31, 2018	June 30, 2018
Accounts receivable	$ 13,336,567	9,473,258	12,226,460
Accounts receivable – related parties	334,751	24,196	314,936
Less: loss allowance	(9,343)	(10,424)	-
	$ 13,661,975	9,487,030	12,541,396

	June 30, 2019	December 31, 2018	June 30, 2018
Contract liabilities - provisions for warranty	$ 619,954	381,814	358,881

For details on accounts receivable and loss allowance, please refer to Note 6(c).

The major change in the balance of contract liabilities is the difference between the time frame of the performance obligation to be satisfied and the payment to be received. There was no significant changes during the period.

(t) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Interest income	$ 16,010	12,818	31,771	18,638
Other	21	21	41	38
Total	$ 16,031	12,839	31,812	18,676

(ii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Foreign exchange gains, net	$ 111,479	222,116	131,983	227,439
Gains (losses) on valuation of financial assets and liabilities at fair value	(30,966)	(15,226)	(24,756)	(26,164)
Others	(407)	3,598	89	7,359
	$ 80,106	210,488	107,316	208,634

(Continued)

(iii) Finance costs

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Interest expenses				
Bank loans	$ (78,931)	(61,434)	(182,967)	(113,343)
Ohers	(1,213)	-	(1,599)	-
	$ (80,144)	(61,434)	(184,566)	(113,343)

(u) Employee's and directors' compensation

According to the Company's Article of Incorporation, if the Company has profit (which means income before tax excluding the amounts of employees' and directors' compensation) shall be contributed by the following rules. However, if the amount Company have accumulated deficit, it shall reserve the amount for offsetting deficit.

(i) No less than 5% of profit as employees' compensation. The Company may distributed in the form of shares or in cash, and the qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirement shall be determined by the Board of Directors.

(ii) No more than 1% of profit as the compensation in cash to the Directors.

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Employee's compensation	$ 110,252	269,613	189,215	350,317
Director's compensation	3,750	1,700	7,500	3,400
	$ 114,002	271,313	196,715	353,717

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 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, 2018 and 2017, the employees' compensation amounted to \$368,000 thousand and \$146,530 thousand, respectively, and directors' compensation amounted to \$15,000 thousand and \$6,800 thousand, respectively. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2019 and 2018. The related information can be available on Market Observation Post System Website.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(v) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to Note 6(v) of the consolidated financial statements for the year ended December 31, 2018.

(i) Credit risk

1) Concentration of credit risk

As of June 30, 2019, December 31 and June 30, 2018, 96.93%, 91.38%, and 95.46% of the Group's accounts receivable were concentrated on 3, 2 and 2 specific customers, respectively. Accordingly, concentrations of credit risk exits.

(ii) Credit risk of receivable

For credit risk exposure of accounts receivables, please refer to Note 6(c). Other financial assets at amortized cost includes other receivables.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses.

As of June 30, 2019, December 31 and June 30, 2018, the other receivable were not accrue any loss allowance.

(iii) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within 1 year	1-2 years	2-5 years	More than 5 years
June 30, 2019						
Non-derivative financial liabilities						
Variable-interest-rate instruments:						
Short-term borrowings	$ 814,086	816,208	816,208	-	-	-
Non-interest-bearing liabilities:						
Accounts payable (including related parties)	13,173,043	13,173,043	13,173,043	-	-	-
Other payables (including related parties)	4,549,697	4,549,697	4,549,697	-	-	-
Lease liabilities (including current and non-current)	244,235	253,798	70,657	66,497	116,644	-
Total	$ 18,781,061	18,792,746	18,609,605	66,497	116,644	-
December 31, 2018						
Non-derivative financial liabilities						
Variable-interest-rate instruments:						
Short-term borrowings	$ 2,962,661	2,973,402	2,973,402	-	-	-
Long-term borrowings	5,522,236	6,035,087	213,444	213,444	5,608,199	-
Non-interest-bearing liabilities:						
Accounts payable (including related parties)	4,963,001	4,963,001	4,963,001	-	-	-
Other payables (including related parties)	1,439,211	1,439,211	1,439,211	-	-	-
Total	$ 14,887,109	15,410,701	9,589,058	213,444	5,608,199	-

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

June 30, 2018		Carrying amount	Contractual cash flow	Within 1 year	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Variable-interest-rate instruments:							
Short-term borrowings	$	138,543	140,074	140,074	-	-	-
Long-term borrowings		1,818,007	1,991,794	59,584	59,584	1,872,626	-
Non-interest-bearing liabilities:							
Accounts payable (including related parties)		13,238,449	13,238,449	13,238,449	-	-	-
Other payables (including related parties)		1,547,175	1,547,175	1,547,175	-	-	-
Total	$	16,742,174	16,917,492	14,985,282	59,584	1,872,626	-

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iv) Market risk

1) Currency risk

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

	June 30, 2019			December 31, 2018			June 30, 2018		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD	611,508	31.072	19,000,774	527,856	30.733	16,222,593	464,642	30.500	14,171,566
Financial liabilities									
Monetary items									
USD	305,361	31.072	9,488,190	423,033	30.733	13,001,064	337,375	30.500	10,289,934

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable (including related parties) and other receivables (including related parties), loans and borrowings, accounts payable (including related parties) and other payables (including related parties) that are denominated in foreign currency. A strengthening (weakening) 5 % of appreciation (depreciation) of the NTD against the USD for the six months ended June 30, 2019 and 2018, the net income would be changed by $380,503 thousand and $155,265 thousand, respectively. The analysis assumes that all other variable remain constant.

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the three months ended June 30, 2019 and 2018, and, for the six months ended June 30, 2019 and 2018, foreign exchange gains (including realized and unrealized portions) amounted to $111,479 thousand, $222,116 thousand, $131,983 thousand and $227,439 thousand, respectively.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(v) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding liabilities with variable rates, the analysis is based on the assumption that the liabilities were outstanding for lifetime on the reporting date.

If the interest rate increased / decreased by 1%, the Group' s net income would have been chenged by $3,256 thousand and $7,826 thousand, respectively, for the six months ended June 30, 2019 and 2018, with all other variable factors that remain constant. This is mainly due to the Group's borrowings at floating variable rate.

(vi) Fair value information

1) Categories and fair values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

	June 30, 2019				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets	$ 8,755	-	8,755	-	8,755
Financial assets measured at amortized cost					
Cash and cash equivalents	7,735,654	-	-	-	-
Accounts receivable (including related parties)	13,661,975	-	-	-	-
Other receivable (including related parties)	96,548	-	-	-	-
Other non-current assets	183,649	-	-	-	-
Subtotal	$ 21,677,826	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 814,086	-	-	-	-
Accounts payable (including related parties)	13,173,043	-	-	-	-
Other payables (including related parties)	4,549,697	-	-	-	-
Lease liabilities (including current and non-current)	244,235	-	-	-	-
Subtotal	$ 18,781,061	-	-	-	-

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	December 31, 2018				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 1,403,592	-	-	-	-
Accounts receivable (including related parties)	9,487,030	-	-	-	-
Other receivable(including related parties)	106,357	-	-	-	-
Other non-current assets	157,315	-	-	-	-
Subtotal	$ 11,154,294	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 2,962,661	-	-	-	-
Long-term borrowings	5,522,236	-	-	-	-
Accounts payable (including related parties)	4,963,001	-	-	-	-
Other payables (including related parties)	1,439,211	-	-	-	-
Subtotal	$ 14,887,109	-	-	-	-

	June 30, 2018				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 1,327,300	-	-	-	-
Accounts receivable (including related parties)	12,541,396	-	-	-	-
Other receivable (including related parties)	80,732	-	-	-	-
Other non-current assets	158,851	-	-	-	-
Subtotal	$ 14,108,279	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 138,543	-	-	-	-
Long-term borrowings	1,818,007	-	-	-	-
Accounts payable (including related parties)	13,238,449	-	-	-	-
Other payables (including related parties)	1,547,175	-	-	-	-
Subtotal	$ 16,742,174	-	-	-	-

2) Valuation techniques for financial instruments measured at fair value

a) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of foreign currency swap contracts are usually determined by the forward currency exchange rate.

3) Transfers between Level 1 and Level 2.

The Group didn't have any transfer between levels for the six months ended June 30, 2019 and 2018.

4) Changes between Level 3: none.

(w) Financial risk management

There were no significant changes in the Group' s financial risk management and policies as disclosed in Note 6(w) of the consolidated financial statements for the year ended December 31, 2018.

(x) Capital management

The Group' s objectives, policies and processes of capital management were the same as those described in the consolidated financial statements for the year ended December 31, 2018. There were no significant changes in the quantified data for capital management as disclosed in the consolidated financial statements for the year ended December 31, 2018. For the related information, please refer to Note 6(x) of the consolidated financial statements for the year ended December 31, 2018.

(y) Investing and financing activities not affecting current cash flow

			Non-cash changes		
	January 1, 2019	**Cash flows**	**Addition**	**Foreign exchange movement**	**June 30, 2018**
Short-term borrowings	$ 2,962,661	(2,152,392)	-	3,817	814,086
Long-term borrowings	5,522,236	(5,522,236)	-	-	-
Lease liabilities	72,409	(22,107)	193,676	257	244,235
Total liabilities from financing activities	$ 8,557,306	(7,696,735)	193,676	4,074	1,058,321

			Non-cash changes	
	January 1, 2018	**Cash flows**	**Foreign exchange movement**	**June 30, 2018**
Long-term borrowings	$ 5,041,970	(4,856,115)	(47,312)	138,543
Short-term borrowings	-	1,747,837	70,170	1,818,007
Total liabilities from financing activities	$ 5,041,970	(3,108,278)	22,858	1,956,550

(7) Related-parties transactions:

(a) Parent company and ultimate controlling party

Wistron Corporation is both the parent company and the ultimate controlling party of the Group. As of June 30, 2019, December 31 and June 30, 2018, it owns 44.93%, 51.18%, and 51.21%, respectively, of all shares outstanding of the Company.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Wistron Corporation (WHQ)	Parent Company
Wistron InfoComm (Czech). s.r.o. (WCCZ)	Other related parties
Wistron Optronics (Kunshan) Co., Ltd. (WOK)	Other related parties
Wistron Mexico S.A. de C.V. (WMX)	Other related parties
Cowin Worldwide Corporation (COWIN)	Other related parties
ICT Service Management Solutions (India) Private Limited (WIN)	Other related parties
Wibase Industrial Solutions (WIS)	Other related parties
International Standards Labs. (ISL)	Other related parties
Wistron InfoComm (Zhongshan) Corporation (WZS)	Other related parties
SMS InfoComm Technology Services and Management Solutions Ltd. (WBR)	Other related parties
Wistron InfoComm (Kushan) Co., Ltd. (WAKS)	Other related parties
SMS InfoComm Corporation (WTX)	Other related parties
Wistron InfoCommon Technology (Texas) corporation (WITT)	Other related parties
Wistron InfoCommon Technology (America) corporation (WITX)	Other related parties
WiAdvance Technology Corporation (AGI)	Other related parties
Wistron K.K. (WJP)	Other related parties
Wistron NeWeb corporation (WNC)	Other related parties

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales and outstanding balances between the Group and related parties were as follows:

	Sales				Receivables from related parties		
	For the three months ended June 30		For the six months ended June 30		June 30,	December 31,	June 30,
	2019	2018	2019	2018	2019	2018	2018
WHQ	$ -	101	189	4,476	-	93	108
Other related parties	317,523	302,115	587,073	1,034,493	334,751	24,103	314,828
	$ 317,523	302,216	587,262	1,038,969	334,751	24,196	314,936

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The selling price and payment terms of sales to related parties depend on the economic environment and market competition, and are not significantly different from those with third-party customers.

(ii) Purchases

The amounts of significant purchase and outstanding balances between the Group and related parties were as follows:

	Purchases				Payables to related parties		
	For the three months ended June 30		For the six months ended June 30				
	2019	2018	2019	2018	June 30, 2019	December 31, 2018	June 30, 2018
WHQ	$ 7,057,583	10,571,348	15,698,795	23,143,190	2,542,649	859,744	6,753,812
Other related parties：							
WCCZ	8,333,680	9,480,357	14,501,018	18,571,504	4,396,451	2,886,854	511,060
Other related parties	-	9,291	-	9,291	-	-	10,156
	$ 15,391,263	20,060,996	30,199,813	41,723,985	6,939,100	3,746,598	7,275,028

Trading terms of purchase transactions with related parties are not significantly different from those with third-party vendors.

(iii) Processing Fee

The amounts of processing and outstanding balance between the Group and related parties were as follows:

	Processing Fee				Payables to related parties		
	For the three months ended June 30		For the six months ended June 30				
	2019	2018	2019	2018	June 30, 2019	December 31, 2018	June 30, 2018
WMX	$ 249,805	181,754	451,259	326,963	83,924	96,065	62,994

Trading terms of processing fee transactions with related parties are not significantly different from those with third-party venders.

(iv) Operating Expense

The amounts of operating expense between the Group and related parities were as follow:

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
WHQ	$ 71,617	330,154	153,744	534,721
Other related parties	22,198	15,198	32,126	28,102
	$ 93,815	345,352	185,870	562,823

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Trading terms of operating expense with related parties are not significantly different from those with third-party venders.

(v) Other receivables

The Group purchased raw materials on behalf of related parties, provide of outsouring service, post-employment benefit and etc. The outstanding balance were as follows:

	Other receivables from related parties		
	June 30, 2019	**December 31, 2018**	**June 30, 2018**
WHQ	$ -	26	53,623
Other related parties:			
WMX	24,622	-	-
WCCZ	8,201	-	8,451
COWIN	60,787	92,507	10,586
Others related parties	-	6,246	-
	$ 93,610	98,779	72,660

(vi) Other payable

The Group purchased research and development materials and related parties paid traveling expenses on behalf of the Group, testing services and etc. The outstanding balance were as follows:

	Other payables to related parties		
	June 30, 2019	**December 31, 2018**	**June 30, 2018**
WHQ	$ 260,788	688,318	272,759
Other related parties	19,445	4,550	13,124
	$ 280,233	692,868	285,883

(vii) Endorsements and guarantees

As of June 30, 2018, WHQ provided endorsements and guarantees to the Group for fulfillment the obligation on an agreement and bank loans amounting to $3,355,000 thousand. There were no such transaction for the six months ended June 30, 2019 and 2018.

(viii) Leases

The Company signed a lease contract for two year from WNC in January 2019, and recognized the right-of-use assets and liabilities amounted to $168,400 thousand. For the six months ended June 30, 2019, the company recognized its interest expense for $812 thousand. As of June 30, 2019, the balance of lease liabilities was $159,930 thousand.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(d) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Short-term employee benefits	$ 21,780	45,721	38,873	62,860
Post-employment benefits	239	226	475	467
	$ **22,019**	**45,947**	**39,348**	**63,327**

(8) Pledged assets:

The carrying amounts of pledged assets were as follow:

Pledged assets	Object	June 30, 2019	December 31, 2018	June 30, 2018
Other non-current assets	Custom guarantee	$ -	-	3,000
Other non-current assets	Bank loans	155,360	153,665	152,500
		$ **155,360**	**153,665**	**155,500**

(9) Significant commitments and contingencies:

(a) Significant commitments:

As of June 30, 2019 and 2018, the unused letters of credit were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Unused letters of credit	$ **84,899**	**-**	**-**

(b) Contingencies:

Alacritech Inc. filed a patent infringement complaint against the Company in the United States District Court - East District of Texas in June 2016. The Company had appointed an attorney to deal with the matter. The litigation is still in process and a decision has yet to be made by the US Patent trial and Appeal Board.

(10) Losses due to major disasters: None.

(11) Subsequent events:None.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(12) Other:

(a) A summary of employee benefits, depreciation, and amortization by function, were as follows:

By function / By item	For the three months ended June 30					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	32,641	408,080	440,721	-	379,666	379,666
Labor and health insurance	4,908	14,134	19,042	-	11,249	11,249
Pension	3,698	7,232	10,930	-	6,009	6,009
Remuneration of directors	-	3,880	3,880	-	1,770	1,770
Others	1,604	4,788	6,392	46	4,441	4,487
Depreciation	10,682	36,583	47,265	1,571	7,472	9,043
Amortization	47	1,254	1,301	-	1,360	1,360

By function / By item	For the six months ended June 30					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	51,234	782,592	833,826	-	597,659	597,659
Labor and health insurance	8,012	33,297	41,309	-	24,512	24,512
Pension	5,845	14,392	20,237	-	11,647	11,647
Remuneration of directors	-	7,630	7,630	-	3,640	3,640
Others	5,159	10,032	15,191	114	8,826	8,940
Depreciation	18,281	66,418	84,699	2,432	13,374	15,806
Amortization	47	2,627	2,674	-	2,419	2,419

(b) Seasonality of operations

The Group's operations were not affected by seasonality or cyclicality factors.

(13) Other disclosures:

(a) Information on significant transactions:

The following were the information on significant transactions required by the " Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the six months ended June 30, 2019:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties: Table 1 attached.

(iii) Securities held as of June 30, 2019 (excluding investment in subsidiaries, associates and joint ventures): None.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock: Table 2 attached.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: Table 3 attached.

(ix) Trading in derivative instruments: Note 6(b).

(x) Significant intercompany transactions and business relationships between parent company and its subsidiaries: Table 4 attached.

(b) Information on investments:

The following are the information on investees for the six months ended June 30, 2019 (excluding information on investees in mainland China): Table 5 attached.

(c) Information on investment in mainland China: Table 6 attached.

(14) Segment information:

The Group' s core profession is to provide the products and service in data center, and there is no significant segment division. Therefore, the Group' s operating decision maker considered it has one reportable segment. Please refer to the consolidated balance sheets and the consolidated statements of comprehensive income.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 1 Guarantees and endorsements for other parties:

(June 30, 2019)

No.	Name of guarantor	Counter - party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements	Ratio of accumulated amounts of endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 1)	Parent company endorsements/guarantees to subsidiary	Subsidiary endorsements/guarantees to parent company	Endorsements/guarantees to subsidiary in Mainland China
		Name	Relationship with the company (Note 3)										
0	The Company	WYKS	2	5,125,347	158,060	155,360	-	-	0.91%	8,542,246	Y	N	Y

(Note 1) The total amount for guarantees and endorsements provided by the Company to other entities shall not exceed 50% of the Company's lastest net worth, which was audited or reviewed by Certified Public Accountant.

(Note 2) The total amount for guarantees and endorsements provided by the Company to any individual entity shall not exceed 30% of the Company's lastest net worth, which was audited or reviewed by Certified Public Accountant.

(Note 3) Relationship with the Company:

1. Ordinary business relationship.
2. Subsidiary which owned more than 50% by the guarantor.
3. An investee owned more than 50% in total by both the guarantor and its subsidiary.
4. An investee owned more than 90% by the guarantor or its subsidiary.
5. Fulfillment of contractual obligations by providing mutual endorsements and guarantees for peer or joint builders in order to undertake a construction project.
6. An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.
7. The companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre - construction homes pursuant to the Consumer Protection Act for each other.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 2 Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:
(June 30, 2019)

Name of company	Related Party	Nature of relationship	Transaction details				Transaction with terms different from others		Notes/ Accounts receivable (payable)		Note
			Purchase/Sales	Amount	Percentage of total purchases / sales	Payment terms	Unit price	Payment Terms	Ending balance	Percentage of total notes / accounts receivable (payable)	
The Company	WYUDE	The Company's subsidiary	Sale	14,849,344	40.51%	OA120	-	-	8,520,918	45.26%	(Note)
"	WYHK	The Company's subsidiary	Sale	1,035,450	2.83%	OA90	-	-	951,995	5.06%	(Note)
"	WYJP	The Company's subsidiary	Sale	922,955	2.52%	OA90	-	-	759,425	4.03%	(Note)
"	WYKR	The Company's subsidiary	Sale	299,126	0.82%	OA90	-	-	206,459	1.10%	(Note)
"	WYKS	The Company's subsidiary	Sale	188,864	0.52%	OA90	-	-	143,107	0.76%	(Note)
"	WCCZ	Other related company	Purchase	14,298,646	49.04%	OA45	-	-	(4,354,778)	58.67%	-
"	WHQ	The Company's parent company	Purchase	13,891,590	47.64%	OA45	-	-	(2,542,649)	34.25%	-
WYUDE	WBR	WYUDE's other related company	Sale	495,069	0.85%	OA90	-	-	312,203	7.14%	-
"	WYHQ	WYUDE's parent company	Purchase	14,849,344	23.71%	OA120	-	-	(8,520,918)	59.79%	(Note)
"	WHQ	The Company's parent company	Purchase	1,807,205	2.96%	OA45	-	-	-	-	(Note 1)
"	WCCZ	WYUDE's other related company	Purchase	202,372	0.33%	OA45	-	-	(41,673)	0.29%	-
"	WMX	WYUDE's other related company	Processing fee	451,259	0.74%	OA90	-	-	(83,924)	0.59%	-
WYJP	The Company	WYJP's parent company	Purchase	922,955	100.00%	OA90	-	-	(759,425)	100.00%	(Note)
WYKR	The Company	WYKR's parent company	Purchase	299,126	100.00%	OA90	-	-	(206,459)	100.00%	(Note)
WYHK	The Company	WYHK's parent company	Purchase	1,035,450	100.00%	OA90	-	-	(951,995)	100.00%	(Note)
WYKS	The Company	WYKS's parent company	Purchase	188,864	100.00%	OA90	-	-	(143,107)	100.00%	(Note)

(Note): The aforementioned inter - company transactions have been eliminated in the consolidated financial statements.
(Note 1) The Company purchased from WHQ on the behalf of WYUDE.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 3 Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(June 30, 2019)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance	Notes
					Amount	Action taken			
The Company	WYUDE	The Company's subsidiary	8,520,918	380.69%	-	-	-	-	(Note)
"	WYJP	The Company's subsidiary	759,425	343.45%	-	-	-	-	(Note)
"	WYKR	The Company's subsidiary	206,459	410.80%	-	-	-	-	(Note)
"	WYHK	The Company's subsidiary	951,995	424.83%	-	-	-	-	(Note)
"	WYKS	The Company's subsidiary	143,107	139.87%	35,444	Collecting	-	-	(Note)
WYUDE	WBR	WYUDE's other related company	312,203	634.19%	-	-	-	-	-
Other Receivables									
WYUDE	WYHQ	WYUDE's parent company	105,359	-	-	-	-	-	(Note)

(Note): The aforementioned inter - company transactions have been eliminated in the consolidated financial statements.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 4 Significant intercompany transactions and business relationships between parent company and its subsidiaries:

(June 30, 2019)

No.	Name of company	Name of counter-party	Nature of relationship (Note 1)	Intercompany transactions			
				Account name	Amount	Trading Terms	Percentage of the consolidated net revenue or total assets (Note 3)
0	The Company	WYUDE	1	Sales	14,849,344	OA120	18.41%
0	"	WYJP	1	Sales	922,955	OA90	1.14%
0	"	WYKR	1	Sales	299,126	OA90	0.37%
0	"	WYHK	1	Sales	1,035,450	OA90	1.28%
0	"	WYKS	1	Sales	188,864	OA90	0.23%
0	"	WYUDE	1	Accounts Receivable	8,520,918	OA120	22.31%
0	"	WYJP	1	Accounts Receivable	759,425	OA90	1.99%
0	"	WYKR	1	Accounts Receivable	206,459	OA90	0.54%
0	"	WYHK	1	Accounts Receivable	951,995	OA90	2.49%
0	"	WYKS	1	Accounts Receivable	143,107	OA90	0.37%

Note 1: relationship:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 2: The section only discloses the information of sales and accounts receivable of inter-company transactions, as well as is not disclosed the purchase and accounts payable of counter-party due to duplicate.

Note 3: Calculated by using the transaction amount, divided by the consolidated net revenues and total assets.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 5 Information on investments (excluding investees in mainland China):

The following are the information on investees for the six months ended June 30, 2019 (excluding information on investees in mainland China):

Name of the investor	Name of investee	Location	Main business and products	Original investment amount		Balance as of June 30, 2019			Net income (losses) of the investee	Share of profits/losses of investee	Notes
				June 30, 2019	December 31, 2018	Shares	Percentage of ownership	Carrying value			
The Company	WYJP	Japan	Sales of data storage equipment	6,620	6,620	-	100.00%	116,817	16,749	16,749	(Note)
"	WYUDE	U.S.A	Sales of data storage equipment	5,021,581	5,021,581	169,010	100.00%	5,400,452	19,724	19,724	(Note)
"	WYHK	Hong Kong	Investing activities and sale of data storage equipment	12,181	12,181	400	100.00%	122,228	30,054	30,054	(Note)
"	WYKR	South Korea	Sales of data storage equipment	2,903	2,903	20	100.00%	65,059	7,401	7,401	(Note)
"	WYMY	Malaysia	Sales of data storage equipment	15,109	15,109	2,050	100.00%	15,118	(85)	(85)	(Note)
"	WYMX	Mexico	Human resources service provision	49,285	-	31,053	100.00%	51,274	1,001	1,001	(Note)

(Note): The aforementioned transactions have been eliminated in the consolidated financial statements.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 6 Information on investment in mainland China:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 2)	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net income (loss) of the investee	Percentage of ownership	Investment income (losses) (Note 3)2.	Book value	Accumulated remittance of earnings in current period	Note
					Outflow	Inflow							
WYKS	Sales of data storage equipment	10,659	2	- (Note 1)	-	-	-	3,988	100%	3,988	50,089	-	(Note 5)

(ii) Limitation on investment in mainland China

Accumulated Investment in Mainland China as of June 30, 2019 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 4)
-	-	10,250,695

(Note 1) Wiwynn Technology Service Hong Kong Limited used its own capital to invest in WYKS.

(Note 2) Ways to invest in mainland China:

1.Direct investment in mainland China.

2.Reinvestment in mainland China through third place.

3.Others

(Note 3) The three categories of investment income (losses) recognized were as follows:

1. The financial statements of the investee company were audited by the global accounting firm in cooperation with ROC. accounting firm.

2. The financial statements of the investee company were reviewed by the same auditor of the Taiwan parent company.

3. Others

(Note 4) Amount of upper limit on investment was the higher between sixty percent of total equity or total consolidated equity.

(Note 5) The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(iii) Significant transactions

For the six months ended June 30, 2019, the significant inter-company transactions with the subsidiary in mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.