

WIWYNN CORPORATION AND SUBSIDIARIES**CONSOLIDATED FINANCIAL STATEMENTS**

**With Independent Auditors' Review Report
for the Six Months Ended June 30, 2020 and 2019**

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

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Independent Auditors' Review Report

To the Board of Directors Wiwynn Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Wiwynn Corporation and its subsidiaries as of June 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2020 and 2019, as well as the changes in equity and cash flows for the six months ended June 30, 2020 and 2019, 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, 2020 and 2019, and of its consolidated financial performance for the three months and six months ended June 30, 2020 and 2019, as well as its consolidated cash flows for the six months ended June 30, 2020 and 2019 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 7, 2020

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, 2020 and 2019

Wiwynn Corporation and Subsidiaries

Consolidated Balance Sheets

June 30, 2020, December 31, and June 30, 2019

(Expressed in Thousands of New Taiwan Dollars)

	Assets	June 30, 2020		December 31, 2019		June 30, 2019		June 30, 2020		December 31, 2019		June 30, 2019	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	Current assets:												
1100	Cash and cash equivalents (note 6(a))	\$ 12,685,346	22	11,992,139	25	7,735,654	20	\$ 7,270,329	13	8,638,393	18	814,086	2
1110	Financial assets at fair value through profit or loss-current (note 6(b))	13,294	-	-	-	8,755	-	17,331	-	-	-	-	-
1170	Accounts receivable, net (notes 6(c)(q))	15,007,089	26	13,655,018	28	13,327,224	35	1,257,189	2	861,503	2	619,954	2
1180	Accounts receivable - related parties, net (notes 6(c)(q) and 7)	430,042	1	415,932	1	334,751	1	8,890,564	16	6,974,206	14	6,150,019	16
1200	Other receivables (note 6(d))	9,461	-	5,927	-	2,938	-	10,993,623	19	7,253,909	15	7,023,024	19
1210	Other receivables-related parties (notes 6(d) and 7)	111,371	-	2,363,013	5	93,610	-	6,982,941	12	2,209,050	5	4,668,873	12
130X	Inventories (note 6(e))	26,763,184	46	17,442,078	36	15,380,051	40	389,598	1	207,888	-	280,233	1
1479	Other current assets (note 6(f))	902,054	2	539,289	1	301,530	1	917,318	2	1,017,329	2	789,211	2
	Total current assets	<u>55,921,841</u>	<u>97</u>	<u>46,413,396</u>	<u>96</u>	<u>37,184,513</u>	<u>97</u>	<u>101,011</u>	-	<u>109,708</u>	-	<u>66,479</u>	-
	Non-current assets:							<u>727,613</u>	<u>1</u>	<u>260,144</u>	<u>1</u>	<u>445,726</u>	<u>1</u>
1600	Property, plant and equipment (note 6(f))	888,779	2	718,167	2	167,762	-	37,547,517	66	27,532,130	57	20,857,605	55
1755	Right-of-use assets (notes 6(g) and 7)	318,767	-	388,815	1	238,533	1	104,534	-	104,534	-	70,382	-
1780	Intangible assets (note 6(h))	49,941	-	19,106	-	8,796	-	229,585	-	288,827	1	177,756	-
1840	Deferred tax assets	320,674	1	494,398	1	291,066	1	2,922	-	2,870	-	625	-
1990	Other non-current assets (notes 6(i) and 8)	123,068	-	113,344	-	300,191	1	337,041	-	396,231	1	248,763	-
	Total non-current assets	<u>1,701,229</u>	<u>3</u>	<u>1,733,830</u>	<u>4</u>	<u>1,006,348</u>	<u>3</u>	<u>37,884,558</u>	<u>66</u>	<u>27,928,361</u>	<u>58</u>	<u>21,106,368</u>	<u>55</u>
	Equity (notes 6(n)(o)):												
	Common shares							1,748,408	3	1,746,368	4	1,745,428	5
	Capital surplus							8,817,380	15	8,816,183	18	8,815,591	23
	Retained earnings							9,213,068	16	9,602,400	20	6,286,891	16
	Other equity							(40,344)	-	53,914	-	236,583	1
	Total equity							<u>19,738,512</u>	<u>34</u>	<u>20,218,865</u>	<u>42</u>	<u>17,084,493</u>	<u>45</u>
	Total liabilities and equity	<u>\$ 57,623,070</u>	<u>100</u>	<u>\$ 48,147,226</u>	<u>100</u>	<u>\$ 38,190,861</u>	<u>100</u>	<u>\$ 57,623,070</u>	<u>100</u>	<u>\$ 48,147,226</u>	<u>100</u>	<u>\$ 38,190,861</u>	<u>100</u>

(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 three months and six months ended June 30, 2020 and 2019

(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			
		2020		2019		2020		2019	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (notes 6(q) and 7)	\$ 52,070,931	100	42,263,224	100	87,208,055	100	80,699,564	100
5000	Operating costs (notes 6(e)(f)(g)(h)(k)(l), 7 and 12)	47,985,728	92	39,388,335	93	80,479,142	92	75,485,903	94
	Gross profit from operations	4,085,203	8	2,874,889	7	6,728,913	8	5,213,661	6
	Operating expenses (notes 6(c)(f)(g)(h)(k)(l)(o)(r), 7 and 12):								
6100	Selling expenses	421,980	1	199,124	-	665,487	1	447,069	-
6200	Administrative expenses	179,230	1	289,170	1	310,612	1	469,889	1
6300	Research and development expenses	564,564	1	302,952	1	1,023,206	1	664,799	1
6450	Expected credit (gain) loss	(90)	-	8,631	-	(122)	-	(1,081)	-
	Total operating expenses	1,165,684	3	799,877	2	1,999,183	3	1,580,676	2
	Net operating income	2,919,519	5	2,075,012	5	4,729,730	5	3,632,985	4
	Non-operating income and expenses (notes 6(k)(s) and 7):								
7100	Interest income	5,628	-	16,010	-	18,001	-	31,771	-
7010	Other income	16	-	21	-	31	-	41	-
7020	Other gains and losses	(127,570)	-	80,106	-	(3,822)	-	107,316	-
7050	Finance costs	(76,303)	-	(80,144)	-	(188,383)	-	(184,566)	-
	Total non-operating income and expenses	(198,229)	-	15,993	-	(174,173)	-	(45,438)	-
7900	Income before tax	2,721,290	5	2,091,005	5	4,555,557	5	3,587,547	4
7950	Income tax expense (note 6(m))	551,996	1	432,750	1	923,758	1	735,660	-
	Net income	2,169,294	4	1,658,255	4	3,631,799	4	2,851,887	4
8300	Other comprehensive income (note 6(n)):								
8360	Items that may be reclassified subsequently to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(105,906)	-	46,625	-	(94,258)	-	63,733	-
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	(105,906)	-	46,625	-	(94,258)	-	63,733	-
8300	Other comprehensive income (net of tax)	(105,906)	-	46,625	-	(94,258)	-	63,733	-
8500	Total comprehensive income	\$ 2,063,388	4	1,704,880	4	3,537,541	4	2,915,620	4
	Profit attributable to:								
8610	Owners of parent	\$ 2,169,294	4	1,658,255	4	3,631,799	4	2,851,887	4
	Comprehensive income attributable to:								
8710	Owners of parent	\$ 2,063,388	4	1,704,880	4	3,537,541	4	2,915,620	4
	Earnings per share (expressed in New Taiwan dollars) (note 6(p))								
9750	Basic earnings per share	\$ 12.41		9.50		20.78		17.38	
9850	Diluted earnings per share	\$ 12.39		9.48		20.71		17.27	

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, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings				Other equity	
					Exchange differences on translation of foreign financial statements	Total equity
	Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total
Balance on January 1, 2019						
Effects of retrospective application						
Balance on January 1, 2019 after adjustments	\$ 1,520,288	2,853,756	195,198	8,137	6,026,558	6,229,893
Appropriation and distribution of retain earnings:					(2,204)	(2,204)
Legal reserve	-	-	557,758	-	(557,758)	-
Special reserve	-	-	-	(8,137)	8,137	-
Cash dividends	-	-	-	-	(2,792,685)	(2,792,685)
Net income	-	-	-	-	2,851,887	2,851,887
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	2,851,887	2,851,887
Cash subscription	188,100	5,769,888	-	-	-	-
Issue of common shares-employee stock options	37,040	27,985	-	-	-	-
Share-based payments	-	163,962	-	-	-	-
Balance on June 30, 2019	\$ 1,745,428	8,815,591	752,956	-	5,533,935	6,286,891
Balance on January 1, 2020						
Appropriation and distribution of retain earnings:						
Legal reserve	\$ 1,746,368	8,816,183	752,956	-	8,849,444	9,602,400
Cash dividends	-	-	616,925	-	(616,925)	-
Net income	-	-	-	-	(4,021,131)	(4,021,131)
Other comprehensive income	-	-	-	-	3,631,799	3,631,799
Total other comprehensive income	-	-	-	-	-	-
Issue of common shares-employee stock options	-	-	-	-	3,631,799	3,631,799
Balance on June 30, 2020	\$ 2,040	1,197	-	-	7,843,187	9,213,068
	\$ 1,748,408	8,817,380	1,369,881	-	(40,344)	19,738,512

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, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2020	2019
Cash flows from (used in) operating activities:		
Income before tax	\$ 4,555,557	3,587,547
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	168,008	84,699
Amortization expense	6,693	2,674
Expected credit gain	(122)	(1,081)
Net profit on financial assets or liabilities at fair value through profit or loss	(178,939)	24,756
Interest expense	188,383	184,566
Interest income	(18,001)	(31,771)
Share-based payments	-	163,962
Losses on disposal of property, plant and equipment	-	6
Total adjustments to reconcile profit	166,022	427,811
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets mandatorily measured at fair value through profit or loss-current	165,645	(33,511)
Increase in accounts receivable, net	(1,474,146)	(3,800,478)
Increase in accounts receivable-related parties, net	(14,110)	(310,555)
Decrease (increase) in other receivable	(3,529)	4,678
Decrease in other receivable-related parties	2,235,175	7,635
Increase in inventories	(9,656,622)	(1,368,654)
Decrease (increase) in other current assets	(365,654)	2,461,595
Total changes in operating assets	(9,113,241)	(3,039,290)
Changes in operating liabilities:		
Increase in held-for-trading financial liabilities	17,331	-
Increase in contract liabilities-current	395,686	238,140
Increase in notes and accounts payable	2,014,931	5,005,241
Increase in accounts payable-related parties	3,739,714	3,180,361
Increase in other payable	899,147	718,826
Increase (decrease) in other payable-related parties	254,790	(557,274)
Increase in other current liabilities	475,634	210,218
Increase in net defined benefit liabilities	51	-
Total changes in operating liabilities	7,797,284	8,795,512
Total changes in operating assets and liabilities	(1,315,957)	5,756,222
Total adjustments	(1,149,935)	6,184,033
Cash inflow (outflow) generated from operations	3,405,622	9,771,580
Interest received	17,831	29,448
Interest paid	(187,149)	(190,462)
Income taxes paid	(849,459)	(1,425,730)
Net cash flows from operating activities	2,386,845	8,184,836
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(239,241)	(30,135)
Proceeds from disposal of property, plant and equipment	-	27
Acquisition of intangible assets	(37,528)	(4,228)
Decrease (increase) in other non-current assets	394	(26,326)
Increase in prepayments for equipment	(66,079)	(147,992)
Net cash used in investing activities	(342,454)	(208,654)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	30,225,853	5,324,524
Decrease in short-term borrowings	(31,491,167)	(7,476,916)
Decrease in long-term borrowings	-	(5,522,236)
Cash subscription	-	5,957,988
Exercise of employee stock options	3,237	65,025
Payment of lease liabilities	(48,219)	(22,107)
Net cash used in financing activities	(1,310,296)	(1,673,722)
Effect of exchange rate changes on cash and cash equivalents	(40,888)	29,602
Net increase in cash and cash equivalents	693,207	6,332,062
Cash and cash equivalents at beginning of period	11,992,139	1,403,592
Cash and cash equivalents at end of period	\$ 12,685,346	7,735,654

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
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Wiwynn Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2020 and 2019

(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 issue by the Board of Directors on August 7, 2020.

(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, 2020.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020
Amendments to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

The Group assessed that the initial application of the abovementioned standards would not have any material impact on its consolidated financial statements.

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (b) 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, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023

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

(4) Summary of significant accounting policies:

- (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.

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, 2019. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2019.

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the 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			Description
			June 30, 2020	December 31, 2019	June 30, 2019	
The Company	Wiwynn Technology Service Japan, Inc. (WYJP)	Sales of data storage equipment	100 %	100 %	100 %	-
The Company	Wiwynn International Corporation (WYUS)	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 S.A.de C.V. (WYMX)	Human resource service provision	100 %	100 %	100 %	-
WYHK	Wiwynn Technology Service Kun Shan Ltd. (WYKS)	Sales of data storage equipment	100 %	100 %	100 %	-

Note: The financial statements of the aforementioned subsidiaries were reviewed by the certified accountant.

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

(c) 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.

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.

(d) 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.

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 interim 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, 2019. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2019.

(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, 2019. Please refer to note 6 of the 2019 annual consolidated financial statements.

(a) Cash and cash equivalents

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand	\$ 580	430	492
Demand and checking deposits	<u>12,684,766</u>	<u>11,991,709</u>	<u>7,735,162</u>
	<u>\$ 12,685,346</u>	<u>11,992,139</u>	<u>7,735,654</u>

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

	June 30, 2020	December 31, 2019	June 30, 2019
Mandatorily measured at fair value through profit or loss:			
Foreign currency forward contracts	\$ 2,590	-	-
Foreign currency swap contracts	<u>10,704</u>	<u>-</u>	<u>8,755</u>
	<u>\$ 13,294</u>	<u>-</u>	<u>8,755</u>
Held-for-trading financial liabilities:			
Foreign currency forward contracts	\$ 6,387	-	-
Foreign currency swap contracts	<u>10,944</u>	<u>-</u>	<u>-</u>
	<u>\$ 17,331</u>	<u>-</u>	<u>-</u>

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
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The Group holds derivative financial instruments to hedge certain foreign exchange risk that the Group is exposed to, arising from its operating activities. The following derivative financial instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

June 30, 2020			
	Contract amount (in thousand)	Currency	Maturity date
Foreign currency swap contracts:			
Foreign currency swap purchased	USD\$ <u>30,000</u>	USD to NTD	2020/7/2
Foreign currency swap sold	USD\$ <u>130,000</u>	NTD to USD	2020/7/7~2020/8/3
Foreign currency forward contracts:			
Foreign currency forward purchased	USD\$ <u>118,000</u>	USD to NTD	2020/7/9~2020/8/3
June 30, 2019			
	Contract amount (in thousand)	Currency	Maturity date
Foreign currency swap contracts:			
Foreign currency swap sold	USD\$ <u>30,000</u>	USD to NTD	2019/8/1
Foreign currency swap purchased	USD\$ <u>110,000</u>	NTD to USD	2019/7/25~2019/8/1

(c) Accounts receivable

	June 30, 2020	December 31, 2019	June 30, 2019
Accounts receivable — measured at amortized cost	\$ 9,985,088	9,923,569	12,475,911
Accounts receivable-related parties — measured at amortized cost	430,042	415,932	334,751
Accounts receivable — measured at fair value through other comprehensive income	5,030,673	3,740,243	860,656
Less: loss allowance	<u>(8,672)</u>	<u>(8,794)</u>	<u>(9,343)</u>
	<u>\$ 15,437,131</u>	<u>14,070,950</u>	<u>13,661,975</u>

The Group has assessed a portion of its accounts receivable that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such accounts receivable 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, accounts receivable 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:

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WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2020		
	Gross carrying amount	Weighted - average loss rate	Loss allowance provision
Current	\$ 15,148,636	-	-
Past due under 30 days	286,575	-	-
Past due 31 to 60 days	2,391	20%	471
Past due 61 to 90 days	-	-	-
Past due 91 to 180 days	80	100%	80
Past due 181 to 270 days	-	-	-
Past due over 271 days	8,121	100%	8,121
Total	<u><u>\$ 15,445,803</u></u>		<u><u>8,672</u></u>

	December 31, 2019		
	Gross carrying amount	Weighted - average loss rate	Loss allowance provision
Current	\$ 13,892,703	-	-
Past due under 30 days	174,262	-	-
Past due 31 to 60 days	3,896	-	-
Past due 61 to 90 days	151	41%	62
Past due 91 to 180 days	31	100%	31
Past due 181 to 270 days	8,701	100%	8,701
Total	<u><u>\$ 14,079,744</u></u>		<u><u>8,794</u></u>

	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	<u><u>\$ 13,671,318</u></u>		<u><u>9,343</u></u>

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WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the six months ended June 30	
	2020	2019
Balance on January 1	8,794	10,424
Impairment losses recognized	8,677	8,631
Impairment losses reversed	(8,799)	(9,712)
Balance on June 30	<u>\$ 8,672</u>	<u>9,343</u>

As of June 30, 2020, December 31 and June 30, 2019, the accounts receivable were not pledged.

For further credit risk information, please refers to note 6(t).

The Group entered into separate factoring agreements with different financial institutions to sell its trade receivables. Under the agreements, the Group does not have the responsibility to assume the default risk of the transferred trade receivables but is liable for the losses incurred on any business dispute. The Group derecognized the above trade receivables because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement in them. As of June 30, 2020, December 31 and June 30, 2019, the Group sold its accounts receivable without recourse as follows:

Unit: USD in thousands

June 30, 2020						
Purchaser	Assignment Facility	Amount Advanced Unpaid	Amount Advanced Paid	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
ING, Taipei branch	\$ 156,202	243,798	156,202	-	0.74%~3.65%	None
CITI, New York branch	301,873	<Note>	301,873	-	0.63%~2.40%	None
	<u>\$ 458,075</u>		<u>458,075</u>	<u>-</u>		
December 31, 2019						
Purchaser	Assignment Facility	Amount Advanced Unpaid	Amount Advanced Paid	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
ING, Taipei branch	\$ 129,758	194,310	129,758	-	2.06%~2.90%	None
CITI, New York branch	175,018	<Note>	175,018	-	2.12%~3.18%	None
	<u>\$ 304,776</u>		<u>304,776</u>	<u>-</u>		
June 30, 2019						
Purchaser	Assignment Facility	Amount Advanced Unpaid	Amount Advanced Paid	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
CITI, New York branch	\$ 229,842	<Note>	229,842	-	2.84%~3.18%	None

<Note> The purchaser has the right to make factoring transactions with the company based on the amount allocated by the client under factoring agreement.

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Other receivables

	June 30, 2020	December 31, 2019	June 30, 2019
Other receivables	\$ 9,461	5,927	2,938
Other receivables - related parties	111,371	2,363,013	93,610
Less: loss allowance	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 120,832</u>	<u>2,368,940</u>	<u>96,548</u>

For further credit risk information, please refers to note 6(t).

(e) Inventories

	June 30, 2020	December 31, 2019	June 30, 2019
Raw materials	\$ 16,343,978	9,692,961	7,471,037
Finished goods	8,223,797	4,499,697	6,777,470
Inventory in transit	<u>2,195,409</u>	<u>3,249,420</u>	<u>1,131,544</u>
	<u>\$ 26,763,184</u>	<u>17,442,078</u>	<u>15,380,051</u>

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	
	2020	2019	2020	2019
Losses on valuation of inventories	\$ -	-	90,213	-
Royalty	13,401	13,291	23,752	25,054
Other	<u>252</u>	<u>(1,413)</u>	<u>(647)</u>	<u>(2,082)</u>
	<u>\$ 13,653</u>	<u>11,878</u>	<u>113,318</u>	<u>22,972</u>

As of June 30, 2020, December 31 and June 30, 2019, the inventories were not pledged.

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WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the six months ended June 30, 2020 and 2019, were as follows:

	Research and development equipment	Machinery and equipment	Office equipment	Lease improvements	Other equipment	Construction in progress	Total
Cost or deem cost:							
Balance on January 1, 2020	\$ 120,084	455,663	63,214	186,061	176,293	-	1,001,315
Additions	1,146	179,113	13,262	15,215	25,950	4,555	239,241
Disposals	-	-	(92)	-	-	-	(92)
Reclassification (Note)	3,000	36,667	3,025	-	16,026	(3,385)	55,333
Effect of changes in foreign exchange rates	-	(502)	(303)	-	(486)	(14)	(1,305)
Balance on June 30, 2020	<u>\$ 124,230</u>	<u>670,941</u>	<u>79,106</u>	<u>201,276</u>	<u>217,783</u>	<u>1,156</u>	<u>1,294,492</u>
Balance on January 1, 2019	\$ 101,164	15,151	39,586	41,618	70,397	-	267,916
Additions	12,259	10,018	4,796	-	3,062	-	30,135
Disposals	-	-	(236)	-	-	-	(236)
Reclassification (Note)	-	-	-	15,997	54,961	-	70,958
Effect of changes in foreign exchange rates	-	189	126	-	71	-	386
Balance on June 30, 2019	<u>\$ 113,423</u>	<u>25,358</u>	<u>44,272</u>	<u>57,615</u>	<u>128,491</u>	<u>-</u>	<u>369,159</u>
Accumulated depreciation:							
Balance on January 1, 2020	\$ 84,640	20,297	29,074	40,209	108,928	-	283,148
Depreciation	7,596	44,594	6,835	29,540	34,476	-	123,041
Disposals	-	-	(92)	-	-	-	(92)
Effect of changes in foreign exchange rates	-	(167)	(123)	-	(94)	-	(384)
Balance on June 30, 2020	<u>\$ 92,236</u>	<u>64,724</u>	<u>35,694</u>	<u>69,749</u>	<u>143,310</u>	<u>-</u>	<u>405,713</u>
Balance on January 1, 2019	\$ 67,981	3,181	21,983	24,018	25,210	-	142,373
Depreciation	7,879	2,059	3,649	7,250	38,281	-	59,118
Disposals	-	-	(203)	-	-	-	(203)
Effect of changes in foreign exchange rates	-	40	46	1	22	-	109
Balance on June 30, 2019	<u>\$ 75,860</u>	<u>5,280</u>	<u>25,475</u>	<u>31,269</u>	<u>63,513</u>	<u>-</u>	<u>201,397</u>
Carrying value:							
Balance on January 1, 2020	<u>\$ 35,444</u>	<u>435,366</u>	<u>34,140</u>	<u>145,852</u>	<u>67,365</u>	<u>-</u>	<u>718,167</u>
Balance on June 30, 2020	<u>\$ 31,994</u>	<u>606,217</u>	<u>43,412</u>	<u>131,527</u>	<u>74,473</u>	<u>1,156</u>	<u>888,779</u>
Balance on January 1, 2019	<u>\$ 33,183</u>	<u>11,970</u>	<u>17,603</u>	<u>17,600</u>	<u>45,187</u>	<u>-</u>	<u>125,543</u>
Balance on June 30, 2019	<u>\$ 37,563</u>	<u>20,078</u>	<u>18,797</u>	<u>26,346</u>	<u>64,978</u>	<u>-</u>	<u>167,762</u>

(Note): Reclassified from prepayment for equipment.

As of June 30, 2020, December 31 and June 30, 2019, the property, plant and equipment were not pledged.

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WIWYNN CORPORATION AND SUBSIDIARIES
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(g) Right-of-use assets

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

	<u>Buildings</u>	<u>Other equipment</u>	<u>Total</u>
Cost:			
Balance on January 1, 2020	\$ 471,846	5,664	477,510
Acquisitions	2,599	-	2,599
Disposals	(3,729)	-	(3,729)
Effect of changes in foreign exchange rates	(24,738)	(12)	(24,750)
Balance on June 30, 2020	<u>\$ 445,978</u>	<u>5,652</u>	<u>451,630</u>
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	<u>\$ 291,925</u>	<u>855</u>	<u>292,780</u>
Accumulated depreciation:			
Balance on January 1, 2020	\$ 88,285	410	88,695
Depreciation for the year	44,341	626	44,967
Effect of changes in foreign exchange rates	(795)	(4)	(799)
Balance on June 30, 2020	<u>\$ 131,831</u>	<u>1,032</u>	<u>132,863</u>
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	<u>\$ 54,177</u>	<u>70</u>	<u>54,247</u>
Carrying amount:			
Balance on January 1, 2020	<u>\$ 383,561</u>	<u>5,254</u>	<u>388,815</u>
Balance on June 30, 2020	<u>\$ 314,147</u>	<u>4,620</u>	<u>318,767</u>
Balance at June 30, 2019	<u>\$ 237,748</u>	<u>785</u>	<u>238,533</u>

(h) Intangible assets

	<u>Software</u>	<u>Other</u>	<u>Total</u>
Carrying amount:			
Balance on January 1, 2020	<u>\$ 18,066</u>	<u>1,040</u>	<u>19,106</u>
Balance on June 30, 2020	<u>\$ 48,901</u>	<u>1,040</u>	<u>49,941</u>
Balance on January 1, 2019	<u>\$ 7,242</u>	<u>-</u>	<u>7,242</u>
Balance on June 30, 2019	<u>\$ 8,796</u>	<u>-</u>	<u>8,796</u>

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WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

There were no significant additions, disposal, impairment loss or reversal gain for intangible assets for the six months ended June 30, 2020 and 2019. 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, 2019

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

	June 30, 2020	December 31, 2019	June 30, 2019
Other current assets:			
Tax refundable	\$ 718,542	406,739	139,198
Other prepayments	123,186	71,432	116,692
Others	60,326	61,118	45,640
	<u><u>\$ 902,054</u></u>	<u><u>539,289</u></u>	<u><u>301,530</u></u>
Other non-current assets:			
Refundable deposits	34,905	35,367	28,289
Restricted deposits	28,572	29,002	155,360
Prepayments for equipment	59,591	48,975	116,542
	<u><u>\$ 123,068</u></u>	<u><u>113,344</u></u>	<u><u>300,191</u></u>

(j) Short-term borrowings

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

June 30, 2020			
	Currency	Interest rate collars	Expiration
Unsecured bank borrowings	USD	0.91%~3.85%	2020/7/3~2020/9/23
Unused credit line			<u><u>\$ 17,645,789</u></u>
December 31, 2019			
	Currency	Interest rate collars	Expiration
Unsecured bank borrowings	USD	2.06%~2.90%	2020/1/7~2020/2/22
Unused credit line			<u><u>\$ 6,195,382</u></u>
June 30, 2019			
	Currency	Interest rate collars	Expiration
Unsecured bank borrowings	USD	3.00%~3.07%	2019/7/26
Unused credit line			<u><u>\$ 8,921,754</u></u>

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(k) Lease liabilities

The carrying amounts of lease liabilities were as follow:

	June 30, 2020	December 31, 2019	June 30, 2019
Current	\$ <u>101,011</u>	<u>109,708</u>	<u>66,479</u>
Non-current	\$ <u>229,585</u>	<u>288,827</u>	<u>177,756</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Interest expenses on lease liabilities	\$ <u>3,914</u>	<u>1,213</u>	<u>8,193</u>	<u>1,599</u>
Expenses relating to short-term leases	\$ <u>14,579</u>	<u>1,303</u>	<u>19,670</u>	<u>3,420</u>

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

	For the six months ended June 30	
	2020	2019
Total cash outflow for leases	\$ <u>76,082</u>	<u>27,126</u>

(i) Real estate leases

The Group leases land and buildings for its office space, factory and employee dormitory. The leases of office space typically run for a period of 5 to 10 years, factory for 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 5 years. In some cases, the Group has options to purchase the assets at the end of the contract term.

(l) 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	
	2020	2019	2020	2019
Operating expense	\$ <u>206</u>	<u>22</u>	<u>299</u>	<u>43</u>

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(ii) Defined contribution plans

The Group's expenses under the pension plan for the three months and six months ended June 30, 2020 and 2019 were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Operating cost	\$ 8,426	3,698	16,145	5,845
Operating expenses	8,317	7,210	16,275	14,349
	<u>\$ 16,743</u>	<u>10,908</u>	<u>32,420</u>	<u>20,194</u>

(m) 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	
	2020	2019	2020	2019
Current tax expense	\$ 378,272	432,750	750,034	735,660
Deferred tax expense	173,724	-	173,724	-
Income tax expense	<u>\$ 551,996</u>	<u>432,750</u>	<u>923,758</u>	<u>735,660</u>

(ii) There were no income tax expense recognized in other comprehensive income for the six months ended June 30, 2020 and 2019.

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

(n) 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, 2020 and 2019. For the related information, please refer to the note 6(o) of the consolidated financial statements for the year ended December 31, 2019.

(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 thousands). The base date for capital subscription was set on March 26, 2019 and all related registration procedures had been completed.

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The Company issued 204 thousand and 3,704 thousand new shares of common shares with the amounts of \$3,237 thousand and \$65,025 thousand for the execution of employee stock options for the six months ended June 30, 2020 and 2019. All proceeds from outstanding shares have been collected and all related registration procedures had been completed.

(ii) Capital surplus

The balances of capital surplus were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
A premium issuance of common shares for cash\$	8,436,510	8,436,510	8,436,510
Employee stock options	364,685	363,488	362,896
others	<u>16,185</u>	<u>16,185</u>	<u>16,185</u>
	<u>\$ 8,817,380</u>	<u>8,816,183</u>	<u>8,815,591</u>

(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 10% 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) Earnings distribution

The appropriation of 2019 and 2018 earnings that were approved by the shareholders' meeting on June 15, 2020 and June 25, 2019, respectively, were as follows:

	2019	2018
Dividends distributed to ordinary shareholders		
Cash	<u>\$ 4,021,131</u>	<u>2,792,685</u>

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WIWYNN CORPORATION AND SUBSIDIARIES
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(iv) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements
Balance on January 1, 2020	\$ 53,914
Exchange differences on translation of foreign financial statements	(94,258)
Balance on June 30, 2020	<u>\$ (40,344)</u>
	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	<u>\$ 236,583</u>

(o) Share-based payment

Except for the six-month ended June 30, 2019, the Group recognized \$163,962 thousand expense arisen from employee stock options and cash subscription reserve for employee, there were no significant differences in share-based payment transactions for the six months ended June 30, 2020 and 2019. For the related information, please refer to note 6(p) of the consolidated financial statements for the year ended December 31, 2019.

(p) Earnings per share

The calculation of basic and diluted earnings per share (unit: NTD in dollar) is as follows:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Basic earnings per share:				
Profit attributable to common shareholders of the Company	<u>\$ 2,169,294</u>	<u>1,658,255</u>	<u>3,631,799</u>	<u>2,851,887</u>
Weighted-average common stock outstanding (in thousands)	<u>174,838</u>	<u>174,532</u>	<u>174,783</u>	<u>164,077</u>
	<u>\$ 12.41</u>	<u>9.50</u>	<u>20.78</u>	<u>17.38</u>

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WIWYNN CORPORATION AND SUBSIDIARIES
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	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Diluted earnings per share:				
Profit attributable to common shareholders of the Company	\$ <u>2,169,294</u>	<u>1,658,255</u>	<u>3,631,799</u>	<u>2,851,887</u>
Weighted-average common stock outstanding (in thousands)	174,838	174,532	174,783	164,077
Effect of potentially dilutive common stock (in thousands):				
Employee compensation	300	312	593	955
Employee stock option	<u>-</u>	<u>16</u>	<u>1</u>	<u>103</u>
Weighted average common stock outstanding plus the effect of potentially dilutive common stock (in thousands)	<u>175,138</u>	<u>174,860</u>	<u>175,377</u>	<u>165,135</u>
	\$ <u>12.39</u>	<u>9.48</u>	<u>20.71</u>	<u>17.27</u>

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Primary geographical markets				
America	\$ 37,751,135	28,613,604	66,463,859	58,469,198
Europe	9,479,363	9,339,122	14,671,766	15,446,676
Asia	4,039,352	2,759,369	4,635,181	4,235,101
Other	<u>801,081</u>	<u>1,551,129</u>	<u>1,437,249</u>	<u>2,548,589</u>
	\$ <u>52,070,931</u>	<u>42,263,224</u>	<u>87,208,055</u>	<u>80,699,564</u>
Major products				
Hyperscale data center	\$ <u>52,070,931</u>	<u>42,263,224</u>	<u>87,208,055</u>	<u>80,699,564</u>

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WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balance

	June 30, 2020	December 31, 2019	June 30, 2019
Accounts receivable	\$ 15,015,761	13,663,812	13,336,567
Accounts receivable – related parties	430,042	415,932	334,751
Less: loss allowance	<u>(8,672)</u>	<u>(8,794)</u>	<u>(9,343)</u>
	<u>\$ 15,437,131</u>	<u>14,070,950</u>	<u>13,661,975</u>
	June 30, 2020	December 31, 2019	June 30, 2019
Contract liabilities – provisions for warranty	<u>\$ 1,257,189</u>	<u>861,503</u>	<u>619,954</u>

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

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

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 current period.

(r) 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.
The Company estimated it' employees' and directors' compensation as follows:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Employees' compensation	\$ 144,000	110,252	241,000	189,215
Directors' compensation	<u>6,250</u>	<u>3,750</u>	<u>10,000</u>	<u>7,500</u>
	<u>\$ 150,250</u>	<u>114,002</u>	<u>251,000</u>	<u>196,715</u>

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WIWYNN CORPORATION AND SUBSIDIARIES
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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's 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, 2019 and 2018, the employees' compensation amounted to \$407,000 thousand and \$368,000 thousand, respectively, and directors' compensation amounted to \$18,174 thousand and \$15,000 thousand, respectively. The amounts, as stated in the consolidated financial statements, are identical to those of the board of directors resolved for 2020 and 2019. The related information can be available on Market Observation Post System Website.

(s) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

The details of other income were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Interest income from bank deposits	\$ <u>5,628</u>	<u>16,010</u>	<u>18,001</u>	<u>31,771</u>

(ii) Other income

The details of other income were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Others	\$ <u>16</u>	<u>21</u>	<u>31</u>	<u>41</u>

(iii) 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	
	2020	2019	2020	2019
Foreign exchange gains (losses), \$ net	(199,883)	111,479	(175,409)	131,983
Gains (losses) on valuation of financial assets and liabilities at fair value	71,720	(30,966)	178,939	(24,756)
Others	<u>593</u>	<u>(407)</u>	<u>(7,352)</u>	<u>89</u>
	\$ <u>(127,570)</u>	<u>80,106</u>	<u>(3,822)</u>	<u>107,316</u>

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WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Finance costs

The details of finance costs were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Interest expenses				
Bank loans	\$ (72,389)	(78,931)	(180,190)	(182,967)
Others	(3,914)	(1,213)	(8,193)	(1,599)
	<u>\$ (76,303)</u>	<u>(80,144)</u>	<u>(188,383)</u>	<u>(184,566)</u>

(t) 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(u) of the consolidated financial statements for the year ended December 31, 2019.

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

As of June 30, 2020, December 31 and June 30, 2019, 74.86%, 93.46% and 96.93% of the Group's accounts receivable were concentrated on 2, 2 and 3 specific customers, respectively. Accordingly, concentrations of credit risk exist.

3) Receivable and debt securities

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, 2020, December 31 and June 30, 2019, the other receivable were not accrue any loss allowance.

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WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) 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, 2020						
Non-derivative financial liabilities						
Short-term borrowings	\$ 7,270,329	7,278,063	7,278,063	-	-	-
Notes and accounts payable (including related parties)	19,884,187	19,884,187	19,884,187	-	-	-
Other payables (including related parties)	7,364,455	7,364,455	7,364,455	-	-	-
Lease liabilities (including current and non-current)	330,596	361,108	104,386	82,214	171,159	3,349
Subtotal	<u>34,849,567</u>	<u>34,887,813</u>	<u>34,631,091</u>	<u>82,214</u>	<u>171,159</u>	<u>3,349</u>
Derivative financial liabilities						
Foreign currency swap contacts:						
Outflow	2,658,240	2,658,240	2,658,240	-	-	-
Inflow	2,647,296	2,647,296	2,647,296	-	-	-
Carrying amount	<u>10,944</u>	<u>10,944</u>	<u>10,944</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foreign currency forward contracts:						
Outflow	6,387	6,387	6,387	-	-	-
Carrying amount	<u>6,387</u>	<u>6,387</u>	<u>6,387</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>17,331</u>	<u>17,331</u>	<u>17,331</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 34,866,898</u>	<u>34,905,144</u>	<u>34,648,422</u>	<u>82,214</u>	<u>171,159</u>	<u>3,349</u>
December 31, 2019						
Non-derivative financial liabilities						
Short-term borrowings	\$ 8,638,393	8,649,208	8,649,208	-	-	-
Notes and accounts payable (including related parties)	14,228,115	14,228,115	14,228,115	-	-	-
Other payables (including related parties)	1,695,703	1,695,703	1,695,703	-	-	-
Lease liabilities (including current and non-current)	398,535	407,085	113,677	56,177	116,934	120,297
Total	<u>\$ 24,960,746</u>	<u>24,980,111</u>	<u>24,686,703</u>	<u>56,177</u>	<u>116,934</u>	<u>120,297</u>
June 30, 2019						
Non-derivative financial liabilities						
Short-term borrowings	\$ 814,086	816,208	816,208	-	-	-
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	<u>\$ 18,781,061</u>	<u>18,792,746</u>	<u>18,609,605</u>	<u>66,497</u>	<u>116,644</u>	<u>-</u>

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

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WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Market risk

1) Currency risk

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

	June 30, 2020			December 31, 2019			June 30, 2019			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
Financial assets										
Monetary items										
USD	\$	757,019	29.660	22,453,170	752,516	30.106	22,655,220	611,508	31.072	19,000,774
Financial liabilities										
Monetary items										
USD		486,359	29.660	14,425,395	520,203	30.106	15,661,246	305,361	31.072	9,488,190

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, notes and 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, 2020 and 2019, the net income would be changed by \$321,111 thousand and \$380,503 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, 2020 and 2019, and six-months ended June 30, 2020 and 2019, foreign exchange gains (losses) (including realized and unrealized portions) amounted to \$(199,883) thousand, \$111,479 thousand, \$(175,409) thousand and \$131,983 thousand, respectively.

(iv) 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 changed by \$4,961 thousand and \$554 thousand, respectively, for the six months ended June 30, 2020 and 2019, with all other variable factors that remain constant. This is mainly due to the Group's borrowings at floating variable rate.

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WIWYNN CORPORATION AND SUBSIDIARIES
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(v) 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, 2020				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss						
Derivative financial assets	\$	<u>13,294</u>	<u>-</u>	<u>13,294</u>	<u>-</u>	<u>13,294</u>
Financial assets measured at amortized cost						
Cash and cash equivalents		12,685,346	-	-	-	-
Accounts receivable (including related parties)		15,437,131	-	-	-	-
Other receivable (including related parties)		120,832	-	-	-	-
Other non-current assets		<u>63,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	\$	<u>28,306,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at fair value through profit or loss						
Derivative financial liabilities	\$	<u>17,331</u>	<u>-</u>	<u>17,331</u>	<u>-</u>	<u>17,331</u>
Financial liabilities measured at amortized cost						
Short-term borrowings	\$	7,270,329	-	-	-	-
Notes and accounts payable (including related parties)		19,884,187	-	-	-	-
Other payables (including related parties)		7,364,455	-	-	-	-
Lease liabilities (including current and non-current)		<u>330,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	\$	<u>34,849,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2019				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	11,992,139	-	-	-	-
Accounts receivable (including related parties)		14,070,950	-	-	-	-
Other receivable (including related parties)		2,368,940	-	-	-	-
Other non-current assets		<u>64,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	\$	<u>28,496,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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Notes to the Consolidated Financial Statements

		December 31, 2019			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 8,638,393	-	-	-	-
Accounts payable (including related parties)	14,228,115	-	-	-	-
Other payables (including related parties)	1,695,703	-	-	-	-
Long-term borrowings (including current portion)	398,535	-	-	-	-
Subtotal	<u>\$ 24,960,746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		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	<u>\$ 8,755</u>	<u>-</u>	<u>8,755</u>	<u>-</u>	<u>8,755</u>
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	<u>\$ 21,677,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	-	-	-	-
Long-term borrowings (including current portion)	244,235	-	-	-	-
Subtotal	<u>\$ 18,781,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 forward and swap contracts are usually determined by the forward currency exchange rate.

3) Transfers between Level 1 and Level 2: none

4) Changes between Level 3: none.

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Notes to the Consolidated Financial Statements

5) Offsetting financial assets and financial liabilities

The Group has financial instruments transactions applicable to the International Financial Reporting Standards Sections 42 NO. 32 approved by the FSC which required for offsetting. Financial assets and liabilities relating to those transactions are recognized in the net amount of the balance sheets.

June 30, 2020					
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement					
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)	
				Financial instruments	Net amounts (e)=(c)-(d)
				Cash collateral received	
Other receivable	\$ 1,051,183	1,051,183	-	-	-

June 30, 2020					
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement					
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)	
				Financial instruments	Net amounts (e)=(c)-(d)
				Cash collateral received	
Note payable and accounts payable	\$ 11,964,880	1,051,183	10,913,697	-	10,913,697

(u) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(v) of the consolidated financial statements for the year ended December 31, 2019.

(v) 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, 2019. 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, 2019. For the related information, please refer to note 6(w) of the consolidated financial statements for the year ended December 31, 2019.

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

The Group's financing activities which did not affect the current cash flow in the six months ended June 30, 2020 and 2019, were as follows:

	January 1, 2020	Cash flows	Non-cash changes		June 30, 2020
			Change in lease payments	Foreign exchange movement	
Short-term borrowings	\$ 8,638,393	(1,265,314)	-	(102,750)	7,270,329
Lease liabilities	398,535	(48,219)	(1,130)	(18,590)	330,596
Total liabilities from financing activities	\$ 9,036,928	(1,313,533)	(1,130)	(121,340)	7,600,925

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			Non-cash changes		
	January 1, 2019	Cash flows	Change in lease payments	Foreign exchange movement	June 30, 2019
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	\$ <u>8,557,306</u>	<u>(7,696,735)</u>	<u>193,676</u>	<u>4,074</u>	<u>1,058,321</u>

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

Wistron Corporation is the parent company and the ultimate controlling party of the Group. As of June 30, 2020, December 31 and June 30, 2019, it owns 44.85%, 44.90% and 44.93%, respectively, of all shares outstanding of the Company.

(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.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Wistron Corporation (WHQ)	Parent Company
Wistron InfoComm (Czech). s.r.o. (WCCZ)	Other related parties
Wistron Optonics (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
Wistron Information Technology & Services Corporation (WITS)	Other related parties
T-CONN Precision Corporation (TPE)	Other related parties
SMS InfoComm (Singapore) Pte. Ltd (WSSG)	Other related parties

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(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		For the six months ended		June 30,	December 31,	June 30,
	June 30		June 30				
	2020	2019	2020	2019	2020	2019	2019
WHQ	\$ 8,097	-	8,136	189	8,139	5	-
Other related parties	214,366	317,523	1,006,820	587,073	421,903	415,927	334,751
	\$ 222,463	317,523	1,014,956	587,262	430,042	415,932	334,751

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		For the six months ended		June 30,	December 31,	June 30,
	June 30		June 30				
	2020	2019	2020	2019	2020	2019	2019
WHQ	\$ 15,134,749	7,057,583	22,244,847	15,698,795	10,913,697	7,081,552	2,542,649
Other related parties:							
WCCZ	-	8,333,680	-	14,501,018	-	-	4,396,451
Other related parties	36	-	923	-	35	8	-
	\$ 15,134,785	15,391,263	22,245,770	30,199,813	10,913,732	7,081,560	6,939,100

Trading terms of purchase transactions with related parties can't be compared with third-party vendors due to product specifications.

(iii) Processing Fee

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

WMX	Processing Fee				Payables to related parties		
	For the three months ended		For the six months ended		June 30,	December 31,	June 30,
	June 30		June 30				
	2020	2019	2020	2019	2019	2018	2018
	\$ 287,414	249,805	502,255	451,259	79,891	172,349	83,924

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Notes to the Consolidated Financial Statements

Trading terms of processing fee transactions with related parties can't be compared with third-party vendors due to product specifications.

(iv) Operating Expense

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

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
WHQ	\$ 280,494	71,617	386,537	153,744
Other related parties	85,691	22,198	117,693	32,126
	<u>\$ 366,185</u>	<u>93,815</u>	<u>504,230</u>	<u>185,870</u>

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

(v) Other receivables

The Group purchased raw materials on behalf of related parties, provide of human outsourcing service and etc. The outstanding balance were as follows:

	Other receivables from related parties		
	June 30, 2020	December 31, 2019	June 30, 2019
WHQ	\$ 30,845	2,292,978	-
Other related parties:			
WMX	42,185	48,457	24,622
COWIN	37,683	21,511	8,201
WCCZ	-	-	60,787
Others related parties	658	67	-
Total	<u>\$ 111,371</u>	<u>2,363,013</u>	<u>93,610</u>

(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, 2020	December 31, 2019	June 30, 2019
WHQ	\$ 298,481	192,940	260,788
Other related parties	91,117	14,948	19,445
Total	<u>\$ 389,598</u>	<u>207,888</u>	<u>280,233</u>

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(vii) Leases

The Group signed a lease contract for two year with WNC during January 2019, and recognized the right-of-use assets and liabilities amounted to \$168,400 thousand. For the three-months ended June 30, 2020 and 2019, and six-months ended June 30, 2020 and 2019, the Group recognized its interest expense amounted to \$623 thousand, \$812 thousand, \$1,308 thousand and \$812 thousand, respectively. As of June 30, 2020, December 31 and June 30, 2019, the balance of lease liabilities was \$122,562 thousand, \$143,064 thousand and \$159,930 thousand.

(d) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Short-term employee benefits	\$ 27,518	21,780	45,866	38,873
Post-employment benefits	230	239	443	475
	<u>\$ 27,748</u>	<u>22,019</u>	<u>46,309</u>	<u>39,348</u>

(8) Pledged assets:

The carrying amounts of pledged assets were as follow:

Pledged assets	Object	June 30, 2020	December 31, 2019	June 30, 2019
Other non-current assets	Bank loans and guarantee	<u>\$ 28,572</u>	<u>29,002</u>	<u>155,360</u>

(9) Commitments and 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.

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the 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					
	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	144,715	335,693	480,408	32,641	408,080	440,721
Labor and health insurance	14,346	15,641	29,987	4,908	14,134	19,042
Pension	8,426	8,523	16,949	3,698	7,232	10,930
Remuneration of directors	-	6,250	6,250	-	3,880	3,880
Others	7,550	5,575	13,125	1,604	4,788	6,392
Depreciation	53,456	31,080	84,536	10,682	36,583	47,265
Amortization	1,879	2,162	4,041	47	1,254	1,301

By function By item	For the six months ended June 30					
	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	249,516	617,027	866,543	51,234	782,592	833,826
Labor and health insurance	26,994	35,147	62,141	8,012	33,297	41,309
Pension	16,145	16,574	32,719	5,845	14,392	20,237
Remuneration of directors	-	10,000	10,000	-	7,630	7,630
Others	12,396	11,007	23,403	5,159	10,032	15,191
Depreciation	101,704	66,304	168,008	18,281	66,418	84,699
Amortization	3,020	3,673	6,693	47	2,627	2,674

- (b) Seasonality of operations

The Group's operations were not affected by seasonality or cyclicity 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, 2020:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: Table 1 attached.

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iii) Securities held as of June 30, 2020 (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 investments for the six months ended June 30, 2020 (excluding information on investments in mainland China): Table 5 attached.
- (c) Information on investment in mainland China: Table 6 attached.
- (d) Major shareholders:

Unit: Share

Shareholder's Name	Shareholding	Shares	Percentage
Wistron Corporation		78,418,129	44.85 %

(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, 2020)

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 endorsement s/ guarantees to parent company	Endorsements/ guarantees to subsidiary in Mainland China
		Name	Relationship with the company (Note 3)										
0	The Company	WYMX	2	5,921,553	197,857	193,486	193,486	-	0.98%	9,869,256	Y	N	N

(Note 1) The total amount for guarantees and endorsements provided by the Company to other entities shall not exceed 50% of the Company's latest 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 latest 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, 2020)

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	WYUS	The Company's subsidiary	Sale	15,356,818	42.20%	OA120	-	-	11,085,115	56.11%	(Note)
"	WYJP	The Company's subsidiary	Sale	523,670	1.44%	OA90	-	-	261,228	1.32%	(Note)
"	WYKR	The Company's subsidiary	Sale	333,900	0.92%	OA90	-	-	231,651	1.17%	(Note)
"	WYHK	The Company's subsidiary	Sale	519,437	1.43%	OA90	-	-	337,379	1.71%	(Note)
"	WYKS	The Company's subsidiary	Sale	455,585	1.25%	OA90	-	-	448,763	2.27%	(Note)
"	WHQ	The Company's parent company	Purchase	22,167,751	67.54%	OA45	-	-	(10,903,717)	(87.11%)	-
"	WYUS	The Company's subsidiary	Purchase	351,146	1.07%	OA90	-	-	(52,038)	(0.42%)	(Note)
"	WYHQ	WYUS's parent company	Sale	351,146	0.52%	OA90	-	-	52,038	0.09%	(Note)
"	WBR	WYUS's other related company	Sale	1,001,200	1.50%	OA120	-	-	421,903	6.10%	-
"	WYHQ	WYUS's parent company	Purchase	15,356,818	20.56%	OA120	-	-	(11,085,115)	(59.66%)	(Note)
"	WMX	WYUS's other related company	Processing fee	502,255	0.68%	OA90	-	-	(79,891)	(0.43%)	-
WYJP	The Company	WYJP's parent company	Purchase	523,670	100.00%	OA90	-	-	(261,228)	(100%)	(Note)
WYKR	The Company	WYKR's parent company	Purchase	333,900	100.00%	OA90	-	-	(231,651)	(100%)	(Note)
WYHK	The Company	WYHK's parent company	Purchase	519,437	100.00%	OA90	-	-	(337,379)	(100%)	(Note)
WYKS	The Company	WYKS's parent company	Purchase	455,585	100.00%	OA90	-	-	(448,763)	(100%)	(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 3 Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:
(June 30, 2020)

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	WYUS	The Company's subsidiary	11,085,115	249.39%	-	-	-	-	(Note)
"	WYJP	The Company's subsidiary	261,228	197.74%	-	-	-	-	(Note)
"	WYKR	The Company's subsidiary	231,651	384.65%	-	-	-	-	(Note)
"	WYHK	The Company's subsidiary	337,379	304.54%	-	-	-	-	(Note)
"	WYKS	The Company's subsidiary	448,763	238.45%	-	-	-	-	(Note)
WYUS	WBR	WYUS's other related company	421,903	476.77%	-	-	-	-	-
Other Receivables									
WYUS	WYHQ	WYUS's parent company	101,221	-	-	-	-	-	(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, 2020)

No.	Name of company	Name of counter-party	Nature of relationship (Note 1)	Intercompany transactions			Percentage of the consolidated net revenue or total assets (Note 3)
				Account name	Amount	Trading Terms	
0	The Company	WYUS	1	Sales	15,356,818	OA120	17.61%
0	The Company	WYJP	1	Sales	523,670	OA90	0.60%
0	The Company	WYKR	1	Sales	333,900	OA90	0.38%
0	The Company	WYHK	1	Sales	519,437	OA90	0.60%
0	The Company	WYKS	1	Sales	455,585	OA90	0.52%
1	WYUS	WYHQ	2	Sales	351,146	OA90	0.40%
0	The Company	WYUS	1	Accounts Receivable	11,085,115	OA120	19.24%
0	The Company	WYJP	1	Accounts Receivable	261,228	OA90	0.45%
0	The Company	WYKR	1	Accounts Receivable	231,651	OA90	0.40%
0	The Company	WYHK	1	Accounts Receivable	337,379	OA90	0.59%
0	The Company	WYKS	1	Accounts Receivable	448,763	OA90	0.78%
1	WYUS	WYHQ	2	Accounts Receivable	52,038	OA90	0.09%

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 investments for the six months ended June 30, 2020 (excluding information on investments in mainland China):

Name of the investor	Name of investee	Location	Main business and products	Original investment amount		Balance as of June 30, 2020			Net income (losses) of the investee	Share of profits/losses of investee	Notes
				June 30, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying value			
The Company	WYJP	Japan	Sales of data storage equipment	6,620	6,620	-	100.00%	129,673	2,976	2,976	(Note)
"	WYUS	U.S.A	Sales of data storage equipment	5,021,581	5,021,581	169,010	100.00%	5,193,016	6,767	6,767	(Note)
"	WYHK	Hong Kong	Investing activities and sale of data storage equipment	12,181	12,181	400	100.00%	178,754	20,872	20,872	(Note)
"	WYKR	South Korea	Sales of data storage equipment	2,903	2,903	20	100.00%	72,436	7,725	7,725	(Note)
"	WYMY	Malaysia	Sales of data storage equipment	15,109	15,109	2,050	100.00%	13,743	(82)	(82)	(Note)
"	WYMX	Mexico	Human resources service provision	49,285	49,285	31,053	100.00%	45,572	5,000	5,000	(Note)

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

WIWYNN CORPORATION AND SUBSIDIARIES
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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 January 1, 2020	Investment Flows		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	10,659 (Note 1)	-	-	11,833	100%	11,833	66,614	-	(Note 5)

(ii) Limitation on investment in mainland China

Accumulated Investment in mainland China as of June 30, 2020 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 6)	Upper Limit on Investment (Note 4)
10,659(USD 350,000)	10,381(USD 350,000)	11,843,107

(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.

(Note 6) Translated using the ending rates on June 30, 2020.

(iii) Significant transactions

For the six months ended June 30, 2020, 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".