

**APAQ Technology Co., Ltd. and
Subsidiaries**

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

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Independent Auditors' Review Report

To the Board of Directors of APAQ Technology Co., Ltd.

Introduction

We have reviewed the consolidated balance sheets of APAQ Technology Co., Ltd. and subsidiaries as of June 30, 2020 and 2019; the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2020 and 2019, the consolidated statements of changes in equity and consolidated statements of cash flows for the six-month periods then ended, and notes to consolidated financial statements (including summary on significant accounting policies). The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard (IAS) 34 "Interim Financial Reporting," endorsed and issued into effect by Financial Supervisory Commission. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope

Except for matters described in the following paragraph titled "Basis for Qualified Conclusion," we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity." A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Since a review is substantially less in scope than an audit, we might not be fully aware of all material matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note VI(V) of the consolidated financial statements, investments accounted for under the equity method of APAQ Technology Co., Ltd. and subsidiaries amounted to NT\$44,743 thousand and NT\$47,109 thousand as of June 30, 2020 and 2019, respectively. The share of profits (losses) of associates accounted for under the equity method were NT\$122 thousand, NT\$1,450 thousand, NT\$403 thousand and NT\$1,212 thousand for the three months and six months then ended, respectively. Those amounts were recognized based on financial statements of the investees for the same period and have not been reviewed by independent auditors.

Qualified Conclusion

Based on our reviews, except for possible effects from financial statements of the investees mentioned in the paragraph titled "Basis for Qualified Conclusion" if they were reviewed by independent auditors, we did not discover matters which would lead us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial status of APAQ Technology Co., Ltd. and subsidiaries as of June 30, 2020 and 2019, and its consolidated financial performance for the three months and six months ended June 30, 2020 and 2019 and its consolidated cash flows for the six months then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34 "Interim Financial Reporting" endorsed and issued into effect by Financial Supervisory Commission.

KPMG

Wan-Yuan, You

CPAs:

Qian-Hui, Lu

Securities Competent Authority	:	(88) Taiwan-Finance-Securities-VI-18311
Approval Document No.		Financial-Supervisory-Securities-
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August 4, 2020

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The English version is a translation based on the original Chinese version.

Where any discrepancy arises between the two version, the Chinese version shall prevail.

(Numbers as of June 30, 2020 and 2019 are Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

APAQ Technology Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
June 30, 2020, December 31, 2019 and June 30, 2019

Unit: NT\$ thousands

Assets	2020.6.30		2019.12.31		2019.6.30		Liabilities and Equity	2020.6.30		2019.12.31		2019.6.30	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current assets:							Current liabilities:						
1100 Cash and cash equivalents [Note VI(I)]	\$ 659,698	19	700,953	19	534,553		152100 Short-term loans [Note VI(XI)]	\$ 754,630	21	924,840	25	866,660	25
1120 Financial assets at fair value through other comprehensive income - current [Note VI(II)]	115,866	3	143,891	4	148,365		2170 Accounts payable	365,719	11	307,178	9	200,769	6
1150 Notes receivable [Note VI(III)]	48,751	1	87,461	2	29,882		42180 Accounts payable - related parties [Note VII]	2,315	-	4,968	-	1,788	-
1170 Accounts receivable [Note VI(III)]	793,872	22	780,770	21	672,411		192201 Payroll and bonus payable	70,314	2	79,378	2	68,293	2
1180 Accounts receivable - related parties [Notes VI(III) & VII]	14,180	-	22,724	1	19,443		2213 Payable on equipment	9,845	-	14,419	-	21,754	1
1310 Inventories, net [Note VI(IV)]	437,178	12	390,840	11	474,295		12216 Dividends payable [Note VI(XVI)]	84,525	2	-	-	83,184	2
1476 Other financial assets - current [Note VI(VIII)]	-	-	37	-	249	-	142280 Lease liabilities - current [Note VI(XIII)]	9,273	-	6,113	-	4,936	-
1479 Other current assets [Note VI(IX)]	56,219	2	30,746	1	39,152		12320 Long-term liabilities due within one year [Note VI(XII)]	246,038	7	2,095	-	4,036	-
	<u>2,125,764</u>	<u>59</u>	<u>2,157,422</u>	<u>59</u>	<u>1,918,350</u>	<u>55</u>	2399 Other current liabilities	<u>93,938</u>	<u>3</u>	<u>92,973</u>	<u>3</u>	<u>68,825</u>	<u>2</u>
Non-current assets:							Non-current liabilities:	<u>1,636,597</u>	<u>46</u>	<u>1,431,964</u>	<u>39</u>	<u>1,320,245</u>	<u>38</u>
1517 Financial assets at fair value through other comprehensive income - non-current [Note VI(II)]	112,539	3	117,349	3	120,871		42570 Deferred income tax liabilities	-	-	-	-	745	-
1550 Investments accounted for under the equity method [Note VI(V)]	44,743	1	45,174	1	47,109		2530 Bonds payable [Note VI(XII)]	-	-	243,423	7	240,840	7
1600 Property, plant and equipment [Note VI(VI)]	1,095,956	31	1,176,196	32	1,264,719	36	12580 Lease liabilities - non-current [Note VI(XIII)]	22,196	-	13,739	-	11,975	-
1840 Deferred income tax assets	62,912	2	54,726	2	38,943	1		<u>22,196</u>	<u>-</u>	<u>257,162</u>	<u>7</u>	<u>253,560</u>	<u>7</u>
1755 Right-of-use assets [Note VI(VII)]	42,038	1	30,967	1	28,801	1	Total Liabilities	<u>1,658,793</u>	<u>46</u>	<u>1,689,126</u>	<u>46</u>	<u>1,573,805</u>	<u>45</u>
1780 Intangible assets [Note VI(X)]	35,981	1	37,259	1	39,263	1	Equity [Notes VI(XII) & (XVI)]:						
1984 Other financial assets - non-current [Notes VI(VIII) & VIII]	25,454	1	25,458	1	26,561		3100 Share capital	845,248	23	845,011	23	844,419	24
1990 Other non-current assets [Note VI(IX)]	38,469	1	9,562	-	9,962	-	13200 Capital surplus	561,362	16	560,800	15	559,411	16
	<u>1,458,092</u>	<u>41</u>	<u>1,496,691</u>	<u>41</u>	<u>1,576,229</u>	<u>45</u>	3300 Retained earnings	703,796	20	680,939	19	581,142	17
Total assets	<u>\$ 3,583,856</u>	<u>100</u>	<u>3,654,113</u>	<u>100</u>	<u>3,494,579</u>	<u>100</u>	3400 Other equity	<u>(185,343)</u>	<u>(5)</u>	<u>(121,763)</u>	<u>(3)</u>	<u>(64,198)</u>	<u>(2)</u>
							Total equity	<u>1,925,063</u>	<u>54</u>	<u>1,964,987</u>	<u>54</u>	<u>1,920,774</u>	<u>55</u>
							Total liabilities and equity	<u>\$ 3,583,856</u>	<u>100</u>	<u>3,654,113</u>	<u>100</u>	<u>3,494,579</u>	<u>100</u>

(See the attached notes to the consolidated financial statements)

Chairman: Dr. DJ Zheng

Manager: Shi-Dong Lin

Accounting Manager: Pei-Ling Li

Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China

**APAQ Technology Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three Months and Six Months Ended June 30, 2020 and 2019**

Unit: NT\$ thousands

	April to June, 2020		April to June, 2019		January to June, 2020		January to June, 2019	
	Amount	%	Amount	%	Amount	%	Amount	%
4110	Net sales revenue [Notes VI(XVIII) & VII]							
	\$ 598,200	100	482,101	100	996,714	100	842,457	100
5110	Operating costs [Notes VI(IV), (XIII), (XIX) & VII]							
	410,176	69	381,495	79	728,672	73	690,535	82
5900	Gross profit							
	188,024	31	100,606	21	268,042	27	151,922	18
6000	Operating expenses [Notes VI(XIII), (XIX) & VII]							
6100	Selling expenses							
	22,728	4	19,544	4	40,376	4	36,540	4
6200	Administrative expenses							
	39,079	6	29,236	6	70,440	7	54,545	7
6300	Research and development expenses							
	16,441	3	12,822	3	31,019	3	25,492	3
	Total operating expenses							
	78,248	13	61,602	13	141,835	14	116,577	14
6900	Operating income							
	109,776	18	39,004	8	126,207	13	35,345	4
7000	Non-operating income and expenses:							
7020	Other gains and losses [Notes VI(XII) & (XX)]							
	15,054	3	1,895	-	28,854	3	1,175	-
7050	Finance costs [Notes VI(XII), (XIII) & (XX)]							
	(4,078)	-	(7,232)	(1)	(9,494)	(1)	(16,507)	(2)
7100	Interest income							
	696	-	1,643	-	1,322	-	3,330	1
7230	Foreign exchange gain (loss), net [Note VI(XXI)]							
	(15,557)	(3)	2,648	1	(9,158)	(1)	16,710	2
7370	Share of profit or loss of associates accounted for under the equity method [Note VI(V)]							
	122	-	1,450	-	403	-	1,212	-
	Non-operating income and expenses, net							
	(3,763)	-	404	-	11,927	1	5,920	1
7900	Income before income tax							
	106,013	18	39,408	8	138,134	14	41,265	5
7950	Less: Income tax expense [Note VI(XV)]							
	23,957	4	9,491	2	30,752	3	9,491	1
	Net income							
	82,056	14	29,917	6	107,382	11	31,774	4
8300	Other comprehensive income:							
8310	Items that may not be reclassified subsequently to profit or loss							
8316	Unrealized valuation gains (losses) from investments in equity instruments at fair value through other comprehensive income							
	(9,890)	(2)	5,361	1	(30,835)	(3)	(12,552)	(1)
	Total of items that may not be reclassified subsequently to profit or loss							
	(9,890)	(2)	5,361	1	(30,835)	(3)	(12,552)	(1)
8360	Items that may be reclassified subsequently to profit or loss							
8361	Exchange differences on translation of foreign operations							
	(30,742)	(5)	(20,531)	(4)	(40,931)	(4)	12,408	1
8399	Less: Income tax related to items that may be reclassified [Note VI(XV)]							
	(6,148)	(1)	(4,106)	(1)	(8,186)	(1)	2,482	-
	Total of items that may be reclassified subsequently to profit or loss							
	(24,594)	(4)	(16,425)	(3)	(32,745)	(3)	9,926	1
8300	Other comprehensive income, net of tax							
	(34,484)	(6)	(11,064)	(2)	(63,580)	(6)	(2,626)	-
	Total comprehensive income							
	\$ 47,572	8	18,853	4	43,802	5	29,148	4
	Earnings per share (Unit: NT\$) [Note VI(XVII)]							
9750	Basic earnings per share							
	\$ 0.97		0.36		1.27		0.38	
9850	Diluted earnings per share							
	\$ 0.93		0.36		1.22		0.38	

(See the attached notes to the consolidated financial statements)

Chairman: Dr. DJ Zheng

Manager: Shi-Dong Lin

Accounting Manager: Pei-Ling Li

Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China
APAQ Technology Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
For the Six Months Ended June 30, 2020 and 2019

Unit: NT\$ thousands

	Share capital		Retained earnings						Other equity items				
	Share capital - common stocks	Capital collected in advance	Total	Capital surplus	Legal reserve	Special reserve	Unappropri- ated earnings	Total	Exchange differences on translation of foreign operations	Gain (loss) on equity instruments at fair value through other comprehens- ive income	Total	Treasury stocks	Total equity
Balance as of January 1, 2019	\$ 844,419	-	844,419	559,411	107,525	44,089	470,565	622,179	(60,112)	8,913	(51,199)	(27,897)	1,946,913
Net income	-	-	-	-	-	-	31,774	31,774	-	-	-	-	31,774
Other comprehensive income	-	-	-	-	-	-	-	-	9,926	(12,552)	(2,626)	-	(2,626)
Total comprehensive income	-	-	-	-	-	-	31,774	31,774	9,926	(12,552)	(2,626)	-	29,148
Appropriation of legal reserve	-	-	-	-	18,235	-	(18,235)	-	-	-	-	-	-
Appropriation of special reserve	-	-	-	-	-	7,110	(7,110)	-	-	-	-	-	-
Cash dividends of common stocks	-	-	-	-	-	-	(83,184)	(83,184)	-	-	-	-	(83,184)
Buyback of treasury stocks	-	-	-	-	-	-	-	-	-	-	-	(10,158)	(10,158)
Transfer of treasury stocks to employees	-	-	-	-	-	-	-	-	-	-	-	38,055	38,055
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	10,373	10,373	-	(10,373)	(10,373)	-	-
Balance as of June 30, 2019	\$ 844,419	-	844,419	559,411	125,760	51,199	404,183	581,142	(50,186)	(14,012)	(64,198)	-	1,920,774
Balance as of January 1, 2020	\$ 844,419	592	845,011	560,800	125,760	51,199	503,980	680,939	(114,755)	(7,008)	(121,763)	-	1,964,987
Net income	-	-	-	-	-	-	107,382	107,382	-	-	-	-	107,382
Other comprehensive income	-	-	-	-	-	-	-	-	(32,745)	(30,835)	(63,580)	-	(63,580)
Total comprehensive income	-	-	-	-	-	-	107,382	107,382	(32,745)	(30,835)	(63,580)	-	43,802
Appropriation of legal reserve	-	-	-	-	14,195	-	(14,195)	-	-	-	-	-	-
Appropriation of special reserve	-	-	-	-	-	70,564	(70,564)	-	-	-	-	-	-
Cash dividends of common stocks	-	-	-	-	-	-	(84,525)	(84,525)	-	-	-	-	(84,525)
Conversion of convertible bonds	829	(592)	237	562	-	-	-	-	-	-	-	-	799
Balance as of June 30, 2020	\$ 845,248	-	845,248	561,362	139,955	121,763	442,078	703,796	(147,500)	(37,843)	(185,343)	-	1,925,063

(See the attached notes to the consolidated financial statements)

Chairman: Dr. DJ Zheng

Manager: Shi-Dong Lin

Accounting Manager: Pei-Ling Li

Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China

**APAQ Technology Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2020 and 2019**

Unit: NTS thousands

	January to June, 2020	January to June, 2019
Cash flows from operating activities:		
Income before income tax	\$ 138,134	41,265
Adjustments:		
Income and expense items:		
Depreciation	110,460	92,058
Amortization	2,105	2,371
Interest expense	9,494	16,507
Dividend income	(1,033)	(1,243)
Interest income	(1,322)	(3,330)
Loss on market value decline and obsolete and slow-moving inventories	-	1,500
Share of profit of associates accounted for under the equity method	(403)	(1,212)
Loss on disposal and retirement of property, plant and equipment	78	1,388
Other non-cash expense items, net	218	1,651
Total income and expense items	<u>119,597</u>	<u>109,690</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable (including related parties)	16,493	(144,614)
Inventories	(57,237)	125,795
Other operating assets	(28,552)	59,526
Accounts payable (including related parties)	69,421	14,875
Other operating liabilities	(16,799)	2,737
Total adjustments	<u>102,923</u>	<u>168,009</u>
Cash generated from operations	<u>241,057</u>	<u>209,274</u>
Interest received	1,322	3,330
Dividends received	1,033	1,243
Interest paid	(8,150)	(15,829)
Income tax paid	(21,223)	(74,816)
Net cash generated by operating activities	<u>214,039</u>	<u>123,202</u>
Cash flows from investing activities:		
Disposal of financial assets at fair value through other comprehensive income - current	-	82,862
Financial assets at fair value through other comprehensive income - return of capital due to capital reduction	2,000	-
Acquisition of property, plant and equipment	(43,654)	(90,622)
Acquisition of intangible assets	(830)	-
Increase in other financial assets	(556)	(193)
Increase in other non-current assets	(8,492)	(588)
Increase in prepayments for business facilities	(30,388)	-
Net cash used in investing activities	<u>(81,920)</u>	<u>(8,541)</u>
Cash flows from financing activities:		
Increase in short-term loans	100,000	142,310
Repayment of short-term loans	(276,987)	(383,470)
Repayment for bonds due	(1,300)	-
Repayment of lease principal	(4,358)	(2,584)
Costs for buyback of treasury stocks	-	(13,520)
Transfer of treasury stocks to employees	-	38,055
Net cash used in financing activities	<u>(182,645)</u>	<u>(219,209)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>9,271</u>	<u>3,392</u>
Net decrease in cash and cash equivalents	(41,255)	(101,156)
Cash and cash equivalents at beginning of period	<u>700,953</u>	<u>635,709</u>
Cash and cash equivalents at end of period	<u>\$ 659,698</u>	<u>534,553</u>

(See the attached notes to the consolidated financial statements)

Chairman: Dr. DJ Zheng

Manager: Shi-Dong Lin

Accounting Manager: Pei-Ling Li

**Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards
in the Republic of China
APAQ Technology Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
For the Six Months Ended June 30, 2020 and 2019
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

I. Company History

APAQ TECHNOLOGY CO., LTD. (hereinafter referred to as the Company) was established on December 23, 2005 with the registered address at 4F., No. 2 and 6, Kedong 3rd Rd., Zhunan Township, Miaoli County. The Company's stock has been listed and traded at TWSE since December 9, 2014.

The core business of the Company and its subsidiaries (hereinafter referred to as "the consolidated company") focuses on the research, development, manufacturing and sales of electronic components.

II. Approval Date and Procedures of the Consolidated Financial Statements

The consolidated financial statements were approved and issued on August 4, 2020, by the Board of Directors.

III. Application of New and Amended Standards and Interpretations

- (I) Impact of adopting newly issued or amended standards and interpretations endorsed by the Financial Supervisory Commission.

The consolidated company has adopted International Financial Reporting Standards (hereinafter referred to as "IFRSs") approved to take effect for annual periods beginning on January 1, 2020 by the Financial Supervisory Commission (hereinafter referred to as "FSC") in 2020 to prepare the consolidated financial statements. The new, revised, and amended standards and interpretations are summarized below:

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Issued by International Accounting Standards Board</u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendment 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 adoption of newly endorsed IFRSs above does not have a material impact on the consolidated financial statements.

APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Notes to the Consolidated Financial Report (continued)

- (II) Newly issued and amended standards and interpretations yet to be endorsed by the FSC. The table below lists standards and interpretations released or amended by International Accounting Standards Board (hereinafter referred to as "IASB") but not yet endorsed by FSC.

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be decided 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 IFRSs 2018-2020 cycle-	January 1, 2022
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023

Ones with potential impact to the consolidated company are as follows:

<u>Date of Issuance</u>	<u>New or Amended Standards</u>	<u>Major Amendments</u>
2020.1.23	Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	The amendments are to promote consistency in applying the standards by helping companies determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current in the balance sheet. The amendments also clarify the classification rules for debts companies might settle by converting them into equity.
2020.5.14	Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	The amendments clarify that costs incurred in fulfilling a contract should include the following costs that are directly related to the contract: ·The incremental costs of fulfilling the contract - e.g. direct labor and raw materials; and ·An allocation of other costs that relate directly to fulfilling the contracts - e.g. the allocation of depreciation expense of property, plant and equipment used in fulfilling the contract.

The consolidated company is in the process of evaluating the impact on its financial position and performance by adopting the standards and interpretations mentioned above, and will disclose relevant impacts when the evaluation is completed.

APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Notes to the Consolidated Financial Report (continued)

IV. Summary of Significant Accounting Policies

(I) Statement of compliance

The consolidated financial statements for the six months ended June 30, 2020 and 2019 have been prepared in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the Preparation Regulations" and IAS 34 "Interim Financial Reporting" endorsed and issued into effect by the FSC. The consolidated financial statements did not contain all necessary information required in annual consolidated financial statements pursuant to IFRSs, IAS, IFRIC interpretations and SIC interpretations endorsed and issued into effect by the FSC (hereinafter referred to as "IFRSs endorsed by FSC").

Except for the following descriptions, the consolidated financial statements for the six months ended June 30, 2020 and 2019 adopt the same accounting policies as the ones used in the consolidated financial statements for the year ended December 31, 2019. Please refer to Note IV of the consolidated financial statements for the year ended December 31, 2019 for details.

(II) Basis of consolidation

1. Subsidiaries included in the consolidated financial statements

Name of Investor	Name of Subsidiaries	Business Activities	Percentage of Ownership			Description
			2020.6.30	2019.12.31	2019.6.30	
The Company	APAQ Investment Limited (APAQ Samoa)	Investment holding company	100%	100%	100%	
APAQ Samoa	Apaq Technology (Wuxi) Co., Ltd. (Apaq Wuxi)	Production and sales of electronic products	100%	100%	100%	
The Company	Apaq Technology (Hubei) Co., Ltd. (Apaq Hubei)	Production and sales of electronic products	100%	100%	-	Note

Note: The Company invested and established Apaq Hubei in September 2019. Apaq Hubei was included in the consolidated financial statements since the date of its investment.

2. Subsidiaries not included in the consolidated financial statements: None.

(III) Government Grants

The consolidated company recognized government grants with no conditions attached as other income when the grants became receivable. Government grants intended to compensate expenses incurred or losses of the consolidated company were recognized

APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Notes to the Consolidated Financial Report (continued)

in profit or loss in the same period as relevant expenses on a systematic basis.

(IV) Income Tax

The consolidated company measured and disclosed interim income tax expense pursuant to Paragraph B12, IAS 34 "Interim Financial Reporting."

Income tax expenses for an interim period were accrued by applying management's best estimate of tax rate applicable based on expected total annual earnings to the pre-tax income of the interim period and fully recognized as income tax expense of the current period.

Income tax expense recognized directly in equity or other comprehensive income was measured using the applicable tax rates at the time of expected realization or settlement of the temporary differences between the carrying amount of related assets and liabilities for financial reporting purposes and their tax bases.

V. Significant Accounting Judgments, Estimates and Key Sources of Uncertainty over Assumptions

When preparing the consolidated financial statements according to Preparation Regulations and IAS 34 "Interim Financial Reporting" endorsed by the FSC, the management has to make judgements, estimates and assumptions, which may influence the adoption of accounting policies, and the reporting amount of assets, liabilities, incomes and expenses. There may be differences between actual results and estimates.

When preparing the consolidated financial statements, significant accounting judgments, estimates and key sources of uncertainty made by the management for the adoption of the consolidated company's accounting policies are consistent with Note V(I) of the consolidated financial statements for the year ended December 31, 2019.

VI. Details of Significant Accounts

Except for the following descriptions, the descriptions of significant accounts in the consolidated financial statements are not materially different from the consolidated financial statements for the year ended December 31, 2019. Please refer to Note VI of the consolidated financial statements for the year ended December 31, 2019 for details.

(I) Cash and cash equivalents

	2020.6.30	2019.12.31	2019.6.30
Cash and demand deposit	\$ 617,845	572,028	399,013
Time deposits	41,853	128,925	135,540
Cash and cash equivalents	\$ 659,698	700,953	534,553

Please refer to Note VI(XXI) for currency risk disclosure of the financial assets and liabilities.

APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Notes to the Consolidated Financial Report (continued)

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

1. Current:

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Domestic listed stocks	\$ 115,866	143,891	148,365

The consolidated company sold a part of financial assets at fair value through other comprehensive income for the six months ended June 30, 2019. At the time of disposal, the fair value was NT\$82,862 thousand and the accumulated gains on disposal amounted to NT\$10,373 thousand, which was transferred from other equity to retained earnings.

2. Non-current:

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Domestic and foreign unlisted common stocks -			
Foxfortune Technology Ventures Limited	\$ 40,293	42,551	26,754
Inpaq Korea Co., Ltd.	1,068	701	750
Element I Venture Capital Co., Ltd.	15,952	20,125	20,753
Taiwan Innovative Space Inc.	-	-	19,508
Kuan Kun Electronic Enterprise Co., Ltd.	50,722	49,468	49,360
AICP Technology Corporation	4,504	4,504	3,746
	<u>\$ 112,539</u>	<u>117,349</u>	<u>120,871</u>

Information on major equity investments denominated in foreign currencies as of the reporting date is as follows:

	<u>2020.6.30</u>			<u>2019.12.31</u>			<u>2019.6.30</u>		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
US\$	\$1,017	29.63	30,134	1,017	29.98	30,490	1,017	31.06	31,588

Equity instruments held by the consolidated company are strategic long-term investments and not for trading purposes, so they have been designated to be measured at fair value through other comprehensive income.

Element I Venture Capital Co., Ltd. had resolved to carry out capital reduction in the board meeting in June 2020 and returned capital of NT\$2,000 thousand to the consolidated company.

The consolidated company recognized dividend income of NT\$1,033 thousand and NT\$1,243 thousand for the aforementioned investments in equity instruments designated at fair value through other comprehensive income for the

APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Notes to the Consolidated Financial Report (continued)

six months ended June 30, 2020 and 2019, respectively.

(III) Notes and accounts receivable

	2020.6.30	2019.12.31	2019.6.30
Notes receivable	\$ 48,751	87,461	29,882
Accounts receivable	793,872	780,770	672,411
	\$ 842,623	868,231	702,293

The consolidated company adopts a simplified method to estimate the expected credit loss for all receivables (including related parties), that is, using the lifetime expected credit loss. For this purpose, these receivables are categorized based on common credit risk characteristics of customers' capability to pay for amount due in accordance with the contracts with forward-looking information incorporated, including general economic and related industry information. The expected credit losses of the consolidated company's receivables (including related parties) are analyzed as follows:

	2020.6.30		
	Carrying amount of accounts receivable (including related parties)	Loss Ratio of Lifetime Expected Credit Loss	Allowance for Lifetime Expected Credit Loss
Not past due	\$ 856,480	0%	-
Overdue for 0-60 days	323	0%	-
Overdue for 61-90 days	-	0%	-
Overdue for 91 days and longer	-	100%	-
Total	\$ 856,803		-

	2019.12.31		
	Carrying amount of accounts receivable (including related parties)	Loss Ratio of Lifetime Expected Credit Loss	Allowance for Lifetime Expected Credit Loss
Not past due	\$ 880,459	0%	-
Overdue for 0-60 days	10,496	0%	-
Overdue for 61-90 days	-	0%	-
Overdue for 91 days and longer	-	100%	-
Total	\$ 890,955		-

APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Notes to the Consolidated Financial Report (continued)

	2019.6.30		
	Carrying amount of accounts receivable (including related parties)	Loss Ratio of Lifetime Expected Credit Loss	Allowance for Lifetime Expected Credit Loss
Not past due	\$ 711,168	0%	-
Overdue for 0-60 days	10,324	0%	-
Overdue for 61-90 days	244	0%	-
Overdue for 91 days and longer	-	100%	-
Total	<u>\$ 721,736</u>		<u>-</u>

No impairment loss has been provided for receivables (including related parties) for the six months ended June 30, 2020 and 2019.

(IV) Inventories, net

	2020.6.30	2019.12.31	2019.6.30
Raw materials	\$ 164,521	125,015	152,556
Work in process and semi-finished products	56,627	49,683	41,165
Finished goods and commodity	216,030	216,142	280,574
	<u>\$ 437,178</u>	<u>390,840</u>	<u>474,295</u>

The details of operating costs were as follows:

	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
Cost of goods sold	\$ 410,176	381,495	728,672	689,040
Loss on market value decline and obsolete and slow-moving inventories	-	-	-	1,500
Income from sale of scraps	-	-	-	(5)
	<u>\$ 410,176</u>	<u>381,495</u>	<u>728,672</u>	<u>690,535</u>

(V) Investments accounted for under the equity method

The summarized financial information of the consolidated company's associates accounted for under the equity method is as follows and the amount is included in the consolidated financial statements of the consolidated company:

	2020.6.30	2019.12.31	2019.6.30
The carrying amount of equity of individually immaterial associates at end of period	<u>\$ 44,743</u>	<u>45,174</u>	<u>47,109</u>

Share attributable to the consolidated company:

	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
Net income (loss)	\$ 122	1,450	403	1,212
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>\$ 122</u>	<u>1,450</u>	<u>403</u>	<u>1,212</u>

APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Notes to the Consolidated Financial Report (continued)

The consolidated company's share of profit or loss and other comprehensive income of investments accounted for under the equity method is measured based on the financial statements not reviewed by the CPAs as it is not individually material.

(VI) Property, plant and equipment (PP&E)

	Buildings	Machinery and equipment	Other equipment and others	Construction in progress and equipment to be tested	Total
Cost:					
Balance as of January 1, 2020	\$ 353,940	1,489,109	114,134	52,619	2,009,802
Additions	-	12,674	10,626	25,384	48,684
Disposals and obsolescence	-	(396)	(463)	-	(859)
Reclassifications	-	22,440	(11,171)	(11,487)	(218)
Effect of Exchange Rate	(9,238)	(38,780)	(2,219)	(2,288)	(52,525)
Balance as of June 30, 2020	\$ 344,702	1,485,047	110,907	64,228	2,004,884
Balance as of January 1, 2019	\$ 368,584	1,413,492	90,793	106,163	1,979,032
Additions	-	37,258	7,792	19,376	64,426
Disposals and obsolescence	-	(2,721)	(4,819)	-	(7,540)
Reclassifications	-	62,387	1,059	(65,044)	(1,598)
Effect of Exchange Rate	3,517	10,936	490	1,776	16,719
Balance as of June 30, 2019	\$ 372,101	1,521,352	95,315	62,271	2,051,039
Depreciation:					
Balance as of January 1, 2020	\$ 113,230	666,892	53,484	-	833,606
Depreciation for the current period	13,266	83,760	8,808	-	105,834
Disposals and obsolescence	-	(366)	(415)	-	(781)
Effect of Exchange Rate	(4,182)	(24,306)	(1,243)	-	(29,731)
Balance as of June 30, 2020	\$ 122,314	725,980	60,634	-	908,928
Balance as of January 1, 2019	\$ 95,175	559,623	45,016	-	699,814
Depreciation for the current period	11,551	70,801	6,924	-	89,276
Disposals and obsolescence	-	(1,873)	(4,279)	-	(6,152)
Effect of Exchange Rate	697	2,413	272	-	3,382
Balance as of June 30, 2019	\$ 107,423	630,964	47,933	-	786,320
Carrying Amount:					
January 1, 2020	\$ 240,710	822,217	60,650	52,619	1,176,196
June 30, 2020	\$ 222,388	759,067	50,273	64,228	1,095,956
June 30, 2019	\$ 264,678	890,388	47,382	62,271	1,264,719

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Notes to the Consolidated Financial Report (continued)

(VII) Right-of-use assets

	Land use rights	Buildings	Transport ation equipment	Total
Cost of right-of-use assets:				
Balance as of January 1, 2020	\$ 11,497	24,497	1,082	37,076
Additions	-	15,975	-	15,975
Effect of foreign exchange rate changes	(300)	-	-	(300)
Balance as of June 30, 2020	\$ 11,197	40,472	1,082	52,751
Balance as of January 1, 2019	\$ 11,974	18,413	1,082	31,469
Effect of foreign exchange rate changes	114	-	-	114
Balance as of June 30, 2019	\$ 12,088	18,413	1,082	31,583
Accumulated depreciation of right-of-use assets:				
Balance as of January 1, 2020	\$ 284	5,342	483	6,109
Depreciation	153	4,232	241	4,626
Effect of foreign exchange rate changes	(22)	-	-	(22)
Balance as of June 30, 2020	\$ 415	9,574	724	10,713
Balance as of January 1, 2019	\$ -	-	-	-
Depreciation	152	2,390	240	2,782
Balance as of June 30, 2019	\$ 152	2,390	240	2,782
Carrying Amount:				
January 1, 2020	\$ 11,213	19,155	599	30,967
June 30, 2020	\$ 10,782	30,898	358	42,038
June 30, 2019	\$ 11,936	16,023	842	28,801

(VIII) Other financial assets - current and non-current

	2020.6.30	2019.12.31	2019.6.30
Refundable deposits	\$ 25,454	25,458	26,561
Other receivables	-	37	249
	\$ 25,454	25,495	26,810

(IX) Other assets - current and non-current

	2020.6.30	2019.12.31	2019.6.30
Credits of business tax and incremental value tax	\$ 39,732	17,677	26,317
Prepayments for business facilities	34,760	7,182	7,640
Prepayments to suppliers	752	721	394
Prepaid expenses and others	19,444	14,728	14,763
	\$ 94,688	40,308	49,114

APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Notes to the Consolidated Financial Report (continued)

(X) Intangible assets

	Computer software	Royalty fees	Total
January 1, 2020	\$ 353	36,906	37,259
June 30, 2020	\$ 951	35,030	35,981
June 30, 2019	\$ 481	38,782	39,263

There were no material additions, disposals, provision or reversal of impairment where the consolidate company's intangible assets were concerned for the six months ended June 30, 2020 and 2019. Please refer to Note XII for amortization amount of the current period and Note VI(XI) of the financial statements for the year ended December 31, 2019 for other relevant information.

(XI) Short-term loans

	2020.6.30	2019.12.31	2019.6.30
Unsecured bank loans	\$ 754,630	924,840	866,660
Unused facilities	\$ 772,040	365,140	652,880
Interest rate range	0.88%~ 1.1502%	1.1%~ 3.56198%	1.1%~ 4.27716%

(XII) Convertible bonds payable

- The Company issued the first domestic unsecured convertible corporate bonds on March 1, 2017. The issuance period is three years. Relevant information in the financial statements is as follows:

	2020.6.30	2019.12.31	2019.6.30
Total amount of convertible corporate bonds issued	\$ 300,000	300,000	300,000
Less: Unamortized bonds payable discount	-	(5)	(64)
Less: Accumulated converted common stocks	(298,700)	(297,900)	(295,900)
Less: Repayment upon maturity	(1,300)	-	-
Balance of bonds payable at end of period (recognized under long-term liabilities due within one year)	\$ -	2,095	4,036

	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
Embedded derivatives - profit/loss of redemption rights remeasured at fair value (recognized as valuation losses of financial assets)	\$ -	1	-	2
Interest expense	\$ -	24	3	48

APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Notes to the Consolidated Financial Report (continued)

The Company's first unsecured convertible corporate bonds matured on March 1, 2020, and the TPEx trading was terminated on the business day following the maturity date. According to Article 6 of the Company's issuance and conversion rules, the Company will make a one-time cash redemption payment based on the remaining face value of the bonds upon maturity.

The conversion prices of the first-time issuance of unsecured convertible corporate bonds were NT\$33.8 and NT\$34.9 on March 1, 2020 (maturity date) and June 30, 2019, respectively.

Between January 1, 2020 to March 1, 2020 (maturity date), a nominal amount of NT\$799 thousand unsecured convertible corporate bonds were applied to be converted to 23 thousand common stocks. Capital surplus increased by NT\$562 thousand due to the conversion.

2. The Company issued the second domestic unsecured convertible corporate bonds on April 27, 2018. The issuance period is three years. Relevant information in the financial statements is as follows:

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Total amount of convertible corporate bonds issued	\$ 250,000	250,000	250,000
Less: Unamortized bonds payable discount	(3,962)	(6,577)	(9,160)
Less: long-term liabilities due within one year	(246,038)	-	-
Bonds payable at end of period	<u>\$ -</u>	<u>243,423</u>	<u>240,840</u>

	<u>April to June, 2020</u>	<u>April to June, 2019</u>	<u>January to June, 2020</u>	<u>January to June, 2019</u>
Embedded derivatives - profit/loss of redemption rights remeasured at fair value (recognized as valuation losses of financial assets)	\$ -	25	-	50
Interest expense	<u>\$ 1,308</u>	<u>1,281</u>	<u>2,612</u>	<u>2,555</u>

The conversion prices were NT\$58.0 and NT\$59.9 on June 30, 2020 and 2019, respectively.

(XIII) Lease liabilities

The carrying amount of the consolidated company's lease liabilities is as follows:

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Current	<u>\$ 9,273</u>	<u>6,113</u>	<u>4,936</u>
Non-current	<u>\$ 22,196</u>	<u>13,739</u>	<u>11,975</u>

For maturity analysis, please refer to Note VI(XXI) Financial instruments.

The amount recognized in profit or loss is as follows:

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Notes to the Consolidated Financial Report (continued)

	<u>April to June, 2020</u>	<u>April to June, 2019</u>	<u>January to June, 2020</u>	<u>January to June, 2019</u>
Interest expense on lease liabilities	<u>\$ 95</u>	<u>51</u>	<u>180</u>	<u>106</u>
Expense for leases of low-value assets	<u>\$ 20</u>	<u>19</u>	<u>38</u>	<u>38</u>

The amounts recognized in the statements of cash flows are as follows:

	<u>January to June, 2020</u>	<u>January to June, 2019</u>
Total cash outflow for lease	<u>\$ 4,576</u>	<u>2,728</u>

1. Leasing of houses and buildings

The consolidated company leased houses and buildings as office premises and factory buildings as of June 30, 2020 and 2019 with a lease period of 1 to 5 years. Some leases include the option to extend for the same period as the original contracts when the leases expire.

Some of the above-mentioned leases include the option to extend. These leases are managed by each region, so the individual terms and conditions agreed are different within the consolidated company. These options are only enforceable by the consolidated company, not the lessor. Where it is not possible to reasonably determine that the optional lease extension will be exercised, the payment related to the period covered by the option is not included in the lease liability.

2. Other leases

The lease period for leasing office premises of the consolidated company is two years. These leases are for low-value assets, and the consolidated company chooses to apply the exemption recognition requirement instead of recognizing the right-of-use assets and lease liabilities.

(XIV) Employee benefits

For pension expenses for the six months ended June 30, 2020 and 2019, please refer to Note XII for details.

(XV) Income tax

1. The amount of the consolidated company's income tax expenses was as follows:

	<u>April to June, 2020</u>	<u>April to June, 2019</u>	<u>January to June, 2020</u>	<u>January to June, 2019</u>
Current income tax expenses	\$ 29,518	5,171	36,313	5,171
Additional tax on undistributed earnings	-	3,913	-	3,913
Current income tax from adjustment of prior period	(5,561)	407	(5,561)	407
	<u>\$ 23,957</u>	<u>9,491</u>	<u>30,752</u>	<u>9,491</u>

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Notes to the Consolidated Financial Report (continued)

2. The amount of income tax expense (benefit) recognized in other comprehensive income was as follows:

	<u>April to June, 2020</u>	<u>April to June, 2019</u>	<u>January to June, 2020</u>	<u>January to June, 2019</u>
Exchange differences on translation of foreign operations	<u>\$ (6,148)</u>	<u>(4,106)</u>	<u>(8,186)</u>	<u>2,482</u>

3. The ROC income tax authorities have examined the Company's income tax returns through 2018.

(XVI) Capital and other equity

Except for the following descriptions, there was no material change in the capital and other equity of the consolidated company for the six months ended June 30, 2020 and 2019. Please refer to Note VI(XVIII) of the consolidated financial statements for the year ended December 31, 2019 for details.

1. Share capital

The reconciliation for outstanding shares is as follows (expressed in thousands of shares):

	<u>Common Stocks</u>	
	<u>January to June, 2020</u>	<u>January to June, 2019</u>
Balance as of January 1	84,502	83,514
Buyback of treasury stocks	-	(330)
Conversion of convertible bonds	23	-
Transfer of treasury stocks to employees	-	1,258
Balance as of June 30	<u>84,525</u>	<u>84,442</u>

Between January 1, 2020 to March 1, 2020 (maturity date), the Company issued 23,000 common stocks with an amount of NT\$237 thousand for the conversion of corporate bonds. As of June 30, 2020, the statutory registration procedures were completed and the stocks were reclassified as share capital - common stocks. In addition, the Company issued 60,000 common stocks for the conversion of corporate bonds for the year ended December 31, 2019. As the statutory registration procedures were not completed as of December 31, 2019, they were recognized as capital collected in advance of NT\$592 thousand. As of June 30, 2020, the statutory registration procedures were completed and the stocks were reclassified as share capital - common stocks.

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Notes to the Consolidated Financial Report (continued)

2. Capital surplus

	2020.6.30	2019.12.31	2019.6.30
Share premium	\$ 320,766	320,766	320,766
Compensation cost of shares retained for employee subscription at cash capital increase	7,852	7,852	7,852
Subscription right to convertible corporate bonds	11,890	11,935	12,039
Treasury stock trade	3,642	3,642	3,642
Premium from conversion of corporate bonds to common stocks	217,212	216,605	215,112
	<u>\$ 561,362</u>	<u>560,800</u>	<u>559,411</u>

In accordance with the Company Act, realized capital surplus can only be distributed as stocks or cash dividends in accordance with shareholders' original shareholding percentages after offsetting losses. The above-mentioned realized capital surplus includes amount in excess of the face amount during shares issuance and acceptance of bestowal. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers," the total of capital surplus appropriated for capital every year shall not exceed 10% of the paid-in capital.

3. Retained earnings

The appropriation of earnings of the two most recent years was approved during shareholders' meetings held on June 17, 2020 and June 19, 2019, respectively. Information on dividends appropriated to owners is as follows:

	2019		2018	
	<u>Dividends per share</u>	<u>Amount</u>	<u>Dividends per share</u>	<u>Amount</u>
Dividends distributed to owners of common stocks:				
Cash (NT\$)	\$ 1	<u>84,525</u>	0.98510218	<u>83,184</u>

The above appropriation of earnings is consistent with the resolutions approved by the Board of Directors. As for the 2020 appropriation of earnings, the Board of Directors would draft a proposal to be resolved at the shareholders' meeting after the end of the fiscal year. Information will be available at the Market Observation Post System (MOPS).

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Notes to the Consolidated Financial Report (continued)

4. Treasury stocks

The Company offers treasury stocks and buys back shares from the Taiwan Stock Exchange. The increase/decrease caused by the buyback are listed as follows:

Unit: 1,000 shares

Reason for Buyback	January to June, 2019				Number of shares - ending
	Number of shares - beginning	Increase	Transfer	Cancelled	
Transfer to employees	928	330	(1,258)	-	-

In accordance with provisions of the Securities and Exchange Act, the share buyback rate shall not exceed 10% of total number of shares issued by the Company. The total amount of buyback shares shall not exceed the sum of retained earnings, share premium and realized capital surplus. In accordance with provisions of the Securities and Exchange Act, the treasury stocks held by the Company cannot be pledged, and are not entitled to the rights of shareholders before being transferred.

The Company has transferred all treasury shares to employees during the six months ended June 30, 2019. As the transfer price is higher than the market price, no compensation cost was recognized.

(XVII) Earnings per Share (EPS)

	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
Basic EPS:				
Net income attributable to the Company	\$ 82,056	29,917	107,382	31,774
Weighted average number of common stocks outstanding (in thousands of shares)	84,525	83,709	84,512	83,448
Basic EPS (NT\$)	\$ 0.97	0.36	1.27	0.38
Diluted EPS:				
Net income attributable to the Company	\$ 82,056	29,917	107,382	31,774
Post-tax interest on convertible corporate bonds	1,049	-	2,090	-
Net income attributable to common stocks	\$ 83,105	29,917	109,472	31,774
Weighted average number of common stocks outstanding (in thousands of shares)	84,525	83,709	84,512	83,448
Employee compensation to be distributed in stocks	427	134	804	410
Convertible corporate bonds	4,311	-	4,311	-
Weighted average number of common stocks outstanding for the calculation of diluted EPS (in thousands of shares)	89,263	83,843	89,627	83,858
Diluted EPS (NT\$)	\$ 0.93	0.36	1.22	0.38

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Notes to the Consolidated Financial Report (continued)

The convertible bonds issued by the Company had not been included in the calculation of diluted EPS for the second quarter of 2019 as they had anti-dilution effect.

(XVIII) Revenue of customer contract

	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
Main geographical areas				
China	\$ 578,204	477,575	962,435	829,981
Taiwan	19,462	3,612	33,072	9,156
Other Countries	534	914	1,207	3,320
	\$ 598,200	482,101	996,714	842,457
Major products				
Coiled conductive polymer solid capacitors	\$ 509,592	435,687	866,098	757,481
Chip-type conductive polymer solid state appliances	88,608	46,414	130,616	84,976
	\$ 598,200	482,101	996,714	842,457

(XIX) Employee, Director, and Supervisor compensation

The Company's Articles of Incorporation provide that if there is profit in the year, at least 8 percent of profit shall be allocated for employee compensation, and no more than 3 percent shall be allocated for remunerations of the Directors and Supervisors. However, if the Company has accumulated losses, it shall reserve a portion of the profit to offset the losses in advance. Parties eligible to receive the said compensation in the form of stock or cash shall include employees in affiliated companies who met certain conditions.

The Company accrued NT\$9,796 thousand, NT\$3,941 thousand, NT\$12,811 thousand, and NT\$3,941 thousand as employee compensation and NT\$2,881 thousand, NT\$1,159 thousand, NT\$3,768 thousand, and NT\$1,159 thousand as remuneration for Directors and Supervisors for the three months and six months ended June 30, 2020 and 2019, respectively. These amounts were calculated using the Company's pre-tax income before deducting for employee compensation and remuneration for Directors and Supervisors multiplied by the percentages which are stated under the Company's Article of Incorporation. The amounts were recognized as operating costs or operating expenses for the periods. Difference between amount distributed and accrued will be regarded as changes in accounting estimates and reflected in profit or loss in the following year. If employee compensation is resolved to be distributed in stock, the number of shares is determined by dividing the amount of compensation by the closing price of common stocks on the day preceding the Board of Directors' meeting.

The amounts appropriated for employee compensation and remunerations to Directors and Supervisors for 2019 were NT\$16,437 thousand and NT\$4,834

APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Notes to the Consolidated Financial Report (continued)

thousand, respectively, which bear no difference from the Board resolutions. Relevant information can be found at the MOPS.

(XX) Non-operating income and expenses

1. Other gains and losses, net

	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
Subsidy income	\$ 12,780	-	25,879	27
Loss on disposal of property, plant and equipment	(59)	(19)	(78)	(1,388)
Valuation loss of financial assets	-	(26)	-	(52)
Dividend income	1,033	1,243	1,033	1,243
Others	1,300	697	2,020	1,34
Other gains and losses, net	\$ 15,054	1,895	28,854	1,175

2. Finance costs

	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
Interest expenses of corporate bonds	\$ 1,308	1,305	2,615	2,603
Interest expenses of loans	2,675	5,876	6,699	13,798
Interest expense on lease liabilities	95	51	180	106
	\$ 4,078	7,232	9,494	16,507

(XXI) Financial instruments

Except for the following descriptions, there have been no significant changes in the fair value of the consolidated company's financial instruments and the exposure to credit risk, liquidity risk and market risk arising from the financial instruments. Please refer to Note VI(XXIII) of the consolidated financial statements for the year ended December 31, 2019 for relevant information.

1. Credit risk

(1) Credit risk concentration

The consolidated company's customers are concentrated in industries such as consumer electronics, computer peripherals and wireless communication and so on. To reduce the credit risk of the accounts receivable, the consolidated company continuously assesses the customers' financial position and regularly evaluates the possibility of the collection of accounts receivable, as well as making allowances for loss. As at June 30, 2020, December 31, 2019 and June 30, 2019, 46%, 42%, and 43% of the consolidated company's accounts receivables were due from five customers, respectively, resulting in significant credit risk concentration.

(2) Credit risk of accounts receivable and debt securities

Please refer to Note VI(III) for credit risk exposure of accounts receivable. Other financial assets at amortized cost included other receivables from

APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Notes to the Consolidated Financial Report (continued)

related parties and time deposits. No impairment loss was recognized.

The above-mentioned financial assets have low credit risk, so the allowance loss of the period is measured based on twelve-month expected credit loss (please refer to Note IV(VII) of the consolidated financial statements for the year ended December 31, 2019 for details on how the consolidated company determines the level of credit risk).

2. Liquidity risk

The following table shows the contractual maturity analysis of financial liabilities (including the impact of interest payable):

	<u>Carrying Amount</u>	<u>Contract Cash Flow</u>	<u>Less than 6 months</u>	<u>6-12 months-</u>	<u>More than 12 months</u>
June 30, 2020					
Non-derivative					
Financial Liabilities					
Short-term loans	\$ 754,630	754,630	754,630	-	-
Accounts payable (including related parties)	368,034	368,034	368,034	-	-
Payroll and bonus payable	70,314	70,314	70,314	-	-
Payable on equipment	9,845	9,845	3,100	3,46	3,279
Dividends payable	84,525	84,525	84,525	-	-
Lease liabilities (including current and non-current)	31,469	32,175	4,856	4,730	22,589
	<u>\$ 1,318,817</u>	<u>1,319,523</u>	<u>1,285,459</u>	<u>8,196</u>	<u>25,868</u>
December 31, 2019					
Non-derivative					
Financial Liabilities					
Short-term loans	\$ 924,840	927,628	927,628	-	-
Accounts payable (including related parties)	312,146	312,146	312,146	-	-
Payable on equipment	14,419	14,419	2,770	11,649	-
Lease liabilities (including current and non-current)	19,852	20,274	3,192	3,117	13,965
	<u>\$ 1,271,257</u>	<u>1,274,467</u>	<u>1,245,736</u>	<u>14,766</u>	<u>13,965</u>
June 30, 2019					
Non-derivative					
Financial Liabilities					
Short-term loans	\$ 866,660	873,175	778,565	94,610	-
Accounts payable (including related parties)	202,557	202,557	202,557	-	-
Payable on equipment	21,754	21,754	10,121	11,633	-
Dividends payable	83,184	83,184	83,184	-	-
Lease liabilities (including current and non-current)	16,911	17,286	2,610	2,494	12,182
	<u>\$ 1,191,066</u>	<u>1,197,956</u>	<u>1,077,037</u>	<u>108,737</u>	<u>12,182</u>

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Notes to the Consolidated Financial Report (continued)

3. Exchange rate risk

(1) Exchange rate risk exposure

The consolidated company's financial assets and liabilities exposed to material exchange rate risk were as follows:

	2020.6.30			2019.12.31			2019.6.30		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets									
Monetary items									
USD	\$35,752	29.63	1,059,332	34,796	29.98	1,043,184	26,579	31.06	825,544
RMB	47,040	4.1853	196,877	54,101	4.2975	232,499	47,369	4.5180	214,013
Financial liabilities									
Monetary items									
USD	1,83	29.63	54,282	10,427	29.98	312,601	11,760	31.06	365,266

(2) Sensitivity analysis

The consolidated company's exposure to foreign currency risk mainly arises from exchange gains and losses of cash, receivables, short-term loans, accounts payable, and other payables that are denominated in US dollars and RMB. Changes in net income for the six months ended June 30, 2020 and 2019 due to depreciation or appreciation of NT dollars against US dollars and RMB as of June 30, 2020, December 31, 2019, and June 30, 2019 with all other variables held constant were as follows:

	Fluctuation	January to June, 2020	January to June, 2019
NT dollars	1% depreciation against USD	\$ 8,040	3,682
	1% appreciation against USD	\$ (8,040)	(3,682)
NT dollars	1% depreciation against RMB	\$ 1,575	1,712
	1% appreciation against RMB	\$ (1,575)	(1,712)

(3) Exchange gain/loss of monetary items

As the consolidated company has a large variety of functional currencies, the exchange gains and losses of monetary items were disclosed on an aggregated basis. The foreign exchange gains/(losses) (including realized and unrealized) for the three months and six months ended June 30, 2020 and 2019 were NT\$(15,557) thousand, NT\$2,648 thousand, NT\$(9,158) thousand, and NT\$16,710 thousand, respectively.

4. Interest rate analysis

The interest rate risk exposure of financial assets and financial liabilities of the consolidated company is described in the liquidity risk management of the Notes. The following sensitivity analysis is determined by the interest rate risk exposure

APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Notes to the Consolidated Financial Report (continued)

of non-derivative instruments on the reporting date. For liabilities with floating interest rates, the analysis is based on the assumption that the outstanding liabilities on the reporting date have been outstanding all year round. Changes in other comprehensive income for the six months ended June 30, 2020 and 2019 due to interest rate changes with all other variables held constant were as follows:

	Fluctuation	January to June, 2020	January to June, 2019
Annual borrowing rate	Increase by 1%	<u>\$ (6,037)</u>	<u>(6,933)</u>
	Decrease by 1%	<u>\$ 6,037</u>	<u>6,933</u>

5. Other price risk

If the price of equity securities changes on the reporting date (adopt the same basis of analysis for both periods, with the assumption that other variable factors remain unchanged), the impact on comprehensive income items were as follows:

	January to June, 2020		January to June, 2019	
	Other		Other	
Prices of securities at the reporting date	comprehensive income, net of tax	Net income	comprehensive income, net of tax	Net income
Increase by 1%	\$ 2,284	-	2,692	-
Decrease by 1%	(2,284)	-	(2,692)	-

6. Fair value and information

(1) Type and fair value of financial instruments

The consolidated company's financial assets at fair value through profit and loss or through other comprehensive income are measured at fair value on a recurring basis. The carrying amount and fair value of financial assets and liabilities (including information of fair value hierarchy; however, the fair value of financial instruments not at fair value and whose carrying amounts are reasonable approximations of their fair value and lease liabilities is not required to be disclosed) were as follows:

	2020.6.30				
	Carrying Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income - current					
Domestic listed stocks	<u>\$ 115,866</u>	<u>115,866</u>	<u>-</u>	<u>-</u>	<u>115,866</u>
Financial assets at fair value through other comprehensive income - non-current					
Domestic unlisted stocks	<u>\$ 112,539</u>	<u>-</u>	<u>-</u>	<u>112,539</u>	<u>112,539</u>
Convertible bonds payable (including bonds due within one year)	<u>\$ 246,038</u>	<u>250,500</u>	<u>-</u>	<u>-</u>	<u>250,500</u>

APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Notes to the Consolidated Financial Report (continued)

2019.12.31					
	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income - current					
Domestic listed stocks	\$ 143,891	143,891	-	-	143,891
Financial assets at fair value through other comprehensive income - non-current					
Domestic unlisted stocks	\$ 117,349	-	-	117,349	117,349
Convertible bonds payable (including bonds due within one year)	\$ 245,518	264,571	-	-	264,571

2019.6.30					
	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income - current					
Domestic listed stocks	\$ 148,365	148,365	-	-	148,365
Financial assets at fair value through other comprehensive income - non-current					
Domestic unlisted stocks	\$ 120,871	-	-	120,871	120,871
Convertible bonds payable (including bonds due within one year)	\$ 244,876	252,073	-	-	252,073

- (2) Fair value valuation technique of financial instruments not at fair value
- The methods and assumptions adopted by the consolidated company for valuating instruments not at fair value were as follows:
- For financial assets at amortized cost, if transaction prices or quotes from market maker are available, the latest transaction price and quotes shall be the basis for fair value measurement. If market values are not available, valuation method would be adopted. Estimations and assumptions adopted in the valuation method are to measure fair value at discounted cash flows.
- (3) Fair value valuation technique of financial instruments at fair value
- The redemption rights of embedded derivatives are based on an appropriate option pricing model.
- (4) Transfers between Level 1 and Level 2 fair value hierarchy: None.

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Notes to the Consolidated Financial Report (continued)

(5) Details of changes in Level 3 fair value hierarchy:

	Financial asset at fair value through other comprehensive income - equity investments without an active market
Balance as of January 1, 2020	\$ 117,349
Total gains and losses	
Recognized in other comprehensive income	(4,810)
Balance as of June 30, 2020	\$ 112,539
Balance as of January 1, 2019	\$ 121,084
Total gains and losses	
Recognized in other comprehensive income	(213)
Balance as of June 30, 2019	\$ 120,871

The aforementioned total gains and losses are recognized under "unrealized valuation gains (losses) from investments in equity instruments at fair value through other comprehensive income." As of June 30, 2020 and 2019, gains or losses of assets in the book amounted to gain of NT\$21,739 thousand and loss of NT\$3,129 thousand, respectively.

(6) Quantitative information for fair value measurement of significant unobservable inputs (level 3)

The consolidated company classified financial assets at fair value through other comprehensive income - non-current as level 3. It had multiple significant unobservable inputs which were independent from each other; therefore, there is no correlation between them. The quantitative information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable input	Relationship between significant unobservable inputs and fair value measurement
Financial asset at fair value through other comprehensive income - non-current (equity investments without an active market)	Net asset value method	<ul style="list-style-type: none"> Net asset value Marketability discount (10% and 20% for June 30, 2020, December 31, 2019 and June 30, 2019) 	<ul style="list-style-type: none"> N/A The higher the marketability discount, the lower the fair value.
Financial asset at fair value through other comprehensive income - non-current (equity investments without an active market)	Market approach	<ul style="list-style-type: none"> Price-book ratio (3.39 for June 30, 2020 and December 31, 2019; 4.57 and 2.23 for June 30, 2019) Marketability discount (25% for June 30, 2020 and December 31, 2019; 20% and 25% for June 30, 2019) 	<ul style="list-style-type: none"> The higher the price-book ratio, the higher the fair value. The higher the marketability discount, the lower the fair value.

APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Notes to the Consolidated Financial Report (continued)

(XXII) Financial risk management

There were no significant changes in the objectives and policies of the consolidated company's financial risk management comparing to those disclosed in Note VI(XXIV) of the consolidated financial statements for the year ended December 31, 2019.

(XXIII) Capital management

(XXIV) The consolidated company's capital management objectives, policies and procedures were consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2019. In addition, there were no material changes in the aggregate quantitative information of capital management items comparing to the information disclosed in the consolidated financial statements for the year ended December 31, 2019. For relevant information, please refer to Note VI(XXV) of the consolidated financial statements for the year ended December 31, 2019.

(XXV) Non-cash financing activities

The consolidated company's non-cash investing and financing activities for the six months ended June 30, 2020 and 2019 were as follows:

1. For non-cash investing and financing activities where convertible corporate bonds were converted into common stocks, please refer to Note VI(XII) for details.
2. For right-of-use assets obtained via leases, please refer to Note VI(VII).
3. Reconciliation of liabilities from financing activities was as follows:

	2020.1.1	Cash Flow	Non-cash Changes		2020.6.30
			Change in Exchange Rate	Other Changes	
Short-term loans	\$ 924,840	(176,987)	6,777	-	754,630
First issuance of convertible corporate bonds	2,095	(1,300)	-	(795)	-
Second issuance of convertible corporate bonds	243,423	-	-	2,615	246,038
Lease liabilities	19,852	(4,358)	-	15,975	31,469
	\$ 1,190,210	(182,645)	6,777	17,795	1,032,137

	2019.1.1	Cash Flow	Non-cash Changes		2019.6.30
			Change in Exchange Rate	Other Changes	
Short-term loans	\$ 1,103,585	(241,160)	4,235	-	866,660
First issuance of convertible corporate bonds	3,988	-	-	48	4,036
Second issuance of convertible corporate bonds	238,285	-	-	2,555	240,840
Lease liabilities	19,495	(2,584)	-	-	16,911
	\$ 1,365,353	(243,744)	4,235	2,603	1,128,447

APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Notes to the Consolidated Financial Report (continued)

VII. Related Party Transactions

(I) Related parties' name and relationships

<u>Name of related party</u>	<u>Relationship with the consolidated company</u>
Shenzhen Gather Electronics Science Co., Ltd.	An associate to the consolidated company
INPAQ Technology Co., Ltd.	Key management of the consolidated company

(II) Significant transactions with related parties

1. Operating revenue

	<u>April to June, 2020</u>	<u>April to June, 2019</u>	<u>January to June, 2020</u>	<u>January to June, 2019</u>
Shenzhen Gather Electronics Science Co., Ltd.	\$ 4,860	9,467	12,392	17,061

The sales price to related parties and non-related parties is determined by the specifications of the products being sold, and some products are given discounts of varying degrees depending on the quantity sold. Therefore, the price to related parties and non-related parties is not significantly different. The credit terms of related parties are 90 days from end of month. The credit terms of general customers are determined by the individual client's past transaction experience and the results of credit evaluation and they range between 60 to 150 days from end of month.

2. Purchase

	<u>April to June, 2020</u>	<u>April to June, 2019</u>	<u>January to June, 2020</u>	<u>January to June, 2019</u>
Shenzhen Gather Electronics Science Co., Ltd.	\$ 1,828	1,159	2,850	1,600

The purchase price from related parties is based on the general market price. The payment terms are 30 to 90 days from end of month for general suppliers, and 90 days from end of month for related parties.

3. Receivables from related parties

Financial Statement				
<u>Account</u>	<u>Category of Related Parties</u>	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Accounts receivable	Shenzhen Gather Electronics Science Co., Ltd.	\$ 13,738	22,724	19,443

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Notes to the Consolidated Financial Report (continued)

4. Payables to related parties

Financial Statement				
Account	Category of Related Parties	2020.6.30	2019.12.31	2019.6.30
Accounts receivable	Shenzhen Gather Electronics Science Co., Ltd.	<u>\$ 2,315</u>	<u>4,968</u>	<u>1,788</u>

5. Other transactions

The consolidated company engaged in service contracts associated with winding machines with related parties. Service income generated were NT\$422 thousand for both the three months and six months ended June 30, 2020. As of June 30, 2020, receivables from related parties from the above transactions amounted to NT\$442 thousand.

(III) Major managerial personnel transactions

	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
Short-term employee benefits	\$ 10,368	6,990	17,056	12,308
Benefits after retirement	103	120	207	199
	<u>\$ 10,471</u>	<u>7,110</u>	<u>17,263</u>	<u>12,507</u>

VIII. Pledged Assets

Details of carrying amount of assets pledged by the consolidated company were as follows:

Assets	Pledge	2020.6.30	2019.12.31	2019.6.30
Other financial assets - non-current	Purchase guarantee, investment guarantee, etc.	<u>\$ 25,454</u>	<u>25,458</u>	<u>26,561</u>

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments: None.

X. Significant Disaster Loss: None.

XI. Significant Subsequent Events: None.

APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Notes to the Consolidated Financial Report (continued)

XII. Others

The following is the summary statement of employee benefits and depreciation expenses by function:

Function Type	April to June, 2020			April to June, 2019		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefit expenses						
Salary expense	64,304	42,822	107,126	48,999	29,918	78,917
Labor and health insurance expense	134	1,472	1,606	129	1,426	1,555
Pension expense	64	792	856	127	834	961
Other employee benefits expenses	915	1,819	2,734	715	1,390	2,105
Depreciation	51,227	6,963	58,190	41,357	5,470	46,827
Amortization	20	1,045	1,065	28	1,071	1,099

Function Type	January to June, 2020			January to June, 2019		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefit expenses						
Salary expense	96,030	74,551	170,581	81,724	53,582	135,306
Labor and health insurance expense	263	2,945	3,208	239	2,822	3,061
Pension expense	174	1,655	1,829	244	1,655	1,899
Other employee benefits expenses	1,383	3,345	4,728	1,252	3,199	4,451
Depreciation	97,117	13,343	110,460	81,077	10,981	92,058
Amortization	38	2,067	2,105	38	2,333	2,371

XIII. Supplementary Disclosures

(I) Information on significant transactions

Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," information of significant transactions which shall be disclosed by the consolidated company is as follows:

1. Financing provided to others:

No.	Lending Company	Borrower	Transaction Account	Whether A Related Party	Maximum Balance in Current Period	Ending Balance	Amount Actually Drawn	Interest rate range	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Loss Allowance	Collateral Name	Value	Limit on Financing to A Single Party	Total Limit on Financing
0	The Company	APAQ Wuxi	Other receivables - related parties	Yes	453,750	444,450	-	2.896%	Business transaction	1,406,071		-		-	770,025	770,025

Note 1: For firms or companies having business relationship with the Company, the financing amount to an individual party is limited to the transaction amount between both parties.

Note 2: Total amount of financing to external parties shall be limited to 40% of the equity attributable to the owners of the parent company in the balance sheet of the Company's consolidated financial report as audited (reviewed) by CPAs in the most recent period.

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Notes to the Consolidated Financial Report (continued)

2. Endorsement or guarantee provided to others:

No.	Name of Endorsement/Guarantee Provider	Object of Endorsements/Guarantees		Limit on Endorsements/Guarantees Provided for A Single Party	Maximum Balance in Current Period	Ending Balance of Endorsement and Guarantee	Amount Actually Drawn	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/Guarantee Amount Allowable	Guarantee Provided by Parent Company to A Subsidiary	Guarantee Provided by A Subsidiary to Parent Company	Guarantee Provided to Subsidiaries in Mainland China
		Name	Relation										
0	The Company	APAQ Wuxi	Subsidiary	1,925,063	453,750	444,450	-	-	23.09%	1,925,063	Y	N	Y

Note 1: The amount of the endorsements/guarantees to a single enterprise shall be limited to the amount of equity attributable to the owners of the parent company in the balance sheet of the Company's consolidated financial report as audited (reviewed) by CPAs in the most recent period.

Note 2: The total amount of endorsements/guarantees to external parties shall be limited to the amount of equity attributable to the owners of the parent company in the balance sheet of the Company's consolidated financial report as audited (certified) by CPAs in the most recent period.

3. Holding of marketable securities at the end of the period (excluding investments in subsidiaries, associates and joint ventures):

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	End of the Period				Remarks
				Number of Shares	Carrying Amount	Shareholding %	Fair value	
The Company	CHAINTECH Technology Corporation	None	Financial assets at fair value through other comprehensive income - current-	4,710	115,866	4.64%	115,866	
The Company	Foxfortune Technology Ventures Limited	None	Financial assets at fair value through other comprehensive income - non-current-	1,000	40,293	5.80%	40,293	
The Company	Inpaq Korea	None	Financial assets at fair value through other comprehensive income - non-current-	18	1,068	10.73%	1,068	
The Company	Chia Lin Venture Capital Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current-	1,800	15,952	3.64%	15,952	
The Company	Kuan Kun Electronic Enterprise Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current-	3,770	50,722	5.39%	50,722	
The Company	Ching Chiao Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current-	240	4,504	3.20%	4,504	

4. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital: None.
5. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital: None.
6. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital: None.
7. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital: None
8. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital: None
9. Trading in derivative instruments: Please refer to Notes VI(II).

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Notes to the Consolidated Financial Report (continued)

10. Business relation and important transactions between parent company and subsidiaries:

No.	Name of Trader	Name of Counterparty	Relation with the Trader	Conditions of Transactions			
				Account	Amount	Terms of Transaction	Ratio to Consolidated Revenue or Total Assets
0	The Company	APAQ Wuxi	Parent company to a subsidiary	Purchases	563,098	60 days from end of month	56%
0	The Company	APAQ Wuxi	Parent company to a subsidiary	Sales	45,467	60 days from end of month	5%
0	The Company	APAQ Wuxi	Parent company to a subsidiary	Accounts receivable	39,860	-	1%
0	The Company	APAQ Wuxi	Parent company to a subsidiary	Accounts payable	387,796	-	11%
0	The Company	APAQ Wuxi	Parent company to a subsidiary	Other receivables	141	-	-%

(II) Information on reinvestment:

The information on investees is as follows (excluding investees in Mainland China):

Name of Investor	Name of Investees	Location	Primary Business	Original Investment Amount		Ending Balance			Net Income (Loss) of the Investee	Share of Profit/Loss	Remarks
				End of the Period	End of Last Year	Shares	%	Carrying Amount			
The Company	APAQ Samoa	Samoa	Holding	1,288,569	1,288,569	41,504	100.00%	1,556,420	(37,769)	(44,335)	Note 1

Note 1: Share of profit/loss includes adjustments for upstream transactions between affiliates.

Note 2: Relevant transactions and ending balances have been eliminated in the consolidated financial statements.

(III) Information on investments in Mainland China:

1. Information on reinvestments in Mainland China

Name of Investee	Primary Business	Paid-in Capital (Note 6)	Method of Investment	Beginning Balance of Accumulated Outflow of Investment from Taiwan	Remittance or Recovery of Investment the Current Period		Ending Balance of Accumulated Outflow of Investment from Taiwan	Net Income (Loss) of the Investee	The Company's Percentage of Direct or Indirect Ownership	Investment Gains (Losses) Recognized in the Current Period	Carrying Amount of Investment at the End of Period	Ending Balance of Accumulated Inward Remittance of Earnings	Remark
					Outward Remittance (Note 6)	Recovery							
APAQ Wuxi	Production and sales of electronic components	1,146,681 (US\$38,700 thousand)	Note 1	1,203,723 (US\$38,700 thousand)	-	-	1,203,723 (US\$38,700 thousand)	(34,510)	100.00%	(34,510) Note 3	1,521,361	-	
Shenzhen Gather Electronics Science Co., Ltd.	Production and sales of electronic components	41,853 (RMB10,000 thousand)	Note 1	44,898 (RMB9,800 thousand)	-	-	44,898 (RMB9,800 thousand)	329	35.00%	403 Note 4	44,743	-	
APAQ Hubei	Production and sales of electronic components	118,520 (US\$4,000 thousand)	Note 2	15,590 (US\$500 thousand)	104,960 (US\$3,500 thousand)	-	120,550 (US\$4,000 thousand)	9,033	100.00%	9,033 Note 3	129,825	-	

2. Limits of reinvestments in Mainland China:

Accumulated investment remitted from Taiwan to Mainland China at the end of the period (Note 6)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 6)	Upper limit on investment authorized by Investment Commission, MOEA (Note 7)
1,369,171 (US\$42,700 thousand and RMB9,800 thousand)	1,517,321 (US\$47,700 thousand and RMB9,800 thousand)	

Note 1. Investment in Mainland China indirectly through a third area.

Note 2. Direct investment in Mainland China.

Note 3. It was recognized based on financial statements of the same period reviewed by CPAs.

Note 4. It was recognized based on financial statements of the same period not

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reviewed by CPAs.

Note 5. Relevant transactions and ending balances have been eliminated in the consolidated financial statements.

Note 6. The paid-in capital is converted into NT dollars at the exchange rate on the balance sheet date. The amount of investment remitted in the current period is converted into NT dollars at previous exchange rates. The investment amount approved by Investment Commission, MOEA of US\$47,700 thousand and RMB 9,800 thousand is converted into NT dollars at previous exchange rates. In addition, as of June 30, 2020, there was still an approved investment amount of US\$5,000,000, which had not yet been remitted.

Note 7. The Company has obtained the certificate letter of enterprise headquarters operation scope issued by the Industrial Development Bureau, MOEA. The upper limits for investments in Mainland China set by the Investment Commission, MOEA no longer apply.

3. Significant transactions:

Please refer to the "Information on Significant Transactions" for direct or indirect material transactions between the consolidated company and investees in China (which have been eliminated during the preparation of consolidated financial statements) for the six months ended June 30, 2020.

(IV) Information on major shareholders:

Unit: Shares

Name of Major Shareholder	Shareholding	No. of Shares Held	Shareholding %
Hua Cheng Venture Capital Co., Ltd.		10,668,012	12.62%
Prosperity Dielectrics Co., Ltd.		5,280,000	6.24%
INPAQ Technology Co., Ltd.		4,776,329	5.65%
Walton Advanced Engineering, Inc.		4,591,000	5.43%

Note: The major shareholders in this table are shareholders holding more than 5% of the common and preference stocks that have completed delivery of non-physical registration (including treasury stocks) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, the share capital recorded in the Company's financial report and the number of shares actually delivered by the Company without physical registration may differ due to calculation basis.

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XIV. Segment Information

The consolidated company focuses on producing ultra-small, high temperature-resistant, long life, low impedance electrolytic capacitors and cooperates with customers to develop and manufacture high voltage capacitors, chip capacitors, organic semiconductor solid capacitors and high energy storage capacitors. It is a single operating segment. The information of the operating segment is consistent with the consolidated financial statements. Please refer to the consolidated statements of comprehensive income for revenue (revenue from external customers) and income/loss of the segment and the consolidated balance sheets for segment information.