Stock Code:3033

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

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

Address: 11F., No.308, Sec.1, Neihu Rd., Neihu Dist., Taipei City
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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 of Weikeng Industrial Co., Ltd.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Weikeng Industrial Co., Ltd. and its subsidiaries as of June 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2019 and 2018, as well as the changes in equity and cash flows for the six months ended June 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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 Weikeng Industrial Co., Ltd. and its subsidiaries as of June 30, 2019 and 2018, and of its consolidated financial performance for the three months and six months ended June 30, 2019 and 2018, as well as its consolidated cash flows for the six months ended June 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the review resulting in this independent auditors' review report are Jui-Lan Lo and Yiu-Kwan Au.

KPMG

Taipei, Taiwan (Republic of China)
August 12, 2019

Notes to Readers

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

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

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

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

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

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

(Expressed in Thousands of New Taiwan Dollars)

	Assets	June 30, 2019 Amount	%	December 31, 2018 Amount	%	June 30, 2018 Amount	%
	Current assets:						
1100	Cash and cash equivalents (note (6)(a))	$ 1,862,329	8	1,802,901	7	2,347,428	9
1110	Financial assets at fair value through profit or loss - current (note (6)(b))	1,786	-	1,120	-	14,008	-
1170	Notes and accounts receivable, net (note (6)(d))	7,295,342	32	8,423,865	33	8,842,481	34
1200	Other receivables (notes (6)(d), (6)(e) and (7))	478,137	2	1,216,802	5	265,872	1
1300	Inventories, net (note (6)(f))	11,872,252	53	13,404,822	52	13,530,413	53
1470	Prepaid expenses and other current assets	345,330	2	296,978	1	392,222	2
		21,855,176	97	25,146,488	98	25,392,424	99
	Non-current assets:						
1517	Financial assets at fair value through other comprehensive income -noncurrent (note (6)(c))	50,319	-	63,258	-	63,497	-
1600	Property, plant and equipment (note (6)(g))	152,789	1	156,815	1	156,082	1
1780	Intangible assets	9,909	-	9,369	-	12,933	-
1755	Right-of-use assets (note (6)(h))	339,713	2	-	-	-	-
1840	Deferred tax assets (note (6)(o))	142,822	-	152,308	1	84,023	-
1900	Other non-current assets	77,010	-	76,963	-	73,532	-
		772,562	3	458,713	2	390,067	1
	Total assets	$ 22,627,738	100	25,605,201	100	25,782,491	100

	Liabilities and Equity	June 30, 2019 Amount	%	December 31, 2018 Amount	%	June 30, 2018 Amount	%
	Current liabilities:						
2100	Short-term borrowings (note (6)(i))	$ 10,964,517	49	11,737,475	46	9,775,668	38
2120	Financial liabilities at fair value through profit or loss - current (note (6)(b))	7,870	-	-	-	-	-
2170	Notes and accounts payable	3,910,281	17	5,632,824	22	8,207,826	32
2200	Other payables (notes (6)(j) and (7))	581,852	3	1,480,881	5	593,395	2
2216	Dividends payable	354,165	2	-	-	432,597	2
2230	Current tax liabilities	68,584	-	146,592	1	214,651	1
2130	Contract liabilities -current (note (6)(r))	70,200	-	151,723	1	394,457	2
2280	Current lease liabilities (note (6)(l))	137,060	-	-	-	-	-
2300	Other current liabilities	182,180	1	137,579	-	135,960	-
2320	Bonds payable, current portion (note (6)(k))	7,774	-	32,392	-	96,479	-
		16,284,483	72	19,319,466	75	19,851,033	77
	Non-current liabilities:						
2570	Deferred tax liabilities (note (6)(o))	335,360	2	335,351	2	245,327	2
2580	Non-current lease liabilities(note (6)(l))	202,576	1	-	-	-	-
2640	Non-current net defined benefit liabilities (note (6)(n))	129,175	-	131,550	-	142,720	-
2670	Other non-current liabilities	212	-	242	-	250	-
		667,323	3	467,143	2	388,297	2
	Total liabilities	16,951,806	75	19,786,609	77	20,239,330	79
	Equity (note (6)(p)):						
3100	Ordinary share	3,672,522	16	3,448,980	13	3,408,767	13
3200	Capital surplus	881,536	4	872,702	3	848,180	3
3310	Legal reserve	864,760	4	802,354	3	802,354	3
3320	Special reserve	138,615	-	143,162	1	143,162	-
3350	Unappropriated retained earnings	231,286	1	690,010	3	452,421	2
	Other equity interest:						
3410	Exchange differences on translation of foreign financial statements	(32,617)	-	(71,385)	-	(44,404)	-
3420	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	(80,170)	-	(67,231)	-	(67,319)	-
		(112,787)	-	(138,616)	-	(111,723)	-
	Total equity	5,675,932	25	5,818,592	23	5,543,161	21
	Total liabilities and equity	$ 22,627,738	100	25,605,201	100	25,782,491	100

See accompanying notes to consolidated financial statements.

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

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

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2019 and 2018

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

		For the three months ended June 30				For the six months ended June 30			
		2019		2018		2019		2018	
		Amount	%	Amount	%	Amount	%	Amount	%
4100	**Net sales revenue (note (6)(r) and note (7))**	$ 11,573,891	100	13,256,695	100	$ 22,083,531	100	26,664,215	100
5000	**Cost of sales (note (6)(f))**	10,805,449	93	12,278,460	93	20,651,467	93	24,923,725	93
	Gross profit	768,442	7	978,235	7	1,432,064	7	1,740,490	7
	Operating expenses (notes (6)(m), (6)(n), note (7) and (12)):								
6100	Selling expenses	397,775	4	404,893	3	783,640	4	771,532	3
6200	Administrative expenses	111,068	1	119,045	1	220,640	1	242,549	1
6450	Expected credit losses (gains) (note (6)(d))	8,680	-	10,988	-	(5,490)	-	30,050	-
		517,523	5	534,926	4	998,790	5	1,044,131	4
	Net operating income	250,919	2	443,309	3	433,274	2	696,359	3
	Non-operating income and expenses:								
7010	Other income (note (6)(m) and note (7))	4,887	-	3,627	-	19,206	-	10,878	-
7230	Foreign currency exchange gains (losses), net (note (6)(t))	(30,177)	-	(89,895)	-	(8,869)	-	(1,061)	-
7235	Gains (losses) on financial assets (liabilities) at fair value through profit or loss	(4,521)	-	13,492	-	(1,218)	-	8,447	-
7050	Financial costs	(108,395)	(1)	(90,243)	(1)	(225,593)	(1)	(158,291)	(1)
7590	Miscellaneous disbursements	(23)	-	(381)	-	(23)	-	(381)	-
		(138,229)	(1)	(163,400)	(1)	(216,497)	(1)	(140,408)	(1)
7900	**Profit before tax**	112,690	1	279,909	2	216,777	1	555,951	2
7950	Income tax expenses (note (6)(o))	26,292	-	82,628	-	55,993	-	171,037	1
8200	**Profit**	86,398	1	197,281	2	160,784	1	384,914	1
	Other comprehensive income:								
8310	**Items that will not be reclassified to profit or loss**								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(299)	-	186	-	(12,939)	-	2,943	-
8349	Less: income tax relating to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(o))	-	-	-	-	-	-	(366)	-
		(299)	-	186	-	(12,939)	-	3,309	-
8360	**Items that may be reclassified subsequently to profit or loss**								
8361	Exchange differences on translation of foreign financial statements	17,330	-	148,317	1	48,460	-	110,989	1
8399	Less: income tax relating to components of other comprehensive income that may be reclassified to profit or loss (note (6)(o))	3,466	-	29,663	-	9,692	-	17,203	-
		13,864	-	118,654	1	38,768	-	93,786	1
	Other comprehensive income, net	13,565	-	118,840	1	25,829	-	97,095	1
8500	**Comprehensive income**	$ 99,963	1	316,121	3	186,613	1	482,009	2
	Earnings per share: (note (6)(q))								
9750	**Basic earnings per share**	$	0.25		0.58		0.47		1.14
9850	**Diluted earnings per share**	$	0.25		0.57		0.46		1.10

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

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Share capital			Retained earnings			Other equity interest			
	Ordinary shares	Stock dividend to be distributed	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total equity
Balance at January 1, 2018	$ 3,230,094	-	929,151	739,228	-	638,886	(138,190)	-	(4,972)	5,394,197
Effects of retrospective application	-	-	-	-	-	67,140	-	(70,262)	4,972	1,850
Balance at January 1, 2018 after adjustments	3,230,094	-	929,151	739,228	-	706,026	(138,190)	(70,262)	-	5,396,047
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	63,126	-	(63,126)	-	-	-	-
Special reserve appropriated	-	-	-	-	143,162	(143,162)	-	-	-	-
Cash dividends	-	-	-	-	-	(432,597)	-	-	-	(432,597)
				63,126	143,162	(638,885)				(432,597)
Consolidated net income for the six months ended June 30, 2018	-	-	-	-	-	384,914	-	-	-	384,914
Other comprehensive income for the six months ended June 30, 2018	-	-	-	-	-	366	93,786	2,943	-	97,095
Total comprehensive income for the six months ended June 30, 2018	-	-	-	-	-	385,280	93,786	2,943	-	482,009
Stock dividends from capital surplus	-	120,000	(120,000)	-	-	-	-	-	-	-
Conversion of convertible bonds	58,673	-	39,029	-	-	-	-	-	-	97,702
Balance at June 30, 2018	$ 3,288,767	120,000	848,180	802,354	143,162	452,421	(44,404)	(67,319)	-	5,543,161
Balance at January 1,2019	$ 3,448,980	-	872,702	802,354	143,162	690,010	(71,385)	(67,231)	-	5,818,592
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	62,406	-	(62,406)	-	-	-	-
Special reserve reversed	-	-	-	-	(4,547)	4,547	-	-	-	-
Cash dividends	-	-	-	-	-	(354,165)	-	-	-	(354,165)
Stock dividends	-	207,484	-	-	-	(207,484)	-	-	-	-
		207,484		62,406	(4,547)	(619,508)				(354,165)
Consolidated net income for the six months ended June 30, 2019	-	-	-	-	-	160,784	-	-	-	160,784
Other comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	38,768	(12,939)	-	25,829
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	160,784	38,768	(12,939)	-	186,613
Conversion of convertible bonds	16,058	-	8,834	-	-	-	-	-	-	24,892
Balance at June 30, 2019	$ 3,465,038	207,484	881,536	864,760	138,615	231,286	(32,617)	(80,170)	-	5,675,932

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

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Cash flows from (used in) operating activities:		
Profit before tax	$ 216,777	555,951
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	76,355	7,805
Amortization expense	2,856	3,143
Expected credit losses (gains)	(5,490)	30,050
Net losses (gains) on financial assets or liabilities at fair value through profit or loss	1,218	(8,447)
Interest expense	225,593	158,291
Interest income	(3,254)	(3,049)
Others	7	378
	297,285	188,171
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	5,986	(9,918)
Decrease (increase) in notes and accounts receivable	1,134,013	(754,006)
Decrease (increase) in inventories	1,532,570	(3,306,552)
Decrease (increase) in other receivables	738,665	99,170
Decrease (increase) in prepaid expenses and other current assets	(48,352)	(12,436)
	3,362,882	(3,983,742)
Increase (decrease) in notes and accounts payable	(1,722,543)	3,134,839
Increase (decrease) in other payable	(888,838)	(67,587)
Increase (decrease) in contract liabilities and other current liabilities	(36,922)	226,679
Others	(2,375)	(1,613)
	(2,650,678)	3,292,318
Total changes in operating assets and liabilities	712,204	(691,424)
Total adjustments	1,009,489	(503,253)
Cash flow from (used in) operations	1,226,266	52,698
Interest received	3,254	3,026
Interest paid	(234,650)	(151,450)
Income taxes paid	(134,509)	(42,733)
Net cash flows from (used in) operating activities	860,361	(138,459)
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(4,631)	(10,352)
Decrease (increase) in refundable deposits	(47)	1,531
Acquisition of intangible assets	(3,251)	(7,052)
Net cash flows from (used in) investing activities	(7,929)	(15,873)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	(772,958)	653,013
Increase (decrease) in guarantee deposits received	(33)	-
Payment of lease liabilities	(67,912)	-
Net cash flows from (used in) financing activities	(840,903)	653,013
Effect of exchange rate changes on cash and cash equivalents	47,899	108,456
Net increase (decrease) in cash and cash equivalents	59,428	607,137
Cash and cash equivalents at beginning of period	1,802,901	1,740,291
Cash and cash equivalents at end of period	$ 1,862,329	2,347,428

See accompanying notes to consolidated financial statements.

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2019 and 2018

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

(1) Company history

Weikeng Industrial Co., Ltd. (the Company) was incorporated in Taiwan as a company limited by shares in January 1977 and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company' s registered office is 11F, No.308 Sec. 1, Neihu Rd., Neihu Dist., Taipei City. The major activities of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") are the purchase and sale of electronic components and computer peripherals, technical service, and the import-export trade business. Please refer to note (4)(b) for related information. The Company's common shares were listed on the Taiwan Stock Exchange (TSE).

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

These consolidated financial statements were reported to the board of directors and issued on August 12, 2019.

(3) New standards, amendments and interpretations adopted

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

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

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

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

(i) IFRS 16"Leases"

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

(Continued)

The Group applied IFRS 16 using the modified retrospective approach, under which no cumulative effect of initial application was recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

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

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

2) As a lessee

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

The Group decided to apply recognition exemptions to short-term leases of dormitories, part of offices and transportation equipment.

Leases classified as operating leases under IAS 17 at transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all other lease except for the aforementioned short-term leases.

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

a) Applied a single discount rate to a portfolio of leases with similar characteristics.

b) Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

c) Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

(Continued)

d) Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

e) Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Group is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset. On transition, the Group reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Group concluded that the sub-lease is an operating lease under IFRS 16.

4) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional $401,639 both of right-of-use assets and lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 2.95%.

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

		January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	$	335,217
Recognition exemption for:		
short-term leases		(2,254)
Redetermination of non-lease service contract		(38,216)
Extension and termination options reasonably certain to be exercised		124,629
	$	419,376
Discounted using the incremental borrowing rate at January 1, 2019	$	401,639
Finance lease liabilities recognized as at December 31, 2018		-
Lease liabilities recognized at January 1, 2019	$	401,639

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

Amendments to IAS 1 and IAS 8 "Definition of Material" clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

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.

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

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

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

The above new, revised or amended standards and interpretations which issued by IASB but not yet endorsed by the FSC may not be relevant to the Group.

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(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 statement are the same as those in the consolidated financial statement for the year ended December 31, 2018. For the related information, please refer to note (4) of the consolidated financial statement for the year ended December 31, 2018.

(b) Basis of Consolidation

List of subsidiaries in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Nature of operation	Shareholding June 30, 2019	December 31, 2018	June 30, 2018
The Company	Weikeng International Co., Ltd. (WKI)	Electronic components computer peripherals products distribution and technical support	100 %	100 %	100 %
〃	Weikeng Technology Co., Ltd. (WTC)	Electronic components and technical support	100 %	100 %	100 %
〃	Weikeng Technology Pte. Ltd. (WTP)	〃	100 %	100 %	100 %
WKI	Weikeng International (Shanghai) Co., Ltd. (WKS)	Electronic components computer peripherals products distribution and technical support	100 %	100 %	100 %
〃	Weitech International Co., Ltd. (Weitech)	Import and export trade of electronic components	100 %	100 %	100 %
WKS	Weikeng Electronic Technology (Shanghai) Co., Ltd. (WKE)	Electronic technology development and technical advisory	100 %	100 %	100 %

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

(i) Identifying a lease

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

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

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

3) the Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of an asset if either:

- the Group has the right to operate the asset and the supplier has no right to change the operation instruction; or

- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

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

(ii) As a leasee

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

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

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

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

1) fixed payments, including substantial lease payment;

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

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

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change of its assessment on whether it will exercise an extension or termination option; or

3) there is any lease modifications in lease subject, scope of the lease or other terms.

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

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

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

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, including dormitories, part of offices and transportation equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(Continued)

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

(d) Income Taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of IAS 34 “Interim Financial Reporting”.

Income tax expenses for the period are best estimated by multiplying the 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 effective tax rate at the time of realization or liquidation and recognized directly in equity or other comprehensive income as tax expense.

(e) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

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

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

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

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(6) Explanation of significant accounts

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

(a) Cash and cash equivalents

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand	$ 615	665	731
Checking accounts and demand deposits	1,861,714	1,802,236	2,224,857
Time deposits	-	-	121,840
	$ 1,862,329	1,802,901	2,347,428

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

	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
Foreign exchange contracts	$ 1,220	590	13,423
Convertible bonds embedded options	-	-	20
Financial assets measured at fair value through profit or loss:			
Non-derivative financial assets			
Stock listed on domestic markets	566	530	565
	$ 1,786	1,120	14,008

	June 30, 2019	December 31, 2018	June 30, 2018
Financial liabilities mandatorily measured at fair value through profit or loss:			
Foreign exchange contracts	$ 7,870	-	-

The Group holds derivative instruments to hedge certain foreign currency and interest risk the Group is exposed to arising from its operating, financing and investing activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss were as follows:

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(in thousands of foreign currency)

	June 30, 2019			December 31, 2018			June 30, 2018		
	Amount	Currency	Maturity date	Amount	Currency	Maturity date	Amount	Currency	Maturity date
Financial assets									
Forward exchange purchased	USD2,000	USD/TWD	2019.07	USD8,000	USD/TWD	2019.04~2019.06	USD24,000	USD/TWD	2018.09~2018.12
Financial liabilities									
Forward exchange purchased	USD22,000	USD/TWD	2019.08~2019.11	-	-	-	-	-	-

As of June 30, 2019, December 31 and June 30, 2018, the Group did not provide any financial assets and liabilities at fair value through profit or loss as collateral for its loans.

(c) Financial assets at fair value through other comprehensive income – noncurrent

		June 30, 2019	December 31, 2018	June 30, 2018
Equity investments at fair value through other comprehensive income:				
Domestic emerging market stock	$	2,636	2,375	2,313
Domestic unlisted stock		23,096	36,296	36,597
Foreign unlisted stock		24,587	24,587	24,587
	$	50,319	63,258	63,497

(i) Equity investments at fair value through other comprehensive income

The Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes.

No strategic investments were disposed for the six months ended June 30, 2019 and 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(ii) For credit risk and market risk; please refer to note (6)(t).

(iii) As of June 30, 2019, December 31 and June 30, 2018, the Group did not provide any financial assets at fair value through other comprehensive income as collateral for its loans.

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Notes to the Consolidated Financial Statements

(d) Notes and accounts receivable

	June 30, 2019	December 31, 2018	June 30, 2018
Notes receivable	$ 164,816	214,884	304,605
Accounts receivable-measured as amortized cost	6,570,095	7,405,937	7,069,566
Accounts receivable-fair value through other comprehensive income	742,715	988,777	1,656,888
	7,477,626	8,609,598	9,031,059
Less: Loss allowance	(182,284)	(185,733)	(188,578)
	$ 7,295,342	8,423,865	8,842,481

The Group has assessed a portion of its accounts receivable that was held within a business model whose objective is achieved by 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 its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics of the customer's ability to pay all due amounts in accordance with contract terms, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision were determined as follows:

(i) The Company

	June 30, 2019			
Credit rating	Carrying amount	Expected credit loss rate	Loss allowance provision	Credit impaired
Listed company				
Level A	$ 1,567,104	0.59%	9,237	No
Level B	729,906	1.58%	11,501	No
Unlisted company	955,458	0.80%	7,598	No
	$ 3,252,468		28,336	

	December 31, 2018			
Credit rating	Carrying amount	Expected credit loss rate	Loss allowance provision	Credit impaired
Listed company				
Level A	$ 2,437,276	0.45%	10,972	No
Level B	1,227,420	1.80%	22,124	No
Unlisted company	788,293	0.93%	7,329	No
	$ 4,452,989		40,425	

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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Credit rating	June 30, 2018 Carrying amount	Expected credit loss rate	Loss allowance provision	Credit impaired
Listed company				
Level A	$ 2,658,483	0.53%	14,209	No
Level B	1,388,135	1.50%	20,838	No
Unlisted company	780,570	1.89%	14,768	No
	$ 4,827,188		49,815	

The aging analysis of notes and trade receivable was determined as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Not past due	$ 2,888,442	4,211,681	4,534,029
Overdue less than 90 days	343,334	232,967	284,361
Overdue 91 to 180 days	19,187	6,983	7,562
Overdue more than 181 days	1,505	1,358	1,236
	$ 3,252,468	4,452,989	4,827,188

(ii) Subsidiaries

	June 30, 2019 Carrying amount	Expected credit loss rate	Loss allowance provision
Not past due	$ 3,551,749	0.01%	344
Overdue less than 90 days	523,710	3.95%	20,672
Overdue 91 to 180 days	35,876	34.14%	12,247
Overdue more than 181 days	113,823	100.00%	113,823
	$ 4,225,158		147,086

	December 31, 2018 Carrying amount	Expected credit loss rate	Loss allowance provision
Not past due	$ 3,403,841	0.01%	234
Overdue less than 90 days	607,346	4.75%	28,843
Overdue 91 to 180 days	60,359	36.19%	21,843
Overdue more than 181 days	85,063	100.00%	85,063
	$ 4,156,609		135,983

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2018		
	Carrying amount	Expected credit loss rate	Loss allowance provision
Not past due	$ 3,552,576	0.01%	301
Overdue less than 90 days	523,867	6.35%	33,269
Overdue 91 to 180 days	34,576	30.57%	10,570
Overdue more than 181 days	92,852	100%	92,852
	$ 4,203,871		136,992

For the six months ended June 30, 2019 and 2018, the movement in the allowance for notes and trade receivable was as follows:

	For the six months ended June 30,	
	2019	2018
Balance on January 1, 2019 and 2018	$ 185,733	153,040
Impairment loss recognized/ (reversed)	(5,490)	30,050
Amounts written off	(245)	(132)
Reclassifications	-	(94)
Effect of changes in foreign exchange rates	2,286	5,714
Balance on June 30, 2019 and 2018	$ 182,284	188,578

The Group has entered into accounts receivable factoring agreements with banks. According to the factoring agreement, the Group does not bear the loss if the account debtor does not have the ability to make payments upon the transfer of the accounts receivable factoring. The Group has not provided other guarantee except for the promissory notes which has the same amount with that of that the factoring used as the guarantee for the sales return and discount. The Group received the proceeds from the discounted accounts receivable on the selling date. Interest is calculated and paid based on the duration and interest rate of the agreement, and the remaining amounts are received when the accounts receivable are paid by the customers. In addition, the Group has to pay a service charge based on a certain rate. As of June 30, 2019, December 31 and June 30, 2018 the unreceived balances of discounted accounts receivable were $319,768, $298,036 and $265,139, respectively, and were recognized as other receivables.

As of June 30, 2019, December 31 and June 30, 2018, the details of accounts receivable factored were as follows:

June 30, 2019					
Purchaser	Assignment Facility	Factoring Line	Advanced Amount	Range of Interest Rate	Collateral
Financial institutions	$ 3,839,938	7,656,457	3,520,170	1.11%~3.54%	None

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2018				
Purchaser	Assignment Facility	Factoring Line	Advanced Amount	Range of Interest Rate	Collateral
Financial institutions	$ 3,640,811	7,188,730	3,342,775	1.10%~3.68%	None

	June 30, 2018				
Purchaser	Assignment Facility	Factoring Line	Advanced Amount	Range of Interest Rate	Collateral
Financial institutions	$ 2,826,218	7,174,089	2,561,079	1.13%~3.13%	None

As of June 30, 2019, December 31 and June 30, 2018, the Group did not provide any receivables as collaterals for its loans.

Please refer to note (6)(t) of the credit risk information.

(e) Other receivables

	June 30, 2019	December 31, 2018	June 30, 2018
Other receivable — the receivables of the Group as an agent (note (6)(r))	$ 156,207	895,511	-
Other receivable — accounts receivable factored	319,768	298,036	265,139
Other receivable — related parties	10	10	10
Tax refund	-	22,056	-
Overdue receivable	27,643	27,643	29,070
Others	2,152	1,189	723
	505,780	1,244,445	294,942
Less: Loss allowance	(27,643)	(27,643)	(29,070)
	$ 478,137	1,216,802	265,872

For the six months ended June 30, 2019 and 2018, the movement in the allowance for other receivables was as follows:

	For the six months ended June 30,	
	2019	2018
Balance on January 1, 2019 and 2018	$ 27,643	28,976
Reclassifications	-	94
Balance on June 30, 2019 and 2018	$ 27,643	29,070

As of June 30, 2019, December 31 and June 30, 2018, the Group did not provide any other receivables as collaterals for its loans.

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

(Continued)

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(f) Inventories

	June 30, 2019	December 31, 2018	June 30, 2018
Merchandise inventories	$ 10,949,674	12,161,049	12,429,870
Goods in transit	922,578	1,243,773	1,100,543
	$ 11,872,252	13,404,822	13,530,413

The details of inventory-related losses and expenses were as follows:

	For the three months ended June 30,		For the six months ended June 30	
	2019	2018	2019	2018
Inventory valuation loss and obsolescence (Gain from price recovery of inventory)	$ (10)	(170)	157,581	19,464
Loss on scrapping of inventory and others	876	277	985	350
	$ 866	107	158,566	19,814

As of June 30, 2019, December 31 and June 30, 2018, the Group did not provide any inventories as collaterals for its loans.

(g) Property, plant and equipment

	Land	Buildings and construction	Transportation equipment	Machinery equipment	Office and other facilities equipment	Total
Carrying amounts:						
Balance on January 1, 2019	$ 77,377	31,790	5,912	5,999	35,737	156,815
Balance on June 30, 2019	$ 77,377	31,359	5,149	5,354	33,550	152,789
Balance on January 31, 2018	$ 77,377	32,653	6,115	5,123	31,005	152,273
Balance on June 30, 2018	$ 77,377	32,221	5,610	6,478	34,396	156,082

The Group's property, plant and equipment have no significant additions, disposals, impairments or reversals during for the six months ended June 30, 2019 and 2018. Information on depreciation for the period is disclosed in note (12)(a). For other related information, please refer to note (6)(i) of the 2018 annual consolidated financial statements.

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(h) Right-of-use assets

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

	Buildings	Transportation equipment	Total
Cost:			
Balance on January 1, 2019	$ -	-	-
Effects of retrospective application	394,091	7,548	401,639
Balance on January 1, 2019 (According to IFRS 16)	394,091	7,548	401,639
Additions	1,012	-	1,012
Effect of changes in foreign exchange rates	3,911	-	3,911
Balance on June 30, 2019	$ 399,014	7,548	406,562
Accumulated depreciation:			
Balance on January 1, 2019	$ -	-	-
Effects of retrospective application	-	-	-
Balance on January 1, 2019 (According to IFRS 16)	-	-	-
Depreciation for the period	65,505	1,494	66,999
Effect of changes in foreign exchange rates	(150)	-	(150)
Balance on June 30, 2019	$ 65,355	1,494	66,849
Carrying amount:			
Balance on June 30, 2019	$ 333,659	6,054	339,713

(i) Short-term borrowings

	June 30, 2019	December 31, 2018	June 30, 2018
Unsecured loans	$ 10,295,303	11,068,192	9,335,915
Short-term notes and bills payable, net	669,214	669,283	439,753
	$ 10,964,517	11,737,475	9,775,668
Unused short-term credit lines	$ 3,987,673	3,103,678	4,562,681
Range of interest rates	1.02%~4.35%	0.98%~4.57%	0.98%~4.79%

(i) Issuance and repayment of borrowings

The Group's additional amounts in loans for the six months ended June 30, 2019 and 2018 were $16,729,077 and $15,158,795, respectively, with maturities from July, 2019 to May, 2020 and from July, 2018 to March, 2019, respectively; and the repayments were $17,502,035 and $14,505,782, respectively.

(ii) For information on the Group's interest risk, foreign currency risk and liquidity risk, please refer to note (6)(t).

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(j) Other payables

		June 30, 2019	December 31, 2018	June 30, 2018
Other payable — the payables of the Group's as an agent (note(6)(r))	$	152,758	884,438	-
Accrued expenses		198,864	216,568	307,242
Bonus payable		74,547	210,360	105,985
Remuneration to employees and directors		104,107	107,782	139,382
Interest payable		51,576	61,733	40,786
	$	581,852	1,480,881	593,395

The accrued expenses include import and export fees, processing expense, professional services fees, pension, insurance, and payable for unused vacation time etc.

(k) Convertible bonds payable

(i) Non-guaranteed convertible bonds:

		June 30, 2019	December 31, 2018	June 30, 2018
Aggregate principal amount	$	200,000	200,000	200,000
Bond discount		(26)	(508)	(2,721)
Cumulative converted amount		(192,200)	(167,100)	(100,800)
		7,774	32,392	96,479
Less: Convertible bonds payable – could be repaid within one year		7,774	32,392	96,479
Bonds payable at end of period	$	-	-	-
Embedded derivative – call and put options	$	-	-	(20)
Equity component – conversion options (included in capital surplus – conversion options)	$	317	1,335	4,025

The effective interest rates of the forth convertible bonds was 2.47%. The annual interest expenses on convertible bonds payable for the six months ended June 30, 2019 and 2018 were $274 and $2,022, respectively.

(ii) As the fourth convertible bonds have issued for two years, the creditors may request a buy back. Therefore, based on the conservative principles, the fourth conversion of convertible bonds are recognized as current liabilities since August 22, 2017. However, it does not indicate that the company would repay all the liabilities in the next year.

There were no significant issues, repurchases and repayments of bonds payable for the six months ended June 30, 2019 and 2018. Please refer to note (6)(l) of the 2018 annual consolidated financial statements for the related information.

(l) Lease liabilities

	June 30, 2019		
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**
Less than one year	$ 144,037	6,977	137,060
Between one and five years	208,290	5,714	202,576
	$ 352,327	12,691	339,636
Current	$ 144,037	6,977	137,060
Non-current	$ 208,290	5,714	202,576

There were no significant movements of lease liabilities for the six months ended June 30, 2019.

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30, 2019	**For the six months ended June 30, 2019**
Interest on lease liabilities	$ 2,573	5,039
Expenses relating to short-term leases	$ 1,883	3,713

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

	For the six months ended June 30, 2019
Total cash outflow for leases	$ 76,664

(i) Real estate leases

The Group leases buildings for its office space, warehouses and dormitories. The leases of office space typically run for a period of 1 to 5 years, of warehouses for 1 to 4 years, and of dormitories for 2 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.

Some leases of buildings contain extension or cancellation options exercisable by the Group before the end of the non-cancellable contract period. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Group and not by the lessors. In which leasee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(Continued)

(ii) Other leases

The Group leases transportation equipment with lease terms of one year. These leases are short-term. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(m) Operating lease

There were no significant leases contracts for the six months ended June 30, 2019 and 2018. Please refer to note (6)(m) of the 2018 annual consolidated financial statements for other related information.

(n) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2018 and 2017.

The Company makes defined benefit plan contributions to the pension fund account at the Bank of Taiwan that provides pensions for employees upon retirement. The plans entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

The expenses recognized in profit or loss for the Group were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Operating expense	$ 721	972	1,442	1,943

(ii) Defined contribution plans

The Company and WTC allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company and WTC allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Company and WTC recognized the pension costs under the defined contribution method amounting to $5,517, $5,146, $11,060 and $10,179 for the three months and six months ended June 30, 2019 and 2018, respectively. Payment was made to the Bureau of Labor Insurance.

Other subsidiaries recognized the pension expense, basic endowment insurance expense, and social welfare expenses amounting to $15,518, $14,501, $31,669 and $28,011 for the three months and six months ended June 30, 2019 and 2018, respectively.

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(o) Income taxes

(i) Income tax expenses

The amount of income tax for the three months and six months ended June 30, 2019 and 2018 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Current tax expense	$ 26,292	82,628	55,993	171,037

The amount of income tax recognized in other comprehensive income for the three months and six months ended June 30, 2019 and 2018 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Items that will not be reclassified subsequently to profit or loss:				
Re-measurement from defined benefit plans	$ -	-	-	(366)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	$ 3,466	29,663	9,692	17,203

(ii) The tax authority has assessed the income tax returns of the Company and WTC for the years through 2016 and 2017, respectively.

(p) Capital and other equities

As of June 30, 2019, December 31 and June 30, 2018, the total value of nominal ordinary shares amounted to $4,500,000, $3,500,000 and $3,500,000, respectively, with a par value of $10 per share, totaling 450,000 thousand, 350,000 thousand and 350,000 thousand ordinary shares, respectively; of which, 367,252 thousand shares (including the bonds conversion of 518 thousand shares and the stock dividend of 20,748 thousand shares to be distributed, of which change registration procedures have yet to be completed), 344,898 thousands shares and 340,877 thousands shares, respectively, were issued. All issued shares were paid up upon issuance.

(i) Common stock

For the six months ended June 30, 2019 and 2018, 1,606 thousand and 5,867 thousand new common shares, with a par value of $10, amounting to $16,058 and $58,673, respectively, were issued due to the conversion of convertible bonds. (The related registration procedures for the 518 thousand shares have yet to be completed as of reporting date.)

(ii) Capital surplus

Balance on capital surplus of the Group were as follows:

		June 30, 2019	December 31, 2018	June 30, 2018
Additional paid in capital	$	842,637	832,785	805,573
Treasury share transactions		37,617	37,617	37,617
Donation from shareholders		712	712	712
Convertible bonds– conversion options		317	1,335	4,025
Other		253	253	253
	$	881,536	872,702	848,180

For the six months ended June 30, 2019 and 2018, the capital surplus deriving from those convertible bonds, which were converted to common stock, amounted to $8,834 and $39,029, respectively. (including the capital surplus-conversion options transferred to the capital surplus-additional paid-in capital of $1,018 and $4,090, respectively).

In accordance with the Company Act, realized capital reserves can only be utilized for issuing new shares or being distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be utilized for issuing new shares shall not exceed 10 percent of paid-in capital. Capital reserve increased by transferring paid-in capital in excess of par value can only be capitalized until the fiscal year after the competent authority for company registrations approves registration of the capital increase.

The issuance of 12,000 thousand new common shares from capital surplus amounting to $120,000 thousands were decided via the annual meeting of shareholders held on June 13, 2018. The related registration procedures were completed.

(iii) Retained earnings

The Company's Article of Incorporation stipulates that Company's earnings, net of relative expenses and remuneration to employees and directors, should first be used to pay any taxes and offset the prior years' deficits, 10% of the remaining balance is to be set aside as legal reserve, and then set aside or reverse special reserve according to the regulations and consider directly transferring into retained earnings, any remaining profit, together with any undistributed retained earnings at the beginning, be distributed according to the distribution plan proposed by the Board of Directors to be submitted during the stockholders' meeting for approval. Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders,

(Continued)

as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the Board of Directors, and a meeting of shareholders will be held to adopt this resolution. The total distribution shall not be less than 50% of the current earnings, and the cash dividends shall not be less than 20% of the total dividends.

1) Earnings distribution

The Company's earnings distribution for 2018 and 2017 were decided via a general meeting of the shareholders held on June 20, 2019 and June 13, 2018, respectively. The relevant information was as follows:

	2018		2017	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Cash dividends distributed to ordinary shareholders	$ 1.02417100	354,165	1.30654696	432,597
Share dividends distributed to ordinary shareholders	0.6	207,484		
		$ 561,649		

(q) Earnings per share

The basic earnings per share and diluted earnings per share are calculated as follows:

(i) Basic earnings per share

1) Profit attributable to ordinary shareholders of the Company

	For the three months ended June 30,		For the six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Profit attributable to ordinary shareholders of the Company	$ 86,398	197,281	160,784	384,914

2) Weighted-average number of ordinary shares (thousands)

	For the three months ended June 30,		For the six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Weighted-average number of ordinary share	345,973	338,562	345,550	336,910

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(ii) Diluted earnings per share

1) Profit attributable to ordinary shareholders of the Company (diluted)

		For the three months ended June 30,		For the six months ended June 30,	
		2019	**2018**	**2019**	**2018**
Profit attributable shareholders of the Company (basic)	$	86,398	197,281	160,784	384,914
Convertible bonds payable		97	865	274	1,822
Profit attributable to ordinary shareholders of the Company (diluted)	$	**86,495**	**198,146**	**161,058**	**386,736**

2) Weighted-average number of ordinary shares (thousands, diluted)

	For the three months ended June 30,		For the six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Weighted-average number of ordinary shares (basic)	345,973	338,562	345,550	336,910
Effect of convertible bonds	1,030	8,089	1,452	9,740
Effect of employee stock remuneration	922	1,974	2,655	3,370
Weighted-average number of ordinary shares (diluted) on June 30	**347,925**	**348,625**	**349,657**	**350,020**

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(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Primary geographical markets:				
Taiwan	$ 861,568	1,083,124	1,811,663	2,146,957
China	9,909,815	11,280,408	18,656,136	22,946,948
Others	802,508	893,163	1,615,732	1,570,310
	$ 11,573,891	13,256,695	22,083,531	26,664,215
Major products/services lines				
Chipset/memory components	$ 4,530,968	6,313,450	9,061,203	13,427,534
Assorted and other components	7,040,761	6,943,240	13,010,101	13,236,669
Others	2,162	5	12,227	12
	$ 11,573,891	13,256,695	22,083,531	26,664,215

Since 2018, the Group determined some specific merchandises or services were provided by the other party in transactions. The Group recognized the remaining amount, which the payment to the other party from the transaction was deducted, as revenue.

For the three months and six months ended June 30, 2019, the Group determined the aforementioned transactions were $156,182 and $850,484, respectively, and recognized the remaining amount which deducted the payment to the other party from the transactions as revenue amounting to $2,957 and $11,383, respectively. Due to the above transactions, the other receivables were $156,207 and $895,511 as of June 30, 2019 and December 31, 2018, respectively; and the other payables were $152,758 and $884,438 as of June 30, 2019 and December 31, 2018, respectively. Please refer to note (6)(e) and (6)(j).

(ii) Contract balance

	June 30, 2019	December 31, 2018	June 30, 2018
Notes and accounts receivable	$ 7,477,626	8,609,598	9,031,059
Less: allowance for impairment	(182,284)	(185,733)	(188,578)
	$ 7,295,342	8,423,865	8,842,481
Contract liabilities	$ 70,200	151,723	394,457

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

The amounts of revenue recognized for the six months ended June 30, 2019 and 2018 that were included in the contract liability balance at the beginning of the period were $115,120 and $93,889, respectively.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(s) Remuneration to employees and directors

The Audit committee, established by the independent directors, has replaced the supervisors' authority after the re-election of the new directors at the shareholders' meeting held on June 13, 2018, and amended the relevant provisions in the Company's articles of incorporation.

The Company's Articles of Incorporation require that earning shall first be offset against any deficit, then, 6% to 10% of profit before tax (before deducting remuneration to employees and directors) will be distributed as employee remuneration and a maximum of 2.5% will be allocated as directors' remuneration. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements. Actual distribution should be determined in the Board of Directors' meeting, with no less than two-thirds of directors present, and approved by more than half of the directors attending the meeting, then shall be report to the meeting of shareholders.

For the three months and six months ended June 30, 2019 and 2018, the accrued remuneration of the Company' s employees were $10,092, $22,309, $18,446 and $44,619; as well as directors were $2,523, $5,577, $4,612 and $11,155, respectively. These amounts were calculated by using the Company' s profit before tax for the period before deducting the amount of the remuneration to employees and directors, multiplied by the distribution ratio of remuneration to employees and directors under the Company's articles of Incorporation, and expensed under operating expenses. If the Board of Directors resolved to distribute employees' remuneration in the form of shares, the numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares one day before the date of the meeting of the board of directors.

The accrued remuneration of the Company's employees was $73,349 as well as remuneration of directors was $18,337, for the year ended December 31, 2018. The recognized employee remuneration of the Company was 68,933, directors' and supervisors' remuneration was 17,233, for the year ended December 31, 2017. There were no differences between the distributed amounts and the accrued amounts in the consolidated financial statements. The related information can be accessed from Market Observation Post System website.

(t) Financial Instruments

Except for those mentioned below, there were no significant changes in the fair value of the Group's financial instruments and degree of exposure to credit risk. Please refer to the note (6)(u) of the consolidated financial statement for the year ended December 31, 2018.

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(i) Credit risk

For credit risk exposure of notes and trade receivables, please refer to note (6)(d). The amount of other financial assets at amortized cost include other receivables which had been impaired. For the loss allowance provision, please refer to the note (6)(e).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, excluding estimated interest payments.

	Carrying Amount	Contractual cash flows	Within a year	Over 1 year
June 30, 2019				
Non-derivative financial liabilities				
Unsecured loans	$ 10,295,303	(10,295,303)	(10,295,303)	-
Short-term notes and bill payable, net	669,214	(670,000)	(670,000)	-
Lease liabilities	339,636	(352,327)	(144,037)	(208,290)
Notes and accounts payable	3,910,281	(3,910,281)	(3,910,281)	-
Other payables and dividends payable	725,055	(725,055)	(725,055)	-
Bonds payable	7,774	(7,800)	(7,800)	-
Derivative financial liabilities				
Forward exchange contracts:	7,870			
Outflow	-	(687,656)	(687,656)	-
Inflow	-	679,786	679,786	-
	$ 15,955,133	(15,968,636)	(15,760,346)	(208,290)
December 31, 2018				
Non-derivative financial liabilities				
Unsecured loans	$ 11,068,192	(11,068,192)	(11,068,192)	-
Short-term notes and bills payable, net	669,283	(670,000)	(670,000)	-
Notes and accounts payable	5,632,824	(5,632,824)	(5,632,824)	-
Other payables	1,130,014	(1,130,014)	(1,130,014)	-
Bonds payable	32,392	(32,900)	(32,900)	-
	$ 18,532,705	(18,533,930)	(18,533,930)	-
June 30, 2018				
Non-derivative financial liabilities				
Unsecured loans	$ 9,335,915	(9,335,915)	(9,335,915)	-
Short-term notes and bill payable, net	439,753	(440,000)	(440,000)	-
Notes and accounts payable	8,207,826	(8,207,826)	(8,207,826)	-
Other payables and dividends payable	747,216	(747,216)	(747,216)	-
Bonds payable	96,479	(99,200)	-	(99,200)
	$ 18,827,189	(18,830,157)	(18,730,957)	(99,200)

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

(iii) Market risk

1) Currency risk

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

	June 30, 2019			December 31, 2018			June 30, 2018		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD	$ 175,126	USD/TWD 31.06	5,439,412	224,034	USD/TWD 30.715	6,881,192	217,771	USD/TWD 30.46	6,633,297
USD	791	USD/CNY 6.8702	24,576	2,504	USD/CNY 6.8683	76,923	2,179	USD/CNY 6.6266	66,380
Non-monetary items									
USD	745	USD/TWD 31.06	23,140	745	USD/TWD 30.715	22,883	762	USD/TWD 30.46	23,211
Financial liabilities									
Monetary items									
USD	168,043	USD/TWD 31.06	5,219,407	243,302	USD/TWD 30.715	7,473,010	282,857	USD/TWD 30.46	8,615,833
USD	29,530	USD/CNY 6.8702	917,214	15,509	USD/CNY 6.8683	476,358	26,619	USD/CNY 6.6266	810,816

2) Currency risk sensitivity analysis

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, notes and account receivables, other receivables, financial assets at fair value through other comprehensive income, loans and borrowings, notes and accounts payables and other payables that are denominated in foreign currency. A change of 5% in the exchange rate of TWD or CNY against foreign currency for the six months ended June 30, 2019 and 2018 would have increase (decreased) the other comprehensive income (before tax) $1,157 and $1,161, respectively. For the six months ended June 30, 2019 and 2018 would have increased (decreased) the net profit before tax as follows. The analysis is performed on the same basis for both periods.

	For the six months ended June 30,	
	2019	2018
USD (against the TWD)		
Strengthening 5%	$ 11,000	(99,127)
Weakening 5%	(11,000)	99,127

(Continued)

	For the six months ended June 30,	
	2019	**2018**
USD (against the CNY)		
Strengthening 5%	(44,632)	(37,222)
Weakening 5%	44,632	37,222

3) Exchange gains and losses of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months and six months ended June 30, 2019 and 2018, the foreign exchange loss, including both realized and unrealized, amounted to $30,177, $89,895, $8,869 and $1,061, respectively.

4) Interest rate analysis

The details of financial assets and liabilities exposed to interest rate risk were as follows:

	Carrying amount	
	June 30, 2019	**June 30, 2018**
Variable rate instruments:		
Financial assets	$ 1,382,438	1,691,524
Financial liabilities	(10,295,303)	(9,335,915)

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the year. The rate of change is expressed as the interest rate increase or decrease by 0.25% when reporting to management internally, which also represents the Group's management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the Group's net profit before tax would have decreased or increased by $11,141 and $9,555 for the six months ended June 30, 2019 and 2018, respectively, which would be mainly resulting from demand deposits, and unsecured loans with variable interest rates.

(iv) Fair value

1) Categories and the fair value of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income are measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured

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at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required :

	June 30, 2019				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Derivative instruments not used for hedging					
Forward exchange contracts	$ 1,220	-	1,220	-	1,220
Stocks listed on domestic markets	566	566	-	-	566
Subtotal	1,786				
Financial assets at fair value through other comprehensive income					
Notes and accounts receivable, net	742,715	-	-	-	-
Emerging market stock	2,636	2,636	-	-	2,636
Stocks unlisted on domestic markets and foreign market	47,683	-	-	47,683	47,683
Subtotal	793,034				
Financial assets measured at amortized cost					
Cash and cash equivalents	1,862,329	-	-	-	-
Notes and accounts receivable, net	6,552,627	-	-	-	-
Other receivables	478,137	-	-	-	-
Guarantee deposits paid	72,778	-	-	-	-
Subtotal	8,965,871				
	$ 9,760,691				
Financial liabilities mandatorily measured at fair value through profit or loss					
Derivative instruments not used for hedging					
Forward exchange contracts	$ 7,870	-	7,870	-	7,870
Financial liabilities measured at amortized cost					
Bank loans	10,964,517	-	-	-	-
Lease liabilities	339,636	-	-	-	-
Notes and accounts payable	3,910,281	-	-	-	-
Other payables and dividends payable	725,055	-	-	-	-
Bonds payable	7,774	-	-	-	-
Subtotal	15,947,263				
	$ 15,955,133				

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	December 31, 2018				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Derivative instruments not used for hedging					
Forward exchange contracts	$ 590	-	590	-	590
Stocks listed on domestic markets	530	530	-	-	530
Subtotal	1,120				
Financial assets at fair value through other comprehensive income					
Notes and accounts receivable, net	988,777	-	-	-	-
Emerging market stock	2,375	2,375	-	-	2,375
Stocks unlisted on domestic markets and foreign market	60,883	-	-	60,883	60,883
Subtotal	1,052,035				
Financial assets measured at amortized cost					
Cash and cash equivalents	1,802,901	-	-	-	-
Notes and accounts receivable, net	7,435,088	-	-	-	-
Other receivables	1,194,746	-	-	-	-
Guarantee deposits paid	72,731	-	-	-	-
Subtotal	10,505,466				
	$ 11,558,621				
Financial liabilities measured at amortized cost					
Bank loans	$ 11,737,475	-	-	-	-
Notes and accounts payable	5,632,824	-	-	-	-
Other payables	1,130,014	-	-	-	-
Bonds payable	32,392	-	-	-	-
	$ 18,532,705				

(Continued)

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	June 30, 2018				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Derivative instruments not used for hedging					
Forward exchange contracts	$ 13,423	-	13,423	-	13,423
Convertible bonds payable embedded derivatives	20	-	20	-	20
Stocks listed on domestic markets	565	565	-	-	565
Subtotal	14,008				
Financial assets at fair value through other comprehensive income					
Notes and accounts receivable, net	1,656,888	-	-	-	-
Emerging market stock	2,313	2,313	-	-	2,313
Stocks unlisted on domestic markets and foreign market	61,184	-	-	61,184	61,184
Subtotal	1,720,385				
Financial assets measured at amortized cost					
Cash and cash equivalents	2,347,428	-	-	-	-
Notes and accounts receivable, net	7,185,593	-	-	-	-
Other receivables	265,872	-	-	-	-
Guarantee deposits paid	69,300	-	-	-	-
Subtotal	9,868,193				
	$ 11,602,586				
Financial liabilities measured at amortized cost					
Bank loans	$ 9,775,668	-	-	-	-
Notes and accounts payable	8,207,826	-	-	-	-
Other payables and dividends payable	747,216	-	-	-	-
Bonds payable	96,479	-	-	-	-
Subtotal	18,827,189				
	$ 18,827,189				

There were no transfers of financial instruments between any levels for the six months ended June 30, 2019 and 2018.

(Continued)

2) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation technique of financial instruments measured at fair value

a) Non-derivative financial instruments

If the financial instrument has a public quoted price in an active market, the public quoted price will be determined as the fair value. The measurements on fair value of the financial instruments without an active market are determined using the valuation technique or the quoted market price of its competitors. Fair value measured using the valuation technique can be extrapolated from similar financial instruments, discounted cash flow method, or other valuation techniques which include the model used in calculating the observable market data at the consolidated balance sheet date.

The Group holds the unquoted equity investments of financial instruments without an active market. The measurement of fair value of the equity instruments is based on the Guideline Public Company method, which mainly assumes the evaluation by the price to book value ratio of similar public company and by the discount for lack of marketability. The estimation has been adjusted by the effect resulting from the discount for lack of marketability of the securities.

b) Derivative financial instruments

Measurement of fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. For instance, discount method or option pricing models. Fair value of forward currency exchange is usually determined by using the forward currency rate.

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4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Opening balance, January 1, 2019	$ 60,883
Total gains and losses recognized:	
In profit or loss	-
In other comprehensive income	(13,200)
Ending Balance, June 30, 2019	$ 47,683
Opening balance, January 1, 2018	58,664
Total gains and losses recognized:	
In profit or loss	-
In other comprehensive income	2,520
Ending Balance, June 30, 2018	61,184

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through other comprehensive income - equity investments".

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income	Guideline Public Company method	·Price-Sales ratio (0.79, 1.00 and 1.26 at June 30, 2019, December 31 and June 30, 2018, respectively) ·Price-Book ratio (0.83, 0.86 and 1.07 at June 30, 2019, December 31 and June 30, 2018, respectively) ·Lack-of-Marketability discount rate (17.02%, 17.02% and 20.41% on June 30, 2019, December 31 and June 30, 2018, respectively)	The estimated fair value would increase (decrease) if: ·The Price-Sales ratio were higher (lower); ·the Price-Book ratio were higher (lower); or ·the Lack-of-Marketability discount rate were lower (higher)

(Continued)

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss	Net Asset Value Method	·Net asset value	·Not applicable

(u) Financial risk management

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

(v) Capital management

The Group's objectives, policies and processes of capital management are consistent with those disclosed in the consolidated financial statements as of and December 31, 2018. In addition, there were no significant differences between the summary quantitative data of the items of capital management in the consolidated financial statements and those disclosed in the consolidated financial statements as of and December 31, 2018. Please refer to note (6)(w) of the consolidated financial statements December 31, 2018 for further details.

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

The Group's investing and financing activities which did not affect the current cash flow for the six months ended June 30, 2019 and 2018, were as follows:

(i) For the acquisition of right-of-use assets from leases, please refer to note (6)(h).

(ii) For conversion of convertible bonds to ordinary shares, please refer to note (6)(k).

Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes		
	January 1, 2019	Cash flows	Acquisition	Foreign exchange movement	June 30, 2019
Short-term loans	$ 11,737,475	(772,958)	-	-	10,964,517
Lease liabilities	401,639	(67,912)	1,012	4,897	339,636
Total liabilities from financing activities	$ 12,139,114	(840,870)	1,012	4,897	11,304,153

	January 1, 2018	Cash flows	June 30, 2018
Total liabilities from financing activities	$ 9,122,655	653,013	9,775,668

(7) Related-party transactions

(a) Name and relationship with related parties

The following are entities that have had transactions with the Group during the period covered in the consolidated financial report were as follows:

Related-party	Relationship
Weiji Investment Co., Ltd.	The same chairman
Yang Sheng Education Foundation	The same chairman
Genlog Industrial Co., Ltd.	Substantive related-party

(b) Other related party transactions

(i) Sale of goods to related parties

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

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Other related parties	$ -	-	(2)	1

There were no significant differences in terms of collection and pricing on sales to related parties and other customers. The collection period was approximately 30 days after the sales date.

(ii) Processing fee and consultancy fees from related Parties

Other related parties were commissioned to provide processing services and consulting services to the Group. The amounts of transactions between the Group and related parties were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Other related parties	$ 2,556	3,178	5,099	6,330

(iii) Lease

The Group leased a portion of its building to its related parties for office use purpose. The rental is collected monthly, were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Other related parties	$ 327	327	653	653

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(iv) Receivable from relate parties

Account	Related party categories		June 30, 2019	December 31, 2018	June 30, 2018
Accounts receivable	Other related parties	$	-	8	-
Other receivables	Other related parties		10	10	10
		$	10	18	10

(v) Payable to related parties

Account	Related party categories		June 30, 2019	December 31, 2018	June 30, 2018
Other payables	Other related parties	$	804	686	1,133

(c) Key management personnel compensation

Key management personnel compensation comprised:

		For the three months ended June 30,		For the six months ended June 30,	
		2019	2018	2019	2018
Short-term employee benefits	$	37,320	42,066	66,996	93,342
Post-employment benefits		220	225	440	450
	$	37,540	42,291	67,436	93,792

(8) Pledged assets: None

(9) Commitments and contingencies:

As of June 30, 2019, December 31 and June 30, 2018 the balance of L/Cs for customs and value added tax and the purchase of merchandise were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
$	326,600	323,150	320,600

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

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(12) Other:

(a) A summary of current-period employee benefits, depreciation and amortization by function, is as follows:

	For the three months ended June 30,	
By function	2019	2018
By item	Operating expense	Operating expense
Employee benefits		
Salary	$ 260,862	277,731
Labor and health insurance	23,508	20,906
Pension	21,756	20,619
Remuneration of directors	2,554	8,893
Others	11,562	13,454
Depreciation	39,196	3,971
Amortization	1,364	1,693

	For the six months ended June 30,	
By function	2019	2018
By item	Operating expense	Operating expense
Employee benefits		
Salary	$ 524,158	545,653
Labor and health insurance	47,670	42,474
Pension	44,171	40,133
Remuneration of directors	7,013	18,896
Others	24,685	27,081
Depreciation	76,355	7,805
Amortization	2,856	3,143

(b) Seasonality of operations:

The Group's operation were not affected by seasonality or cyclically factors.

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties: None

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(ii) Guarantees and endorsements for other parties:

(in thousands of new Taiwan dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	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 (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary (note 2)	Subsidiary endorsements/ guarantees to third parties on behalf of parent company (note 2)	Endorsements/ guarantees to third parties on behalf of companies in Mainland China (note 2)
		Name	Relationship with the Company										
0	The Company	WKI	100% owned subsidiary	8,513,898	6,595,820	6,188,270	4,638,496	-	109.0 %	17,027,796	Y	-	-
〃	〃	WTP	100% owned subsidiary	8,513,898	584,440	496,960	376,438	-	8.8 %	17,027,796	Y	-	-
〃	〃	WKS	100% owned subsidiary	8,513,898	1,489,340	1,278,638	779,145	-	22.5 %	17,027,796	Y	-	Y

Note 1 : The total amount of the guarantee provided by the Company shall not exceed three hundred percent (300%) of the higher amount between the Company's capital amount and net worth. However, for any individual entity whose voting shares are 50% owned, directly or indirectly, by the Company shall not exceed fifty percent (50%) of the maximum amount for guarantee on recent audited or reviewed financial statements.

Note 2 : For those entities as the guarantor to the subsidiary, subsidiary as the guarantor to the company, or the guarantor that located in China, please fill in "Y".

(iii) Securities held as of June 30, 2019 (excluding investment in subsidiaries, associates and joint ventures):

(Shares/units (thousands))

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying amount	Percentage of ownership (%)	Fair value	
The Company	Securities of listed companies EBM Technologies Inc.	-	Financial assets mandatorily measured at fair value through profit or loss-current	34	$ 566	-	$ 566	
The Company	Feature Integration Technology Inc.	-	Financial assets at fair value through other comprehensive income-noncurrent	175	$ 2,422	0.53	$ 2,422	
〃	Clientron Corp.	-	〃	15	214	0.02	214	
					$ 2,636		$ 2,636	
The Company	Paradigm I Venture Capital Company(Paradigm I)	-	Financial assets at fair value through other comprehensive income-noncurrent	750	$ 9,437	6.79	$ 9,437	
〃	Paradigm Venture Capital Corporation(PVC Corp.)	-	〃	271	3,226	10.49	3,226	
〃	InnoBridge Venture Fund ILP. (InnoBridge)	-	〃	-	15,150	9.90	15,150	
〃	Shin Kong Global Venture Capital Corp.	-	〃	3,000	4,800	12.00	4,800	
〃	Vision Wide Technology Co., Ltd.(VTEC)	-	〃	800	15,070	1.70	15,070	
					$ 47,683		$ 47,683	

(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

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchases/ (Sales)	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
WKI	WKS	Subsidiary	(Sales)	(1,136,086) (USD(36,681))	(11) %	OA60	According to cost-plus pricing	-	887,419 (USD28,571)	26 %	Note
WKS	WKI	Parent company	Purchases	1,136,086 (USD36,681)	55 %	〃	〃	-	(887,419) (USD(28,571))	(99) %	〃

Note: The transactions have been eliminated in the consolidated financial statement.

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

(in thousands of foreign currency)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note)	Allowance for bad debts	Note
					Amount	Action taken			
The Company	WKI	Subsidiary	289,658 (USD9,325)	1.78	-	-	USD 3,118	-	The transactions have been eliminated in the consolidated financial statement
WKI	WKS	〃	887,419 (USD28,571)	3.38	-	-	USD 9,017	-	〃

Note: Information as of August 12, 2019.

(ix) Trading in derivative instruments: Please refer to notes (6)(b)

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	WKI	1	Sales Revenue	82,458	The price is marked up based on operating cost, and the receivables depend on OA30 after offsetting the accounts payable.	0.37%
〃	〃	〃	〃	Accounts Receivable	172,056	〃	0.76%
〃	〃	〃	〃	Management and Credit Service Revenue	108,964	The price is set by percentage of the contract and is received quarterly.	0.49%
〃	〃	〃	〃	Other Receivables	117,602	〃	0.52%

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions: Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	WKS	〃	Sales Revenue	1,515	The price is marked up based on operating cost,OA60.	0.01%
〃	〃	〃	〃	Accounts Receivable	4,340	〃	0.02%
〃	〃	WTP	〃	Sales Revenue	7,031	The price is marked up based on operating cost, and the receivables depend on OA30 after offsetting the accounts payable.	0.03%
〃	〃	〃	〃	Accounts Receivable	1,000	〃	-%
1	WKI	The Company	2	Sales Revenue	52,864	〃	0.23%
〃	〃	WKS	3	Sales Revenue	1,136,086	The price is marked up based on operating cost, and the receivables depend on funding demand and OA60.	5.14%
〃	〃	〃	〃	Accounts Receivable	887,419	〃	3.92%
2	WKS	WKI	〃	Service Revenue	94,285	The price is set by percentage of the contract,OA30.	0.43%
〃	〃	〃	〃	Account Receivable	6,442	〃	0.03%

Note 1: The numbers filled in as follows:
1. 0 represents the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Relationship with the transactions labeled as follows:
1 represents the transactions from the parent company to its subsidiaries.
2 represents the transactions from the subsidiaries to the parent company.
3 represents the transactions between subsidiaries.

(b) Information on investees:

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

(in thousands of foreign currency)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount: June 30, 2019	Original investment amount: December 31, 2018	Highest: Shares (In Thousands)	Highest: Percentage of Ownership	Highest: Carrying amount	Net income (losses) of investee	Investment income (losses) of investor	Note
The Company	WKI	Hong Kong	Electronic components computer peripherals products distribution and technical support	$ 774,275	620,205	326,250	100%	$ 3,518,800	70,276	$ 70,276	Subsidiary
〃	WTC	Taipei	Electronic components and technical support	12,983	12,983	1,589	100%	26,979	62	62	〃
〃	WTP	Singapore	〃	215,564	215,564	8,956	100%	268,771	636	636	〃
	Total			$ 1,002,822	848,752			$ 3,814,550		$ 70,974	
WKI	Weitech	Hong Kong	Import and export trade of electronic components	0.41 (HKD0.1)	0.41 (HKD0.1)	-	100%	1,779 (USD57)	107 (USD3)	107 (USD3)	Subsidiary's subsidiary

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(c) Information on investment in mainland China:

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

(in thousands of foreign currency)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2019	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) of investor (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow (Note 3)	Inflow						
WKS	Electronic components computer peripherals products distribution and technical support	786,647 (USD25,000)	Note 1、4	304,594 (USD9,800)	-	-	304,594 (USD9,800)	32,513 (USD1,050) (Note 2)	100%	32,513 (USD1,050) (Note 2)	722,794 (USD23,271)	-
WKE	Electronic technology development and technical advisory	5,067 (RMB1,000)	Note 1、5	-	-	-	-	(386) (USD(12))	100%	(386) (USD(12))	4,416 (USD142)	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of June 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA (note 3)	Upper Limit on Investment
304,594 (USD9,800)	776,500 (USD25,000)	3,405,559

Note 1: Investment in Mainland China was through a company in the third area.

Note 2: The investment gains and losses of the current period are recognized according to the financial statements, which have been reviewed and certified by the Company's independent auditors, and were translated into New Taiwan Dollars at the average exchange rates for the six months ended June 30, 2019.

Note 3: The currency were translated into New Taiwan Dollars at the exchange rates at the end of reporting period.

Note 4: The difference was due to Weikeng International Co. Ltd.'s investment of US15,200 thousand dollars on Weikeng International (Shanghai) Co. Ltd. using its funds.

Note 5: The difference was due to Weikeng International (Shanghai) Co. Ltd.'s investment of RMB1,000 thousand dollars on Weikeng Electronic Technology (Shanghai) Co. Ltd. using its funds.

(iii) Significant transactions:

Please refer to Information on significant transactions for the information on significant direct or indirect transactions, which were eliminated in the preparation of consolidated financial statements, between the Group and the investee companies in Mainland China in 2019.

(14) Segment information:

The Group has only one operating segment, which is the electronic components segment, of which, the major activities are the purchase and sales of electronic components and computer peripherals, technical service, as well as the import/export trade business. The Group's details and reconciliations of operating segment are consistent with the consolidated financial statements. Please refer to the consolidated statements of comprehensive income and the consolidated balance sheet for the segment profit and assets, respectively.