

**LANDMARK OPTOELECTRONICS  
CORPORATION**

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

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The independent auditors' review report and the accompanying 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 financial statements, the Chinese version shall prevail.

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安侯建業聯合會計師事務所

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## Independent Auditors' Review Report

To the Board of Directors of LandMark Optoelectronics Corporation:

### Introduction

We have reviewed the balance sheets of LandMark Optoelectronics Corporation("the Company") as of June 30, 2020 and 2019, and the related statements of comprehensive income for the three months and six months ended June 30, 2020 and 2019, and the statements of changes in equity and cash flows for the six months ended June 30, 2020 and 2019, and notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards ("IASs") 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 financial statements based on our reviews.

### Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the 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 financial statements do not present fairly, in all material respects, the financial position of the Company as of June 30, 2020 and 2019, and of its financial performance for the three months and six months ended June 30, 2020 and 2019, and its cash flows for the six months ended June 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.



The engagement partners on the reviews resulting in this independent auditors' review report are Yen-Ta Su and Chen-Lung Hsu.

KPMG

Taipei, Taiwan (the Republic of China)  
July 29, 2020

**Notes to Readers**

The accompanying financial statements are intended only to present the statement of financial position, financial performance and its 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 financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' review report and the accompanying 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 financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2020 and 2019**

**LANDMARK OPTOELECTRONICS CORPORATION**

**Balance Sheets**

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

(Expressed in Thousands of New Taiwan Dollars)

Assets		June 30, 2020		December 31, 2019		June 30, 2019		Liabilities and Equity		June 30, 2020		December 31, 2019		June 30, 2019				
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%			
Current assets:									Current liabilities:									
1100	Cash and cash equivalents (note 6(a))	\$	1,471,569	30	1,340,648	29	1,907,355	38	2130	Contract liabilities (note 6(o))	\$	7,960	-	10,734	1	3,426	-	
1110	Financial assets at fair value through profit or loss—current (note 6(b))		-	-	-	-	206	-	2150	Notes payable		252	-	562	-	324	-	
1150	Notes receivable, net (note 6(c)(o))		12,369	-	-	-	7,613	-	2170	Trade payables		81,454	2	90,583	2	94,140	2	
1170	Trade receivables, net (notes 6(c)(o))		447,463	9	429,662	9	426,750	8	2200	Other payables		229,212	5	332,767	7	306,741	6	
1310	Inventories (note 6(d))		205,642	5	192,527	4	257,314	5	2216	Dividends payable (notes 6(l))		363,731	7	-	-	454,841	9	
1410	Prepayments		17,785	-	8,757	-	6,519	-	2230	Current tax liabilities		47,086	1	4,889	-	61,552	2	
1470	Other current assets		6,129	-	9,988	-	27,510	1	2280	Current lease liabilities (notes 6(i))		8,013	-	7,667	-	7,616	-	
1476	Other financial assets—current (note 8)		2,657	-	2,651	-	3,212	-	2300	Other current liabilities		1,016	-	1,056	-	1,990	-	
			2,163,614	44	1,984,233	42	2,636,479	52		Non-Current liabilities:		738,724	15	448,258	10	930,630	19	
Non-current assets:									2580	Non-current lease liabilities (notes 6(i))		321,567	6	312,348	6	316,194	6	
1600	Property, plant and equipment (notes 6(e))		2,430,208	49	2,474,242	51	2,026,689	40	2640	Net defined benefit liability—non-current		3,424	-	3,423	-	3,429	-	
1755	Right-of-use assets (notes 6(f))		326,993	7	318,047	7	322,814	7				324,991	6	315,771	6	319,623	6	
1780	Intangible assets (note 6(g))		11,814	-	11,238	-	11,709	-		Total liabilities		1,063,715	21	764,029	16	1,250,253	25	
1840	Deferred tax assets		22,862	-	22,862	-	16,863	-		Equity attributable to owners of the Company (note 6(l)(m)):								
1980	Other financial assets—non-current (note 8)		12,564	-	12,564	-	15,099	-		3110	Capital stock		909,327	18	909,512	19	909,512	18
1990	Other non-current assets (notes 6(h))		2,732	-	7,314	-	22,701	1		3200	Capital surplus		1,741,690	35	1,743,559	36	1,743,559	35
			2,807,173	56	2,846,267	58	2,415,875	48			Retained earnings:							
									3310	Legal reserve		522,596	11	477,581	10	477,581	9	
									3350	Unappropriated earnings		739,362	15	961,452	20	716,307	14	
												1,261,958	26	1,439,033	30	1,193,888	23	
									3491	Deferred compensation cost arising from issuance of restricted stock		(5,903)	-	(25,633)	(1)	(44,858)	(1)	
										Total equity		3,907,072	79	4,066,471	84	3,802,101	75	
Total assets		\$	4,970,787	100	4,830,500	100	5,052,354	100	Total liabilities and equity		\$	4,970,787	100	4,830,500	100	5,052,354	100	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with generally accepted auditing standards**

**LANDMARK OPTOELECTRONICS CORPORATION**

**Statements of Comprehensive Income**

**For the three months and six months ended June 30, 2020 and 2019**

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

	For the three months ended June 30,				For the six months ended June 30,			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
4100 Operating revenue (note 6(o))	\$ 532,959	100	569,769	100	1,020,166	100	1,015,697	100
5000 Operating costs (notes 6(d)(i)(j)(m)(p), 7 and 12)	<u>283,058</u>	<u>53</u>	<u>284,231</u>	<u>50</u>	<u>544,468</u>	<u>53</u>	<u>531,942</u>	<u>52</u>
5900 Gross profit	<u>249,901</u>	<u>47</u>	<u>285,538</u>	<u>50</u>	<u>475,698</u>	<u>47</u>	<u>483,755</u>	<u>48</u>
6000 Operating expenses (notes 6(i)(j)(m)(p), 7 and 12):								
6100 Selling and marketing expenses	19,843	4	18,689	3	36,838	4	33,538	4
6200 General and administrative expenses	26,890	5	22,708	4	53,211	5	40,416	4
6300 Research and development expenses	<u>87,399</u>	<u>16</u>	<u>81,096</u>	<u>14</u>	<u>155,254</u>	<u>15</u>	<u>153,747</u>	<u>15</u>
	<u>134,132</u>	<u>25</u>	<u>122,493</u>	<u>21</u>	<u>245,303</u>	<u>24</u>	<u>227,701</u>	<u>23</u>
6900 Operating income	<u>115,769</u>	<u>22</u>	<u>163,045</u>	<u>29</u>	<u>230,395</u>	<u>23</u>	<u>256,054</u>	<u>25</u>
7000 Non-operating income and expenses (notes 6(i)(q)):								
7100 Interest income	1,989	-	3,999	1	4,246	-	7,045	1
7020 Other gains and losses	(5,034)	(1)	2,044	-	1,288	-	5,891	-
7050 Finance costs	<u>(1,113)</u>	<u>-</u>	<u>(1,093)</u>	<u>-</u>	<u>(1,860)</u>	<u>-</u>	<u>(2,192)</u>	<u>-</u>
	<u>(4,158)</u>	<u>(1)</u>	<u>4,950</u>	<u>1</u>	<u>3,674</u>	<u>-</u>	<u>10,744</u>	<u>1</u>
7900 Profit before income tax	111,611	21	167,995	30	234,069	23	266,798	26
7590 Income tax expenses (note 6(k))	<u>22,921</u>	<u>4</u>	<u>42,244</u>	<u>8</u>	<u>47,413</u>	<u>5</u>	<u>62,005</u>	<u>6</u>
8200 Net profit	<u>88,690</u>	<u>17</u>	<u>125,751</u>	<u>22</u>	<u>186,656</u>	<u>18</u>	<u>204,793</u>	<u>20</u>
8300 Other comprehensive income (note 6(k))	-	-	-	-	-	-	-	-
8500 Total comprehensive income	<u>\$ 88,690</u>	<u>17</u>	<u>125,751</u>	<u>22</u>	<u>186,656</u>	<u>18</u>	<u>204,793</u>	<u>20</u>
Earnings per share (in dollars), after tax (note 6(n))								
9750 Basic earnings per share	<u>\$ 0.98</u>		<u>1.39</u>		<u>2.06</u>		<u>2.26</u>	
9850 Diluted earnings per share	<u>\$ 0.97</u>		<u>1.38</u>		<u>2.05</u>		<u>2.25</u>	

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**LANDMARK OPTOELECTRONICS CORPORATION**

**Statements of Changes in Equity**

**For the six months ended June 30, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

	Capital stock	Capital surplus	Retained earnings		Deferred compensation cost	Total equity
			Legal reserve	Unappropriated earnings		
<b>Balance at January 1, 2019</b>	\$ 909,802	1,743,269	407,899	1,036,037	(64,083)	4,032,924
Net Profit	-	-	-	204,793	-	204,793
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	204,793	-	204,793
Appropriation of 2018 earnings in 2019:						
Legal reserve	-	-	69,682	(69,682)	-	-
Cash dividends	-	-	-	(454,841)	-	(454,841)
Compensation cost arising from restricted stock	-	-	-	-	19,225	19,225
Restricted stock retired	(290)	290	-	-	-	-
<b>Balance at June 30, 2019</b>	<b>\$ 909,512</b>	<b>1,743,559</b>	<b>477,581</b>	<b>716,307</b>	<b>(44,858)</b>	<b>3,802,101</b>
<b>Balance at January 1, 2020</b>	\$ 909,512	1,743,559	477,581	961,452	(25,633)	4,066,471
Net Profit	-	-	-	186,656	-	186,656
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	186,656	-	186,656
Appropriation of 2019 earnings in 2020:						
Legal reserve	-	-	45,015	(45,015)	-	-
Cash dividends	-	-	-	(363,731)	-	(363,731)
Compensation cost arising from restricted stock	-	(1,717)	-	-	19,730	18,013
Restricted stock repurchased	-	(337)	-	-	-	(337)
Restricted stock retired	(185)	185	-	-	-	-
<b>Balance at June 30, 2020</b>	<b>\$ 909,327</b>	<b>1,741,690</b>	<b>522,596</b>	<b>739,362</b>	<b>(5,903)</b>	<b>3,907,072</b>

See accompanying notes to financial statements.

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**LANDMARK OPTOELECTRONICS CORPORATION**

**Statements of Cash Flows**

**For the six months ended June 30, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 234,069	266,798
<b>Adjustments:</b>		
Adjustments to reconcile profit /loss		
Depreciation expense	217,043	195,773
Amortization expense	2,589	2,799
Unrealized net gains on change in fair value of financial assets through profit or loss	-	(206)
Interest expense	1,860	2,192
Interest income	(4,246)	(7,045)
Compensation cost arising from restricted stocks	18,013	19,225
Unrealized foreign exchange losses (gains)	(2,262)	1,063
<b>Total adjustments to reconcile profit/loss</b>	<b>232,997</b>	<b>213,801</b>
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets:		
Increase in notes receivable	(12,369)	(7,435)
Decrease (increase) in trade receivables	(16,082)	67,134
Increase in inventories	(13,115)	(6,374)
Increase in prepayments	(9,028)	(821)
Decrease (increase) in other current assets	3,859	(13,118)
<b>Total changes in operating assets</b>	<b>(46,735)</b>	<b>39,386</b>
Changes in operating liabilities:		
Decrease in current contract liabilities	(2,774)	(1,653)
Decrease in notes payable	(310)	(216)
Increase (decrease) in trade payables	(9,608)	38,629
Increase (decrease) in other payables	4,907	(71,881)
Increase in defined benefit liability	1	-
Increase (decrease) in other current liabilities	(40)	1,124
<b>Total changes in operating liabilities</b>	<b>(7,824)</b>	<b>(33,997)</b>
<b>Net changes in operating assets and liabilities</b>	<b>(54,559)</b>	<b>5,389</b>
<b>Total adjustments</b>	<b>178,438</b>	<b>219,190</b>
Cash generated from operations	412,507	485,988
Interest received	4,246	7,760
Interest paid	(1,860)	(2,192)
Income tax paid	(5,216)	(116,829)
<b>Net cash generated from operating activities</b>	<b>409,677</b>	<b>374,727</b>
<b>Cash flows from (used in) investing activities:</b>		
Decrease (increase) in other financial assets— current and non-current	(6)	3,405
Acquisition of property, plant and equipment	(272,527)	(502,002)
Acquisition of intangible assets	(1,890)	(350)
Increase in other non-current assets	(553)	(12,227)
<b>Net cash used in investing activities</b>	<b>(274,976)</b>	<b>(511,174)</b>
<b>Cash flows from (used in) financing activities:</b>		
Repurchase of restricted stock	(555)	(698)
Payment of lease liabilities	(4,339)	(3,770)
<b>Net cash used in financing activities</b>	<b>(4,894)</b>	<b>(4,468)</b>
<b>Effects of exchange rate changes on balance of cash held in foreign currencies</b>	<b>1,114</b>	<b>(276)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>130,921</b>	<b>(141,191)</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>1,340,648</b>	<b>2,048,546</b>
<b>Cash and cash equivalents at the end of year</b>	<b>\$ 1,471,569</b>	<b>1,907,355</b>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
**REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS AS OF  
JUNE 30, 2020 AND 2019**

**LANDMARK OPTOELECTRONICS CORPORATION**

**Notes to the Financial Statements**

**June 30, 2020 and 2019**

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

**(1) Company history**

Landmark Optoelectronics Corporation (the “Company”) was incorporated on June 2, 1997 as a company limited by shares under the laws of the Republic of China (ROC). The Company is primarily engaged in the manufacturing, processing and selling of optical semi-conductors, laser diodes, and high brightness InAlGaP/AlGaInAs.

In response to the government's policy about enterprises consolidating or merging operations, the Company improves its capital structure, reduces its operating cost, and promotes reasonable operation. In accordance with the Business Mergers and Acquisitions Act, the Company merged with “TJ Optoelectronics Corporation” on January 1, 2008, the basis date of the merger which was decided through a special meeting of the shareholders.

The Company's stock was listed as a general stock on the Taipei Exchange on July 22, 2015.

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

The financial statements were authorized for issuance by the Board of the Company on July 29, 2020.

**(3) New standards, amendments and interpretations adopted:**

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020.

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

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

Amendments to IFRS 16 “Covid-19-Related Rent Concessions”

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets certain conditions is a lease modification, rather any changes in lease liability are recognized in profit or loss. The amendments have been endorsed by the FSC in July 2020, earlier application from January 1, 2020 is permitted. Related accounting policy is explained in Note 4(b).

(Continued)

## LANDMARK OPTOELECTRONICS CORPORATION

### Notes to the Financial Statements

The Company has elected to apply the practical expedient for all rent concessions that meet the criteria beginning January 1, 2020, with early adoption. No adjustment was made upon the initial application of the amendments. The amounts recognized in profit or loss for the three and six months ended June 30, 2020 were 386 thousand .

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022
Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IAS 17 “Insurance Contracts”	January 1, 2023

Based on its preliminary assessment, the Company does not believe that its initial adoption of the abovementioned standards or interpretations would have a material impact on its financial position and financial performance.

#### (4) Summary of significant accounting policies

##### (a) Statement of compliance

These 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 financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the financial statements are the same as those in the financial statement for the year ended December 31, 2019. For the related information, please refer to note 4 of the financial statements for the year ended December 31, 2019.

(Continued)

## LANDMARK OPTOELECTRONICS CORPORATION

### Notes to the Financial Statements

#### (b) Leases

As a practical expedient, the Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the covid-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

#### (c) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

#### (d) Income taxes

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

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

For a change in tax rate that is substantively enacted in an interim period, the effect of the change should immediately be recognized in the interim period in which the change occurs.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

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

The preparation of the 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 interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the financial statements for the year ended December 31, 2019. For the related information, please refer to note 5 of the financial statements for the year ended December 31, 2019.

(Continued)

**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

**(6) Explanation of significant accounts**

Except for the following disclosures, there is no significant difference as compared with those disclosed in the financial statements for the year ended December 31, 2019. Please refer to Note 6 of the 2019 annual financial statements.

**(a) Cash and cash equivalents**

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Cash on hand	\$ 348	660	770
Demand and checking deposits	511,117	401,220	431,848
Time deposits	813,642	845,700	1,374,910
Repurchase agreements collateralized by commercial paper	<u>146,462</u>	<u>93,068</u>	<u>99,827</u>
Cash and cash equivalents in the statement of cash flows	<u><u>\$ 1,471,569</u></u>	<u><u>1,340,648</u></u>	<u><u>1,907,355</u></u>

Please refer to note 6(r) for the analysis of exchange rate risk and sensitivity of the financial assets and liabilities.

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

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging—forward exchange contracts	<u>\$ -</u>	<u>-</u>	<u><u>206</u></u>

For the net gain or loss on fair value on financial instruments at FVTPL, please refer to note 6(q).

The Company holds derivative financial instruments to hedge certain foreign exchange risk it is exposed to, arising from its operating activities.

The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss:

	<b>June 30, 2019</b>		
	<b>Contract amount (in thousands)</b>	<b>Currency</b>	<b>Maturity period</b>
Forward exchange sold	<u><u>\$ 620</u></u>	<u>USD</u>	<u>2019.7.8</u>

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(c) **Notes and trade receivables**

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Notes receivable from operating activities	\$ 12,369	-	7,613
Trade receivables — measured as amortized cost	\$ 448,870	431,069	428,157
Less: Loss allowance	<u>(1,407)</u>	<u>(1,407)</u>	<u>(1,407)</u>
	<u><b>\$ 459,832</b></u>	<u><b>429,662</b></u>	<u><b>434,363</b></u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all notes and trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due as well as incorporated forward looking information. The loss allowance provision were determined as follows:

<b>June 30, 2020</b>			
	<b>Gross carry amount of notes and trade receivables</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 378,388	0.02%	75
1 to 90 days past due	81,552	0.12%	98
91 to 180 days past due	128	48.59%	63
More than 181 days past due	<u>1,171</u>	100%	<u>1,171</u>
<b>Total</b>	<u><b>\$ 461,239</b></u>		<u><b>1,407</b></u>

<b>December 31, 2019</b>			
	<b>Gross carry amount of notes and trade receivables</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 298,172	0.11%	327
1 to 90 days past due	131,418	0.82%	1,080
91 to 180 days past due	1,479	0%	-
More than 181 days past due	<u>-</u>	100%	<u>-</u>
<b>Total</b>	<u><b>\$ 431,069</b></u>		<u><b>1,407</b></u>

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

<b>June 30, 2019</b>			
	<b>Gross carry amount of notes and trade receivables</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 328,912	0%~0.10%	327
1 to 90 days past due	106,628	1.01%	1,080
91 to 180 days past due	230	0%	-
More than 181 days past due	-	100%	-
<b>Total</b>	<b>\$ <u>435,770</u></b>		<b><u>1,407</u></b>

The movements in the allowance for notes and trade receivables were as follows:

<b>For the six months ended June 30,</b>		
	<b>2020</b>	<b>2019</b>
Balance at beginning of the year		
(Equal balance at end of the year)	<b>\$ <u>1,407</u></b>	<b><u>1,407</u></b>

The aforementioned notes and trade receivables were not pledged as collateral or restricted in any way.

(d) **Inventories**

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Raw materials and supplies	\$ 136,549	110,324	128,180
Work in progress	14,558	19,897	80,563
Finished goods	54,535	62,306	48,571
	<b>\$ <u>205,642</u></b>	<b><u>192,527</u></b>	<b><u>257,314</u></b>

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**LANDMARK OPTOELECTRONICS CORPORATION**  
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The details of the cost of sales are as follows:

	<b>April to June, 2020</b>	<b>April to June, 2019</b>	<b>January to June, 2020</b>	<b>January to June, 2019</b>
Inventories that have been sold	\$ 276,555	268,474	521,530	510,568
Reversal of write-downs	(41,234)	(6,483)	(24,277)	(361)
Write-off for inventories scrapped	52,002	23,223	52,002	23,223
Revenue from sale of scraps	(4,265)	(983)	(4,787)	(1,488)
	<b><u>\$ 283,058</u></b>	<b><u>284,231</u></b>	<b><u>544,468</u></b>	<b><u>531,942</u></b>

The inventories were not pledged as collateral or restricted in any way.

**(e) Property, plant and equipment**

The movement of cost, accumulated depreciation, and impairment loss on property, plant and equipment were as follows:

	<b>Buildings and improvements</b>	<b>Machinery equipment</b>	<b>Transportation equipment</b>	<b>Electrical equipment</b>	<b>Office and other equipment</b>	<b>Construction in process and testing equipment</b>	<b>Total</b>
<b>Cost or deemed cost:</b>							
Balance at January 1, 2020	\$ 895,682	1,081,257	3,859	15,350	1,400,015	759,238	4,155,401
Additions	-	-	-	-	-	164,191	164,191
Reclassification	-	167,435	-	-	199,488	(363,063)	3,860 (Note 1)
Balance at June 30, 2020	<b><u>\$ 895,682</u></b>	<b><u>1,248,692</u></b>	<b><u>3,859</u></b>	<b><u>15,350</u></b>	<b><u>1,599,503</u></b>	<b><u>560,366</u></b>	<b><u>4,323,452</u></b>
Balance at January 1, 2019	\$ 171,300	1,074,704	3,859	15,350	1,181,408	425,167	2,871,788
Additions	-	-	-	-	348	646,228	646,576
Disposals	-	-	-	-	7,385	-	7,385
Reclassification	-	-	-	-	108,515	(98,075)	10,440 (Note 2)
Balance at June 30, 2019	<b><u>\$ 171,300</u></b>	<b><u>1,074,704</u></b>	<b><u>3,859</u></b>	<b><u>15,350</u></b>	<b><u>1,282,886</u></b>	<b><u>973,320</u></b>	<b><u>3,521,419</u></b>
<b>Accumulated depreciation and impairment loss:</b>							
Balance at January 1, 2020	\$ 31,630	765,635	3,245	6,368	874,281	-	1,681,159
Depreciation	12,474	95,269	322	440	103,580	-	212,085
Balance at June 30, 2020	<b><u>\$ 44,104</u></b>	<b><u>860,904</u></b>	<b><u>3,567</u></b>	<b><u>6,808</u></b>	<b><u>977,861</u></b>	<b><u>-</u></b>	<b><u>1,893,244</u></b>
Balance at January 1, 2019	\$ 23,450	592,196	2,602	5,487	687,373	-	1,311,108
Depreciation	2,413	89,872	322	440	97,960	-	191,007
Disposals	-	-	-	-	7,385	-	7,385
Balance at June 30, 2019	<b><u>\$ 25,863</u></b>	<b><u>682,068</u></b>	<b><u>2,924</u></b>	<b><u>5,927</u></b>	<b><u>777,948</u></b>	<b><u>-</u></b>	<b><u>1,494,730</u></b>

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**LANDMARK OPTOELECTRONICS CORPORATION**  
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	<u>Buildings and improvements</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Electrical equipment</u>	<u>Office and other equipment</u>	<u>Construction in process and testing equipment</u>	<u>Total</u>
<b>Carrying amounts:</b>							
Balance at January 1, 2020	\$ <u>864,052</u>	<u>315,622</u>	<u>614</u>	<u>8,982</u>	<u>525,734</u>	<u>759,238</u>	<u>2,474,242</u>
Balance at June 30, 2020	\$ <u>851,578</u>	<u>387,788</u>	<u>292</u>	<u>8,542</u>	<u>621,642</u>	<u>560,366</u>	<u>2,430,208</u>
Balance at January 1, 2019	\$ <u>147,850</u>	<u>482,508</u>	<u>1,257</u>	<u>9,863</u>	<u>494,035</u>	<u>425,167</u>	<u>1,560,680</u>
Balance at June 30, 2019	\$ <u>145,437</u>	<u>392,636</u>	<u>935</u>	<u>9,423</u>	<u>504,938</u>	<u>973,320</u>	<u>2,026,689</u>

Note 1 : Other non-current assets— prepayment for equipment have been reclassified to testing equipment with \$3,860.

Note 2 : Other non-current assets— prepayment for equipment have been reclassified to testing equipment with \$10,440.

Property, plant and equipment were not pledged as collateral or restricted in any way.

**(f) Right-of-use assets**

The Company leases land and transportation equipment. Information about leases for which the Company as a lessee is presented below:

	<u>Land</u>	<u>Transportation equipment</u>	<u>Total</u>
<b>Cost :</b>			
Balance at January 1, 2020	\$ 325,474	2,106	327,580
Variable lease payments	<u>13,904</u>	<u>-</u>	<u>13,904</u>
Balance at June 30, 2020	\$ <u>339,378</u>	<u>2,106</u>	<u>341,484</u>
Balance at January 1, 2019	\$ -	-	-
Effects of adopting IFRS 16	<u>325,474</u>	<u>2,106</u>	<u>327,580</u>
Balance at June 30, 2019	\$ <u>325,474</u>	<u>2,106</u>	<u>327,580</u>
<b>Accumulated depreciation and impairment loss:</b>			
Balance at January 1, 2020	\$ 8,743	790	9,533
Depreciation	<u>4,563</u>	<u>395</u>	<u>4,958</u>
Balance at June 30, 2020	\$ <u>13,306</u>	<u>1,185</u>	<u>14,491</u>
Balance at January 1, 2019	\$ -	-	-
Depreciation	<u>4,371</u>	<u>395</u>	<u>4,766</u>
Balance at June 30, 2019	\$ <u>4,371</u>	<u>395</u>	<u>4,766</u>
<b>Carrying amounts:</b>			
Balance at January 1, 2020	\$ <u>316,731</u>	<u>1,316</u>	<u>318,047</u>
Balance at June 30, 2020	\$ <u>326,072</u>	<u>921</u>	<u>326,993</u>
Balance at June 30, 2019	\$ <u>321,103</u>	<u>1,711</u>	<u>322,814</u>

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(g) **Intangible assets**

The movement of cost and accumulated amortization for intangible assets were as follows:

	<u>Computer software</u>
Carrying amounts:	
Balance at January 1 , 2020	\$ <u><u>11,238</u></u>
Balance at June 30, 2020	\$ <u><u>11,814</u></u>
Balance at January 1, 2019	\$ <u><u>12,197</u></u>
Balance at June 30, 2019	\$ <u><u>11,709</u></u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the six months ended June 30, 2020 and 2019. Information on amortization for the period is discussed in Note 12. For other relevant information, please refer to note 6(f) of the financial statements for the year ended December 31, 2019.

(h) **Other non-current assets**

	<u>June 30,</u> <u>2020</u>	<u>December</u> <u>31, 2019</u>	<u>June 30,</u> <u>2019</u>
Prepayment for equipment	\$ 553	3,860	19,058
Prepayment for computer software	-	1,170	1,170
Others	<u>2,179</u>	<u>2,284</u>	<u>2,473</u>
Total	\$ <u><u>2,732</u></u>	<u><u>7,314</u></u>	<u><u>22,701</u></u>

The amount under “ others” is the line subsidy expense and the instalment of technology authorization.

(i) **Lease liabilities**

The carrying amounts of lease liabilities were as follows:

	<u>June 30,</u> <u>2020</u>	<u>December</u> <u>31, 2019</u>	<u>June 30,</u> <u>2019</u>
Current	\$ 8,013	7,667	11,925
Non-current financial liabilities	<u>321,567</u>	<u>312,348</u>	<u>398,845</u>
	\$ <u><u>329,580</u></u>	<u><u>320,015</u></u>	<u><u>410,770</u></u>

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

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The amounts recognized in profit or loss were as follows:

	<b>For the three months ended June 30, 2020</b>	<b>For the three months ended June 30, 2019</b>	<b>For the six months ended June 30, 2020</b>	<b>For the six months ended June 30, 2019</b>
Interest on lease liabilities	\$ <u>1,113</u>	<u>1,093</u>	<u>1,860</u>	<u>2,192</u>
Expenses relating to short-term leases	\$ <u>419</u>	<u>664</u>	<u>788</u>	<u>1,213</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>33</u>	<u>31</u>	<u>69</u>	<u>63</u>
Covid-19-related rent concessions	\$ <u>386</u>	<u>-</u>	<u>386</u>	<u>-</u>

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

	<b>For the six months ended June 30, 2020</b>	<b>For the six months ended June 30, 2019</b>
Total cash outflow for leases	\$ <u>6,670</u>	<u>7,238</u>

1. Land leases

The Company leases land for its factory building and office space, which lease terms of twenty years. The leases provide for additional rent payments that are based on changes in government published land value.

The Company judges that the leases includes an option to extend the lease for an additional period of the sam duration after the end of the contract term.

2. Other leases

The Company leases transportation equipment, with lease terms of three years.

The Company also leases staff dormitory, business premises, office and other equipment with contract terms of one to five years. These leases are short-term or leases of low-value items. The

Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(j) **Employee benefits**

1. Defined benefit plan

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, 2019 and 2018.

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

	<b>April to June, 2020</b>	<b>April to June, 2019</b>	<b>January to June, 2020</b>	<b>January to June, 2019</b>
Cost of sales	\$ 52	53	109	107
Selling expenses	6	6	13	13
Research and development expenses	19	20	41	40
	<u>\$ 77</u>	<u>79</u>	<u>163</u>	<u>160</u>

**2. Defined contribution plans**

A summary of pension costs under the defined contribution method is as follows. Payment was made to the Bureau of Labor Insurance.

	<b>April to June, 2020</b>	<b>April to June, 2019</b>	<b>January to June, 2020</b>	<b>January to June, 2019</b>
Cost of sales	\$ 2,445	2,355	4,825	4,659
Selling expenses	148	142	297	271
General and administrative expenses	226	244	492	463
Research and development expenses	296	291	505	573
	<u>\$ 3,115</u>	<u>3,032</u>	<u>6,119</u>	<u>5,966</u>

**(k) Income taxes**

1. The amounts of income tax expense were as follows:

	<b>April to June, 2020</b>	<b>April to June, 2019</b>	<b>January to June 2020</b>	<b>January to June, 2019</b>
Current tax expense				
Current period	\$ 22,722	42,216	47,214	61,977
Adjustment for prior periods	199	28	199	28
Deferred tax expense	-	-	-	-
Income tax expense	<u>\$ 22,921</u>	<u>42,244</u>	<u>47,413</u>	<u>62,005</u>

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

2. The Company's income tax returns for all fiscal years up to 2018 have been examined and approved by the tax authority.

**(l) Share capital and other equity**

As of June 30, 2020, December 31 and June 30, 2019, the authorized common stock of the Company were \$1,500,000, comprising 150,000 thousand shares with a par value of \$10 per share. The issued shares were 90,933 thousand shares, 90,951 thousand shares and 90,951 thousand shares, respectively. All the capitals were fully received.

Except as stated below, there were no material changes in the share capital and other equity during  
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the six months ended June 30, 2020 and 2019. For more information, please refer to note 6(k) of the financial statements for the year ended December 31, 2019.

1. Retirement of common stock

On February 5, 2020, May 21 and January 30, 2019, the Company's board of directors approved a resolution to retire 19 thousand shares, 17 thousand shares and 12 thousand shares of restricted stock, respectively, which are non-vested. The basis date of the decrease in capital were February 12, 2020, May 27 and February 15, 2019, respectively, and the registration procedures have been completed.

2. Capital surplus

The balance of capital surplus at the reporting date were as follows:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Additional paid-in capital	\$ 1,655,366	1,655,366	1,655,366
Restricted stock	86,324	88,193	88,193
Total	<u><u>\$ 1,741,690</u></u>	<u><u>1,743,559</u></u>	<u><u>1,743,559</u></u>

3. Retained earnings

According to the Company's articles of incorporation, 10% of annual earnings must be set aside as legal reserve after offsetting any accumulated deficit. When the balance of such legal reserve reaches an amount equal to the paid-in capital, the appropriation to legal reserve is discontinued. The Company may, under its articles of incorporation or by resolution of the meeting of shareholders, set aside another sum as special reserve. Distribution of the remainder is at the stockholders' discretion.

The appropriations of earnings for 2019 and 2018 were approved by the shareholders' meetings on May 20, 2020 and May 21, 2019, respectively. The relevant dividend distributions to shareholders were as follows:

	<b>2019</b>		<b>2018</b>	
	<u><b>TWD/per share</b></u>	<u><b>Amount</b></u>	<u><b>TWD/per share</b></u>	<u><b>Amount</b></u>
Dividend distributed to common shareholders				
Cash dividends	\$ 4.0	<u><u>363,731</u></u>	5.0	<u><u>454,841</u></u>

There were no differences between the actual amounts of appropriation of earnings for 2019 and 2018 and those approved by the board of directors. The related information can be accessed through the Market Observation Post System.

As of June 30, 2020, December 31 and June 30, 2019, the dividend payables amounted to \$363,731, \$0 and \$454,841, respectively.

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**(m) Share-based payment**

On May 22, 2018, the board of shareholders' meeting approved the issuance of 430 thousand restricted shares of stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with, and approved by, the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On July 30, 2018, the board of directors issued 408 thousand restricted shares. The fair value on the grant date was \$209.42(NT\$) per share.

Those employees with the restricted stock awards are entitled to purchase shares at the price of \$41.08(NT\$) per share, with the condition that these employees continue to provide service to the company for at least 1 year or 2 years (from the grant date). 50% of the restricted stock is vested in year 1 after the grant date, and the remaining 50% is vested in year 2 after the grant date. The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares shall not be sold, pledged, transferred, gifted, or disposed of by any other means to third parties during the custody period. The voting rights of these shareholders are executed by a custodian who will act in accordance with the laws and regulations. If the shares remain unvested after the vesting period, the Company will repurchase all the unvested shares at the issuance price and cancel the shares thereafter.

Details of the restricted stock of the Company are as follows:

(1) Details of number of restricted shares are as follows:

	Unit of share: thousand	
	<b>January to June, 2020</b>	<b>January to June, 2019</b>
Outstanding at January 1	189	396
Retired during the year	(12)	-
Repurchased, not retired during the year	(1)	(17)
Outstanding at June 30	<u><b>176</b></u>	<u><b>379</b></u>

(2) The company used Black-Scholes model in measuring the fair value of the share-based payment at the grant date. The assumptions adopted in this valuation model were as follows:

Current market price (NT\$)	250.50
Exercise price (NT\$)	41.08
Expected life / Exercise period	2 years / 14 days
Expected volatility	53.70%
Risk-free interest rate	0.5539%

For the three months and six months ended June 30, 2020 and 2019, the compensation cost of restricted stock amounted to \$8,854, \$9,612, \$18,013 and \$19,225, respectively, which were recognized as operating cost or operating expenses.

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(n) **Earnings per share**

The basic and diluted earnings per share (expressed in New Taiwan dollars) were calculated as follows:

	Unit of share: thousand			
	<u>April to June, 2020</u>	<u>April to June, 2019</u>	<u>January to June 2020</u>	<u>January to June, 2019</u>
<b>Basic earnings per share:</b>				
Profit attributable to ordinary shareholders of the Company	\$ <u>88,690</u>	<u>125,751</u>	<u>186,656</u>	<u>204,793</u>
Weighted-average number of common shares outstanding	<u>90,756</u>	<u>90,572</u>	<u>90,756</u>	<u>90,572</u>
	<u>\$ <b>0.98</b></u>	<u><b>1.39</b></u>	<u><b>2.06</b></u>	<u><b>2.26</b></u>
<b>Diluted earnings per share:</b>				
Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>88,690</u>	<u>125,751</u>	<u>186,656</u>	<u>204,793</u>
Weighted-average number of common shares outstanding	<u>90,756</u>	<u>90,572</u>	<u>90,756</u>	<u>90,572</u>
Effect of employee stock compensation	72	289	110	367
Effect of restricted stock	<u>137</u>	<u>137</u>	<u>139</u>	<u>149</u>
Weighted-average number of common shares outstanding (diluted)	<u>90,965</u>	<u>90,998</u>	<u>91,005</u>	<u>91,088</u>
	<u>\$ <b>0.97</b></u>	<u><b>1.38</b></u>	<u><b>2.05</b></u>	<u><b>2.25</b></u>

(o) **Revenue from contracts with customers**

1. Disaggregation of revenue

	<u>April to June, 2020</u>	<u>April to June, 2019</u>	<u>January to June, 2020</u>	<u>January to June 2019</u>
Primary geographical markets:				
Mainland China	\$ 270,560	168,168	457,633	367,616
United States	131,522	321,895	255,433	459,058
Taiwan	104,293	60,038	251,415	142,969
Others	<u>26,584</u>	<u>19,668</u>	<u>55,685</u>	<u>46,054</u>
	<u>\$ <b>532,959</b></u>	<u><b>569,769</b></u>	<u><b>1,020,166</b></u>	<u><b>1,015,697</b></u>

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	<u>April to June, 2020</u>	<u>April to June, 2019</u>	<u>January to June, 2020</u>	<u>January to June 2019</u>
Major products:				
Wafer	\$ 526,795	566,965	1,009,487	1,008,394
Others	<u>6,164</u>	<u>2,804</u>	<u>10,679</u>	<u>7,303</u>
	<u><u>\$ 532,959</u></u>	<u><u>569,769</u></u>	<u><u>1,020,166</u></u>	<u><u>1,015,697</u></u>
2. Contract balances				
	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>	
Note and Trade receivables	\$ 461,239	431,069	435,770	
Less: Loss allowance	<u>(1,407)</u>	<u>(1,407)</u>	<u>(1,407)</u>	
	<u><u>\$ 459,832</u></u>	<u><u>429,662</u></u>	<u><u>434,363</u></u>	
Contract liabilities	<u><u>\$ 7,960</u></u>	<u><u>10,734</u></u>	<u><u>3,426</u></u>	

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

The amount of revenue recognized for the three months and six months ended June 30, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$687, \$86, \$9,657 and \$2,986, respectively.

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

**(p) Employees compensation and director's remuneration**

According to the articles of the incorporation, if the Company has profit as a result of the yearly account closing, the Company should distribute 1% to directors as compensation and no less than 8% as employee compensation. When the Company still has an accumulated loss, the Company shall keep the profit for making up an accumulated loss.

For the three months and six months ended June 30, 2020 and 2019, the remuneration to employees amounted to \$9,987, \$14,770, \$20,753 and \$23,456, respectively, and the remuneration of directors amounted to \$1,248, \$1,846, \$2,594 and \$2,932, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the appropriate percentage in compliance with the Company's articles. These expenses were recognized in operating costs and operating expenses for the current period. For any change after the issuance date of the financial statements, the difference shall be accounted for as a change in accounting estimate and recognized in profit or loss in the following year.

For the years ended December 31, 2019 and 2018, the remuneration to employees amounted to \$47,962 and \$77,438, respectively, and the remuneration of directors amounted to \$5,995 and \$9,680, respectively. The remuneration of employees and of directors have no differences between the estimated amounts and the amounts approved by the board of directors. The related information can be accessed through the Market Observation Post System.

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

**(q) Non-operating income and expenses**

1. Interest income

	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
Bank deposits	\$ <u>1,989</u>	<u>3,999</u>	<u>4,246</u>	<u>7,045</u>

2. Other gains and losses

	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
Foreign exchange gains, net	\$ (5,506)	3,255	(643)	6,521
Losses on valuation of financial assets and liabilities by fair value, net	-	(1,211)	510	(1,071)
Others	<u>472</u>	<u>-</u>	<u>1,421</u>	<u>441</u>
	<u>\$ (5,034)</u>	<u>2,044</u>	<u>1,288</u>	<u>5,891</u>

3. Finance costs

	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
Interest on lease liabilities	\$ <u>1,113</u>	<u>1,093</u>	<u>1,860</u>	<u>2,192</u>

**(r) Financial instruments**

Except as stated below, there were no material changes in fair value of financial instruments and financial instruments exposed to credit risk, liquidity risk, and market risk. For more information, please refer to note 6(q) to the financial statements for the year ended December 31, 2019.

1. Credit risk

(1) Credit risk exposure

The maximum exposure to credit risk is mainly from the carrying amount of financial assets.

(2) Concentration of credit risk

As of June 30, 2020, December 31 and June 30, 2019, a few customers of the Company accounted for 62.20%, 60.03% and 64.93%, respectively, of operating revenue, and they were 71.56%, 57.29% and 70.76%, respectively, of trade receivables as of June 30, 2020, December 31 and June 30, 2019. As of the end of the reporting period, the Company did not suffer any significant credit risk losses due to these customers. The Company periodically evaluates customers' financial position and the possibility of recovery of receivables in order to reduce credit risk.

(Continued)

**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

(3) Credit risk exposure of receivables

For credit risk exposure on notes and trade receivables, and the details on loss allowance provision for the six months ended June 30, 2020 and 2019, please refer to note 6(c).

Other financial assets at amortized cost include other receivables and pledged time deposits (classified as other financial assets). The Company did not recognize and reverse any loss allowance provision for the six months ended June 30, 2020 and 2019.

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

2. Liquidity risk

The following were the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
<b>June 30, 2020</b>							
Non-derivative financial liabilities							
Non-interest-bearing liabilities	\$ 674,649	674,649	674,649	-	-	-	-
Lease liabilities	<u>329,580</u>	<u>415,741</u>	<u>6,198</u>	<u>6,198</u>	<u>11,726</u>	<u>34,777</u>	<u>356,842</u>
	<u><b>\$ 1,004,229</b></u>	<u><b>1,090,390</b></u>	<u><b>680,847</b></u>	<u><b>6,198</b></u>	<u><b>11,726</b></u>	<u><b>34,777</b></u>	<u><b>356,842</b></u>
<b>December 31, 2019</b>							
Non-derivative financial liabilities							
Non-interest-bearing liabilities	\$ 423,912	423,912	423,912	-	-	-	-
Lease liabilities	<u>320,015</u>	<u>404,808</u>	<u>5,962</u>	<u>5,962</u>	<u>11,656</u>	<u>33,360</u>	<u>347,868</u>
	<u><b>\$ 743,927</b></u>	<u><b>828,720</b></u>	<u><b>429,874</b></u>	<u><b>5,962</b></u>	<u><b>11,656</b></u>	<u><b>33,360</b></u>	<u><b>347,868</b></u>
<b>June 30, 2019</b>							
Non-derivative financial liabilities							
Non-interest-bearing liabilities	\$ 856,046	856,046	856,046	-	-	-	-
Lease liabilities	<u>323,810</u>	<u>410,770</u>	<u>5,962</u>	<u>5,963</u>	<u>11,925</u>	<u>33,494</u>	<u>353,426</u>
	<u><b>\$ 1,179,856</b></u>	<u><b>1,266,816</b></u>	<u><b>862,008</b></u>	<u><b>5,963</b></u>	<u><b>11,925</b></u>	<u><b>33,494</b></u>	<u><b>353,426</b></u>

The Company does not expect that the cash flows could occur significantly earlier or at significantly different amounts.

(Continued)

**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

3. Market risk

(1) Exposure to foreign currency risk

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

Unit of foreign currency: thousand

	June 30, 2020			December 31, 2019			June 30, 2019			
	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount	
<u>Financial assets</u>										
<u>Monetary items</u>										
USD	\$	14,904	29.63	441,600	16,495	29.980	494,507	12,729	31.06	395,369
CNY		2,581	4.191	10,817	764	4.305	3,291	3,948	4.521	17,847
<u>Non-Monetary</u>										
<u>items</u>										
USD	-	-	-	-	-	-	-	620	31.06	19,257
<u>Financial liabilities</u>										
<u>Monetary items</u>										
USD		1,585	29.63	46,958	1,899	29.98	56,925	1,963	30.82	60,971
JPY		1,318	0.2751	363	3,778	0.2760	1,043	5,366	0.2886	1,549

Exchange gains or losses (including realized and unrealized) that resulted from monetary items translated to the functional currency were as follows:

	<b>April to June, 2020</b>	<b>April to June, 2019</b>	<b>January to June, 2020</b>	<b>January to June, 2019</b>
	<b>Exchange gain (loss)</b>	<b>Exchange gain (loss)</b>	<b>Exchange gain (loss)</b>	<b>Exchange gain (loss)</b>
USD	\$ (5,317)	3,620	(338)	6,532
CNY	(174)	(230)	(278)	(87)
Others	(15)	(135)	(27)	76
	<u><u>\$ (5,506)</u></u>	<u><u>3,255</u></u>	<u><u>(643)</u></u>	<u><u>6,521</u></u>

(2) Sensitivity analysis

The foreign currency risk was mainly incurred from the translation of cash and cash equivalents, trade receivables, trade payables, and other payables. If the exchange rate of the TWD versus the USD, CNY and JPY had increased or decreased by 3%, given no changes in other factors, profit after tax would have increased or decreased by \$9,722 and \$8,417 for the six months ended June 30, 2020 and 2019, respectively.

(Continued)

**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

4. Fair value information

(1) Fair value and carrying amounts

The carrying amount and fair value of the Company'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 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, 2020				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
<b>Financial assets measured at amortized cost</b>						
Cash and cash equivalents	\$ 1,471,569	-	-	-	-	-
Notes and trade receivables	459,832	-	-	-	-	-
Other financial assets — current and non-current	15,221	-	-	-	-	-
Total	<u>\$ 1,946,622</u>					
<b>Financial liabilities measured at amortized cost</b>						
Payables	674,649	-	-	-	-	-
Lease liabilities	329,580	-	-	-	-	-
	<u>\$ 1,004,229</u>					
		December 31, 2019				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
<b>Financial assets measured at amortized cost</b>						
Cash and cash equivalents	\$ 1,340,648	-	-	-	-	-
Trade receivables	429,662	-	-	-	-	-
Other financial assets — current and non-current	15,215	-	-	-	-	-
Total	<u>\$ 1,785,525</u>					
<b>Financial liabilities measured at amortized cost</b>						
Payables	\$ 423,912	-	-	-	-	-
Lease liabilities	320,015	-	-	-	-	-
	<u>\$ 743,927</u>	-	-	-	-	-
		June 30, 2019				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>						
Derivative financial assets	<u>\$ 206</u>	-	206	-	-	206
<b>Financial assets measured at amortized cost</b>						
Cash and cash equivalents	\$ 1,907,355	-	-	-	-	-
Notes and trade receivables	434,363	-	-	-	-	-
Other financial assets — current and non-current	18,311	-	-	-	-	-
Total	<u>\$ 2,360,029</u>					
<b>Financial liabilities measured at amortized cost</b>						
Payables	\$ 856,046	-	-	-	-	-
Lease liabilities	323,810	-	-	-	-	-
	<u>\$ 1,179,856</u>	-	-	-	-	-

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## LANDMARK OPTOELECTRONICS CORPORATION

### Notes to the Financial Statements

The table above analyzes financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

There was no reclassification of levels during the six months ended June 30, 2020 and 2019.

#### (2) Valuation techniques for financial instruments measured at fair value

Measurement of the fair value of derivative financial instruments is based on the valuation techniques widely accepted by market participants such as the discounted cash flow model. The fair value of forward currency contracts is usually determined the forward currency exchange rate.

#### (s) Financial risk management

The financial risk management goals, policies and procedures were consistent with those stated in the note 6(r) of the financial statements for the year ended December 31, 2019.

#### (t) Capital management

The Company's goal of capital management is to maintain adequate capital to meet the need for expansion and productivity improvement and to ensure the Company has sufficient financial resources to cope with future needs for operating funds, capital expenditures, research and development expenditures, dividend expenses, and other operating requirements. Capital includes the Company's capital stock, capital surplus, and retained earnings.

The Company's debt-to-equity ratios were as follows:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Total liabilities	\$ 1,063,715	764,029	1,250,253
Less: cash and cash equivalents	(1,471,569)	(1,340,648)	(1,907,355)
Net debt	<u>\$ (407,854)</u>	<u>(576,619)</u>	<u>(657,102)</u>
Total equity	<u>\$ 3,907,072</u>	<u>4,066,471</u>	<u>3,802,101</u>
Debt-to-equity ratio	<u>(10.44)%</u>	<u>(14.18)%</u>	<u>(17.28)%</u>

As of June 30, 2020 and 2019, the Company's capital management strategy was consistent with the prior year. The change in debt-to-capital ratio was mainly due to the increasing in dividend payables and the payment of the expansion of factory buildings.

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

**(u) Investing and financing activities not affecting current cash flow**

The Company acquired right-of-use assets by leases in the six months ended June 30, 2020 and 2019, please refer to note 6(f).

Reconciliation of liabilities arising from financing activities were as follows:

	<u><b>June 30, 2020</b></u> <u><b>Lease liabilities</b></u>
January 1, 2020	\$ 320,015
Cash flows	
Payment of lease liabilities	(4,339)
Non-cash changes	
Variable lease payments	<u>13,904</u>
June 30, 2020	<u><u><b>\$ 329,580</b></u></u>
	<u><b>June 30, 2019</b></u> <u><b>Lease liabilities</b></u>
January 1, 2019	\$ -
Cash flows	
Payment of lease liabilities	(3,770)
Non-cash changes	
Effects of adopting IFRS 16	<u>327,580</u>
June 30, 2019	<u><u><b>\$ 323,810</b></u></u>

**(7) Related-parties transactions:**

Key management personnel compensation comprised:

	<u><b>April to</b></u> <u><b>June, 2020</b></u>	<u><b>April to</b></u> <u><b>June, 2019</b></u>	<u><b>January to</b></u> <u><b>June, 2020</b></u>	<u><b>January to</b></u> <u><b>June, 2019</b></u>
Short-term employee benefits	\$ 7,554	9,051	15,423	16,438
Post-employment benefits	107	105	215	210
Share-based payments	<u>1,676</u>	<u>1,676</u>	<u>3,351</u>	<u>3,351</u>
	<u><u><b>\$ 9,337</b></u></u>	<u><u><b>10,832</b></u></u>	<u><u><b>18,989</b></u></u>	<u><u><b>19,999</b></u></u>

Please refer to note 6(m) for details about the Share-based payment.

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Other financial assets— current and non-current (restricted bank deposits)	Post-release duty payment of import cargo, Southern Taiwan Science Park's lease and notional forward exchange deposits	<u>\$ 14,562</u>	<u>14,556</u>	<u>15,006</u>

**(9) Significant Commitments and contingencies:**

The Company signed contracts with domestic and foreign vendors for purchasing property, plant and equipment. As of June 30, 2020, December 31 and June 30, 2019, the contracts amounted to \$692,402, \$881,757 and \$1,613,756, respectively, and the unpaid payment were \$142,635, \$136,524 and \$639,920, respectively.

**(10) Losses Due to Major Disasters: None.**

**(11) Significant Subsequent Events:**

The stockholders' meeting of the Company approved the issuance of 450,000 restricted shares of stock to those full-time employees who meet the Company's requirements. The issuance of restricted stock had already been approved by the Securities and Futures Bureau of FSC on June 24, 2020. On July 29, 2020, the Company's board of directors approved fully issued the restricted stock to employees and the basis date of the increase in capital to be August 25, 2020.

**(12) Other:**

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

<b>By function</b>	<b>April to June, 2020</b>			<b>April to June, 2019</b>		
<b>By item</b>	<b>Classified as cost of sales</b>	<b>Classified as operating expenses</b>	<b>Total</b>	<b>Classified as cost of sales</b>	<b>Classified as operating expenses</b>	<b>Total</b>
Employee benefits						
Salary	57,129	26,900	84,029	58,025	30,488	88,513
Labor and health insurance	4,412	1,258	5,670	4,383	1,775	6,158
Pension	2,497	695	3,192	2,408	703	3,111
Remuneration of directors	-	1,733	1,733	-	2,646	2,646
Others	1,970	1,481	3,451	1,953	1,081	3,034
Depreciation	97,147	13,487	110,634	87,568	11,068	98,636
Amortization	52	1,313	1,365	356	1,019	1,375

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

By function  By item	January to June, 2020			January to June, 2019		
	Classified as cost of sales	Classified as operating expenses	Total	Classified as cost of sales	Classified as operating expenses	Total
Employee benefits						
Salary	114,934	55,565	170,499	112,424	56,477	168,901
Labor and health insurance	8,683	3,138	11,821	8,675	2,958	11,633
Pension	4,934	1,348	6,282	4,766	1,360	6,126
Remuneration of directors	-	3,479	3,479	-	4,482	4,482
Others	4,425	2,993	7,418	4,298	1,987	6,285
Depreciation	189,781	27,262	217,043	171,851	23,922	195,773
Amortization	105	2,484	2,589	761	2,038	2,799

(b) Seasonality of operations

The Company were not affected seasonality or cyclicity factors.

**(13) Other disclosures:**

(a) Information on significant transactions

The following is the information on significant transactions required by “the Regulations” for the Company:

1. Lending to other parties: None.
2. Guarantees and endorsements for other parties: None.
3. Information regarding securities held at reporting date (excluding investments in subsidiaries, associates, and joint ventures): None.
4. Information regarding purchase or sale of securities for the period exceeding NT\$300 million or 20% of the company's paid-in capital: None.
5. Information on the acquisition of real estate with purchase amount exceeding NT\$300 million or 20% of the company's paid-in capital:

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	The electromechanical clean room	2018.12.13	\$ 367,000	Based on the construction progress	MARKETECH INTERNATIONAL CORP.	Third party	-	-	-	-	Market price	Demand of capacity	None

6. Information regarding disposal of real estate exceeding NT\$300 million or 20% of the company's paid-in capital: None.
7. Information regarding related-parties purchases and sales exceeding NT\$100 million or 20% of the company's paid-in capital: None.

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**LANDMARK OPTOELECTRONICS CORPORATION**  
**Notes to the Financial Statements**

8. Information regarding receivables from related-parties exceeding NT\$100 million or 20% of the company's paid-in capital: None.

9. Information regarding trading in derivative financial instruments:

The Company holds derivative financial instruments to hedge the certain foreign exchange risk the Company is exposed to, arising from its operating activities. As of June 30, 2020, the derivative instruments, without the application of hedge accounting, were settled. For the net gain or loss on fair value of financial instruments at FVTPL, please refer to note 6(q).

10. Business relationships and significant intercompany transactions: None.

(b) Information on investees: None.

(c) Information on investment in Mainland China: None.

(d) Major shareholders :

<u>Customer</u>	<u>Shares</u>	<u>Percentage</u>
Huasheng International Investment Co., Ltd.	7,299,640	8.02 %
Cathay Life Insurance Co., Ltd.	7,084,085	7.79 %
Hermes Investment Company Emerging Markets Equity Fund entrusted to Taiwan Bank	5,133,200	5.64 %

Note1 : The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

Note2 : If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

**(14) Segment information**

The Company has one reportable segment and is mainly engaged in single-product manufacturing and selling of wafers. Financial segment information is consistent with the above financial information for the Company as a whole. The accounting policies of the operating segment are the same as those described in note 4.