Stock Code：6112

2020 Annual Report

聚碩科技股份有限公司

SYSAGE TECHNOLOGY CO., LTD.

Printed on March 30, 2021

Annual Report is available at：

Taiwan Stock Exchange Market Observation Post System：http://mops.twse.com.tw

The website of the company：http://www.sysage.com.tw

1. Spokesperson & Deputy Spokesperson

Name of the Spokesperson: TK Young

Title of the Spokesperson: Chief Operating Officer

Name of the Deputy Spokesperson: Mavis Lin

Title of the Deputy Spokesperson: Chief Financial Officer

Tel: (02)8797-8260

E-mail:public@sysage.com.tw

2. Location & Phone of Headquarters & Branches:

Unit	Address	Phone
Headquarters	10F., No. 516, Sec. 1, Neihu Rd., Taipei City	02-8797-8260
Hsinchu Office	9F.-A, No. 1, Sec. 3, Gongdao 5th Rd., East Dist., Hsinchu City	03-543-7168
Taichung Office	13F.-B1, No. 51, Sec. 2, Gongyi Rd., Nantun Dist., Taichung City	04-2327-1151
Kaohsiung Office	8F., No. 6, Bo'ai 4th Rd., Zuoying Dist., Kaohsiung City	07-550-5820

3. Stock Transfer Agency:

Name: Securities Registrar Department of SinoPac Securities

Address: 3F., No. 17, Bo'ai Rd., Taipei City

Tel: (02)2381-6288

Website: http://www.sinotrade.com.tw

4. Contact Information of the Certified Public Accountants for the Latest Financial Report:

Name: HUNG-WEN FU、MEI-PING Wu

CPA Firm: KPMG Peat Marwick

Address: Taipei 101 Tower, 68F, No.7, Sec. 5, Xinyi Road, Taipei City 110615

Tel: (02) 8101-6666

Website: http://www.kpmg.com.tw

5. Overseas Trade Places and Related Information for Listed Negotiable Securities: None.

6. Corporate Website: http://www.sysage.com.tw

I. Letter to Shareholders

Greetings to all of our Valued Shareholders, customers, employees and all friends:

With much efforts of the company's management team and all colleagues, we have adopted a stable and business strategy. In addition to further understanding of market trends and requirements, we focus on cultivating various product lines and enhancing technical services to increase added values, creating considerable results.

The result of our operating performance in 2020, business plan for 2021, are illustrated as follows:

A. Operating performance in 2020

(A) Implementation of results of business plans

The company serves as a distributor of international famous brands of software and hardware products of network communication, and provides integrated solutions of information and communication, such as cloud, network, big data, mobile applications, etc., to users of enterprises.

As for operating conditions in 2020, the company’s total consolidated revenue stood at NT$ 13.513 billion, compared to the preceding year, 10% in year-over-year growth. Consolidated income from operations was NT$ 0.65 billion, a 39% year-over-year growth. Income before income tax and net income attributable to shareholders of the parent was NT$ 0.73 and NT$ 0.55 billion, compared to the preceding year, 41% and 45% in year-over-year growth. Basic earnings per share was NT$2.91, compared to NT$2.58 in the preceding year.

(B) Budget implementation: Not applicable. The company has not announced 2020 financial forecast to the public.

(C) Financial status and profitability analysis

1. Financial Status：

As for the consolidated financial statements in 2020, the company’s cash provided by operating activities was NT$ 0.605 billion, and cash used in investing activities was NT$ 0.274 billion, cash used in financing activities was NT$ 0.296 billion, as well as cash and cash equivalents increase NT$ 0.035 billion during the period. Cash and cash equivalent at the end period were NT$ 0.731 billion.

2. Profitability analysis：

As for the consolidated financial statements in 2020, the company’s ratio of return on total assets, ratio of return on shareholders’ equity, ratio of profit before income tax to capital stock, and profit ratio were 7.29%, 12.59%, 38.76% and 4.26%, respectively.

(D) Research and the development status：

The company serves as a distributor of global leading brands of software and hardware products in the information industry. Thus, the company shall increase technical capabilities at times, in order to provide professional services for customers. The company's technical professionals focus on researching new various products, and acquire manufacturers’ professional certificates, in order to provide completed services for customers in the short run.

B. Business plan for 2021

(A) Business objectives

The company serves as a distributer for global leading brands of software and hardware products of network and system, upholds the concept of the integrated marketing of "brands channels; value-added services", and provides customers with integration of information and communication in different fields, through cooperation with partners in Taiwan. In addition to continuing to exploit the market in Taiwan and provide customers with more diversified solutions, the company will gradually expand its business to overseas markets. In addition to replicating the successful experience in Taiwan for overseas markets, we also hope to enhance the company as a regional value-added service distributor, and obtain more cooperation opportunities with global leading brands and enhance the cooperative relationship with the original distributing brands. In 2021, the company plans to merge Advanced TEK International Corp., which specializes in providing import and maintenance services of ERP, and Corex in South Africa, which also serves as distributor of products of information and communication, shall help increase the breadth and depth of services as striving for a goal.

(B) Sales forecast and its reference and important policy of production and sales:

1. The company mainly distributes software and hardware products of network and system, most are project sales and value-added services. As for large product differentiation and higher differences among unit prices, the sales forecast of each product is difficult to predict. Otherwise, since requirements of software and hardware products of information and communication has been increased, the company predicts 2021 sales forecast will be increased compared to 2020’s.
2. The operating strategy and business development focus on consolidation and enhancing “brands channel; value-added services”: To consider development of traditional distributing business and cloud business, we promote products in 6 divisions of products, such as network, system, information security, application software, database, and cloud, etc., maintain a good interaction with important customers, and maximize the effectiveness of distributing products. As products are diversified and complete, it will assist digital transformation for partners.
3. Continuing to develop the next stage of SYSAGE information software platform of cloud services, and incorporate more product lines into the platform, the company expects to expand the product lines of Microsoft Azure, Citrix, Cisco Webex and AWS, etc., in 2021.

C. Development strategy of the company in the future

(A) To increase the original distributing product line, and continue to introduce new products with added-value and synergy: The company serves as a distributor for more than 40 global leading IT brand products, so the customers shall have thorough understanding with all requirements regarding with software and hardware of network and system. Based on the forementioned, the company not only continues to satisfy the requirements of customers with existing distributing products, but introduces new products to enhance the company's business in response to market requirements.

(B) Integration with group resources, expanding product lines and developing new customers: Resources of Qisda shall help company expand present product lines, develop new product lines, carry out diversified business investment plans, and jointly develop opportunities of potential group customers to enhance the company increases its operating revenues, profits, and shareholders' equity.

(C) To improve demonstration with equipment, display environment, and increase innovation of technical services: Except for continuing to increase innovation and services in the scope of business and technical services, and having sufficient support of technical logistics, we provide excellent exercises and demonstration with equipment. Since our operating sites include 4 sites, in Taipei, Hsinchu, Taichung, and Kaohsiung, and Demo environments across the island country, it could immediately provide the best market coverage, technical support, education and training, as well as new equipment and solutions of exercises and demonstration with equipment to manufacturers and partners, hence we increase gross profit margin through the increase in the ratio of services revenue.

(D) To enhance internal management, expand and improve development of our organization: To make organizational adjustments, introduce the concept and structure of the different level of authorization, and set up business centers, product centers, and operation centers, to conduct product sales, purchases and reviews, and implement the policy of the different level of authorization, we make the rank and level of employees be correspondent to salaries, and increase operational performance, through the introduction of BPM, KPI, etc. In additions, we recruit new employees and talents to join our teams, trains middle and high-level supervisors, enhance skills of leadership, and the transferring of corporate knowledge.

D. The impact of the external competitive environment, regulatory environment, and macroeconomic conditions

As the pandemic hits the world in 2020, it encourages enterprises to pay attension on relevant basic infrastructure, and sense importance of qickly implementing digital transformation, with a positve effect on the company's operation. However, since macroeconomics became unstable due to the pandemic, enterprises adopt a conservative attitude in all expenditures, and it triggers challenges to the company that put much effort in increasing business and we hope to expand business more rapidly, as the pandemic becoming endemic and economics becoming stable.

While the industry of information and communication booms and brings various business opportunities, possible malpractices may be occurred as competing for business. For example, the industry outbreaks the case of fraud between sales of manufacturers and third-parties vendors to swindle bonuses by making a fake business requirements, and rebates on products provided by manufacturers. Since it indicates importance of legal compliance in business operations, the company, acting as a distrbutor authorized by the manufacturers, continues to increase requirements of legal compliance with us. In the light of this, the company hired Mr. TK Young, the former Chief Legal Officer of Qisda Corporation, as our Chief Operating Officer. With his legal expertise and years of experiences in legal affairs, he shall consider regulations of laws and requirements of manufacturers, and continue to adjust the company's each policy for ehancing capabilities of law compaliance, in order to make the company become the most excellent partenr for global leading brands of information and communication.

We offer our sincerest thanks for shareholders' trust and all employees' effort. During a new year, the company and its subsidiaries shall continue to strive for the increase in operating performance, list earing profits as our important mission, and focus on becoming a professional suppliers of professional application services of information and communication of the ICT solution provider. We hope to strive for greatest motive behind progress and seek for the best interest of the shareholders. Finally, we offer our sincerest thanks for shareholders' support and sincerely hope you feedbacks.

Sincerely yours,

Chairman: Michael Lee

President: Michael Lee

II. Company Profile

1. Date of Establishment: April 16, 1998

2. Company History

1998/04	Company established at Hsinchu, with a capital of NT$34,300,000, authorized by Ministry of Economics Affairs, ROC.
1998/05	Acquisition of distribution rights of network product of Cisco US.
1998/07	Establishing the Taipei office.
1999/01	Establishing the Kaohsiung office.
1999/01	Acquisition of distributing rights of products of the work station of Dell.
1999/09	Acquisition of distributing rights of products(Oracle) of data base of the US company.
2000/12	Acquisition of distributing rights of work station products and servers of IBM.
2001/08	Officially listed at OTC(stock code:6112).
2002/06	To purchase the office building at 8-11 Floor, No. 512, 514 and 516, Sec. 1, Neihu Rd., Neihu Dist., for integrated requirements of marketing, research and development, test and warehouse.
2003/07	Acquisition of exclusive distributing rights of the access platform of enterprise information application of Citrix.
2003/08	Officially listed at TWSE, from OTC.
2007/04	To officially become OAEC.
2007/08	Acquisition of the distributing right of EMC in Taiwan.
2008/08	Acquisition of the distributing right of IBM Cognos.
2008/12	Acquisition of the distributing right of HDS.
2009/02	Acquisition of the distributing right of Informatica.
2009/03	Acquisition of the distributing right of Novell.
2009/10	Acquisition of the distributing right of Falconstor in Taiwan.
2010/07	Acquisition of the distributing right of VMware in Taiwan.
2013/01	Acquisition of the distributing right of SafeNet in Taiwan.
2013/07	Acquisition of the distributing right of Red Hat in Taiwan.
2013/11	Acquisition of the distributing right of Quantum in Taiwan.
2014/03	Formally distributing the audit system of security control of CPS Systems.
2015/01	Formally distributing products of Eaton.
2016/01	To become an enterprise partner authorized by Apple.
2016/02	To become an authorized partner of the manufacturer(SAP)of the global corporate management.
2016/05	To become an authorized partner of the manufacturer(STULZ) of conditioning of the data center in German.
2017/04	To become a member of DIGI-CLOUD Alliance of Dell.
2018/05	Acquisition of the distributing right of Akamai in Taiwan.
2019/09	Merged into Qisda Group.
2020/01	Acquisition of the distributing right of apigee.
2020/02	Acquisition of the distributing right of SecurityScorecard.
2020/03	Acquisition of the distributing right of datto.

2020/05 Acquisition of the distributing right of UiPath.

2020/06 Acquisition of the distributing right of Hubspot.

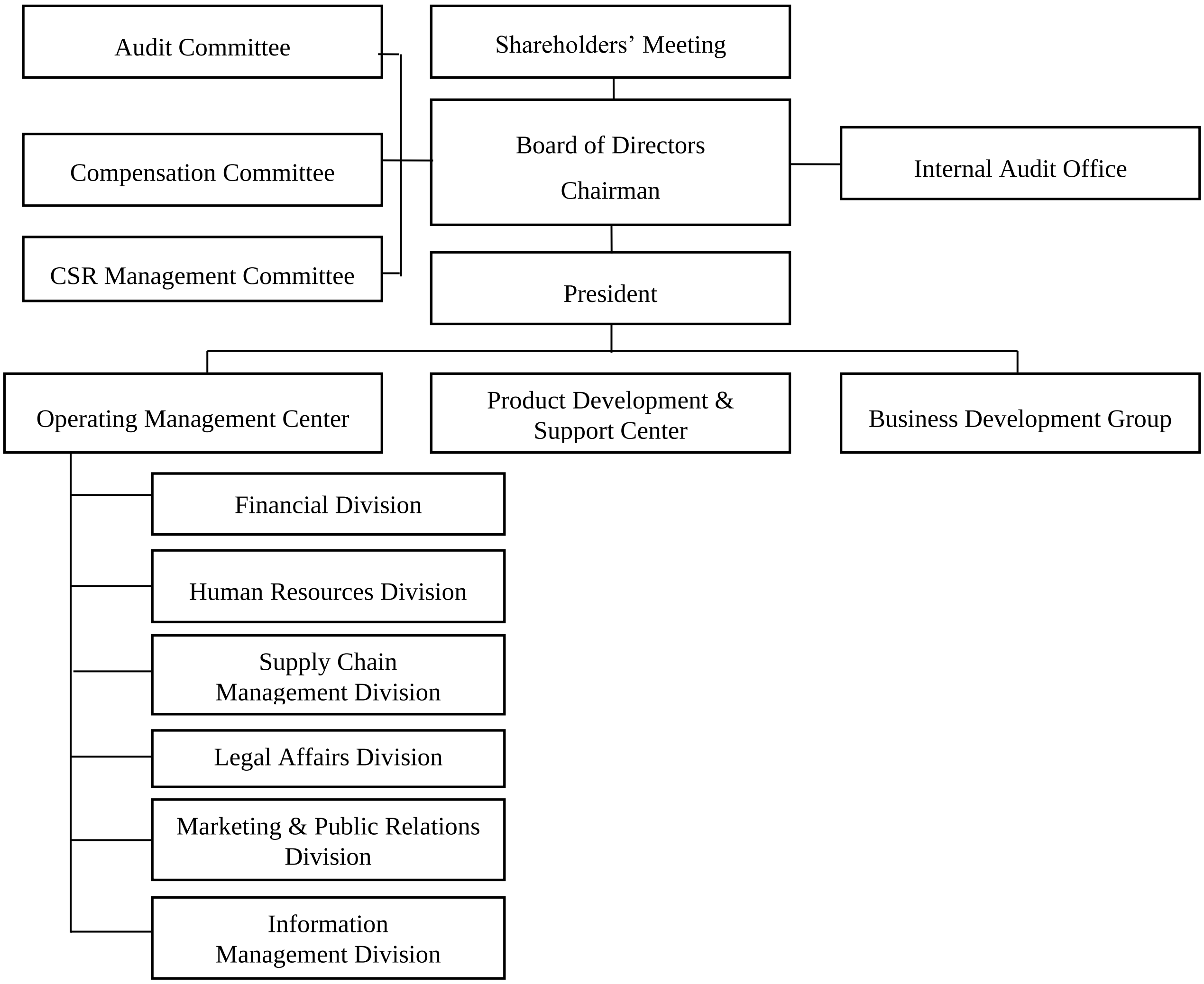
2020/10 Acquisition of the distributing right of SYNERGIES.

2021/03 QISDA CORPORATION purchased additional 16.37% outstanding shares of the company, aggregately holding 51.41% of the shares of the company.

III. Corporate Governance

A. Organization

(A)Organizational Structure



(B) Business Scope for Main Departments

Departments and Units	Functions and Responsibilities
Business Development Group	Responsible for sales management and promotion of network, computing, tools, cloud products and other products, etc.
Product Development & Support Center	1. To Evaluate the feasibility of introducing distribution of network, computing, tools, and cloud products. 2. To provide products planning and integrate software and hardware to propose overall solutions. 3. To provide professional and faster technical services, such as, customer networks, systems and storage equipment, and provide professional services of on-site services for customers to choose, and integrated technical support and after-sale services of cross-platform of hardware and software.
Internal Audit Office	To set the annual plan and execution of audit and implementation, improvement, follow-up survey of the internal control policy.
Operating Management Center	To manage all operating related matters and supervise financial division, legal affairs division, human resources division, information management division, supply chain management division, marketing & public relations division, etc.
Financial Division	1. Accounting policies, conducting, analysis and planning of accounting and tax. 2. Acquisition, utilization and arranging financial funds and other related matters, etc. 3. Application of various financial statement data for providing business directions. 4. Stock affairs, tax planning and other related businesses, etc.
Human Resources Division	Responsible for the company's personnel appointments, salaries, education and training, and employee benefits.
Supply Chain Management Division	1. The responsible working includes Purchasing (including import and export), inspection and acceptance. 2. Related operations include purchasing and sales management, warehouse management for inventory.
Legal Affairs Division	1. Drafting of contracts, trial and negotiation. 2. Legal compliance with international operations. 3. Management and execution of non-litigation/litigation cases. 4. Legal aspects of layout of strategies of international business cooperation. 5. Drafting the standard contract template and developing SOP for the company.
Marketing & Public Relations Division	Responsible for marketing of all the company’s products, Plan and promote the business of all product lines. At the same time, the division is also responsible for negotiating cooperation plans with media, providing press releases and events information, filing lists, holding and executing relevant issues of seminars.
Information Management Division	1. Development and maintenance of the company's internal information system. 2. To plan and establish enterprise network, and to protect network securities, etc. 3. Design and analysis of internal business intelligence system of the enterprise. 4. To assess and improve the current system and to develop structure design of the application system in the future.

B. Directors, Supervisors and Management Team

(A)Directors and Supervisors (1)

March 30, 2021；Units: Shares

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in the names of other persons		Selected Education, Past Positions & Current Positions at Non-profit Organizations	Selected Current Positions at Sysage and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman& President (Note)	ROC	QISDA CORP.	-	2019. 9.26	3	2019. 9.26	66,000,000	35.04%	96,841,239	51.41%	-	-	-	-	PHD of Department of Electrical Engineering of NTU, The president of Smart Solution Business Group of Qisda Corporation, The president of PARTNER TECH CORP., COO of DFI Inc.	The Chairman AEWIN Technologies Co., Ltd ACE PILLAR CO., LTD. BENQ ESCO CORP. BENQ GURU CORP. BenQ Guru Software Co., Ltd(Suzhou). LA FRESH INFORMATION CO., LTD. Deputy Chairman DFI INC. PARTNER TECH CORP. Director APLEX TECHNOLOGY INC. Expert Alliance Systems and Consultancy (Hong Kong) Limited (EASC) Expert Alliance Smart Technology Co. Ltd. Partner Tech Europe GmbH BenQ Guru Holding Limited Vice President QISDA COPORATION	-	-	-
		Representative : Michael Lee	Male				-	-	-	-	-	-	-	-					

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in the names of other persons		Selected Education, Past Positions & Current Positions at Non-profit Organizations	Selected Current Positions at Sysage and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	ROC	QISDA CORPORATION	-	2019. 9.26	3	2019. 9.26	66,000,000	35.04%	96,841,239	51.41%	-	-	-	-					
		Representative : Shu-Erh Kuo	Female				2,616,127	1.39%	116,127	0.06%	171,425	0.09%			Master of Economics, University of Nottingham, Salesman of Kinmen information CO., LTD.	Chairman GLOBAL INTELLIGENCE NETWORK CO., LTD. Director EPIC CLOUD CO., LTD.	EPIC CLOUD Director	Chien-Cheng, Shih	Spouse

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in the names of other persons		Selected Education, Past Positions & Current Positions at Non-profit Organizations	Selected Current Positions at Sysage and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	ROC	QISDA CORP.	-	2019.9.26	3	2019.9.26	66,000,000	35.04%	96,841,239	51.41%	-	-	-	-	Master of Financial Management, California State University, CFO of Daxon Technology Inc.	Chairman Darly Venture Inc. Director, Darly2 Venture, lnc. Director, Darly Consulting Corporation. BENQ CORPORATION Director DARFON ELECTRONICS CORP. DATA IMAGE CORPORATION K2 INTERNATIONAL MEDICAL INC. BenQ Biotech (Shanghai) Co., Ltd BenQ Healthcare Consulting Corporation Qisda (L) Corp. Qisda (Hong Kong) Limited Qisda Sdn. Bhd. BenQ (Hong Kong) Limited BenQ BM Holding Cayman Corp. BenQ BM Holding Corp. Darly Venture (L) Ltd NANJING BenQ Hospital Co., Ltd Suzhou BenQ Hospital Co., Ltd. BenQ Hospital Management Consulting (Nanjing) Co., LTD. Suzhou BenQ Investment Co., Ltd. Qisda Co., Ltd BENQ CORPORATION ALPHA NETWORKS INC. SIMULA TECHNOLOGY INC. TECH FILTER (Shanghai) CO., LTD. Supervisor BenQ (Shanghai)Limited QISDA OPTRONICS CORP. Nanjing Silvertown Health & Development Co.,Ltd.	-	-	-
		Representative: Chiu-Chin Hung	Female				-	-	-	-	-	-	-	-					

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in the names of other persons		Selected Education, Past Positions & Current Positions at Non-profit Organizations	Selected Current Positions at Sysage and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	ROC	QISDA CORP.	-	2019. 9.26	3	2019. 9.26	66,000,000	35.04%	96,841,239	51.41%	-	-	-	-	EMBAB of NTU, Senior Management & Practices Courses of Elite MBA Program, NTU, Department of International Business, Department of International Business, Executive Specialist of Qisda Corporation, Senior director of REMARKABLE TEC. CO., LTD., Senior director of Foreign Marketing Department of SAMPO CORPORATION	Chairman Yan Tong Technology Ltd. DFI AMERICA, LLC. DFI CO., Ltd Diamond Flower Information (NL) B.V. Directors DFI INC. AEWIN TECHNOLOGIES CO., LTD. ACE PILLAR CO., LTD. President DFI INC.	-	-	-
		Representative : Chi-Nan Tsai	Male				-	-	-	-	-	-	-	-					
Director	ROC	QISDA CORP.	-	2019. 9.26	3	2019. 9.26	66,000,000	35.04%	96,841,239	51.41%	-	-	-	-	Master of Department of Mechanical Engineering of NTU, Senior Director of creative Strategic Planning of Qisda Corporation	Directors BENQ GURU CORP. BenQ Guru Software Co., Ltd. (Suzhou). BenQ Guru Holding Limited President BENQ GURU CORP.	-	-	-
		Representative : Wen-Hsing Tseng	Male				-	-	-	-	-	-	-	-					
Independent Director	ROC	Wen-Tsung Wang	Male	2019. 9.26	3	2019. 9.26	-	-	-	-	11,903	0.01%	-	-	Department of Accounting, Feng Chia University, CPA of Hui-Min Accounting Firm	CPA of Biing-Cherng CPAs Director Tia-Nai Art Center Co., Ltd. Independent dorectpr COREMAX CORPORATION Supervisors EMAX TECH CO., LTD.	-	-	-
Independent Director	ROC	Chin-Lai Wang	Male	2019. 9.26	3	2019. 9.26	-	-	-	-	-	-	-	-	PHD of Business Administration, NCCU, MD of Ernst & Young Global Limited, Chairman of EY Management Services Inc.	Chairman NCKU Venture Capital Co., Ltd. Director GenomeFrontier Therapeutics, INC. Independent director LANDMARK OPTOELECTRONICS CORPORATION PCL Technologies, Inc. TATUNG CO.	-	-	-

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in the names of other persons		Selected Education, Past Positions & Current Positions at Non-profit Organizations	Selected Current Positions at Sysage and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	ROC	Shan-Kuei Lai	Male	2019.9.26	3	2019.9.26	-	-	-	-	-	-	-	-	PHD, Business Administration, NTPU, Master of MBA of Indiana University of Pennsylvania, Chairman of TOPCO SCIENTIFIC CO., LTD., President of ICSB, Chairman of CSBC CORPORATION, TAIWAN, Director of SMEA, MOEA, Deputy of director, Department of Commerce, MOEA	Director TOPCO SCIENTIFIC CO., LTD. Independent director YI JINN INDUSTRIAL CO., LTD. LEATEC FINE CERAMICS CO., LTD. PHYTOHEALTH CORPORATION	-	-	-

Note: The reason why the chairman also serves as the president is to represent the company externally and effectively coordinating the management team. At the same time, in order to strengthen the independence and supervision function of the board of directors, the board of directors of the company has three independent directors and more than half of the directors are not an employee or a manager of the Company, so as to improve the operation of the board of directors and comply with the principles of corporate governance.

Substantial shareholders of the corporate shareholder

Name of corporate shareholders (Note 1)	Substantial shareholders of the corporate shareholders	
	Name	Shareholding Percentage (%)
QISDA CORPORATION(Note 2)	AU OPTRONICS CORP.	17.04%
	ACER INCORPORATED	4.15%
	Cathay Life Insurance Corp.	3.58%
	DARFON ELECTRONICS CORP.	1.86%
	Citibank Taiwan in Custody for Norges Bank	1.57%
	Polunin Developing Countries Fund, LLC	1.30%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.19%
	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1.07%
	CREO VENTURE CORP	0.87%
	Dimensional Emerging Markets Value Fund	0.79%

Note 1: For directors acting as the representatives of institutional shareholders.
Note 2：The book closure date is 2020/4/21.

Substantial shareholders of corporate shareholders who are the substantial shareholders of the Company's corporate shareholders

Substantial shareholders of the corporate shareholders	Substantial shareholders of the corporate shareholders	
	Name	Shareholding Percentage (%)
AU Optronics Corp (Note 1)	Qisda Corporation	6.90%
	ADR of AU Optronics Corp.	5.43%
	Quanta Computer Inc.	4.61%
	Fubon Life Insurance Co., Ltd	3.82%
	Trust Holding for Employees for AU Optronics Corp.	3.68%
	Tong Hwei Enterprise Co., Ltd.	1.56%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.15%
	Cathay Life Insurance Co., Ltd.	1.07%
	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	0.97%
	CTBC bank, Yuanta Taiwan 50 Securities Funds	0.74%
Acer Incorporated (Note 2)	Hung Rouan Investment Corp.	2.39%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.76%
	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1.39%
	Stan Shih	1.14%
	Management Board of Public Service Pension Fund	1.13%
	Acer GDR	0.94%
	Acer Inc	0.88%
	Polunin Developing Countries Fund, LLC	0.76%
	iShares Msci Taiwan ETF	0.76%
	iShares Core MSCI Emerging Markets ETF	0.75%
DARFON ELECTRONICS CORP. (Note 3)	Qisda Corp.	20.72%
	BenQ Corp.	5.01%
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	2.07%
	MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.	1.62%
	Su, Kai-Chien	1.45%
	Acadian Emerging Markets Small Cap Equity Fund LLC	1.41%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.34%
	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	1.23%
	iShares Core MSCI Emerging Markets ETF	0.74%
	The University of Texas Investment Management Company as agent for the Board of Regents of the University of Texas System	0.63%

Note 1：The book closure date is 2019/7/19.
Note 2：The book closure date is 2020/4/14.
Note 3：The book closure date is 2020/4/20.

Professional qualifications and independence analysis of directors

Condition / Name	Has more than 5 years of work experience and the following professional qualifications			Meet conditions of independence (Note 1)												Meet conditions of independence Number of other public companies where the Director concurrently serves as an Independent Director
	An Instructor or higher position in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	A judge, prosecutor, lawyer, CPA or other specialist or technical professional who is necessary for the Company's business and who has been certified by national examinations and licensed by the competent authorities	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Qisda Corporation Representative: Michael Lee			✓									✓	✓	✓		0
Qisda Corporation Representative: Shu-Erh Kuo			✓									✓	✓	✓		0
Qisda Corporation Representative: Chiu-Chin Hung			✓									✓	✓	✓		0
Qisda Corporation Representative: Chi-Nan Tsai			✓									✓	✓	✓		0
Qisda Corporation Representative: Wen-Hsing Tseng			✓									✓	✓	✓		0
Wen-Tsung Wang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chin-Lai Wang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Shan-Kuei Lai	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3

Note 1: Please add " "in the field under each criteria number if the director meets the criteria two years prior to being elected and during his/her term of service.

(1)Not an employee of the company or any of its affiliates.

(2)Not a director or supervisor of the company's affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3)Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons under (2) and (3).

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.).

(6) Not a director, supervisor, or employee of other company if a majority of the company's director seats or voting shares and those of that other company are controlled by the same person. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.).

(7) Not a director, supervisor, or employee of other company or institution if the chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at that other company or institution are the same person or are spouses.

(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (Do not apply in cases where the specified company or institution holds more than 20 percent but less than 50 percent of the Company's issued shares and are the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not a spouse or a relative within the second degree of kinship to any director.

(11) Not been involved in any of situations defined in Article 30 of the Company Act.

(12) Not elected on behalf of a government agency or corporate or as a representative of these organizations as defined in Article 27 of the Company Act.

(B)Documents of president, vice president, associate vice president and managers of each department and division

March 30, 2021；Unit：Shares

Title	Nationality or Place of Registration	Name	Gender	Date Appointed	Number of shares held		Shares held by spouse or underage children		Shareholdingby Nominee Arrangement		Primary work or academic experiences	Position concurrently held in other companies	Managers who are Spouses or Within TwoDegrees of Kinship		
					Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)			Title	Name	Relation
Chairman & President(Note)	ROC	Michael Lee	Male	2020/11/05	-	-	-	-	-	-	PHD of Department of Electrical Engineering of NTU, The president of Smart Solution Business Group of Qisda Corporation, The president of PARTNER TECH CORP., COO of DFI Inc.	The Chairman AEWIN Technologies Co., Ltd ACE PILLAR CO., LTD. BENQ ESCO CORP. BENQ GURU CORP. BenQ Guru Software Co., Ltd. (Suzhou). LA FRESH INFORMATION CO., LTD. Deputy Chairman DFI INC. PARTNER TECH CORP. Director APLEX TECHNOLOGY INC. Expert Alliance Systems and Consultancy (Hong Kong) Limited (EASC) Expert Alliance Smart Technology Co. Ltd. Partner Tech Europe GmbH BenQ Guru Holding Limited Vice President QISDA COPORATION	NA	NA	NA
President of Business Development Group	ROC	Shu-Erh Kuo	Female	2016/05/01	116,127	0.06%	171,425	0.09%	-	-	Master of Economics of University of Nottingham, Salesman of Kinmen Information Co., Ltd.	Chairman GLOBAL INTELLIGENCE NETWORK CO., LTD. Director EPIC CLOUD CO., LTD.	EPIC CLOUD Director	Chieh-Cheng Shih	Spouse
President of Product Development & Support Center	ROC	Chieh-Cheng Shih	Male	2019/10/01	171,425	0.09%	116,127	0.06%	-	-	PHD of Computer Science of University of Nottingham, Engineer of Kinmen Information Co., Ltd.	Director EPIC CLOUD CO., LTD.	GLOBAL INTELLIGENCE Chairman	Shu-Erh Kuo	Spouse

Title	Nationality or Place of Registration	Name	Gender	Date Appointed	Number of shares held		Shares held by spouse or underage children		Shareholdingby Nominee Arrangement		Primary work or academic experiences	Position concurrently held in other companies	Managers who are Spouses or Within TwoDegrees of Kinship		
					Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)			Title	Name	Relation
COO & CLO	ROC	TK Young	Male	2020/11/05	-	-	-	-	-	-	Juris Doctor, Suffolk University Law School, CLO of Qisda Corporation	Chairman EPIC CLOUD CO., LTD. Everlasting Digital ESG Co., Ltd. Director GLOBAL INTELLIGENCE NETWORK CO., LTD. UNISAGE DIGITAL CO., LTD. GRANDSYS INC. Statinc Co., Ltd. COREX (PTY) LTD.	NA	NA	NA
Vice president of Business First Group	ROC	Hui-Fen Liao	Female	2019/10/01	101,634	0.05%	-	-	-	-	Mechanical Engineering of NTU, Consultant of TAISIN BUILDING SYSTEM CORP., Officer of the department of Information Management of Concord Chemical Industrial Co., Ltd.	-	NA	NA	NA
Vice President of Product Development & Support Center	ROC	Li-Tsung Lin	Male	2020/11/05	50,592	0.03%	16,789	0.01%	-	-	Bachelor of Business Administration of NCU, PM of Sysage Technology Co., Ltd.	-	NA	NA	NA
CFO	ROC	Mavis Lin	Female	2021/01/01	-	-	-	-	-	-	Department of Accounting, MCU, Senior Investment Manager of Qisda Corporation	Director GRANDSYS INC. COREX (PTY) LTD. Supervisor GLOBAL INTELLIGENCE NETWORK CO., LTD. EPIC CLOUD CO., LTD. Statinc Co., Ltd.	NA	NA	NA

Note: The reason why the chairman also serves as the president is to represent the company externally and effectively coordinating the management team. At the same time, in order to strengthen the independence and supervision function of the board of directors, the board of directors of the company has three independent directors and more than half of the directors are not an employee or a manager of the Company, so as to improve the operation of the board of directors and comply with the principles of corporate governance.

C. Documents of directors, president, vice presidents, associate vice presidents, and managers of each departments and divisions

(A) Director Information

December 31, 2020；Unit: NT$ 1,000

Title		Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compen-sation Paid to Directors from an Invested Company Other than the Company's Subsidiary
			Base Compensation (A)		retirement pension (B)		Directors Compensation (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		retirement pension (F)		Employee Compensation (G)						
			The Company	All companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
																	Cash	Stock	Cash	Stock			
Director	Chairman	Qisda Corporation Corporate Representative: Michael Lee	6,087	6,087	0	0	3,912	3,912	810	810	1.97%	1.97%	17,153	17,153	153	153	3,800	0	3,800	0	5.81%	5.81%	21,113
	Vice Chairman	Tso-Sui Wu (Note)																					
	Director	Qisda Corporation Corporate Representative: Shu-Erh Kuo																					
	Director	Qisda Corporation Corporate Representative: Chiu-Chin Hung																					
	Director	Qisda Corporation Corporate Representative: Chi-Nan Tsai																					
	Director	Qisda Corporation Corporate Representative: Wen-Hsing Tseng																					

Title		Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compen-sation Paid to Directors from an Invested Company Other than the Company's Subsidiary
			Base Compensation (A)		retirement pension (B)		Directors Compensation (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		retirement pension (F)		Employee Compensation (G)						
			The Company	All companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
																	Cash	Stock	Cash	Stock			
Independent Director	Indepen dent Director	Wen-Tsung Wang	2,977	2,977	0	0	1,738	1,738	135	135	0.88%	0.88%	0	0	0	0	0	0	0	0	0.88%	0.88%	0
	Indepen dent Director	Chin-Lai Wang																					
	Indepen dent Director	Shan-Kuei Lai																					

(A) Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: Directors' remuneration includes monthly fixed remuneration and directors' remuneration in accordance with the company's Articles of Incorporation, based on the company's current operating conditions and scale of operations, and with reference to industry standards. It will be implemented in accordance with the company's directors and functional committee members' remuneration procedures.

(B) In addition to the information disclosed in the table above, has any Director of the Company provided services to any of the companies included in the Financial Statements and received compensation for such services (e.g. provided consultation services in a non-employee capacity): None.

Note: Vice Chairman Wu Zuo-Sui resigned on 2020/11/05.

Compensation range for each Director	Names of Director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial statements I	The Company	Companies in the consolidated financial statements I
Less than NT 1,000,000	-	-	-	-
NT$1,000,000 (included)~2,000,000 (excluded)	Qisda Corporation Corporate Representative (Shu-Erh Kuo, Chi-Nan Tsai, Wen-Hsing Tseng, Chiu-Chin Hung), Independent Director (Chin-Lai Wang, Wen-Tsung Wang, Shan-Kuei Lai)	Qisda Corporation Corporate Representative (Shu-Erh Kuo, Chi-Nan Tsai, Wen-Hsing Tseng, Chiu-Chin Hung), Independent Director (Chin-Lai Wang, Wen-Tsung Wang, Shan-Kuei Lai)	Qisda Corporation Corporate Representative (Shu-Erh Kuo, Chi-Nan Tsai, Wen-Hsing Tseng, Chiu-Chin Hung), Independent Director (Chin-Lai Wang, Wen-Tsung Wang, Shan-Kuei Lai)	Qisda Corporation Corporate Representative (Shu-Erh Kuo, Chi-Nan Tsai, Wen-Hsing Tseng, Chiu-Chin Hung), Independent Director (Chin-Lai Wang, Wen-Tsung Wang, Shan-Kuei Lai)
NT$2,000,000 (included)~3,500,000 (excluded)	Qisda Corporation Corporate Representative (Michael Lee), Tso-Sui Wu	Qisda Corporation Corporate Representative (Michael Lee), Tso-Sui Wu	Qisda Corporation Corporate Representative (Michael Lee), Tso-Sui Wu	Qisda Corporation Corporate Representative (Michael Lee), Tso-Sui Wu
NT$3,500,000 (included)~5,000,000 (excluded)	-	-	-	-
NT$5,000,000 (included)~1,000,000 (excluded)	-	-	-	-
NT$10,000,000(included)~15,000,000 (excluded)	-	-	Qisda Corporation Corporate Representative (Shu-Erh Kuo), Tso-Sui Wu	Qisda Corporation Corporate Representative (Shu-Erh Kuo), Tso-Sui Wu
NT$15,000,000(included)~30,000,000 (excluded)	-	-	-	-
NT$30,000,000(included)~50,000,000 (excluded)	-	-	-	-
NT$50,000,000(included)~100,000,000 (excluded)	-	-	-	-
More than NT$100,000,000	-	-	-	-
Total	9 Persons (including 5 corporate Directors)	9 Persons (including 5 corporate Directors)	9 Persons (including 5 corporate Directors)	9 Persons (including 5 corporate Directors)

(B)Compensation for President and Vice Presidents

December 31, 2020；Unit: NT$ 1,000

Title	Name	Salary(A)		Retirement Pension (B)		Bonuses and Allowances(C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to the President and Vice President from an Invested Company Other than the Company's Subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in theconsolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Michael Lee Appointment: 2020/11/05													
Vice Chairman & President	Tso-Sui Wu Designation: 2020/11/05													
President of Business Development Group	Shu-Erh Kuo													
President of Product Development & Support Center	Chieh-Cheng Shih													
COO & CLO	TK Young Appointment: 2020/11/05													
Vice president of Business First Group	Hui-Fen Liao	13,642	13,642	600	600	29,533	29,533	11,950	0	11,950	0	10.15%	10.15%	0
Vice president of Business Third Group	Wen-Chuan Tseng													
Vice President of Product Development & Support Center	Li-Tsung Lin Appointment: 2020/11/05													
Vice President of Financial & Administration Center	Hsiu-Ching Cheng Removal: 2020/12/31													
Vice President of Accounting & Business Management Center	Chih-Hui Hsu Removal: 2020/10/15													

Compensation range for each President and Vice President	Name of President and Vice President	
	The Company	Companies in the consolidated financial statements
Less than NT 1,000,000	Michael Lee	Michael Lee
NT$1,000,000 (included)~2,000,000 (excluded)	Li-Tsung Lin	Li-Tsung Lin
NT$2,000,000 (included)~3,500,000 (excluded)	-	-
NT$3,500,000 (included)~5,000,000 (excluded)	Chih-Hui Hsu, Hsiu-Ching Cheng, TK Young	Chih-Hui Hsu, Hsiu-Ching Cheng, TK Young
NT$5,000,000 (included)~10,000,000 (excluded)	Tso-Sui Wu, Wen-Chuan Tseng, Chieh-Cheng Shih, Hui-Fen Liao	Tso-Sui Wu, Wen-Chuan Tseng, Chieh-Cheng Shih, Hui-Fen Liao
NT$10,000,000 (included)~15,000,000 (excluded)	Shu-Erh Kuo	Shu-Erh Kuo
NT$15,000,000 (included)~30,000,000 (excluded)	-	-
NT$30,000,000(included)~50,000,000 (excluded)	-	-
NT$50,000,000 (included)~100,000,000 (excluded)	-	-
More than NT$100,000,000	-	-
Total	10 Persons	10 Persons

(C)Names of managers provided with employee's remunerations and state of payments

December 31, 2020；Unit: NT$ 1,000

	Title	Name	Stock	Cash	Total	Ratio of total amount to the net income after taxes (%)
Manager	President	Michael Lee Appointment:2020/11/05	0	11,950	11,950	2.18%
	Vice Chairman& President	Tso-Sui Wu Designation:2020/11/05				
	President of Business Development Group	Shu-Erh Kuo				
	President of Product Development & Support Center	Chieh-Cheng Shih				
	COO & CLO	TK Young Appointment:2020/11/05				
	Vice president of Business First Group	Hui-Fen Liao				
	Vice president of Business Third Group	Wen-Chuan Tseng				
	Vice President of Product Development & Support Center	Li-Tsung Lin Appointment:2020/11/05				
	Vice President of Financial & Administration Center	Hsiu-Ching Cheng Removal:2020/12/31				
	Vice President of Accounting & Business Management Center	Chih-Hui Hsu Removal:2020/10/15				

(D)Compare and analyze the total compensation as a percentage of net income after taxes stated in the parent company only or individual financial statements paid by the Company and by all companies listed in the consolidated financial statement in the most recent two years to the Company's Directors, supervisors, president and vice president. Describe the policies, standards, and packages for payment of compensation, the procedures for determining compensation, and its linkage to business performance and future risk exposure:

1. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice president of the Company, to the net income.

Unit: NT$ 1,000

Title	Proportion of the total remuneration to net profit after tax %			
	2019		2020	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Directors	11.23%	11.23%	5.81%	5.81%
Independent Directors	0.46%	0.46%	0.88%	0.88%
Supervisors	0.22%	0.22%	-	-
the President and Vice President	16.61%	16.61%	10.15%	10.15%

2. The policies and standards for the payment of remuneration

(1) According to Article 22 of the Articles of Incorporation, the company, if profitable in the year, shall set aside no less than 8% of the profit as compensation for the employees and no higher than 2% as remuneration for the directors. However, the company, when accumulated losses remain on the account, shall reserve a portion of its earnings to offset the losses first.

(2) The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' and supervisors' compensation. Remuneration is appropriated according to the business performance of the Company in the year and the stipulated percentage of less 3% in Article 19 of the Articles of Incorporation. At present, the directors' and supervisors' compensation is appropriated by 2% of profits in the current year. Procedure for the compensation were determined by the Regulations governing the performance assessment and compensation of directors and supervisors in accordance with operating performance of the Company, operational risks and trend of the industries, and the employee's personal achievements, contribution made to the business operation. Evaluation items includes risks of moral risks, negative influences on corporate reputation and goodwill of the Company triggered by directors and managers' misacts of internal controls, employee fraud; and considering remuneration by reaching rate of achievement, profitability ratio, operating profitability and

contribution of directors and managers. The procedures for determining remuneration is based on key performance indicators of the Company. Relevant performance indicators and reasonability of remuneration shall be approved by the remuneration committee and the board of the directors, and reviewed in relation to business operation and relevant laws and regulations, for a positive correlation with the Company, and risk management.

(3) Senior managers were determined in accordance with the salary considerations, market averages and individual performances. The procedures for determining remuneration is based on key performance indicators of the Company, including the financial index (such as operating revenue, profit before income tax and net profit) and non-financial index (such as being a lecturer of education and training, completion of compliance with laws and reviewing material error of operation risks for managing the divisions). Relevant performance indicators and reasonability of remuneration shall be approved by the remuneration committee the and board of the directors, and reviewed in relation to business operation and relevant laws and regulations, for effectiveness of continuity of the Company, and risk management.

D. Implementation of Corporate Governance

(A)Operations of the Board of Directors

A total of 7 meetings of the Board of Directors were held in 2020. The attendance of director and supervisor were as follows:

Title	Name	Number of actual attendance (B)	Number of proxy attendance	Actual attendance rate (%) (B/A)	Remark
Chairman	Qisda Corporation Corporate Representative：Michael Lee	7	0	100%	
Vice Chairman	Tso-Sui Wu(Note)	4	0	80%	Designation: 2020/11/05
Director	Qisda Corporation Corporate Representative：Shu-Erh Kuo	7	0	100%	
Director	Qisda Corporation Corporate Representative：Chiu-Chin Hung	7	0	100%	
Director	Qisda Corporation Corporate Representative：Chi-Nan Tsai	7	0	100%	
Director	Qisda Corporation Corporate Representative：Wen-Hsing Tseng	7	0	100%	
Independent Director	Wen-Tsung Wang	7	0	100%	
Independent Director	Chin-Lai Wang	7	0	100%	
Independent Director	Shan-Kuei Lai	7	0	100%	

Note: The number of actual attendance shall be five.

Other items that shall be recorded:

(A) When one of the following matters occurs during the operation of the Board of Directors, the dates, terms, contents of proposals of the meetings, the opinions of all Independent Directors and the responses by the Company shall be clearly described:

A. Items specified in Article 14-3 of Securities and Exchange Act:

BOD Date/Terms	Discussions	Opinions by Independent Directors and Treatment by the Company
10th-3 2020/03/05 BOD	1. Announcement of Statement of internal control system and Reporting self-assessment implementation results in 2019. 2. To amend the "Handling Procedures for the Acquisition or Disposal of Assets". 3. To revise the "Handling Procedures for Fund Loan and Endorsement Guarantee". 4. It is proposed to review the case of expenses of CPAs in 2020.	1. All Independent Directors presented at the meeting agreed without objection. 2. Treatment to opinions by Independent Directors: None.
10th-5 2020/05/05 BOD	1. The case of the change of CPAs. 2. It is proposed to acquire common stocks of GRANDSYS INC.	
10th-7 2020/11/05 BOD	1. It is proposed to appoint CPAs for the company's financial statements in 2021. 2. It is proposed to increase the shareholding of the subsidiary-GLOBAL INTELLIGENCE NETWORK CO., LTD. 3. It is proposed to increase the shareholding of the subsidiary-DAWNING TECHNOLOGY INC. 4. It is proposed to appointment of Michael Li as president of the company.	
10th-8 2020/12/09 BOD	1. The company has established an Application Review Committee and selection of members of the Application Review Committee in accordance with the law. 2. To Appoint an independent expert to issue an opinion on the reasonableness of the acquisition price.	
10th-9 2020/12/18 BOD	1. The company's reviews on the public acquisition of the company's common stocks by Qisda Corporation. 2. The company's reinvestment in the equity of Corex (PTY) LTD. 3. It is proposed to make endorsements to Corex (PTY) LTD. 4. The appointment of CFO, financial and accounting officer.	

(B) In addition to the aforementioned matters, any other resolutions from the Board of Directors where an Independent Director expressed a dissenting or qualified opinion that has been recorded or stated by writing: None.

B. When Directors abstain themselves for being a stakeholder in certain proposals, the name of the Directors, the content of the proposal, reasons for abstentions and the results of voting counts should be stated.

<table>
<tr><th>Date</th><th>The name of the directors</th><th>The content of the proposal</th><th>Reasons for abstentions</th><th>The results of voting counts</th></tr>
<tr><td>2020/11/05</td><td>Michael Lee</td><td>It is proposed to appointment of Michael Li as president of the company.</td><td>Due to the directors' own interests.</td><td rowspan="6">Except for directors abstain themselves for being a stakeholder in certain proposals, All Directors presented agreed without objection.</td></tr>
<tr><td rowspan="2">2020/12/09</td><td rowspan="5">Michael Lee, Chiu-Chin Hung, Shu-Erh Kuo, Chi-Nan Tsai and Wen-Hsing Tseng</td><td>The company has established an Application Review Committee and selection of members of the Application Review Committee in accordance with the law.</td><td rowspan="3">The case was proposed because of the public acquisition of the company’s stock by Qisda Corporation. The corporate directors of Qisda and their representatives did not participate in the voting of this case, due to their own interests.</td></tr>
<tr><td>To Appoint an independent expert to issue an opinion on the reasonableness of the acquisition price.</td></tr>
<tr><td rowspan="3">2020/12/18</td><td>The company's reviews on the public acquisition of the company's common stocks by Qisda Corporation.</td></tr>
<tr><td>The company's reinvestment in the equity of Corex (PTY) LTD.</td><td>The case is to obtain equity from PARTNER TECH CORP (the ultimate parent company is also Qisda Coporation), so The corporate directors of Qisda and their representatives did not participate in the voting of this case, due to their own interests.</td></tr>
<tr><td>It is proposed to make endorsements to Corex (PTY) LTD.</td><td>The corporate directors of Qisda and their representatives did not participate in the voting of this case, due to their own interests.</td></tr>
</table>

C. Implementation Status of Board Evaluations:

The Board of Directors of the company approved the "Board Performance Evaluation Measures" on September 18, 2019, stipulating that the Board of Directors shall perform at least one performance evaluation for the Board of Directors and its directors each year. The company began to conduct board evaluations every year in 2020. In 2020, the internal self-evaluation rate of the company's Board of Directors was 100%, and the evaluation result was “superior”, which is sufficient to indicate that the company's Board of Directors is functional and efficient.

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Annually	January, 2020 to December, 2020	Board of Directors	Internal self-assessment made by the Board of Directors	Their grasp of the Company's goals and missions. The degree of participation in the Company's operations. Their management of internal relationships and communication. The decision-making quality of the Board of Directors. The composition and structure of the Board of Directors. Their recognition of director's duties Selection and appointment of directors and continuous education. Internal control.

D. Targets for strengthening the functions of the Board of Directors in the current and the most recent year (e.g., setting up an Audit Committee and enhancing information transparency) and evaluation of target implementation: The company has set up the Audit Committee on May 28, 2019.

(B)Operations of the Audit Committee

1. Operations of the Audit Committee:

The Company had convened 5 Audit Committee meetings in 2020 with the following attendance:

Title	Name	Attendance in Person(B)	Number of times attended by proxy	Attendance rate (B/A)	Remark
Independent Director	Wen-Tsung Wang	5	0	100%	
Independent Director	Chin-Lai Wang	5	0	100%	
Independent Director	Shan-Kuei Lai	5	0	100%	

Other items that shall be recorded:

A. If any of the following matters occurs during the operation of the Audit Committee, the dates, terms, contents of the proposal of the Board meetings, the opinions of all Independent Directors and the responses by the Company shall be cleanly described:

(A)Items specified in Article 14-5 of Securities and Exchange Act:

BOD Date/Terms	Discussions	Opinions by Independent Directors and Treatment by the Company
10th-3 2020/03/05 BOD	1. Announcement of Statement of internal control system and Reporting self-assessment implementation results in 2019. 2. The 2019 financial statements and business report, and the 2020 business plan. 3. It is proposed to amend the "Handling Procedures for Acquiring or Disposing of Assets". 4. It is proposed to amend the " Handling Procedures for Fund Loan and Endorsement Guarantee". 5. It is proposed to review the case of expenses of CPAs in 2020.	1. All Audit Committee Members presented at the meeting agreed without objection. 2. Treatment to opinions by Audit Committee Members: None.
10th-5 2020/05/05 BOD	1. The case of the change of CPAs. 2. It is proposed to acquire common stocks of GRANDSYS INC.	
10th-6 2020/08/06 BOD	1. It is proposed to recognize the 2020Q2 consolidated financial report.	
10th-7 2020/11/05 BOD	1. To set up the internal audit plan in 2021. 2. It is proposed to appoint CPAs for the company's financial statements in 2021. 3. It is proposed to increase the shareholding of the subsidiary-GLOBAL INTELLIGENCE NETWORK CO., LTD. 4. It is proposed to increase the shareholding of the subsidiary- DAWNING TECHNOLOGY INC.	
10th-9 2020/12/18 BOD	1. The company's reinvestment in the equity of Corex (PTY) LTD. 2. It is proposed to make endorsements to Corex (PTY) LTD. 3. The appointment of CFO, financial and accounting officer.	

(B)Other matters except the preceding ones, which are not approved by the Audit Committee but approved by two-thirds or more of the Directors: None.

B. For the implementation of Directors' avoidance due to conflicts of interest of Directors, please clearly specify the names of Directors, the content of the proposals, the reasons of avoidance due to conflicts of interest and the participation in the voting and resolution: None.

C. Communication between Independent Directors, the Internal Audit Director and CPAs (the major issues, methods and results of the Company's financial and business conditions shall be descripted in details):

(A) The audit manager shall submit audit report to the independent directors next month from the completion of the audit project, and the independent directors haven't objected about any matters.

(B) The audit supervisor attends the company's periodic audit committee as non-voting delegates and makes audit business reports. Independent directors have no objection. The independent directors may contact the accountant when they deem it necessary to understand the findings of the inspection and the improvement of the deficiency.

(C) The accountant reports to the independent directors at least once a year on the company's financial status, overall operation status and internal control review, and fully communicates whether there are major adjustment entries or legal amendments that affect the accounting situation.

D. Annual key functions and operations:

(A) Annual key functions

1. Communicate results of audit report with the head of internal audit regularly according to the annual audit plan.
2. Communicate with CPA regularly over financial statement review or audit results in each quarter.
3. Review financial reports.
4. Assessment of the effectiveness of internal control system.
5. Review the hiring, dismissal, compensation, and service matters concerning CPAs
6. Review the Company's operational procedures and material transactions of assets, derivatives, capital lending and endorsement/guarantees.
7. Legal compliance.

(B)2020 operations: Proposals of the Audit Committee meetings have all been reviewed or approved by members of the Audit Committee with no dissent from any of the Independent Directors.

(C) Implementation of Corporate Governance, and Differences with Contents of Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons:

Evaluation Item	The Operations			Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons
	Yes	No	Summary Description	
A. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"?	V		With having the prior approval of the board of directors on May 12, 2017, relevant matters were revealed in Sysage 's website.	No differences
B. Corporate Ownership Structure and shareholders' equity establish. a. Does the Company establish the internal operating procedures to handle the shareholders' proposals, inquiries, disputes and litigations issues as well as carry out through following procedures?	V		1. The company establishes a stakeholder area on the website and establishes a spokesperson and acting spokesperson policies to handle shareholders' suggestions, doubts, disputes and litigation matters.	No differences
b. Does the Company retain at all times a register of major shareholders who have controlling power, and of the persons with ultimate control over those major shareholders?	V		2. The company regularly updates the list of shareholders and major shareholders in accordance with regulations, and acquires the list of major shareholders who actually control the company and the final controllers of major shareholders.	
c. Does the Company establish and implement the risk management and firewall mechanism between affiliated enterprises?	V		3. The company handles various financial and business matters amount the related parties, in accordance with the company's internal control system, internal audit system and relevant laws and regulations.	
d. Does the Company establish the internal guidelines prohibiting company insiders from trading securities using information not disclosed to the market?	V		4.The company has established the " the Ethical Corporate Management Policies" and " Ethical Corporate Management Best Practice Principles of Employees" and " Procedures for Handling Material Inside Information " to regulate the use of undisclosed information on the market by insiders to buy and sell securities.	
C. Organization and Responsibilities of the Board of Directors a. Does the Board of Directors formulate the diversified approaches and implement aimed at Board Member organization?	V		1. The company has formulated a diversification policy for the composition of the Board of Directors in Article 20 of the " Corporate Governance Best Practice Principles ". Based on the professional background and working fields, the company selects the directors with capabilities of business management, leadership decision-making, and industry experience (finance, international markets, IT Industry, accounting practice), professional abilities (information technology, accounting), in order to implement the company's	No differences

Evaluation Item	The Operations			Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons
	Yes	No	Summary Description	
			policy of diversity for the composition of the Board of Directors. The company's situation of taking Diversity of the Board of Directors (note 1).	
b.Aside from establishing the Remuneration Committee and Audit Committee, does the Company also voluntarily establish other types of functional committees?	V		2. The company has set up a CSR, management committee to analyze and discuss issues such as, environmental sustainability, corporate governance, social commitment, customer and product services, and employee care at times to implement the spirit of corporate social responsibility and sustainability.	
c. Does the Company establish the rules for the board performance evaluation and its assessment methods for annual performance evaluation on an annual basis, as well as report its result to the Board of Directors by applying that as a reference to remuneration of individual director and to nomination and continuous employment?	V		3. The company has established a performance evaluation method for the Board of Directors, and conducts evaluations through internal questionnaires regularly every year as a reference for determining the remuneration of individual directors and nomination for renewal of directors.	
d. Does the Company regularly evaluate and the independency of an attesting CPA?	V		4. At least once a year, the Company evaluates the independence and suitability of its CPA, and submits the result for reviewing and an approval by the Board of the Directors on November 05, 2020.The Company's Hung-Wen Fu and Mei-Ping Wu of CPAs has been verified to be in compliance with requirement for independence as specified in the related independence regulations(see note 2), and CPAs have issued a statement of independence based on No. 10 report of code of professional ethics of CPAs of ROC.	
D. Does the TWSE/GTSM Listed Companies allocate the adaptation and appropriate number of corporate governance personnel as well as assign the corporate governance supervisors to be responsible for matters related to corporate governance (including but not limited to required information provided to directors and supervisors performing their duties, assistance provided to directors, legal compliance of supervisors, handling matters related to Board of Directors' and shareholders' meeting in accordance with the laws, preparation of the minutes of Board	V		On February 25, 2021, Sysage may, after having a resolution adopted by the Board of Directors, hire Mavis Lin to take part as a role of corporate governance personnel responsible for supervision and planning of corporate governance. Hung's qualifications for the position meet the provisions regarding Corporate Governance Supervisors set out in Paragraph One of Article 3-1 of Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies. The official powers performed by the corporate governance supervisors include: Providing the information required by the directors and Audit Committee and the latest regulations	No differences

Evaluation Item	The Operations			Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons
	Yes	No	Summary Description	
of Directors' and shareholders' meeting, and more.)?			regarding corporate operation, providing assistance in legal Compliance of the directors and Audit Committee, regularly reporting the operations of corporate governance to Corporate Governance Committee and Board of Directors on an annual basis, handling matters related to Board of Directors' and shareholders' meeting in accordance with the laws, preparation of the minutes of Board of Directors' and shareholders' meeting, providing assistance in assuming office to directors and Audit Committee members and continuing education. The operation in 2021 is updated as follows: 1. Assist the independent directors and general directors to perform their duties, provide the required information and arrange the continuing education for directors. 2. Regularly inform the Board members dedicated to the revised regulations regarding corporate operating domain and corporate governance. 3. Inspect the confidential levels of relevant information and provide the corporate information required by the directors to maintain the communication and smooth interaction between directors and supervisors. 4. Review the release of announcement of material news upon the adoption of important resolutions after meetings to ensure the lawfulness and correctness as well as protect the equal information on transactions for investors. 5.The Company has convened 2 times of the Board of Directors and 2 times of Audit Committee in 2021. 6. The Company will convene the regular shareholders' meeting once in 2021. 7.Sysage has helped the directors and important employees apply for liability insurance and has reported to the Board of Directors after renewal of insurance.	

Evaluation Item	The Operations			Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons
	Yes	No	Summary Description	
E. Does the Company build the channels of communication with stakeholders (including but not limited to shareholders, employees, customers, suppliers and so on.) as well as designate a stakeholder area on its website in response to important issues on corporate social responsibility concerned by stakeholders in a proper manner and in good faith?	V		The Company has established a means of communicating with its Stakeholders on the website, for receiving issues of important CSR by Stakeholders.	No differences
F.Does the Company engage a professional shareholder services agent to handle shareholders meeting matters?	V		The company has appointed the professional registrar & transfer agency of securities as our registrar for our stock affairs.	No differences
G. Information Disclosure a. Does the Company set up a website containing the information regarding financial or business operations as well as corporate governance? b.Does the Company adopt other methods of information disclosure (such as set up the English website, appoint personnel responsible for gathering and disclosing the information, establish a spokesperson system, display the Company's website during the investor conference briefing, and more.)? c. Does the Company publicly announce the annual financial reports within two months after the close of each fiscal year, as well as the financial reports in Q1, Q2 and Q3, plus the addition of monthly operating status prior to the designated deadlines in advance?	V V V		1. The company shall appoint a person who is responsible for the collection and disclosure of the company's information. According to the regulations, it will announce various financial, business information, and the procedure of legal person briefings to the public information observatory regularly and irregularly, and disclose relevant information on the company website: http ://www.sysage.com.tw; We set up an investor area on the company's website to disclose financial, stock affairs and product-related information. 2. The Company has established a spokesperson and acting spokespersons system to deal with related matters, 3. The Company announce and report the financial statements, in accordance with Article 36 of Securities and Exchange Act. The company has announced 2020 financial statements on February 25, 2021.	No differences

Evaluation Item	The Operations			Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons
	Yes	No	Summary Description	
H. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	V		1. Employee rights and care: To Continuously plan various welfare measures for employees, and set up an employee welfare committee to protect employee rights, in order to enhance employee welfare, and give employees a better working environment and development. In addition, to establish good employee relations and benefits, so that employees have job satisfaction and provide equal employment opportunities; To provide employees with a comfortable and safe working environment, etc.; To protect employee basic rights and interests, such as, working rules, pensions, medical care, accident insurance, education and training, etc. 2. Investor relations: The company has a person responsible for investor relations and maintains a perfect communication with shareholders at times. 3. Supplier relationship: A strict requirement for the purchased goods, equipment, services and the content of contracts to comply with social justice, environmental protection policies and legal regulations. 4. Stakeholders' rights: To set up a spokesperson as for communication with stakeholders, and stakeholders can also obtain relevant information through the spokesperson; To set up an area for stakeholders on the company's website and respond to importance important issues of CSR by stakeholders. 5. Directors' training records: The company holds trainings for directors, in accordance with "Directions for the Implementation of Continuing Education for Directors of TWSE Listed and TPEx Listed Companies". The situation of Directors 'training of the company in 2020(see note 3). 6. The implementation of risk management policies and risk evaluation measures: The Company has already instituted internal control systems as required by law and has properly reviewed regulations of	No differences

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">The Operations</th><th rowspan="2">Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies And Their Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td></td><td></td><td></td><td>internal controls of risk management and assessments at any time. The Company also purchases insurance for directors, in order to reduce management risks.

7. The implementation of customer relations policies: The Company maintains a good relationship with customers for increasing profits.

8. Purchasing insurance for directors: The Company maintains liability Insurance for its directors, and submits it to the Board of Directors.</td><td></td></tr>
<tr><td colspan="5">I. Please describe the improvement status according to the evaluation results of Corporate Governance Evaluation publicly announced by Governance Center of Taiwan Stock Exchange Corporate (TWSE) in recent years. In addition, the Company shall propose the matters and measures given priority to strengthen.
1. The company has set up a head of corporate governance in 2021 years.
2. The company expects to upload the English version of the shareholders' meeting manual and annual report in FY2021.</td></tr>
</table>

Note 1：

The situation of taking Diversity of the Board of Directors goes as follows:

Name	Gender	Manage-ment admini-stration	Lead & Decision	industry experience				professional skills	
				Finance	International market	IT industry	Accounting practices	Information technology	Accounting
Michael Lee	Male	✓	✓		✓	✓		✓	
Shu-Erh Kuo	Female	✓	✓		✓	✓		✓	
Chiu-Chin Hung	Female	✓	✓	✓	✓		✓		✓
Chi-Nan Tsai	Male	✓	✓		✓	✓		✓	
Wen-Hsing Tseng	Male	✓	✓		✓	✓		✓	
Wen-Tsung Wang	Male	✓	✓	✓			✓		✓
Chin-Lai Wang	Male	✓	✓	✓			✓		✓
Shan-Kuei Lai	Male	✓	✓	✓	✓	✓		✓	

Note 2：The assessment standard of independence of CPAs goes as follows:

No.	The assessment items	Evaluation results Y/N	Correspondent to independence Y/N
1	Does CPAs have direct and material financial interests with the Company.	N	Y
2	Does CPAs make endorsements/ guarantees with the Company.	N	Y
3	Does CPAs have a closer relationship regarding the business and employment with the company.	N	Y
4	CPAs and their members of audit team have served as directors, managers of the company or any job positions that have a significant impact on the audit work, during the audit period.	N	Y
5	Does CPAs have any services items of non-audit, which may affect the company's audit work.	N	Y
6	Whether CPAs have brokered stocks or other securities issued by the company.	N	Y
7	Whether CPAs have acted as the defender of the company or coordinated conflicts with other third parties on behalf of the company.	N	Y
8	Whether CPAs are relatives of the company's directors, managers, or persons in a job position that have a significant influence on the audit work.	N	Y
Conclusion: After evaluation by the company, the appointment of CPAs does not have any situations in the above independence assessment items, and it can be confirmed that the appointment of CPAs complies with requirement for independence.			

Note 3: The situation of Directors 'training of the company in 2020 goes as follows:

Title	Name	Training Date	Organizer	Course Name	Length of the curriculum
Corporate Director Representative	Michael Lee	2020/08/18	Taiwan Institute of Directors	Enterprise transformation in the era of changing	3.0
		2020/11/19	Taiwan Institute of Directors	Opportunities and Challenges for Enterprises in the U.S.-China Trade Conflicts	3.0
Corporate Director Representative	Shu-Erh Kuo	2020/08/18	Taiwan Institute of Directors	Enterprise transformation in the era of changing	3.0
		2020/11/19	Taiwan Institute of Directors	Opportunities and Challenges for Enterprises in the U.S.-China Trade Conflicts	3.0
Corporate Director Representative	Chiu-Chin Hung	2020/08/18	Taiwan Institute of Directors	Enterprise transformation in the era of changing	3.0
		2020/11/19	Taiwan Institute of Directors	Opportunities and Challenges for Enterprises in the U.S.-China Trade Conflicts	3.0
Corporate Director Representative	Chi-Nan Tsai	2020/08/18	Taiwan Institute of Directors	Enterprise transformation in the era of changing	3.0
		2020/11/30	Securities and Futures Institute	The value of information security in the post-epidemic era and the US-China trade war	3.0
Corporate Director Representative	Wen-Hsing Tseng	2020/08/18	Taiwan Institute of Directors	Enterprise transformation in the era of changing	3.0
		2020/11/19	Taiwan Institute of Directors	Opportunities and Challenges for Enterprises in the U.S.-China Trade Conflicts	3.0
Independent Director	Wen-Tsung Wang	2020/07/24	CPA Association R.O.C.	To prevent money laundering and combat information attack	3.0
		2020/10/27	Taiwan Institute of Directors	Opportunities and Challenges for Enterprises in the U.S.-China Trade Conflicts	3.0
Independent Director	Shan-Kuei Lai	2020/08/04	Corporate Operation Association	The forum of Aspects of Shareholders' Rights and Interests-Talking from the Dispute of Management Rights	3.0
		2020/08/18	Taiwan Institute of Directors	Enterprise transformation in the era of changing	3.0
Independent Director	Chin-Lai Wang	2020/08/18	Taiwan Institute of Directors	Enterprise transformation in the era of changing	3.0
		2020/11/19	Taiwan Institute of Directors	Opportunities and Challenges for Enterprises in the U.S.-China Trade Conflicts	3.0

(D)Composition, duties, and operations of the Company's Remuneration Committee:

1. Information on the members of the Remuneration Committee

Position	Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 1)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	Remark
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Wen-Tsung Wang		V	V	V	V	V	V	V	V	V	V	V	V	1	
Independent Director	Chin-Lai Wang		V	V	V	V	V	V	V	V	V	V	V	V	3	
Independent Director	Shan-Kuei Lai	V		V	V	V	V	V	V	V	V	V	V	V	3	

Note 1: Please add "✓" in the field under each criteria number if the member meets the criteria two years prior to being elected and during his/her term of service.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or is ranked in the top 10 in shareholdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons under (2) and (3).

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(6) Not a director, supervisor, or employee of other company if a majority of the company's director seats or voting shares and those of that other company are controlled by the same person. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(7) Not a director, supervisor, or employee of other company or institution if the chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at that other company or institution are the same person or are spouses.

(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (Do not apply in cases where the specified company or institution holds more than 20 percent but less than 50 percent of the Company's issued shares and are the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not been involved in any of situations defined in Article 30 of the Company Act.

2.Responsibilities of the Remuneration Committee:

(1)There are 3 members in the Remuneration Committee.

A total of 2 Remuneration Committee meetings were held in 2020.

Duties of the Remuneration Committee:

A. To review regulations of the remuneration committee and propose amendment of it at all times.

B. To establish and regularly review the policies, systems, standards and structures for performance assessment and remuneration of directors and managers.

C. To regularly assess renumeration of directors, and managers, and set their renumeration.

(2)The 5th Term: From September 26, 2019 to September 25, 2022; The current term is the same as that of the board of directors. A total of 2 Remuneration Committee meetings were held in 2020. The attendance record of the Remuneration Committee members was as follows:

Position	Name	Attendance in Person (B)	Attended by Proxy	Attendance Rate (%) (B/A)	Remark
Convener	Wen-Tsung Wang	2	0	100%	
Committee Member	Chin-Lai Wang	2	0	100%	
Committee Member	Shan-Kuei Lai	2	0	100%	

Other items that shall be recorded:

1.If the Board of Directors chooses not to adopt or revise recommendations proposed by the Remuneration Committee, the date of the Directors' Meeting, session, contents of proposals, results of meeting resolutions, and the Company's disposition of opinions provided by the Remuneration Committee shall be described in detail (also, where the salary and compensation approved by the Directors' Meeting is better than that recommended by the Remuneration Committee, the differences and the reason for the approval shall be described in detail): None.

2. For the decisions made by the Remuneration Committee, if there are members who hold objection or reservation to a resolution and such objection or reservation is on record or raised through a written statement, the date, session, contents of proposals, all members' opinions, and ways in handling these opinions should be elaborated: None

(3)The Remuneration Committee meetings' date, period, the content of motions, Resolutions and The Company handled opinions from committee members in 2020.

Remuneration Committee meeting	Item	Resolutions	The Company handled opinions from committee members
5^{th} -2 2020/03/05	1. The renumeration distribution plan for employees and directors in 2019. 2. It is proposed to re-examine the remuneration methods of the company and its managers.	Convener of the Remuneration Committee consulted the opinion of all attending remuneration committee members.	The proposal was approved without dissent and submitted for resolution at the Board meeting.
5^{th} -3 2020/11/05	1. To discuss performance regarding with the total remuneration achieved by managers in 2020. 2. To discuss the schedule of the company's remuneration committee in 2021.		

(E)Status on Performing Social Responsibility: The systems and measures adopted by the Company aimed at environmental protection, Community Involvement, social contribution, social service, public welfare, consumer rights, human rights, safety and health as well as other social responsibility activities, and its practices.

Evaluation	The Operations			Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Their Reasons
	Yes	No	Summary Description	
A. Does the Company conduct the risk assessment on environmental, social and corporate governance issues related to corporate operation according to materiality principle? And any establishment of relevant risk management policy or strategies?	V		All divisions of the company assess and review environmental, social and corporate governance risks related to company operations at times, and report to the general manager. In the process of business management, we prevent possible risks and set up relevant measures.	No differences
B. Does the Company establish the specified (concurrent) units to promote the corporate social responsibility while being handled by the senior management authorized by the Board of Directors as well as being reported to the Board of Directors regarding the process status?	V		The company has formed a "CSR Management Committee", which controls several functional committees, with Michael Li, the general manager as the chairman. The committee also follows “Corporate Social Responsibility Best Practice Principles” approved by the Board of Directors, and Each functional committee collects relevant issues at times, according to their responsible areas, irregularly evaluates and analyzes the issues, and incorporates important issues into the implementation plan and daily operations. The committee has reported 2020 implementation situation to the Board of Directors.	No differences

Evaluation	The Operations			Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Their Reasons
	Yes	No	Summary Description	
C. Environmental Issues				No differences
a. Does the Company establish a suitable environmental management system according to its industrial characteristics?	V		1.The company has established an appropriate environmental management system based on the characteristics of the industry.	
b. Does the Company dedicate to enhance the use efficiency of various resources and use the recycled materials with low impact on environmental load?	V		2. The company is committed to improving the utilization efficiency of various resources. Please see the details on its environmental protection policies and waste management measures on the company's website.	
c. Does the Company evaluate the current and future potential risks and opportunities of the enterprises brought about by climate change and adopt response measures of climate-related issues?	V		3. The company acts as a distributor, and the potential risks, arising from climate changes, such as, uncertainty in transportation demands, threats to employee triggered by extreme weather, etc., may induce operating losses of the company. The company continues to promote policies of environmental protection, energy saving and greenhouse gas reduction, and other countermeasures to fulfill the responsibilities of global citizens.	
d. Does the Company tabulate the greenhouse gas emissions, water consumption and total weight of waste over the past two years and formulate policies regarding carbon reduction, greenhouse gas reduction, less water consumption or other waste management?	V		4. Please see the details about the company's inspection of greenhouse gas, the policy of energy-saving and greenhouse gas reduction on the company's website.	

Evaluation	The Operations			Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Their Reasons
	Yes	No	Summary Description	
D. Social Issues a. Does the Company follow relevant laws and regulations as well as the International Bill of Human Rights to establish related management policies and procedures?	V		1. The company and its subsidiaries comply with relevant labor laws and regulations. The company is also committed to complying with the principles of RBA standards, the United Nations Universal Declaration of Human Rights and other international human rights conventions and spirit of CSR. Also, the company sets up relevant personnel regulations to protect employees and the company's rights and interests, and the working rules shall be reported by the Ministry of Labor for verification and those working rules shall be placed on the company's website, so that employees can assure their personal rights and interests at times.	No differences
b. Does the Company establish and implement the rational employee benefit measures (including remuneration, paid vacation and other benefits…etc.)? And any reflection on the corporate business performance or achievements in the employee remuneration?	V		2. The company follows the "Labor Standards Act" and related laws and regulations to set up various salary and welfare policies for employees, and conduct regular assessments to share operating performance with colleagues.	
c. Does the Company provide a safe and healthy working environment to employees? And any regular implementation on safety and health	V		3. The company and its subsidiaries provide employees with a comfortable and safe working environment and regularly hold employee health examination,	

Evaluation	The Operations			Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Their Reasons
	Yes	No	Summary Description	
education for employees?			announcement of safety and insanity, and also have additional equipment, such as, the breastfeeding room, massage room, free food supply station, and mobile KTV kiosk, Library room and remote video, etc., to sympathize employees who work hard.	
d. Does the Company build the efficient training programs of career planning ability for employees?	V		4. The company has established procedures of education and trainings to provide employees with domestic and foreign professional and management skills and other advanced trainings to enhance the development of employees' career capabilities.	
e. For customer health and safety, customer privacy, marketing and labeling regarding the Company's products and services, does the Company follow relevant laws, regulations and international guidelines? And any establishment of policies on consumer rights and interests as well as procedures for accepting consumer complaints?	V		5. The company has set a service of toll-free numbers for customers and a special area for stakeholders on the company's website to provide appeals policies and methods. As for diversified requirements of customers, the company also provides diversified repair windows and methods, via telephone, mail, facsimile and online to help customers solve problems as quickly as possible.	
f. Does the Company establish the supplier management policy and ask the suppliers to follow the related rules for the issues such as environmental protection, occupational safety and health or labor and human rights? And any implementation status?	V		6.The company acts as a distributor, and distributes famous brands. The manufacturers have implemented green environmental protection certification and code of conduct of the electronic industry, and they also require the company to join RBA.	

Evaluation	The Operations			Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Their Reasons
	Yes	No	Summary Description	
E. Does the Company prescribe the report on nonfinancial information disclosure such as CSR report by referring to international reports to prescribe the standards or guidelines? Does the Company obtain a third-party assurance or verification for the foregoing reports?	V		The company has set up a CSR area on the company's website to disclose related information of corporate social responsibility. Since 2017, the company makes CSR reports and placed them on the company's website for viewing.	No differences

F. For the companies establishing their own corporate social responsibility principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies", please describe the operations and comparisons:

The company has established the " Corporate Social Responsibility Best Practice Principles " and amended in accordance with laws and regulations at times. Promotion and implementation of its policies are also based on the Code of Practice.

The company's practices and policies on CSR are handled in accordance with four major issues, such as, implementation of corporate governance, development of a sustainable environment, maintenance of social welfare, and enhancement of disclosure of information of CSR.

G. Other important information that helps to understand the operations of corporate social responsibility:

The company and its subsidiaries insist the responsibility to society and comply with corporate ethics, not only to create more profits, but also to maintain a fair balance in the relationship with employees, customers, suppliers, stakeholders, and the community for support from the public:

1. Environmental protection: In response to the government's resource recycling policy, we set up battery recycling bins and resource recycling bins in the office, and implement energy-saving and carbon-reduction programs, such as, replacement of more energy-saving LED light tubes, turning off lighting equipment during lunch breaks, and setting the temperature of air-conditioning according to the weather.

2.Community Participation, Social Contribution, Services and Public Welfare: In 2020, the company donated to public welfare organizations, such as, Huayen World, the New Taipei City Private HappyMount Social Welfare Charity Foundation, TSPGA, John Tung Foundation, etc., as well as participated in caring activities of social benefits, such as, continuing to pay attention to children with disabilities through the Syinlu Social Welfare Foundation, and also joined the Syinlu Social Welfare Foundation, and held the activity of hand-made "Happy Traveling Soap", and the activity of blood donation arranged to give employees an opportunity to help the society.

3.Consumer rights: to provide products with high-quality, in-demand and good performance; to take appropriate countermeasures to deal with customer complaints, provide complete and correct information, with honesty and no exaggeration, of products, and set 0800 toll-free numbers.

Evaluation	The Operations			Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Their Reasons
	Yes	No	Summary Description	
4.Human rights, safety, sanity, and others: Since establishment of the company and acquisition of various subsidiaries, the company has always concentrated on the principle of humanized management, given employees full respect and care, and established good employee relations and benefits, so that employees shall have job satisfaction and provide equal opportunities for employment. We have no gender discrimination or racial discrimination as hiring employee. In addition to providing employees with a comfortable and safe working environment, there are also simple exercise equipment and yoga rooms to take care of health of employees. Additional equipment ,such as the breastfeeding room, massage room, free food supply stations, mobile KTV kiosk, library room and remote video, etc., tends to sympathize employees who work hard. We protect the basic human rights of employees, such as, working rules, pensions, medical care, accident insurance and group insurance, education and training, etc.				

(F)Implementation of Ethical Management and Implemented Measures:

Evaluation Item	The Operations			Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Their Reasons
	Yes	No	Summary Description	
A. Establish ethical management policies and plans				No differences
a. Does the Company establish the ethical management policies passed by the Board of Directors and then publicly specify the policies and methodology of ethical management in regulations and document as well as the commitment in terms of management policies actively fulfilled by the Board of Directors and senior management?	V		1.The company has formulated the " Ethical Corporate Management Best Practice Principles ", expects and requires the members of the Board of Directors and employees to implement the policy of ethical management.	
b. Does the Company establish the evaluation mechanism on higher risk of unethical behavior, regularly analyze and evaluate the business activities with higher risk of unethical behavior, as well as adopt the preventative measures at least covering the Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies?	V		2. The company has set up the " Ethical Corporate Management Best Practice Principles of Employees " and the "Measures for Reporting Cases of Illegal, Unethical or Untrustworthy Behavior" and announced them on the company's website, for advising the company’s employees on the importance of honest behavior at times.	
c. Are the operational procedures, guidelines, disciplinary and appeal system of impairment included in the Company’s prevention programs of unethical behavior thorough implementation? And any regular review of the foregoing programs for better implementation?	V		3. The company has set up the " Ethical Corporate Management Best Practice Principles of Employees " and the "Measures for Reporting Cases of Illegal, Unethical or Untrustworthy Behavior" and announced them on the company's website, for advising the company’s employees on the importance of honest behavior at times.	

Evaluation Item	The Operations			Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Their Reasons
	Yes	No	Summary Description	
B. Implementation on ethical management				No differences
a. Does the Company consider the ethical practices of the transaction partner as well as the clauses regarding ethical conduct contained in the agreement with the other party?	V		1. Before establishing business relationships with others, the company will first assess its legality and whether it has a record of dishonest behavior.	
b. Does the Company establish the designated unit set up under the Board of Directors responsible for promoting the corporate ethical management and regularly (at least once a year) reporting its ethical management policies, prevention programs of unethical behavior and implementation to the Board of Directors?	V		2.The company promotes corporate ethical management by a part-time unit called the operating management center, and reports to the Board of Directors regularly every year. In order to establish a corporate culture of ethical management and sound development, the " the Ethical Corporate Management Policies " has been established. In 2020, the company holds education and trainings on issues related to ethical management for employees (including, compliance with ethical management regulations, advocation of RBA, accounting policies and internal control, etc.), totaling 1,455 hours.	
c. Does the Company establish the policies for preventing conflicts of interest, provide the appropriate presentation channel and implement?	V		3. The company's " the Ethical Corporate Management Policies " and " Ethical Corporate Management Best Practice Principles of Employees " have set out the policy for conflict of	

Evaluation Item	The Operations			Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Their Reasons
	Yes	No	Summary Description	
			interest avoidance. When the company's employees implement business, which triggers conflicts of interest, they can not only directly report to the officer of the division, but also to relevant members of the management center.	
d. Has the Company established the effective accounting system and internal control system for implementing the ethical management, where the relevant audit plans are devised based on evaluation results of the risk of unethical behavior by internal audit unit, or by commissioning the accountant to review the information related to prevention programs of unethical behavior?	V		4. The company sets up relevant internal control policies for operating procedures that may have a higher risk of dishonest behavior. The internal auditor draws up an annual audit plan for conducting different audit procedures, based on the results of the risk assessment.	
e. Does the Company regularly organize the internal and external training sessions on ethical management?	V		5. In 2020, the company holds education and trainings on issues related to ethical management for employees (including, compliance with ethical management regulations, advocation of RBA, accounting policies and internal control, etc.), totaling 1,455 hours.	

Evaluation Item	The Operations			Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Their Reasons
	Yes	No	Summary Description	
C. The operations of corporate whistleblowing system				No differences
a. Does the Company establish the concrete whistleblowing and rewards systems, set up the convenient reporting channel as well as assign the appropriate special personnel to process complaints dedicated to the person being accused?	V		1.The company has established the "Methods for Reporting Cases of Illegal, Unethical, or Dishonest Behavior" and set multiple communication methods, including establishment of physical mailboxes, internal appeals mailboxes, and a special area for stakeholders on the company website, in order to provide internal and external appeals policies and methods.	
b. Does the Company establish the standard operating procedures for the investigation, as well as the follow-up measures and relevant confidentiality mechanisms that shall be adopted after investigation?	V		2. Whether a report is received or a violation of the code of conduct is found during inspections, the relevant personnel handling it will conduct evidence collection and investigation to search for whether an illegal activity exists, and then deal with it by the relevant divisions, according to the situations.	
c. Does the Company adopt the measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistleblowing?	V		3. The relevant personnel of the company handling the report shall declare in writing For keeping the identity of the reporter and the content of the report confidential, and the company promises to protect the reporter from being improperly punished due to the report.	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">The Operations</th><th rowspan="2">Comparison Against the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Their Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td>D. Strengthening the information disclosure.
Does the Company disclose their ethical corporate management best practice principles and the effectiveness of the promotion on the websites or on the Market Observation Post System (MOPS)?</td><td>V</td><td></td><td>The company's website has a corporate governance area disclosing information related to ethical management. In addition, the relevant and reliable information on ethical management are also indicated in the annual report and CSR report.</td><td>No differences</td></tr>
<tr><td colspan="5">E. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best Practice Principles for TWSE/ TPEx Listed Companies, please describe any discrepancy between the policies and their implementation:
The Company has established the Ethical Corporate Management Policies based on the Ethical Corporate Management Best Practice Principles for TWSE/ TPEx Listed Companies, and also set the relevant regulations called ‘Ethical Corporate Management Best Practice Principles of Employees”.</td></tr>
<tr><td colspan="5">F. Other important information that helps to understand the operations of corporate social responsibility: (For example, the Corporate reviews the presented results to facilitate the timely amendment of the ethical corporate management principles, and more.
1. The company irregularly advocates and holds education and trainings of the importance of integrity behavior at times, in order to strengthen the implementation of ethical management.
2. The company irregularly reviews and revises its “the Ethical Corporate Management Policies” at times.</td></tr>
</table>

(G) Please disclose the access to Company's "Corporate Governance Best Practice" and relevant regulations:

In order to improve the company's corporate governance policy, the company has established the "the Ethical Corporate Management Policies" and " Ethical Corporate Management Best Practice Principles of Employees". For more information, please refer to the corporate governance section of the company's website.

(H) Other important information for enhancing understanding of the implementation of corporate governance:

As one of citizens on the earth, we focus on CSR. The company's main suppliers are also members of RBA (Responsible Business Alliance Code of Conduct, RBA) and require the company's commitment to comply with " Code of Conduct - Responsible Business Alliance", and the company has also been audited by the member of RBA. For relevant information, please refer to http://www.responsiblebusiness.org/

(I) Status of Implementation of Internal Control System:

1. Statement of internal control system:

Sysage Technology Co., Ltd.
Statement of Internal Control System

Date: February 25, 2021

Based on the findings of a self-assessment, Sysage Technology Co., Ltd. (Sysage) states the following with regard to its internal control system during the year 2020:

1. Sysage's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Sysage takes immediate remedial actions in response to any identified deficiencies.
3. Sysage evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities.
4. Sysage has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Base on the findings of such evaluation, Sysage believes that, on December 31, 2020, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of Sysage's annual report for the year 2020 and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement was passed by the board of directors in their meeting held on February 25, 2021, with eight attending directors all affirming the content of this Statement.

Sysage Technology Co., Ltd.

Chairman & President
Michael Lee

2. Companies which CPAs to professionally review the internal control system shall disclose the review report provided by the accountants: NA.

(J) The Company and its personnel have been punished by law, the Company has undertaken disincentive measures for its personnel for breaching the internal control system, and any material deficiencies and revisions in the most recent year up to the publication date of the Annual Report: None.

(K) Material Resolutions Approved by Board Meetings & Shareholders' meeting

Date	Content
10th -3 2020/03/05 BOD	1. The 2019 financial statements and business report, and the 2020 business plan. 2. Approval of the 2019 surplus distribution proposal. 3. Approval of distributing cash from capital reserve. 4. To amend the company's Articles of Incorporation 5. To amend the "Handling Procedures for the Acquisition or Disposal of Assets". 6. To amend the "Handling Procedures for Fund Loan and Endorsement & Guarantee". 7. Approval of the date and agenda of 2020 shareholders' meeting.
10th -4 2020/04/09 BOD	1.To set the date and agenda of the 2020 shareholders' meeting.
10th -5 2020/05/05 BOD	1. It is proposed to recognize the 2020Q1 consolidated financial report. 2. It is proposed to acquire common stocks of GRANDSYS INC.
2020/05/28 Shareholders' Meeting	1.To recognize the 2019 surplus distribution proposal of the company. Implementation status: Resolution approved. The cash dividend for this surplus distribution case is NT$2 per share, and the total cash dividend is NT$376,714,672, setting June 23, 2020 as the ex-dividend date, and issued on July 10, 2020. 2.To amend the company's Articles of Incorporation Implementation status: Resolution approved. 3.To recognize the company's business report and final statements. Implementation status: Resolution approved. 4.To amend the company's "Handling Procedure for Acquiring or Disposal of assets". Implementation status: Resolution approved. It was announced at the Public Information Observatory on May 28, 2020 and handled in accordance with the revised procedures. 5.To amend the company's "Handling Procedures for Fund Loan and Endorsement & Guarantee ". Implementation status: Resolution approved. It was announced at the Public Information Observatory on May 28, 2020 and handled in accordance with the revised procedures. 6. Approval if the company's proposal of capital reserves distribution in cash. Implementation status: Resolution approved. The distribution is NT$1 per share, and the total cash dividend is NT$188,357,336, setting June 23, 2020 as the ex-dividend date, and issued on July 10, 2020.
10th -6 2020/08/06 BOD	1. It is proposed to recognize the 2020Q2 consolidated financial report.

Date	Content
10^{th} -7 2020/11/05 BOD	1. To report 2020Q3 Consolidated financial report. 2.It is proposed to appoint CPAs for the company's financial statements in 2021. 3.It is proposed to increase the shareholding of the subsidiary-GLOBAL INTELLIGENCE NETWORK CO., LTD. 4.It is proposed to increase the shareholding of the subsidiary- DAWNING TECHNOLOGY INC. 5.The appointment of COO of the company. 6. The appointment of president of the company.
10^{th} -8 2020/12/09 BOD	1.The company has established an Application Review Committee and selection of members of the Application Review Committee in accordance with the law. 2.To Appoint an independent expert to issue an opinion on the reasonableness of the acquisition price.
10^{th} -9 2020/12/18 BOD	1. The company's reviews on the public acquisition of the company's common stocks by Qisda Corporation. 2. The company's reinvestment in the equity of Corex (PTY) LTD. 3. It is proposed to make endorsements to Corex (PTY) LTD. 4. The appointment of CFO, financial and accounting officer.
10^{th} -10 2021/01/28 BOD	1. The company's reinvestment in the equity of Statinc Co., Ltd.
10^{th} -11 2021/02/25 BOD	1. The 2020 business report and financial statements, and the 2021 business plan. 2. It is proposed to recognize the 2020 surplus distribution case. 3. It is proposed to recognize the surplus distribution of cash dividends in 2020. 4. To amend the Articles of Incorporation of the company. 5. To amend the "Handling Procedures for the Acquisition or Disposal of Assets". 6. To amend the "Handling Procedures for Fund Loan and Endorsement & Guarantee". 7. To lift non-competition restrictions on current directors and their representatives. 8. To set the date and agenda of 2021 shareholders' meeting. 9. The proposal of donation to the BenQ Foundation.

(L) Major contents of any dissenting opinions on record or stated in a written statement made by Directors regarding material resolutions passed by the Board of Directors' Meeting in the most recent year up to the publication date of this report: None.

(M) In the most recent year up to the publication date of the Annual Report, a summary of the resignation and dismissal of the Company personnel such as Chairman, President, accounting manager, financial manager, internal audit manager and R&D manager:

December 31, 2020

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Vice Chairman& President	Tso-Sui Wu	1998/04/01	2020/11/05	Personal career planning
Vice President of Financial & Administration Center	Hsiu-Ching Cheng	2016/05/01	2020/12/31	Retirement
Vice President of Accounting & Business Management Center	Chih-Hui Hsu	2016/05/01	2020/10/15	Personal career planning

E. Information on CPA fees

Table of fee range of CPA fees

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
KPMG	Hung-Wen Fu	Mei-Ping Wu	2020/01-2020/12	

Amount until: NT$ 1,000

Fee Range \ Fee Items		Audit Fee	Non-audit Fee	Total
1	Under NT$ 2,000,000	-	-	-
2	NT$2,000,001(Included) ~ NT$4,000,000	2,480	-	2,480
3	NT$4,000,001 (Included)~ NT$6,000,000	-	-	-
4	NT$6,000,001 (Included)~ NT$8,000,000	-	-	-
5	NT$8,000,001 (Included)~ NT$10,000,000	-	-	-
6	Over NT$100,000,000(Included)	-	-	-

(A) When non-audit fees paid to the certified public accountant, to the accounting firm of thecertified public accountant, and/or to any affiliated enterprise of such accounting firm areone quarter or more of the audit fees paid thereto, the amounts of both audit and non-auditfees as well as details of non-audit services shall be disclosed: None.

(B) When the Company changes its accounting firm and the audit fees paid for the fiscal yearin which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.

(C) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None.

F. Information on replacement of CPAs

(A) Regarding former CPA

<table>
<tr><td>Replacement date</td><td colspan="5">2020/05/05</td></tr>
<tr><td>Reason and explanation for replacement</td><td colspan="5">To cooperate with the internal adjustment from KPMG.</td></tr>
<tr><td rowspan="3">Explain why the appointor or CPA terminated or refused to accept the appointment</td><td colspan="3">Parties / Status</td><td>CPA</td><td>Appointor</td></tr>
<tr><td colspan="3">Appointment terminated</td><td colspan="2" rowspan="2">Not applicable; Due to the internal adjustment from the accounting firm.</td></tr>
<tr><td colspan="3">Refused to accept (continue) appointment</td></tr>
<tr><td>Audit report opinions other than unqualified opinion over the last two years and reason</td><td colspan="5">None</td></tr>
<tr><td rowspan="7">Did issuer have a different opinion</td><td rowspan="5">Yes</td><td></td><td colspan="3">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="3">Disclosure of Financial Statements</td></tr>
<tr><td></td><td colspan="3">Audit scope or steps</td></tr>
<tr><td></td><td>Others</td><td>Others</td><td></td></tr>
<tr><td></td><td colspan="3"></td></tr>
<tr><td>None</td><td colspan="4">V</td></tr>
<tr><td colspan="5">Remarks/specify details:</td></tr>
<tr><td>Other items requiring disclosure (disclosures for Clause 6.1.4~7, Article 10 of these guidelines)</td><td colspan="5">None</td></tr>
</table>

(B)Regarding the Succeeding CPA

Name of CPA firm	KPMG
Name of CPAs	Hung-Wen Fu；Mei-Ping Wu
Date of Appointment	2020Q1
Inquiries regarding the accounting treatment methods of specific transactions, accounting principles or opinions provided on financial report prior to the appointment and results	None
Written opinion of successor CPA regarding discrepancies in opinion with the prior CPA	None

(C)The former CPA's response for items specified in Article 10, Subparagraph 6, Item 1 and Item 2-3 of the Accounting Standards: NA.

G. Has any of the Company’s Chairman, President, or managers responsible for finance or accounting duties served in the Company’s CPA firm or its affiliated Company within the most recent year: None.

H. The Situation of equity transfer or changes to equity pledge of Directors, managers or shareholders holding more than 10% of Company shares in the most recent year (or initial date of a manager's term of service) up to the publication date of this report:

(A) Changes in shares held by Directors, managers, and shareholders holding 10% or more of shares:

Title	Name	2020		As of March 30, 2021	
		Increase (decrease) of shares held	Increase (decrease) of shares pledged	Increase (decrease) of shares held	Increase (decrease) of shares pledged
Chairman& President	Qisda Corporation Corporate Representative：Michael Lee	–	–	30,841,239	–
Vice Chairman& President	Tso-Sui Wu Designation:2020/11/05	1,100,000 (As of 2020/11/30)	–	Not applicable	–
Director	Qisda Corporation Corporate Representative：Shu-Erh Kuo	–	–	30,841,239	–
Director	Qisda Corporation Corporate Representative：Chiu-Chin Hung	–	–	30,841,239	–
Director	Qisda Corporation Corporate Representative：Chi-Nan Tsai	–	–	30,841,239	–
Director	Qisda Corporation Corporate Representative：Wen-Hsing Tseng	–	–	30,841,239	–
Independent Director	Wen-Tsung Wang	–	–	–	–
Independent Director	Chin-Lai Wang	–	–	–	–
Independent Director	Shan-Kuei Lai	–	–	–	–
President of Business Development Group	Shu-Erh Kuo	–	–	(2,600,000)	–
President of Product Development & Support Center	Chieh-Cheng Shih	–	–	(1,400,000)	–
COO & CLO	TK Young	–	–	–	–
Vice president of Business First Group	Hui-Fen Liao	81,634	–	20,000	–
Vice President of Business Third Group	Wen-Chuan Tseng Removal:2021/2/28	(52,000)	–	(20,666) (As of 2021/02/28)	–
Vice President of Product Development & Support Center	Li-Tsung Lin	–	–	–	–
CFO	Mavis Lin	–	–	–	–
Vice President of Financial & Administration Center	Hsiu-Ching Cheng Removal:2020/12/31	–	–	Not applicable	–
Vice President of Accounting & Business Management Center	Chih-Hui Hsu Removal:2020/10/15	– (As of 2020/10/31)	–	Not applicable	–
Major shareholder	Qisda Corporation	–	–	30,841,239	–

(B) Counterparty of equity pledge is a related party: None

(C) Counterparty of equity pledge is a related party: None

I. Information of relationships between Top 10 shareholders are related parties, spouses or relatives within the second degree of kinship Relationship

March 30, 2021; Unit: Shares

Name	Shares held		Shares held by spouse or underage children		Total shares held in the name of other persons		Familial relationships between top 10 shareholders who are either related parties, spouses, or relatives within the second degree of kinship, his/her/its title (or name) and relationships		Remark
	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Title (or Name)	Relationships	
Qisda Corporation	96,841,239	51.41%	-	-	-	-	NA	NA	
Qisda Corporation Representative: Peter Chen	-	-	-	-	-	-	NA	NA	
Taishin International Commercial Bank Entrusted with Guo Shu-erh's Trust Property Account	2,000,000	1.06%	-	-	-	-	NA	NA	
CHIH-HSUN, LIAO	1,745,172	0.93%	-	-	-	-	CHIUNG-YUEH, CHANG	Couple	
Dian-Jiang Investment Co., Ltd.	1,154,660	0.61%	-	-	-	-	NA	NA	
Dian-Jiang Investment Co., Ltd Representative: Ming-Chao Kuei	-	-	-	-	-	-	NA	NA	
CHIH-HUNG, TAI	953,953	0.51%	-	-	-	-	CHIH-LI, TAI	Sibling	
CHIH-LI, TAI	913,441	0.48%	-	-	-	-	CHIH-HUNG, TAI	Sibling	
CHIUNG-YUEH, CHANG	843,000	0.45%	-	-	-	-	CHIH-HSUN, LIAO	Couple	
FANG-CHUAN, CHOU	790,000	0.42%	-	-	-	-	NA	NA	
HSBC Entrusted with Bank of Nova Scoti	784,000	0.42%	-	-	-	-	NA	NA	
Citibank Entrusted with BNP that invests SNC in the investment account	694,049	0.37%	-	-	-	-	NA	NA	

J. Shareholdings and Combined Joint Shareholdings of Businesses Invested in by the Company, Company Directors, Supervisors or Executive Officers or Directly or Indirectly Controlled by the Company

December 31, 2020;Unit：Shares；%

Investment business	Investment by the Company		Investment by Directors, supervisors, managers and directly or indirectly-controlled business		Combined investment	
	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)
UNISAGE DIGITAL CO., LTD.	224,633	38.01%	–	–	224,633	38.01%
GRANDSYS INC.	5,643,373	23.58%	–	–	5,643,373	23.58%
UNISAGE DIGITAL CO., LTD.	1,152,800	34.09%	–	–	1,152,800	34.09%

Note: Invested by the Consolidated Company using the equity method

IV. Capital and Shares

A. Capital and shares

(A)Source of Share Capital

1. Source of Share Capital

March 30, 2021; Unit: Shares & NT$ 1,000

Year and month	Issued price (par value per share)	Authorized capital		Paid-in capital		Note		
		Number of Shares (thousand shares)	Amount (thousand)	Number of Shares (thousand shares)	Amount (thousand)	Source of capital (thousand)	Capital increase approval date	Certificate No.
1998/4	10	5,000,000	50,000,000	3,430,000	34,300,000	Establishment	–	–
1998/8	10	5,500,000	55,000,000	5,500,000	55,000,000	Capital Increases in Cash20,700,000	–	–
1999/5	10	19,000,000	190,000,000	12,000,000	120,000,000	Capital Increases in Cash59,005,000 Surplus & Employee Benefits transferred to common stock 5,995,000	–	–
1999/11	16	19,000,000	190,000,000	19,000,000	190,000,000	Capital Increases in Cash70,000,000	–	–
2000/4	25	59,000,000	590,000,000	29,000,000	290,000,000	Capital Increases in Cash35,530,000 Capital surplus, Surplus & Employee Benefits transferred to common stock 64,470,000	–	Ministry of economic affairs certificate no. 32514
2000/10	120	59,000,000	590,000,000	33,000,000	330,000,000	Capital Increases in Cash40,000,000	–	Ministry of economic affairs certificate no. 84607
2001/5	10	80,000,000	800,000,000	47,565,000	475,650,000	Capital surplus, Surplus & Employee Benefits transferred to common stock 145,650,000	–	Ministry of economic affairs certificate no. 123447
2002/4	54	80,000,000	800,000,000	54,565,000	545,650,000	Capital Increases in Cash70,000,000	–	Ministry of economic affairs certificate no. 110157 &Ministry of economic affairs certificate no. 114430
2002/7	10	140,000,000	1,400,000,000	64,160,750	641,607,500	Surplus & Employee Benefits transferred to common stock 95,957,500	–	Ministry of economic affairs certificate no. 0910131622

Year and month	Issued price (par value per share)	Authorized capital		Paid-in capital		Note		
		Number of Shares (thousand shares)	Amount (thousand)	Number of Shares (thousand shares)	Amount (thousand)	Source of capital (thousand)	Capital increase approval date	Certificate No.
2003/10	10	140,000,000	1,400,000,000	68,000,000	680,000,000	Surplus & Employee Benefits transferred to common stock 38,392,500	—	Ministry of economic affairs certificate no. 0920131234
2006/1	10	140,000,000	1,400,000,000	64,600,000	646,000,000	Decrease in treasury stock34,000,000	—	Ministry of economic affairs certificate no. 0950002178
2006/5	10	140,000,000	1,400,000,000	63,200,000	632,000,000	Decrease in treasury stock 14,000,000	—	Ministry of economic affairs certificate no. 0950010780
2008/7	10	140,000,000	1,400,000,000	69,520,000	695,200,000	Capital surplus & Surplus transferred to common stock 63,200,000	—	Ministry of economic affairs certificate no. 0970033085
2009/7	10	140,000,000	1,400,000,000	62,568,000	625,680,000	Capital Reductions in Cash69,520,000	—	Ministry of economic affairs certificate no. 0980032562
2010/7	10	140,000,000	1,400,000,000	67,429,440	674,294,400	Capital surplus transferred to common stock 48,614,400	—	Ministry of economic affairs certificate no. 0990034735
2011/7	10	140,000,000	1,400,000,000	73,992,384	739,923,840	Capital surplus transferred to common stock 65,629,440	—	Ministry of economic affairs certificate no. 1000031224
2011/11	10	140,000,000	1,400,000,000	72,192,384	721,923,840	Decrease in treasury stock18,000,000	—	Ministry of economic affairs certificate no. 0970062484
2012/8	10	140,000,000	1,400,000,000	79,411,622	794,116,220	Capital surplus transferred to common stock 72,192,380	—	Ministry of economic affairs certificate no. 1010028835
2013/7	10	140,000,000	1,400,000,000	83,382,203	833,822,030	Capital surplus transferred to common stock 39,705,810	—	Ministry of economic affairs certificate no.1020025498
2014/7	10	140,000,000	1,400,000,000	91,720,423	917,204,230	Capital surplus & Surplus transferred to common stock 83,382,200	—	Ministry of economic affairs certificate no. 1030025092
2016/7	10	140,000,000	1,400,000,000	96,306,444	963,064,440	Surplus transferred to common stock 45,860,210	—	Approved by Financial Supervisory Commission In 2016/6/24
2017/8	10	140,000,000	1,400,000,000	101,121,766	1,011,217,660	Surplus transferred to common stock 48,153,220	—	Approved by Financial Supervisory Commission In 2017/7/14
2018/8	10	140,000,000	1,400,000,000	111,233,942	1,112,339,420	Capital surplus & Surplus transferred to common stock 101,121,760	—	Approved by Financial Supervisory Commission In 2018/7/3
2019/8	10	180,000,000	1,800,000,000	122,357,336	1,223,573,360	Capital surplus & Surplus transferred to common stock 111,233,940	—	Approved by Financial Supervisory Commission In 2019/6/10
2019/9	10	250,000,000	2,500,000,000	188,357,336	1,883,573,360	Private stock transferred to common stock 660,000,000	—	Ministry of economic affairs certificate no. 10801118730

2.Shares Type and Shares Outstanding

December 31, 2020; Unit: Shares

Shares Type	Authorized Shares			Notes
	Outstanding shares	Un-issued shares	Total shares	
Common Shares	188,357,336	61,642,664	250,000,000	Authorized capital includes 30,000,000 shares of employee stock options

3. Related information of the general declaration system：Not applicable.

(B)Shareholder structure

March 30, 2021

Shareholder structure / Quantity	Government institutions	Financial institutions	Other corporations	Individual	Foreign institutions and foreigners	Subtotal
Number of persons	1	6	173	29,291	46	29,517
Number of shares held	55	506,484	102,204,535	82,858,041	2,788,221	188,357,336
Shareholding Percentage (%)	0%	0.27%	54.26%	43.99%	1.48%	100%

(C)Distribution of Equity Ownership

March 30, 2021

Class of Shareholding	Number of shareholders	Number of shares held	Shareholding Percentage (%)
1 ~ 999	19,402	1,085,985	0.58%
1,000 ~ 5,000	7,224	15,313,517	8.13%
5,001 ~ 10,000	1,409	10,478,035	5.56%
10,001 ~ 15,000	482	5,917,069	3.14%
15,001 ~ 20,000	266	4,745,182	2.52%
20,001 ~ 30,000	246	6,115,307	3.25%
30,001 ~ 40,000	247	9,712,236	5.16%
40,001 ~ 50,000	137	9,628,045	5.11%
50,001 ~ 100,000	66	8,878,783	4.71%
100,001 ~ 200,000	20	5,601,922	2.97%
200,001 ~ 400,000	5	2,277,140	1.21%
400,001 ~ 600,000	6	4,152,650	2.21%
600,001 ~ 800,000	3	2,710,394	1.44%
800,001 ~ 1,000,000	4	101,741,071	54.01%
1,000,001 or more	29,517	188,357,336	100.00%

(D)List of Major Shareholders

March 30, 2021

Shares / Major Shareholders' Name	Number of shares held	Shareholding Percentage (%)
Qisda Corporation	96,841,239	51.41%
Taishin International Commercial Bank Entrusted with Guo Shu-erh's Trust Property Account	2,000,000	1.06%
CHIH-HSUN, LIAO	1,745,172	0.93%
Dian-Jiang Investment Co., Ltd.	1,154,660	0.61%
CHIH-HUNG, TAI	953,953	0.51%
CHIH-LI, TAI	913,441	0.48%
CHIUNG-YUEH, CHANG	843,000	0.45%
FANG-CHUAN, CHOU	790,000	0.42%
HSBC Entrusted with Bank of Nova Scoti	784,000	0.42%
Citibank Entrusted with BNP that invests SNC in the investment account	694,049	0.37%

(E)Information on Market Price, Book Value, Earnings Per Share and Dividend:

Item		Fiscal Year	2019	2020	As of March 30, 2021（Note 5）
Market Price Per Share	Highest		37.40	47.20	46.00
	Lowest		29.30	28.85	43.00
	Average	Before retrospective	34.15	38.74	44.13
		After retrospective	31.15	(Note 6)	-
Net Worth Per Share (Note 1)	Before Distribution		29.14	22.68	-
	After Distribution		25.30	(Note 6)	-
Earnings Per Share (EPS)	Weighted Average Shares Number (thousand Shares)		147,107,336	188,357,336	-
	Earnings per share	Before retrospective	2.58	2.91	-
Dividends Per Share	Cash dividends	Before retrospective	3.00	2.5	-
	Free share distribution	Dividend from retained earnings	-	(Note 6)	-
		Dividend from capital reserve	-	(Note 6)	-
	Cumulative unpaid dividend		-	-	-
Return on Investment	Price/Earnings Ratio (Note 2)		13.24	13.31	-
	Price/Dividend Ratio (Note 3)		11.38	(Note 6)	-
	Cash Dividend Yield (Note 4)		8.78%	(Note 6)	-

＊In the event that surplus or capital reserve is used to increase capital, information of the market price and cash dividend shall be adjusted, according to issuance of the number of shares.

Note 1: Based on the number of issued shares at the end of the year, and the distribution based on the resolution of the shareholders' meeting in the following year.

Note 2: Price/Earnings ratio = Average market price/Earnings per share.

Note 3: Price/Dividend ratio = Average market price/Cash dividends per share.

Note 4: Cash dividend yield = Cash dividends per share/ Average market price.

Note 5: As of the publication date of the annual report, there is no information regarding with earnings per share and net Worth Per Share that have been reviewed by CPAs for the most recent quarter. The Market Price Per Share is the information for the current year as of the publication date of the annual report.

Note 6: Resolution of 2020 earning distribution at the 2021.2.25 BOD Meeting, but pending resolution at the shareholders' meeting.

(F)Dividend Policy and Execution Status:

1. the Articles of Incorporation of the Company regulates the dividend policy as follows:

   The company, if profitable in the year, shall set aside no less than 8% of the profit as compensation for the employees and no higher than 2% as remuneration for the directors, and employee compensation in cash or stocks mentioned in paragraph shall apply to employees holding over 50% of total shares of the controlling company and subsidiaries, in accordance with Articles of Incorporation.

   The company's earnings of the year, if any, shall be allocated to pay taxes and offset the accumulated losses from previous years first, and then set aside 10% as legal reserve. The company shall then appropriate a certain amount as special reserve in compliance with the company's operating requirements, applicable laws or regulatory requirements (Where such legal reserve amounts to the total paid-in capital, this provision shall not apply). The remaining earnings, if any, may be put together with the retained earnings from previous years and the adjustment amount of the undistributed earnings of the year; the sum of the above may be appropriated as dividends and bonuses according to the distribution proposal prescribed by the Board of Directors based on the actual needs after the proposal is submitted to and approved at the shareholders' meeting, in accordance with Articles of Incorporation.

The company's new dividend distribution policy will be effective after approved by the discussion matter (To amend the Articles of Incorporation) on the shareholders' meeting on May 28, 2021: The company adopts a dividend distribution policy whereby only surplus profits of the company shall be distributed to shareholders, according to the company's earnings, capital structure, and operating requirements in the future. Where dividend is distributed in a mixture of cash and shares, the amount of cash dividends paid shall be no lesser than 10% of total dividends provided for the year. If the company's annual budget profitable in the year, and a portion of distributable earnings reaching 2% or above, the amount of dividends paid shall be no lesser than 10% of distributable earnings.

2. The dividend distribution proposal by the Shareholders' Meeting:

   On February 25, 2021, the Board of Directors has made resolutions to determine the distributable amount of the cash dividend for the shareholders as NT$470,893,340. After the approval, the announcement will be announced at the Market Observation Post System and will be reported to the 2021 Shareholders' Meeting.

(G)Effects upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting：Not applicable.

(H)Compensation of Employees, Directors

1. Information Relating to Compensation of Employees, Directors in the Articles of Incorporation

   Amounts decided: The company, if profitable in the year, shall set aside no less than 8% of the profit as compensation for the employees and no higher than 2% as remuneration for the directors.

   Scope: Employee compensation mentioned in paragraph 1 shall apply to employees holding over 50% of total shares of the controlling company and subsidiaries.

2. Estimation basis of this annual period for the remuneration and compensation for employees and Directors, and the accounting approach for handling the differences between the calculation basis for the shares of employees' remuneration distributed by stock and the actual distributed amount and the estimated number of shares:

   (1) Estimation basis of this annual period for the remuneration and compensation for employees and Directors: The company, if profitable in the year, shall set aside no less than 8% of the profit as compensation for the employees and no higher than 2% as remuneration for the directors, in accordance with Articles of Incorporation.

   (2) The calculation basis of the number of shares for employee renumeration distributed by stocks: Calculation is based on the closing price on the day before resolution date of the Board of Directors.

   (3) If there is any discrepancy between that amount and the estimated figure for the fiscal year, it shall be recognized as the profit and loss next year.

3. The resolution of remuneration distribution by the Board of Directors:

The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed.

   (1) The distribution amount of employee compensation & Directors' Renumeration:
   A. Employee Cash Bonus: NT$ 60,450,000.
   B. Directors' Renumeration: NT$ 5,650,000.
   C. There is no discrepancy between that amount and the estimated figure for the fiscal year

   (2) The proportion of employee remuneration paid by stocks to the total amount of the amount of individual profit (after tax) plus the amount of employee remuneration in the current period: Not applicable.

4. Distribution of Remuneration of Employees and Directors of the Previous Annual Period:

   (1) The amount distributed to employees' remuneration in cash was NT$ 45,200,000 and NT$ 5,040,000 for Directors' one.

(2) The difference between the proposed distribution amount approved by the Board of Directors and the actual amount distributed: the actual distributed amount was the same as the proposed distribution amount approved by the Board of Directors.

(I) Repurchase of the Company’s Shares by the Company: None.

B. Status of Corporate Bonds: None.

C. Status of preferred shares: None.

D. Status of global depository receipt: None.

E. Status of Employee Stock Options: None.

F. Status of Restricted Employee Shares: None.

G. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

H. Financing Plans and Implementation: None.

V. Overview of Operations

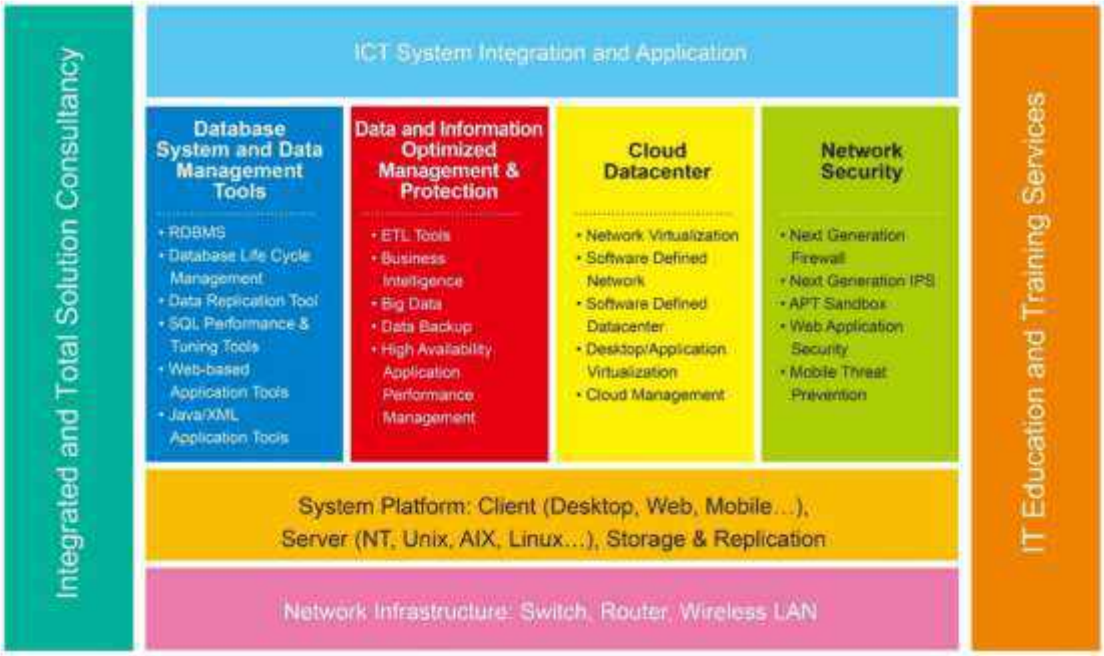
A.Our Businesses

(A)Business Scope:

1. Major contents of business:

The Group mainly focuses on distribution, purchasing and selling of products of ICT, and we aim at brands channel, value-added services and building the bridge to the cloud world, and provide the ICT Solution of network equipment, hardware and software to customers, for enterprises and users to build a more efficient ICT cloud application environment.

The structure of business operations of the company is as follows:



The company and its subsidiaries distribute more than 40 internationally famous network and system software and hardware IT brands, such as, Cisco, Check Point, Citrix, Dell, EMC, IBM, Juniper, Oracle, Pure Storage, Red Hat, SAP, VMware, etc. For more than 20 years of experience as a distributor, we are familiar with the ecosystem and business operation of ICT market, and we can provide the most professional consultancy and project collaboration for one-stop services with different IT brands for system Integration partners and enterprise users.

2. Operating ratio of products and services of the company at present.

Unit：%

Year / Product	2020
Computational products	46.58
Network products	26.70
Tools products	22.58
Technical services, and other products	4.14
Total	100.00

3. Products and services of the company at present

The company's overall operating strategy is based on “brands channel; value-added services” as the main operating purposes, and the product line distributed by the company including ICT hardware and software products of global leading vendors, such as Cisco, Citrix, EMC, IBM, Oracle, Red Hat, SAP, and VMware, etc. For enterprises ICT infrastructure, including network, security, server, storage, data analysis systems and backup systems, we plan overall structure of network, server system, security mechanism, database performance, backup system and relevant solutions of application software and hardware for enterprises. We can customize software and hardware ICT solutions to meet enterprises’ requirement, provide relevant technical consultancy, education and training, and improve added-on values by overall planning and system integration services, so that enterprises and users can build more effective ICT cloud application environment.

4. The development plan of new products and services

In order to meet requirements of enterprises' digital transformation, our plan for future research and development will concentrate on the R&D of cloud application integration and big data analysis, including:

(1) Development and optimization of the Cloud Management Portal for cross-cloud usages and expenses management.

(2) To integrate Customer relationship management (CRM) system with social media.

(3) Advanced data analysis and research, such as, AI, big data and data lake.

(4) Application research and development of microservices and cloud applications for enterprises digital transformation.

The total amount of R&D expenses expected to be invested in the above projects is approximately NT$15 million in 2021.

(B)Industry Overview

1. Current Status and Development of the Industry

According to IDC's 2020 prediction of the top ten trends in the Taiwan ICT market, the global digital transformation will enter into the "Transformation 2.0 Generation." The digital transformation of enterprises will be changed from focusing on “digital technology (Digital-led)” to “Data-driven” and also indicate that enterprises must transform into “Future Enterprise” and concentrate on development in line with the characteristics of “Future Enterprise”, including empathy/sympathy, authorization, innovation, data, and leadership in response to the new type of transformation.

The trends of development relevant to the company are as follows:

(1) Hybrid/multi-cloud structure becomes a key factor for enterprise innovation

To achieve diversified innovation and transformation, enterprises have begun to think about how to create more flexibility, speed-up, and innovation through a multi-cloud hybrid environment. In 2019, 80% of global enterprises have introduced a hybrid/multi-cloud environment, and 46% of enterprises in Taiwan have tried to implement a hybrid/multi-cloud environment. However, observing present hybrid/multi-cloud deployment, enterprises face multiple challenges, such as, compatibility, information security, load balancing, management allocation, and human resources, etc. The container and Kubernetes (K8S) platforms have the advantages of expand-abilities of platform, highly available management interface, and automated load balancing, which may help enterprises deal with challenges faced in deploying hybrid/multi-cloud. IDC predicts that Kubernetes (K8S) will become interoperability standard of the main platform for cross-cloud deployment and management of containers. The ecosystem of relevant manufacturers, including hybrid cloud operators, public cloud operators, hardware operators, and commercial software industries that will also invest and promote the introduction and application of hybrid/multi-cloud in enterprises.

IDC predicts that 45% of global enterprises in 2022 will deploy applications in a containerized multi-cloud environment for a perfect system deployment and management. At the same time, 74% of enterprises in Taiwan will deploy hybrid/multi-cloud environments, for leading development of enterprises of IT market in Taiwan.

(2) The next stage of digital transformation: SMEs accelerate their transformation

IDC assumes that nearly 60% of Taiwanese enterprises were undergoing digital transformation in 2019, but only 13% of SMEs initiated plans of digital transformation, since resources and costs were the main obstacle for development. IDC assumes that 2020 will be an important turning point. In addition to domestic and foreign information service providers have begun to provide simple, flexible digital services to meet requirements of SMEs, SMEs have also begun to invest AI, which can improve interaction with customers, and expect short-term return on investment. IDC predicts that the growth of SMEs' digital transformation experience, and its scope of applications will improve customer experience and enhance employee productivity and satisfaction. It is estimated that 47.8% of Taiwan's SMEs will undergo digital transformation in 2021.

(3) Geopolitical risks have intensified, continuing to drive the localization of information security

Uncertainty of global politics continues to rise. International competition has shifted from military confrontation to technology and digital sovereignty. As facing two major technological hegemonies of China and the United States, the world's major information powers have taken the lead in network security to reduce geopolitics, which shall trigger the risks and strategies of the possible impact of social media or online speeches on national sovereignty shall be proposed. At the same time, training of talents of information security and the establishment of an ecosystem are carried out.

However, other non-information countries rely on US information security products and technologies. IDC has observed that these countries have begun to improve their cooperation with other countries in IT infrastructure, through multiple technology standards to cope with the uncertain international situation. In the long run, independent deployment of key technologies is an important point of development of non-information powers. IDC expects that 40% of countries that develop digital infrastructure at a high speed will move towards localization of information security in 2022, and ensure the stability of economic development and national security.

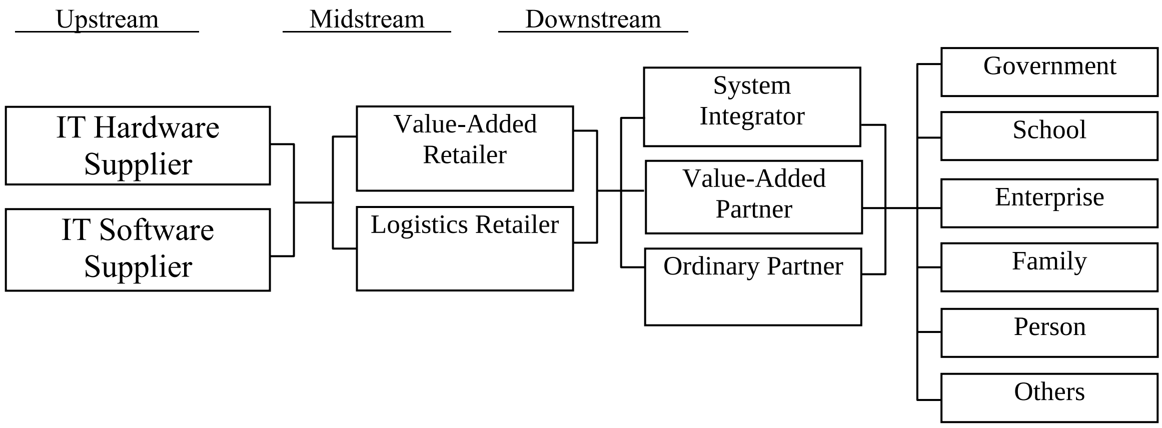
In response to changes in the international situation, apart from continuing to strengthen the independent deployment of key technologies and training talents of information security in Taiwan, special political and economic background has developed unique advantages in the information security industry, and it will also help win a new opportunity for the information security industries in Taiwan, as the world situation is characterized by turbulence and in tranquility.

2. Connection of Upstream, Midstream and Downstream Industries

The company and its subsidiaries are midstream value-added distributors in the information service industry, distributing various communication and Internet software and hardware equipment, workstation and servers, tools integration application software and other products, etc. Through capabilities of integration by distributing products, we provide professional consultancy, technical services, and other solutions etc., to downstream partners, and then sell to end-users (End User) through those partners. The upstream are mainly suppliers of various network software and hardware, host systems and application software, and the downstream are system integrators, partners and end-users engaged in selling information products.

At present, upstream companies in the information industry focus on R&D and manufacturing of information products. Midstream retailers take market promotion and establish marketing channels as their primary business objective, while downstream industries provide delivery, installation, maintenance, and technical support services to end-users.

Simple connection of upstream, midstream and downstream industries, and end-users is as follows:



3. Trends in development of products

Gartner, an international research and advisory organization, puts forward ten strategic technology trends that enterprises must understand in 2020, including super-automation, multiple experiences, publication of professional knowledge, enhancement of human empowerment, transparency and traceability, and stronger edges computing, distributed cloud, automated objects, practical blockchain, and artificial intelligence security.

David Cearley, vice president and distinguished analyst of Gartner, pointed out: "Gartner's top ten strategic technology trends in 2020 were all centered on the core concept of "human-oriented smart space", and it is also one of the most important aspects of today's technology development. From thinking about technology, what kind of influence will customers, employees, business partners, society or other important related-parties have? All actions taken by enterprises directly or indirectly affect these individuals and groups. This is the approach of "human-oriented"." Those who are relevant to the company are as follows:

(1) Transparency and traceability

More and more consumers realize that personal data is very valuable and must be controlled, and companies also realize that the risks of protecting and managing personal data are increasing. Therefore, governments of various countries simultaneously implement strict regulations to ensure implementation by corporate organizations. Transparency and traceability have become a key element to support digital ethics and privacy requirements.

Transparency and traceability refer to meet regulatory requirements, comply with AI, and ethics for application of other advanced technologies, and repair various attitudes, actions, and supporting technologies and measures that the outside trusts in the enterprise. When establishing transparency and trust, enterprises must focus on the following three areas: Artificial intelligence and machine learning, privacy of personal data, ownership and control, and ethical design.

(2) Distributed cloud

Distributed cloud is to disperse the current centralized public cloud services to different locations, and the original public cloud provider will continue to be responsible for operation, governance, update and upgrade of the cloud service. It means that the centralized model adopted by public cloud services will be transformed, and creates a new era for cloud computing.

(3) Security of AI

Artificial intelligence and machine learning will continue to improve human decision-making capabilities in different application situations. Although it brings huge business opportunities to realization of super-automation and using automated objects for business transformation. Due to the Internet of Things in the smart space, cloud computing, microservices, and highly-connected systems are more likely to be attacked, it may bring many new challenges to security teams. Security and risk managers shall focus on the following three key areas: protection of AI system, using AI to improve security protection, and preparing for the malicious use of AI by attackers.

4. Competition Status of industries

The company acts as a value-added distributor of network system. In addition to distributing global famous brand products, it also provides related technical consultancy, education, and training courses, and uses overall planning and system of integration services to increase its added-value, and acts as a few domestic professional service providers to provide complete solutions of network and system to enterprises.

A distributor of ordinary information products can be divided into value-added retailers and logistics retailers, according to the types of services they provide and their niche of competition. For value-added retailers, they focus on the increase in the added-value of product sales, and establish their niche of competition through value-added services. The company and its subsidiaries are typical value-added retailers; Logistic distributors are proficient in logistics management, and their products are highly standardized, and their sales policies concentrate on the increase in inventory turnover. Synnex Technology International Corporation and Unitech Computer Co., Ltd., belongs to domestic logistic retailers.

(C) Technology and R&D Overview

1. During the recent year and as of the print date of this annual report, investment amount of expenses of research and the development is as follows:

Unit: NT$ 1,000

Item/Year	2020	2021Q1
R&D expenses	$16,582	(Note)

Note: As of the print date of the annual report, the 2021Q1 financial statements have not been reviewed by CPAs yet, with no number of the quarterly report for reference.

2. During the recent year and as of the print date of this annual report, technologies and products produced successfully.

The company has completed the cloud service charging system, which can automatically total the customer's cloud service usage every month and generate corresponding notices to charge the customer. In addition, the charging system can provide usage data for system in some manufacturers, and also activate/deactivate/manage products of cloud services of customers, reducing the workload of human resources and service activation. At present, the integration of Akamai, VMware, Google, AWS, Microsoft and other distributing brands of cloud services has been completed.

(D) Long-Term and Short-Term Business Development Plan

1. Short-term business plans

(1) To continue to introduce new products with value-added synergies, increase the breadth and depth of the distributing product line, improve integration of sales and services across product lines and acquire distributing rights in Taiwan.

(2) To continue to increase the original channels, actively understand market trends of manufacturers, and improve project services and technical guidance, increase capabilities of project integrated sales and advisory sales, and become a platform of connections/projects communication.

(3) In addition to improving internal management and training of employees' professional skills, service capabilities and human resources, we also continue to encourage employees to obtain professional technical certifications and implement target management mechanisms.

(4) To utilize the advantages of existing distributing products to provide enterprise users with mobile business application solutions and various resources of integration applications to iOS development manufacturers.

(5) To continue to develop the next stage of Sysage platform of information software of cloud services: to build the foundation for winning future business opportunities of cloud service, and incorporate more product lines into the platform. It is expected to expand product lines, such as, Microsoft Azure, Citrix, Cisco Webex, etc., in the near future.

2. Long-term business plans

(1) As a role of ICT Solution Provider, we continue to improve the quality of services to customers and increase customer satisfaction, so as to consolidate the cooperative relationship with downstream partners and system integrators and become their irreplaceable high-quality business partners.

(2) Through the connection with existing partners, it shall make a closer integrated distribution community; Through communication regarding with market information, technical knowledge, and trends of enterprise users with one another, it shall establish cooperation model of professional work distribution, group sales, as well as joint operation and sharing of business opportunities in online services.

(3) As for continuous training of personnel for acquiring professional technical certification, such as, Cisco, IBM, Oracle, SAP, etc., it shall improve the overall technical capabilities, provide customers with overall technical support, and perfect after-sales services, and maintain competitiveness of the company in the future, due to the irreplaceability of the value-added services.

(4) To continue to develop cloud platform’s application development and services and expand product lines for cooperation and layout.

B. Markets and Sales Overview

(A)Market analysis

1. Areas of selling or providing products

Selling areas \ Year		2020 Amount	2020 %	2019 Amount	2019 %
Domestic sale	North area	9,474,509	70.12	9,155,886	74.40
	Hsinchu area	2,530,881	18.73	1,736,846	14.11
	Central area	415,704	3.08	402,934	3.27
	South area	909,991	6.73	742,821	6.04
Foreign sale		181,436	1.34	268,512	2.18
Total		13,512,521	100.00	12,306,999	100.00

2. Market share

The company and its subsidiaries distribute and sell products, whether it is Cisco, IBM, Oracle, Citrix, EMC, etc., all of which are global famous brands, and their occupation rate in our country's network, computing, and data storage equipment products is higher. The consolidated operating income of NT$ 13,512,521 thousand in 2020, occupies an important position in the field of professional channel management of domestic information products.

According to the ranking by CommonWealth Magazine in 2019, Sysage ranked 6th in the sales and service category of information equipment, and 135th in the 2000 service industries.

3. Situations and growth of the supply and demand of markets in the future

IThome's 2020 trend forecast: AI and Cloud continue to grow in popularity. As more key technologies become mature, major manufacturers are promoting AutoML and K8s into cross-cloud interoperability standards, AI chip phones are appearing gradually, and 5G launched in Taiwan, financial data become public and new digital identity verification will be on the road. 2020 will be a year of explosions of various technological innovations and applications. Indication of the relevant trends and growth of the company goes as follows:

(1) Private network of 5G shall be launched, and enterprises have new options for transformation of long-distance network structure

5G provides 1Gbps high-speed network, with lowest latency, large-scale connection characteristics, so that enterprises have a new option that can break the traditional cross-WAN structure in the design of long-distance network structure. Domestic 5G bidding is undergoing. It is expected that the certification will be public in January 2020. After the first release of 5G commercial spectrum, various telecom operators will also start network construction. 5G commercial services may be started between 2020 H2, so Taiwan will welcome the arrival of 5G. Since 5G can accelerate information flow of production systems and manufacturing equipment, and enable real-time analysis, compared with Taiwan affirming 5G private frequency and network policy, Germany, Japan and other countries have already promoted competitiveness of enterprises, promoted Industry 4.0, and led Innovative applications, early planning of 5G private network policy. Japan plans to release 1,100 MHz, and Germany plans to release 100MHz from 3.7 to 3.8 GHz to upgrade the German automotive industry. Therefore, private frequency and network of 5G shall have space for future development.

(2) Cloud native infrastructure becomes the mainstream, accelerating modernization transformation of IT in enterprise

With maturity and commercialization of cloud-native technologies such as containers, microservices, CI/CD, and DevOps, cloud native infrastructure has become a new mainstream of information infrastructure in enterprises. Many companies in Taiwan have launched modernization engineering of IT to acquire these new technologies.

The results of the survey on enterprise cloud in 2019 indicated a key factor to digital transformation. Through these technologies, 21.6% of Taiwanese enterprises intend to adopt microservice structure in order to adopt cloud, and 18.7% of them intends to use the container technology. Among highly cloud enterprises, 45.7% will adopt cloud CI/CD in 2020, and 28.6% will adopt more containers.

Containers, microservices, and DevOps technologies all points to a common goal-cloud native structure. NCF Cloud Native Computing Foundation estimates that the venture capital invested in these products exceeds US$4.76 billion, but creation of the overall market size has reached an astonishing scale of US$7.98 trillion, reflecting the market size of cloud-native structure and technology has already formed a huge and mature technology market, rather than an emerging market. From the classification, it points out that development of cloud native technology is gradually moving towards a high degree of specialization of work distribution, from database, streaming and messaging platform, application definition and construction, continuous integrated development, scheduling and arrangement, coordination and service exploration , RPC, service proxy, API gateway, service grid, information security and legal compliance, key management, monitoring, logging, tracking, chaos engineering, serverless, etc., as well as technologies of the core platform, including the open source in K8s version , K8s hosting services, K8s installation software, PaaS service, etc.

60% of Taiwanese companies are undergoing digital transformation, and nearly 10% of them have already received benefits of digital transformation. It is expected that enterprises will have strong demand for cloud this year, and the scale of investment in Cloud will grow by 36%, from average budget of NT$ 4.95 million last year to NT$ 6.73 million. Compared with annual growth rate of about 5-10% of budget of IT, requirements of Cloud in enterprises multiply growth of It.

(3) More new types of digital identity recognition will be released, and the entering barrier will be lower for smart type of personal digital services, so identity recognition will become a service applied across industries in the future.

In the future, digital identity recognition is no longer the unique asset of a specific industry and shall be adopted to verify the identity of other industries, through a reliable identity recognition mechanism. Whether digital identity recognition or a digital identity card integrated with certificates of natural person, the level for identity verification shall be lowered, and some services that require higher identity security in the past, such as financial, insurance, medical and telecommunications services, etc., will be in the era of the digital economy in the future, with a flexible and simple method of online identity verification, which help users avoid trouble as applying in person through over-the-counter service. As enterprises launch services, they also need to consider new digital identity.

4. Operating purposes & niche of competition

The company and its subsidiaries are striving to become "The ICT Solution Provider”, aiming to provide a comprehensive solution for integration and construction of ICT in enterprises, focusing on early system planning, mid-term integration and construction, post-consulting services(three-stage goals) to meet requirements of corporate customers for immediate and convenient one-time purchases, and then assist enterprises to move toward goals of globalization, quality optimization, and service efficiency, for improving industrial competitiveness.

"Success comes from the most powerful combination!" The company and its subsidiaries form four cornerstones of business development with the best combination of "brand, technology, distribution, and service", including software and hardware products of global famous brands, excellent technology passed by the certification of manufacturers, extensive marketing channels, and enthusiastic, sincere attitude for our sales and services with profound experience. We allow enterprise customers to improve the operating efficiency of information equipment with a reasonable budget, and improve IT functions, laying a solid foundation for the future development of the enterprise, and facing more industrial products of aggressive competition.: Software and hardware products distributed by the company and its subsidiaries are all global famous brands. In order to increase depth and breadth of the product line, the company and its subsidiaries, except for continuing to expand the existing brand market, and expand distributing rights of new products, we provide enterprises with a wider and excellent integration construction equipment of network and system, and then increase revenues and growth of profits.

- Technology: The company and its subsidiaries have an excellent technical support team of network and system, which constantly researches the integration efficiency of various brand products, and adopt the most professional technology to enhance the added-value of products. The support team works closely with technicians of manufacturers, and has a variety of professional certifications of manufacturers, for providing enterprise customers with accurate diagnosis and consultancy of IT problem.
- Channels: The company and its subsidiaries have been widely recognized by customers, due

to a variety of solutions. There are more than 1,000 system integrators and partners around all counties, with extremely high market coverage, a closer and stable relationship with groups of major customers, and an excellent channel expansion and market development capabilities.

- Service: The company and its subsidiaries have lower employee turnover, high stability, a great enthusiasm and dedication, and many years of professional experience. From pre-sale product consultancy, planning and quotation, to after-sale installation and warranty, we provide customers with the most immediate and secure information and services at times.

5. Factors of advantages and disadvantages, and countermeasures of the development for prospect

(1) Factors of advantages

A. A range of distributing product is complete: The product lines represent global manufacturers including Cisco, Citrix, EMC, IBM, Oracle, Red Hat, SAP and VMware, etc., and providing a complete product line to meet requirements of customers.

B. At present, the type of customers includes educational institutions, government authorities, manufacturing, telecommunications, Internet service, distribution, medical, financial and securities industries, etc. The range of customers is broad, and our business is stable, so it can avoid the risk of excessive concentration on business.

C. The information security-related software market and continuous growth of requirements of big data software and hardware, and cloud products indicates that information security, cloud computing and big data related issues shall be one of the most concerned topics in information environment of enterprises.

D. To combine business advisors with information technology to assist customers with software and hardware issues related to the database and technical consulting services with knowledge of products, and provide professional planning, consultancy, construction, maintenance, outsourcing engineers, and other professional services, etc., in cooperation with various application systems.

(2) Factors of disadvantages

A. An aggressive competition with the same industry, due to the decrease in prices, which triggers the decrease in profits

Countermeasures：

Except for becoming a professional ICT Solution Provider for brand channels and value-added services, the company and its subsidiaries have increased and expanded integrated and comprehensive products on the original basis to maintain a complete product line and provide downstream customers with one-time purchase to fulfill their requirements, and researching the integration efficiency of products among various brands, in order to provide customers with complete solutions and increase the added-value of products. With high added-value and reliable products, advanced network integration technology, and perfect after-sales maintenance services to improve value-added services for avoiding price competition.

B. Being in the Industry of distributor

Countermeasures:

In addition to having many employees with professional and technical certificates, the company and its subsidiaries also hold intensive internal and external education and training to provide customers with overall technical support and after-sales services. With the irreplaceability of value-added services, we can maintain a good relationship with customers, and increase opportunities for extension of distributor agreements. At the same time, we commit to expanding marketing channels and increasing the market share of products for assuring continuation of distributor agreements.

On the other hand, the company and its subsidiaries are also searching for new distributing rights of other brand products. With expansion of product lines, it not only increases a variety type of products for one-time purchase services by customers, but also reduces dependence on single-brand products, in order to reduce operational risks.

C. Information products with short life cycles and high inventory risks

Countermeasures:

Except for strengthening the control of progress of projects, the company and its subsidiaries implement inventory monitoring, review the safe level of inventory at times in response to market demand, and establish a good relationship with manufacturers, receive immediate information of the product, and monitor situations during the change in inventory, for preventing from a huge loss triggered by decline and obsolete and slow-moving inventories.

(B) Important applications and manufacturing processes of main products

1. The important applications of main products

Product line	Major product	Main purpose
IE and software and hardware of communication equipment	Router Remote access device Switch Firewall Safety-control equipment Network security encryption Network management software Internet playing system Network phone system Unified Communication System (UC) Bandwidth acceleration equipment Wired and wireless phones	1. For connection with local area network (Local Area Network; LAN) and wide area network (Wide Area Network; WAN) or hardware configuration accessed by remote workstation and providing hardware equipment to increase network transmission speed and improve network security management. 2. Internet security, encryption, control, and detection of software and hardware, for privacy and security of Internet transmission. 3. To establish a management platform and provide remote network management functions. 4. To provide a network playing system, which can be played on local networks and wide area networks. 5. To replace traditional switches with Internet phone system (IP-PBX) and use network IP technology to achieve integration software with communication functions.
Tools integration application software and services	Database software Database management software Database analysis software Software development environment (tools) Development application software according to requirements of customers and market.	1. To provide management of internal files and huge storage data, and enable information to be conducted systematically through filtering and analysis, etc. 2. We develop packages application software, which provides an operating platform for customers to collect, analyze, and use data, in order to improve the efficiency of information management of users.
Workstation and server hosts	Desktop workstation Server hosts Storage equipment Blade Server	1. To provide equipment for enhancement of computing, files and data storage, server hosts of Internet application and office automation, etc. 2. The blade server of green energy technology is used as the computing platform to save energy and space.

2. Manufacturing processes of main products:

The company and its subsidiaries act as a distributor for network software and hardware products, and provide consulting services for products, with no manufacturing procedures.

(C)Supply status of main materials

The company and its subsidiaries are the information service industry of computer-related products. The main purchase items include software and hardware of Internet and communication equipment, tools integration application software and services, workstation, and server hosts, etc. The main manufacturers are Cisco, Citrix, Dell, EMC, IBM, Oracle, Red Hat, SAP and VMware, etc., with a stable cooperative relationship.

(D) Major Suppliers & clients

1. Major Suppliers in the Last Two Calendar Years:

Units: NT$ 1,000

Item	2019				2020				2021(As of March 31)(Note)			
	Company	Amount	As % of Net Revenue	Relationship with Issuer	Company	Amount	As % of Net Revenue	Relationship with Issuer	Company	Amount	As % of Net Revenue	Relationship with Issuer
1	NA	-	-	NA	NA	-	-	NA	-	-	-	-
	Other	12,306,999	100.00	NA	Other	13,512,521	100.00	NA	-	-	-	-
	Net Revenue	12,306,999	100.00		Net Revenue	13,512,521	100.00		Net Revenue	-	-	

2.Major Clients in the Last Two Calendar Years:

Units: NT$ 1,000

Item	2019				2020				2021(As of March 31)(Note)			
	Company	Amount	As % of Net Procurement	Relationship with Issuer	Company	Amount	As % of Net Procurement	Relationship with Issuer	Company	Amount	As % of Net Procurement	Relationship with Issuer
1	Manufacturer A	2,312,399	20.84	NA	Manufacturer B	2,301,173	19.41	NA	-	-	-	-
2	Manufacturer B	2,125,811	19.16	NA	Manufacturer A	2,111,889	17.81	NA	-	-	-	-
3	Manufacturer C	1,527,357	13.77	NA	Manufacturer C	1,807,278	15.25	NA	-	-	-	-
	Other	5,129,124	46.23		Other	5,634,341	47.53		Other	-	-	-
	Net Procurement	11,094,691	100.00		Net Procurement	11,854,681	100.00		Net Procurement	-	-	-

Reasons for the increase or decrease of procurement: As the company maintains a good and long-term cooperative relationship with major manufacturers. Therefore, in the past two years, the company's main manufacturers have no major changes, except for the increase or decrease in the purchase amount, due to new distributing products and cooperation with the market supply and demand.

Note: As of the date of publication of the annual report, the 2021 Q1 financial statements have not been reviewed by CPAs.

(E)Supply Status of Main Materials

The company acts as the industry of information services, so it doesn’t have any production table.

(F) Shipments and Sales in the Last Two Years

The company acts as the industry of information services, and the distributing products are various and the quantity units are different. Therefore, calculation of the sales values is based on the main products, categories are as follows:

Units: NT$ 1,000; Set

Year / Output / Major products	2020				2019			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Computational products	201,609	6,294,693	-	-	184,279	5,005,163	189	50,927
Network products	668,756	3,580,606	301	25,818	558,751	3,778,250	52	21,995
Tools products	26,375	2,896,136	745	155,350	3,925,266	2,837,292	1,110	195,251
Technical services, and other products	8,628	559,650	-	268	1,059	417,782	-	339
Total	905,368	13,331,085	1,046	181,436	4,669,355	12,038,487	1,351	268,512

C. Employee Information:

Year		2019/12/31	2020/12/31	As of March 31, 2021
Total number of employees	Salesman	174	265	240
	Technical	192	206	243
	Administration	116	100	153
	Research	19	14	26
	Total	501	585	662
Average age		35.96	36.47	36.29
Average duration of service (years)		4.84	4.44	4.98
Educational distribution ratio (%)	Director of Philosophy	0.80	0.85	0.76
	Master's Degree	9.58	8.21	11.63
	Bachelor's Degree	87.42	88.38	76.28
	Senior high school	2.2	2.39	8.46
	Senior high school below	—	0.17	2.87

D. Environmental Protection Expenditures:

The company's business focuses on software and hardware equipment of communication and network (distributing Cisco and other products, etc.), workstations and servers (distributing IBM, Dell, EMC and other products, etc.), and tools integration application software (distributing Oracle and other products, etc.) to integrate sales plans and provide relevant consultancy and services of education and trainings, research and development of information application software, services and sales business, will not induce pollution and damage the ecological environment, as the recent year and as of the publication date of the annual report, no loss and disposition incurred by environmental pollution.

E. Labor-Management Relations:

(A) List of employee benefits, in-service training, internal training, retirement system, and implementation status, as well as employer-employee agreements, and protection measures for employee entitlements

1. Employee welfare and implementation

The company established an employee welfare committee in accordance with the Employee Welfare Regulations, and regularly allocates welfare funds to handle welfare matters. Employee welfare matters include labor, health retirement and group insurance, birthday gift, Dragon Boat / Mid-Autumn Festival / Spring Festival gift, wedding and funeral of employees and their family members support, maternity subsidy, employee injury and illness support, emergency support, emergency condolences, employee leisure activities (such as, club support, etc.), tourist activities, year-end parties and lottery, etc.

2. Education & Trainings

The company has established education and training regulations to provide employees with domestic and foreign professional skills and management skills and other education and training, etc. Employee education and trainings include new personnel trainings, general education courses, management ability trainings of officers, education and training of safety and health, and diversified learning development. Each employee can improve professional abilities through diversified development methods, such as, on-the-job training, job counseling, job transfer, lectures, etc., inside the company; Outside the company, employees are able to participate in short-term training courses of professional training institutions. In addition, we encourage employees to obtain professional certifications to enhance their professional capabilities. In 2020, the company's expenses of education and training amounted to NT$ 2,850 thousand.

3. Retirement Policy and execution

In order to take care of retirement life of employees, and promote good labor relations, the company has adopted a definite allocation system in accordance with the Labor Pension Regulations. The monthly retirement funds are allocated to the labor insurance account established by the Labor Insurance Bureau; For voluntary payment for pensioners, the employee monthly salary shall be deducted from the employee monthly salary to the individual pension account of the Labor Insurance Bureau, according to the voluntary withholding rate.

(1) If the company's employees who have one of the following circumstances may request retirement:

A. Employees who have worked for more than 15 years and are at least 55 years old.

B. Employees who have worked for more than 25 years.

C. Employees who have worked for more than ten years and have reached the age of 60.

(2) If the company's employees have one of the following conditions, the company may force them to retire:

A. Employees who are over 65 years old.

B. Loss of mind or physical disability is incapable of being a qualified worker.

For the age specified in the first paragraph of the preceding paragraph, the company may report to the central competent authority for adjustment of workers who engage in dangerous and physical works, but the very employees shall be no less than 55 years old.

(3) Pension standard:

A. For seniority based on the Labor Standards Law, the pension payment standard has been approved by the Ministry of Labor (Approval Letter No. 09935829400) to settle all employees' seniority in May, 2010, so there is no need to calculate the retirement pension.

B. For employees who are subject to the pension requirements of the Labor Pension Regulations, the company shall pay 6% from their wages to the individual retirement account of employees monthly.

C. The employee's right to claim the pension will be extinguished by prescription if not exercised within 5 years, beginning at the following month from the effective of retirement:

4. Employer-employee agreements

The company always concentrates on various benefits, provides an excellent working environment, and emphasizes two-way communication with employees. The labor relations is very harmonious, and the employees have a remarkable degree of unity, without triggering any labor disputes.

5. Employee Code of Conduct of Ethics

The company sets up working rules and employee codes of ethics and conduct to standardize employee service codes.

6. Protective measures for the working environment and personal safety of employees

(1) All entrances and exits are equipped with access control of card swiping devices.

(2) To sign a contract with the security company to maintain safety of office and warehouse.

(3) The company participates in 2 fire drills of the building management committee every year.

(4) In response to changes in laws and regulations, we edit work rules of safety and health at times.

(5) The business spot shall be completely banned smoking in accordance with regulations, health seminars be held, and the office environment be cleaned and disinfected regularly.

(6) To hold regular health examination for on-the-job staff every 2 years.

(7) To insure labor, health and group insurance.

(8) To hold lectures on stress (emotion) management, communication skills, creative thoughts, etc., for enhancing employee psychological adjustment, knowledge and capabilities.

(9) To establish a website for employees, with download areas of discussion areas, work forms and various manuals, new Labor Standards Act, who can provide opinions, release emotions, and acquire interactive learning channels.

(B)List of losses due to labor disputes in the most recent year up to the date this report is published, disclosure of the estimated amount, and countermeasures against current and possible future occurrences. If the amount cannot be reasonably estimated, the reason shall be provided: None.

F. Material Contracts:

Contract Type	Party	Contract Term	Content	Restrictions
Distribution	CISCO	2020/03/28-2022/03/27	Distributing commodities	NA
	Oracle	2018/10/14-2021/07/15		
	HDS	2020/04/20-2021/04/19		
	DELL	2020/11/17-2021/11/16		
	EMC	2020/04/01-2021/03/31		
	Citrix	2019/07/01-2021/06/30		
	IBM-Taiwan branch	2019/12/02-2021/12/01		
	IBM-Singapore	2020/06/08-2022/06/07		
	VMware	2020/01/12-2021/01/11		
	SAP	2020/12/31-2021/12/31		

VI. Financial Highlights

A. Condensed Balance Sheet and Statement of Comprehensive Income for the most recent five years

(A) International Financial Reporting Standards (IFRS)

Condensed Consolidated Balance Sheet

Unit: NT$ 1,000

Item \ Year		Financial data for the most recent five years (Note 1)					As of March 31, 2021 (Note 2)
		2016	2017	2018	2019	2020	
Current Assets		4,705,736	4,804,738	5,482,085	6,436,838	6,541,097	
Property, plant and equipment		359,374	836,642	865,896	995,883	954,503	
Intangible assets		1,380	-	-	-	-	
Other Assets		299,957	181,085	214,226	440,558	651,815	
Total Assets		5,366,447	5,822,465	6,562,207	7,873,279	8,147,415	
Current Liabilities	Before distribution	3,313,046	3,334,742	3,807,330	2,784,583	3,146,894	
	After distribution	3,457,506	3,486,425	3,640,479	2,219,511	(Note 3)	
Non-current liabilities		9,006	248,440	238,430	481,639	454,175	
Total Liabilities	Before distribution	3,322,052	3,583,182	4,045,760	3,266,222	3,601,069	
	After distribution	3,466,512	3,734,865	3,878,909	2,701,150	(Note 3)	
Equity attributable to shareholders of Sysage.		1,940,686	2,064,955	2,260,003	4,286,896	4,271,301	
Common Stock		963,064	1,011,217	1,112,339	1,883,573	1,883,573	
Capital Surplus		445,146	444,122	422,237	1,520,908	1,333,011	
Retained Earnings	Before distribution	532,476	609,616	725,427	882,415	1,054,717	
	After distribution	388,016	457,933	558,576	317,343	(Note 3)	
Other equity		-	-	-	-	-	
Treasury stock		-	-	-	-	-	
Non-controlling interests		103,709	174,328	256,444	320,161	275,045	
Total Equity	Before distribution	2,044,395	2,239,283	2,516,447	4,607,057	4,546,346	
	After distribution	1,899,935	2,087,600	2,349,596	4,041,985	(Note 3)	

Note 1: The accompanying financial data has been audited and attested by CPAs.

Note 2: The 2021 Q1 financial data has not been attested or reviewed by CPAs.

Note 3: It’s not applicable, since the regular shareholders' meeting has not been held yet.

(B)Condensed Consolidated Statement of Comprehensive Income

Unit: NT$ 1,000

Item \ Year	Financial data for the most recent five years (Note 1)					As of March 31, 2021 (Note 2)
	2016	2017	2018	2019	2020	
Revenue	9,118,403	10,422,423	11,186,815	12,306,999	13,512,521	
Gross profit	797,218	942,204	1,094,414	1,250,889	1,621,382	
Profit from operations	276,226	358,572	427,254	467,289	649,970	
Non-operating income and expenses	23,187	2,148	17,838	50,175	80,180	
Profit before income tax	299,413	360,720	445,092	517,464	730,150	
Profit from continuing operations for the year	249,694	299,423	347,113	414,831	576,099	
Losses from discontinued operations	-	-	-	-	-	
Profit for the year	249,694	299,423	347,113	414,831	576,099	
Other comprehensive income (loss), net of taxes	-	-	-	-	-	
Total comprehensive income (loss) for the year	249,694	299,423	347,113	414,831	576,099	
Profit attributable to shareholders of Sysage.	238,796	283,390	318,055	379,456	549,017	
Profit attributable to non-controlling interests	10,898	16,033	29,058	35,375	27,082	
Total comprehensive income (loss) attributable to shareholders of Sysage.	238,796	283,390	318,055	379,456	549,017	
Total comprehensive income (loss) attributable to non-controlling interests	10,898	16,033	29,058	35,375	27,082	
Earnings Per Share (EPS)	2.36	2.55	2.60	2.58	2.91	

Note 1：The accompanying financial data has been audited and attested by CPAs.

Note 2：the 2021 Q1 financial data has not been attested or reviewed by CPAs.

Note 3：As for surplus transferred to common stock or capital surplus transferred to common stock, it shall be adjusted by the ratio of the increased capital.

(C)Condensed Parent Company Only Balance Sheet

Unit: NT$ 1,000

Item \ Year		Financial data for the most recent five years (Note 1)				
		2016	2017	2018	2019	2020
Current Assets		4,047,572	4,116,848	4,611,168	5,408,293	5,448,467
Property, plant and equipment		333,229	772,245	802,726	834,631	815,380
Intangible assets		-	-	-	-	-
Other Assets (Note 2)		473,680	393,161	452,423	772,177	905,043
Total Assets		4,854,481	5,282,254	5,866,317	7,015,101	7,168,890
Current Liabilities	Before distribution	2,906,593	2,970,593	3,369,618	2,290,415	2,499,722
	After distribution	3,051,053	3,122,276	3,202,767	1,725,343	(Note 2)
Non-current liabilities		7,202	246,706	236,696	437,790	397,867
Total Liabilities	Before distribution	2,913,795	3,217,299	3,606,314	2,728,205	2,897,589
	After distribution	3,058,255	3,368,982	3,439,463	2,163,133	(Note 2)
Common Stock		963,064	1,011,217	1,112,339	1,883,573	1,883,573
Capital Surplus		445,146	444,122	422,237	1,520,908	1,333,011
Retained Earnings	Before distribution	532,476	609,616	725,427	882,415	1,054,717
	After distribution	388,016	457,933	558,576	317,343	(Note 2)
Other equity		-	-	-	-	-
Treasury stock		-	-	-	-	-
Total Equity	Before distribution	1,940,686	2,064,955	2,260,003	4,286,896	4,271,301
	After distribution	1,796,226	1,909,272	2,093,152	3,721,824	(Note 2)

Note 1：The accompanying financial data has been audited and attested by CPAs.

Note 2: It’s not applicable, since the regular shareholders' meeting has not been held yet.

(D)Condensed Parent Company Only Comprehensive Income

Unit: NT$ 1,000

Item \ Year	Financial data for the most recent five years (Note 1)				
	2016	2017	2018	2019	2020
Revenue	7,563,186	8,613,555	9,113,792	10,286,217	11,071,939
Gross profit	643,965	768,563	887,510	998,461	1,318,446
Profit from operations	212,141	278,614	341,796	375,560	579,381
Non-operating income and expenses	67,057	55,834	59,718	88,790	106,636
Profit before income tax	279,198	334,448	401,514	464,350	686,017
Profit from continuing operations for the year	238,796	283,390	318,055	379,456	549,017
Losses from discontinued operations	-	-	-	-	-
Profit for the year	238,796	283,390	318,055	379,456	549,017
Other comprehensive income (loss), net of taxes	-	-	-	-	-
Total comprehensive income (loss) for the year	238,796	283,390	318,055	379,456	549,017
Profit attributable to shareholders of Sysage.	2.36	2.55	2.60	2.58	2.91

Note 1：The accompanying financial data has been audited and attested by CPAs.

Note 2：As for surplus transferred to common stock or capital surplus transferred to common stock, it shall be adjusted by the ratio of the increased capital.

(E) The names of CPA and their opinions for the most recent five years.

Year	The accounting firm	CPA	Opinion and content
2016	KPMG	Chen Chien Chen/Yung-Hua Huang	Unqualified opinion
2017	KPMG	Yung-Hua Huang/ Wan-Wan Lin	Unqualified opinion
2018	KPMG	Mei-Ping Wu/ Wan-Wan Lin	Unqualified opinion
2019	KPMG	Mei-Ping Wu/ Wan-Wan Lin	Unqualified opinion
2020	KPMG	Hung-Wen Fu/Mei-Ping Wu	Unqualified opinion with other matters

B. Financial analysis for the most recent five years

(A) International Financial Reporting Standards - Consolidated Financial Analysis

Item analyzed \ Year		Financial analysis for the most recent five years					As of March 31, 2021 (Note 3)
		2016	2017	2018	2019	2020	
Financial structure	Ratio of debts to assets (%)	62	62	62	41	44	
	Ratio of long-term capital to property, plant and equipment (%)	571	297	318	511	524	
Solvency	Current ratio (%)	142	144	144	231	208	
	Quick ratio (%)	55	68	71	123	115	
	Interest coverage ratio	18	26	30	37	75	
Operating ability	Receivables turnover rate (times)	6.37	6.19	5.88	5.94	6.60	
	Average collection days for receivables	57	59	62	61	55	
	Inventory turnover rate (times)	3.21	3.51	3.84	3.86	4.03	
	Payable turnover rate (times)	9.73	8.56	7.01	7.34	7.91	
	Average days for sales	114	104	95	95	91	
	Property, plant and equipment turnover rate (times)	24.82	17.42	13.14	13.22	13.85	
	Total asset turnover rate (times)	1.78	1.86	1.80	1.70	1.68	
Profitability	Return on assets (%)	5	6	6	6	7	
	Return on equity (%)	13	14	15	12	13	
	Ratio of profit from operations to paid-in capital (%)	31	36	40	27	39	
	Ratio of profit before income tax to paid-in capital (%)	3	3	3	3	4	
	Profit margin (%)	2.48	2.80	2.60	2.58	2.91	
Cash flow	Earnings per share (NT$)	(Note 1)	23	1	(Note 1)	19	
	Cash flow ratio (%)	5	52	61	47	49	
	Cash flow adequacy ratio (%)	(Note 1)	24	(Note 1)	(Note 1)	1	
Leveraging	Cash flow reinvestment ratio (%)	2.59	2.24	2.22	2.33	2.06	
	Operating leverage	1.06	1.04	1.03	1.03	1.01	

Reasons for changes in financial ratios in the most recent two annual periods:
(1) The increase in interest coverage ratio and Ratio of profit before income tax to paid-in capital: Due to the increase in revenues in 2020, and the increase in pre-tax net profit.
(2) Increase in profit margin: Due to the increase in revenues and gross profit margin in 2020.
(3) Increase in cash flow ratio and cash flow reinvestment ratio: Due to the increase in revenues in 2020, so net cash inflow from operating activities increased.

Note 1：As a negative amount or zero.

Note 2：The accompanying financial data has been audited and attested by CPAs.

Note 3：the 2021 Q1 financial data has not been attested or reviewed by CPAs.

(B)International Financial Reporting Standards– Parent Company Only Financial Analysis

Item analyzed / Year		Financial analysis for the most recent five years				
		2016	2017	2018	2019	2020
Financial structure	Ratio of debts to assets (%)	60	61	61	39	40
	Ratio of long-term capital to property, plant and equipment (%)	585	299	311	566	573
Solvency	Current ratio (%)	139	139	137	236	218
	Quick ratio (%)	49	60	63	117	108
	Interest coverage ratio	18	25	29	36	88
Operating ability	Receivables turnover rate (times)	6.56	6.25	5.75	5.87	6.04
	Average collection days for receivables	56	58	63	62	60
	Inventory turnover rate (times)	2.89	3.16	3.42	3.60	3.59
	Payable turnover rate (times)	10.27	8.31	6.50	7.16	7.22
	Average days for sales	126	116	107	101	102
	Property, plant and equipment turnover rate (times)	22.19	15.58	11.57	12.56	13.42
	Total asset turnover rate (times)	1.63	1.69	1.63	1.59	1.56
Profitability	Return on assets (%)	5	6	6	6	8
	Return on equity (%)	13	14	15	12	13
	Ratio of profit from operations to paid-in capital (%)	29	33	36	25	36
	Ratio of profit before income tax to paid-in capital (%)	3	3	3	4	5
	Profit margin (%)	2.48	2.80	2.60	2.58	2.91
Cash flow	Earnings per share (NT$)	(Note 1)	26	4	(Note 1)	26
	Cash flow ratio (%)	25	52	66	55	60
	Cash flow adequacy ratio (%)	(Note 1)	26	(Note 1)	(Note 1)	2
Leveraging	Cash flow reinvestment ratio (%)	2.74	2.36	2.27	2.34	2.00
	Operating leverage	1.08	1.05	1.04	1.03	1.01

Reasons for changes in financial ratios in the most recent two annual periods:
(1) The increase in interest coverage ratio and Ratio of profit before income tax to paid-in capital: Due to the increase in revenues in 2020, and the increase in pre-tax net profit.
(2) Increase in profit margin: Due to the increase in revenues and gross profit margin in 2020.
(3) Increase in cash flow ratio and cash flow reinvestment ratio: Due to the increase in revenues in 2020, so net cash inflow from operating activities increased.

Note 1：As a negative amount or zero.

Note 2：The accompanying financial data has been audited and attested by CPAs.

Below are calculations:

1. Financial structure
   (1) Ratio of debts to asset = Total liabilities / Total assets
   (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities) / Net property, plant and equipment
2. Solvency
   (1) Current ratio = Current assets / Current liabilities.
   (2) Quick ratio = (Current assets - Inventories - Prepaid expenses) / Current liabilities
   (3) Interest coverage ratio = Net income before income tax and interest expense / Interest expenses over this period.
3. Operating ability
   (1) Receivable (including accounts receivable and notes receivable due to business operations) turnover rate = Net sales / Balance of average accounts receivable for various periods (including accounts receivable and notes receivable due to business operations).
   (2) Average collection days for receivables = 365/Receivables turnover rate.
   (3) Inventory turnover rate = Cost of goods sold/ Average inventory.
   (4) Payable (including accounts payable and notes payable due to business operations) turnover rate = Cost of goods sold / Balance of average accounts payables of various periods (including accounts payable and notes payable due to business operations).
   (5) Average days for sales = 365 / Inventory turnover rate.
   (6) Property, plant and equipment turnover rate = Net sale/Average net property, plant and equipment.
   (7) Total asset turnover rate = Net sales / Average total assets
4. Profitability
   (1) Return on assets = [Net income after taxes + interest expense x (1 - tax rate)] / Average total assets
   (2) Return on equity = Net income after taxes / Average total equity
   (3) Profit margin = Net income after taxes / Net sales
   (4) Earnings per share = (Net income attributable to shareholders of the parent company - preferred stock dividend) / Weighted

   average number of shares outstanding
5. Cash flow
   (1) Cash flow ratio = Net cash flow of operating activities / Current liabilities.
   (2) Cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (Capital expenditures + inventory increase + cash dividend) for the most recent five years.
   (3) Cash flow reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (Gross value of property, plant, and equipment + Long-term investments + Other non-current assets + working capital).
6. Leveraging
   (1) Operating leverage = (Net operating revenue - variable operating cost and expenses) / Operating profit.
   (2) Financial leverage = Operating profit / (Operating profit - interest expenses).

SYSAGE 聚碩科技

Audit Committee’s Review Report

The undersigned has duly audited the Operating Report, Financial Statements and Schedule of Earnings Distribution prepared by the Board of Directors for the year of 2020. Hung-Wen Fu and Mei-Ping Wu Certified Public Accountants of KPMG have audited the Financial Statements. The 2020 Financial Statements, Business Report, Independent and Auditors Report have been reviewed and determined to be correct and accurate by the Audit Committee of SYSAGE TECHNOLOGY CO., LTD. I, as the Chair of the Audit Committee, hereby submit this report according to Article 14-4 of the Securities and Exchange Act, and Article 219 and 228 of the Company Act.

2021 Annual General Shareholders’ Meeting

Chair of the Audit Committee: Wen-Tsung Wang

February 25, 2021

D. Consolidated Financial Statements with Independent Auditors' Report of the most recent year: please refer to Appendix 1.

E. Parent Company only Financial Statements with Independent Auditors' Report for the most recent year: Please refer to Appendix 2.

F. Any financial difficulties experienced by the Company and its affiliate businesses during the most recent year up to the publication date of this report need to be stated as well as the impact on the Company's financial position need to be outlined: None.

VII. Review and Analysis of Financial Position and Financial Performance, and Risk Management

A. Financial position Analysis

Unit: NT$ 1,000

Item / Year	2020	2019	Difference	
			Amount	%
Current assets	6,541,097	6,436,838	104,259	2%
Investment accounted for using equity method	954,503	995,883	-41,380	-4%
Property, plant and equipment	-	-	-	-
Investment property	651,815	440,558	211,257	48%
Intangible assets	8,147,415	7,873,279	274,136	3%
Other non-current assets	3,146,894	2,784,583	362,311	13%
Total assets	454,175	481,639	-27,464	-6%
Current liabilities	3,601,069	3,266,222	334,847	10%
Long-term debt	4,271,301	4,286,896	-15,595	0%
Other non-current liabilities	1,883,573	1,883,573	-	0%
Total liabilities	1,333,011	1,520,908	-187,897	-12%
Common stock	1,054,717	882,415	172,302	20%
Capital surplus	-	-	-	-
Retained earnings	-	-	-	-
Other equity	275,045	320,161	-45,116	-14%
Equity attributable to shareholders of Sysage.	4,546,346	4,607,057	-60,711	-1%

Reasons for changes in proportion in the most recent two years:

Increase in other assets: Due to the increase in investment in associates and subsidiaries in 2020, resulting in an increase in investments for using the equity method.

Increase in retained earnings: Due to the increase in revenues and increased profits in 2020, resulting in an increase in retained earnings.

B.Financial performance analysis

Unit: NT$ 1,000

Item / Year	2020	2019	Increase (decrease) amount	Change in proportion
Net revenue	13,512,521	12,306,999	1,205,522	10%
Cost of sales	1,621,382	1,250,889	370,493	30%
Gross profit	649,970	467,289	182,681	39%
Operating expenses	80,180	50,175	30,005	60%
Profit from operations	730,150	517,464	212,686	41%
Non-operating income and expenses	576,099	414,831	161,268	39%
Profit before income tax for the year	-	-	-	-
Income tax expense	576,099	414,831	161,268	39%
Profit for the year	-	-	-	-
Net revenue	576,099	414,831	161,268	39%

C. Cash flow

(A) Change in consolidated cash flow in 2020

Unit: NT$1,000

Cash balance at the beginning of 2020	2020 Net cash flow	Cash balance at the end of 2020
695,302	35,437	730,739

(B) Analysis of changes in consolidated cash flow for recent 2 years

Unit: NT$1,000

	2020	2019	Increase (decrease) amount	Change in proportion
Net cash flows provided by operating activities	605,078	(449,908)	1,054,986	234%
Net cash flows used in investing activities	(274,063)	(171,568)	(102,495)	-60%
Net cash flows used in financing activities	(295,578)	744,597	(1,040,175)	-140%

1. Net cash inflow from operating activities was NT$ 605,078 thousand: Due to the increase in revenue in 2020 and the disposal of funds.
2. The net cash outflow from investment activities was NT$ 274,063 thousand: Due to the increase in investment in associates and subsidiaries in 2020, and the increase in investments for using the equity method.
3. The net cash outflow from financing activities was NT$ 295,578 thousand: Due to the 2020 distribution of cash dividends.

(C) Liquidity improvement plan: Not applicable.

(D) Analysis of cash liquidity in the coming year: Not applicable.

D. Material expenditures of the most recent year and impact on the Company's finances and operations

(A) Material expenditures of the most recent year: None.

(B) Impact on the Company's finances and operations: None.

E. Investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the improvement plan, and investment plans for the coming year

(1) The 2020 investment plan exceeds 5% of the paid-in capital: The relevant information of the company's reinvestment company has been disclosed in the financial report (please refer to Appendix 1 of this annual report for details), with no investment plan exceeds 5% of the paid-in capital in the 2020. The company's reinvestment policy is in line with the company's business development strategy and operational requirements. Net investment profits accounted for using the equity method in 2020 consolidated financial report was NT$9,042,000.

(2) The investment plan is expected to exceed 5% of the paid-in capital in 2021: The company obtained the full equity of COREX (PTY) LTD. and issued common stock for cash on December 18, 2020, through a resolution of the Board of Directors. To Sign a share purchase contract in January, 2021, and purchase all shares held by COREX (PTY) LTD., the contract price is NT$ 140,000 thousand, and then the common stock is issued by NT$ 111,872 thousand. The registration procedures for related transactions have been completed, and the contract price has also been paid.

F. Matters for Analysis and Assessment for Risks

(A) The impact of interest rates, exchange rates changes and inflation on the Company's profits and losses and future countermeasures

1. The impact of recent changes in interest rates on the profit and loss of the company and its subsidiaries and future countermeasures

The financial conditions of the company and its subsidiaries are sound. Therefore, the interest expense recognized in this year is NT$ 9,867 thousand, due to short-term financing, which only accounts for 0.1% of operating income. Therefore, interest rate fluctuations have little impact on the company.

2. The impact of the recent exchange rate changes on the profit and loss of the company and its subsidiaries and future countermeasures

The exchange profit recognized by the company and its subsidiaries in this year is NT$ 31,664 thousand, accounting for 0.2% of the current net operating income. In order to avoid a decrease in the value of foreign currency assets and fluctuations in future cash flows due to changes in exchange rates, the company and its subsidiaries use the derivatives to avoid risks of the exchange rate, so the change in the exchange rate have limited impact on the company.

(B) The main reasons for the high-risk, high-leveraged investment, capital loan, guarantee/endorsement and derivative commodity trading, and the profits or losses and future countermeasures.

1. In the most recent year, the company has not engaged in transactions related to high-risk, highly leveraged investments, lending loans to others, except for forward foreign exchange contracts. The transactions of the derivatives focus on avoiding of foreign currency-denominated liabilities due to fluctuations in the exchange rate. For a rise in risks, the company and its subsidiaries use the derivatives for hedging purposes that are highly negatively correlated with changes in the fair value. In addition, the company and its subsidiaries are engaged in the sale of foreign exchange options held for trading, and continuously and regularly assess the fair value risk arising from the change in the exchange rate, and take appropriate countermeasures at times.

2. In the most recent year, the company's endorsements/guarantees, regarding with the amount of endorsements/ guarantees undertaken by COREX (PTY) LTD., is made due to needs arising from business dealings, with no unusual events. COREX (PTY) LTD. has been a 100% subsidiary of the company, in January, 2021.

3. In order to control the aforementioned transaction risks, the company has established internal management measures and operating procedures in accordance with relevant laws and regulations, including " Handling Procedures for Acquisition or Disposal of Assets", " Handling Procedures for Lending Funds to Other Parties or Endorsements & Guarantees ", and conducting regular audit and public announcement.

(C) R&D expenses for future R&D projects and investment amount.

Please reference "The development plan of new products and services" of "V.Operations Overview".

(D) The impact of important policies and legal regulations changes at domestic and abroad on the Company's financial status and the countermeasures

There are no impact of important policies and legal regulations changes at domestic and abroad on the Company's financial status and the countermeasures.

(E) The impact of technological and industrial changes on the Company's financial business and the countermeasures

The company and its subsidiaries are value-added distributors of professional network systems. Changes in technology can create business opportunities for the network information industry to seek enhancement, innovation, and security. It can provide opportunities for the company to sell new products and indicate the impact of changes in technology. There is no negative impact on the company's financial business.

(F) The impact of corporate image changes on corporate crisis management and the countermeasures.

The company and its subsidiaries have always abided by laws and regulations and fulfill social responsibilities, and there are no negative reports.

(G) Expected benefits and possible risks of M&A and the countermeasures: Not applicable.

(H) Expected benefits and possible risks of the expansion of factory and the countermeasures

The company does not have a factory, so it is not applicable.

(I) Risk of procurement and sales concentration, and countermeasures

1. Procurement

   The company makes an effort to acquire distributing rights of other well-known brands in order to reduce the operational risk of procurement concentration.

2. Sales

   The company and its subsidiaries accounted for 26.92% of the top ten customers in the most recent year, and there is no risk of sales concentration.

(J) The impact and risk of a substantial transfer or replacement of equities by Directors, Supervisors or Shareholders holding more than 10% of the total shares: Not applicable.

(K) Impact of changes in management on the Company and risks: Not applicable.

(L) Disclosure of disputed contents, amounts of the subject matters, commencement dates of the proceedings, parties involved in the proceedings of litigation or non-litigation events, major closed or ongoing lawsuits and litigation or non-litigation events involving the Company and its Directors, Supervisors, General Managers, Substantive Persons–in Charge, major shareholders holding more than 10% of total shares and affiliates/subsidiaries with results of which may have a material impact on the shareholders' equity or the price of the securities, and the actual results as of the printing date of this Annual Report.

1. The company and its subsidiaries: NA.
2. The company and its Directors, Supervisors, General Managers, Substantive Persons–in Charge, major shareholders holding more than 10% of total shares and affiliates/subsidiaries: NA.

(M) Other major risks and the countermeasures

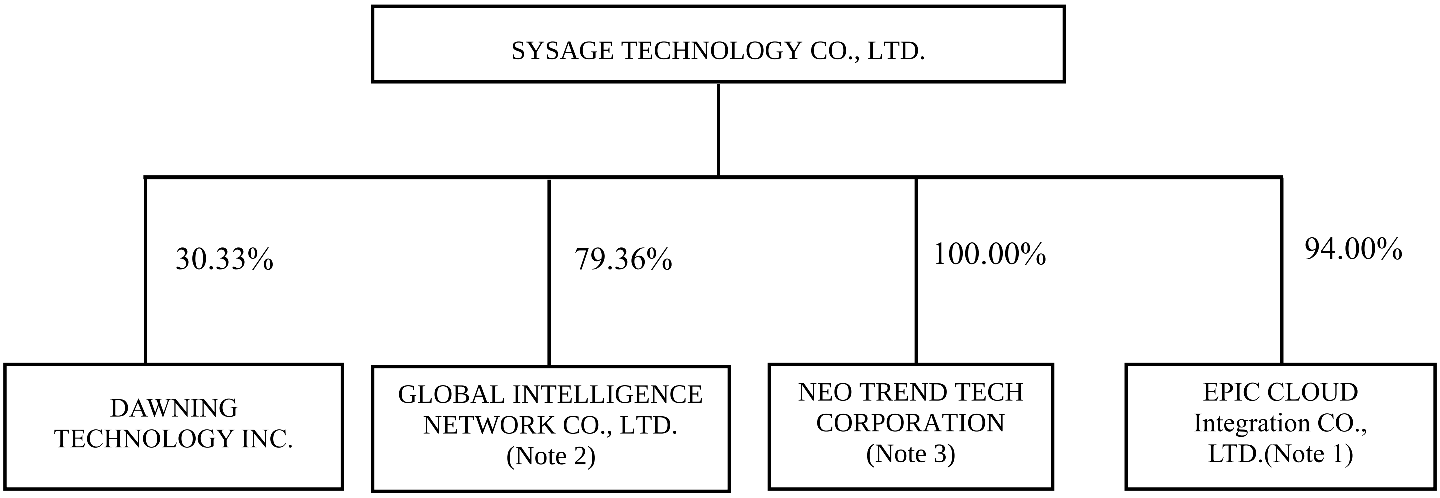
G. Other material matters: None.

VIII. Special Notes

A. Summary of affiliated companies in recent years：

(A)Consolidated business report of affiliated companies：

1. Affiliated companies chart



Note 1: EPIC CLOUD Integration CO., LTD. Has changed its name to EPIC CLOUD CO., LTD. on January 26, 2021.

Note 2: Holding 14.10% of shares of DAWNING TECHNOLOGY INC.

Note 3: Holds 0.07% and 1.00% of shares of GLOBAL INTELLIGENCE NETWORK CO., LTD. and EPIC CLOUD Integration CO., LTD..

Unit: NT$ 1,000

Company	Date of Incorporation	Place of Registration	Capital Stock (NT$)	Main business or production activities
GLOBAL INTELLIGENCE NETWORK CO., LTD.	2000/03/21	11 F, No. 516, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	132,000	Software and hardware trading such as, network and communication system, etc.
DAWNING TECHNOLOGY INC.	2000/09/13	8 F, No. 516, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	240,000	Software and hardware trading such as, network system, etc.
EPIC CLOUD Integration CO., LTD.	2018/07/03	10F, No. 516, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	10,000	Data software and data processing services
NEO TREND TECH CORPORATION	2020/06/10	3F, No. 516, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	50,000	Telecom Engineering Industry

2. Presumed to be the same shareholder for those with relations of control and affiliation: None.

3. Directors, supervisors, and presidents of affiliates

Name of business	Title	Name or representative	Shareholding	
			Shares (Investment Amount)	(Investment Holding %)
GLOBAL INTELLIGENCE NETWORK CO., LTD.	Chairman& President	SYSAGE TECHNOLOGY CO., LTD. Representative：Shu-Erh Kuo	10,475,000	79.36%
	Director	SYSAGE TECHNOLOGY CO., LTD. Representative ： TK Young, Hsiu-Ching Cheng	10,475,000	79.36%
	Supervisor	Wen-Chuan Tseng	-	-%
DAWNING TECHNOLOGY INC.	Chairman & President	SYSAGE TECHNOLOGY CO., LTD. Representative：TK Young	7,279,866	30.33%
	Director	SYSAGE TECHNOLOGY CO., LTD. Representative： Heng-Mei, Tai, Hui-Fen Liao	7,279,866	30.33%
	Director	SYSLINK CORPORATION Representative： Cheng-Tsuan Lin, Kuan-Lin Liu	11,200,000	46.67%
	Supervisor	Wen-Chuan Tseng	-	-%
EPIC CLOUD Integration CO., LTD.	Chairman	SYSAGE TECHNOLOGY CO., LTD. Representative：TK Young	940,000	94.00%
	Director	SYSAGE TECHNOLOGY CO., LTD. Representative：Shu-Erh Kuo, Chieh-Cheng Shih	940,000	94.00%
	Supervisor	NEO TREND TECH CORPORATION Representative：Mavis Lin	10,000	1.00%
NEO TREND TECH CORPORATION	Chairman& President	SYSAGE TECHNOLOGY CO., LTD. Representative：TK Young	5,000,000	100.00%
	Director	SYSAGE TECHNOLOGY CO., LTD. Shu-Fen, Huang, Chih-Yung, Li	5,000,000	100.00%
	Supervisor	SYSAGE TECHNOLOGY CO., LTD. Representative：Mavis Lin	5,000,000	100.00%

4. Overview of affiliates’ operations:

Unit: NT$1,000

Name of business	Capital	Total assets	Total liabilities	Net assets	Revenue	Profit from operations	Profit or loss for the year (After income tax)	Earnings per share (dollar; after income tax)
GLOBAL INTELLIGENCE NETWORK CO., LTD.	132,000	580,537	349,350	231,187	1,272,294	27,310	26,822	2.03
DAWNING TECHNOLOGY INC.	240,000	790,603	381,839	408,764	1,231,478	39,448	30,829	1.28
EPIC CLOUD Integration CO., LTD.	10,000	9,270	2,725	6,545	12,581	(2,356)	(2,437)	(2.44)
NEO TREND TECH CORPORATION	50,000	58,436	22,473	35,963	-	(13,935)	(14,037)	(2.81)

(B) Consolidated financial statements of affiliated companies：Please refer to Appendix 1.

(C) Report of affiliated companies：Not applicable.

B. Private Placement Securities in the Most Recent Years：None.

C. Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.

D. Other supplementary information：None.

IX. Any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

Appendix 1
Consolidated Financial Statements
with Independent Auditors' Report for the most recent years

Representation Letter

The entities that are required to be included in the combined financial statements of SYSAGE TECHNOLOGY CO., LTD. as of and for the year ended December 31, 2020 under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, SYSAGE TECHNOLOGY CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Company name: SYSAGE TECHNOLOGY CO., LTD.
Chairman: Michael CH Lee
Date: February 25, 2021

KPMG

安侯建業聯合會計師事務所
KPMG
台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5, Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)
Telephone 電話 + 886 2 8101 6666
Fax 傳真 + 886 2 8101 6667
Internet 網址 home.kpmg/tw

Independent Auditors' Report

To the Board of directors of SYSAGE TECHNOLOGY CO., LTD.:

Opinion

We have audited the consolidated financial statements of SYSAGE TECHNOLOGY CO., LTD. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Other Matter

We did not audit the financial statements of certain investments accounted for using the equity method. Those financial statements were audited by other auditors. Therefore, our opinion, insofar as it relates to the amounts included for those investees, is based solely on the reports of other auditors. The recognized investments accounted for using the equity method constituted 1.61% of the total consolidated assets as of December 31, 2020, and the recognized share of profit or loss of associates accounted for using equity method constituted 1.47% of consolidated profit before tax for the year ended December 31, 2020.

SYSAGE TECHNOLOGY CO., LTD. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion with other matter paragraph and unmodified opinion, respectively.

KPMG

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of inventories

Please refer to Note 4(h) for the accounting policy for inventories, Note 5 for significant accounting assumptions and judgments, and major sources of estimation uncertainty, and Note 6(e) for the details and related expenses for inventories.

Description of key audit matter:

Inventories are measured at the lower of cost or net realizable value. Since information products, such as network and servers, are constantly evolving, and prices impact end-consumers' decisions on expenditure, sales of related products may fluctuate, resulting in a risk that the cost of inventories may exceed their net realizable values. Consequently, the estimate of the net realized value of inventories, dependent on management' s subjective judgment, was considered to be a matter of high concern in our audit of the financial statements.

How the matter was addressed in our audit:

Our audit procedures included understanding the Group's policy for recognizing inventory allowances so as to assess whether inventory valuation was conducted pursuant to the policy; comparing the reasonableness of management's recognition of the allowance for inventory loss for prior years with the approach and assumption about the recognition of the allowance for inventory loss for the current period, in order to evaluate the appropriateness of the latter; looking into and sampling the sales prices adopted by management and reviewing sales transactions after the balance sheet date, with a view to assessing whether the estimate of the net realizable value of inventories and the loss allowance was reasonable.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

KPMG

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are HUNG-WEN, FU and MEI-PIN, WU.

KPMG

Taipei, Taiwan (Republic of China)
February 25, 2021

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The auditors' 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 auditors' report and consolidated financial statements, the Chinese version shall prevail.

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

SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars)

	Assets	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6(a))	$ 730,739	9	695,302	9
1110	Current financial assets at fair value through profit or loss (Note 6(b))	177,017	2	573,013	7
1170	Notes and accounts receivable, net (Notes 6(c) and (u))	1,919,664	24	2,125,501	27
1180	Accounts receivable due from related parties, net (Notes 6(c), (u) and 7)	10,769	-	9,226	-
1300	Inventories (Note 6(e))	2,908,464	36	2,990,814	38
1410	Prepayments	22,638	-	32,822	1
1460	Non-current assets or disposal groups classified as held for sale (Note 6(f))	770,609	9	-	-
1470	Other current assets (Note 6(d))	1,197	-	10,160	-
		6,541,097	80	6,436,838	82
	Non-current assets:				
1510	Non-current financial assets at fair value through profit or loss (Notes 6(b) and (i))	157,694	2	104,362	1
1550	Investments accounted for using equity method (Note 6(g))	132,265	2	2,419	-
1600	Property, plant and equipment (Notes 6(j) and 8)	954,503	12	995,883	13
1755	Right-of-use assets (Note 6(l))	184,779	2	187,188	2
1760	Investment property, net (Note 6(k))	12,970	-	-	-
1840	Deferred income tax assets (Note 6(r))	60,017	1	56,706	1
1931	Long-term notes receivable (Notes 6(c) and (u))	24,161	-	4,402	-
1900	Other non-current assets	79,929	1	85,481	1
		1,606,318	20	1,436,441	18
	Total assets	$ 8,147,415	100	7,873,279	100

	Liabilities and Equity	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current liabilities:				
2100	Short-term borrowings (Note 6(m))	$ 430,000	5	80,000	1
2120	Current financial liabilities at fair value through profit or loss (Note 6(b))	655	-	5,199	-
2130	Contract liability (Note 6(u))	319,531	4	774,462	10
2170	Notes and accounts payable (Note 7)	1,549,889	19	1,454,059	18
2200	Other payables	430,493	6	384,900	5
2260	Liabilities related to non-current assets or disposal groups classified as held for sale (Note 6(f))	358,207	5	-	-
2280	Current lease liabilities (Note 6(o))	26,803	-	24,008	-
2310	Advance receipts	13,319	-	44,602	1
2320	Long-term borrowings, current portion (Note 6(n))	16,822	-	16,281	-
2399	Other current liabilities	1,175	-	1,072	-
		3,146,894	39	2,784,583	35
	Non-Current liabilities:				
2540	Long-term borrowings (Note 6(n))	293,675	3	310,900	4
2580	Non-current lease liabilities (Note 6(o))	156,965	2	164,574	2
2600	Other non-current liabilities (Note 6(r))	3,535	-	6,165	-
		454,175	5	481,639	6
	Total liabilities	3,601,069	44	3,266,222	41
	Equity attributable to owners of parent:				
3100	Share capital (Note 6(s))	1,883,573	23	1,883,573	24
3200	Capital surplus (Notes 6(h) and (s))	1,333,011	16	1,520,908	19
3310	Legal reserve (Note 6(s))	328,387	4	290,442	4
3350	Unappropriated retained earnings (Note 6(s))	726,330	9	591,973	8
	Total equity attributable to owners of parent:	4,271,301	52	4,286,896	55
36XX	Non-controlling interests	275,045	4	320,161	4
	Total equity	4,546,346	56	4,607,057	59
	Total liabilities and equity	$ 8,147,415	100	7,873,279	100

See accompanying notes to consolidated financial statements.

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

SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars)

		2020 Amount	%	2019 Amount	%
4000	Operating revenue (Notes 6(u) and 7)	$ 13,512,521	100	12,306,999	100
5000	Operating costs (Notes 6(e) and 7)	11,891,139	88	11,056,110	90
	Gross profit from operations	1,621,382	12	1,250,889	10
	Operating expenses (Notes 6(c), (q), (v) and 12):				
6100	Selling expenses	715,989	5	559,653	4
6200	General and administrative expenses	227,115	2	215,363	2
6300	Research and development expense	16,582	-	11,784	-
6450	Expected credit loss (Reversal of expected credit loss)	11,726	-	(3,200)	-
		971,412	7	783,600	6
	Net operating income	649,970	5	467,289	4
	Non-operating income and expenses:				
7010	Other income (Notes 6(o) and (w))	13,285	-	10,956	-
7100	Interest income	664	-	1,187	-
7020	Other gains and losses (Notes 6(i), (q) and (w))	67,056	-	52,428	-
7050	Finance costs (Notes 6(o) and (w))	(9,867)	-	(14,399)	-
7060	Share of profit (loss) of associates accounted for using equity method (Note 6(g))	9,042	-	3	-
		80,180	-	50,175	-
	Profit before income tax	730,150	5	517,464	4
7950	Less: Income tax expenses (Note 6(r))	154,051	1	102,633	1
	Profit	576,099	4	414,831	3
8300	Other comprehensive income, net of tax	-	-	-	-
	Total comprehensive income	$ 576,099	4	414,831	3
	Profit attributable to:				
8610	Owners of parent	$ 549,017	4	379,456	3
8620	Non-controlling interests	27,082	-	35,375	-
		$ 576,099	4	414,831	3
	Comprehensive income attributable to:				
8710	Owners of parent	$ 549,017	4	379,456	3
8720	Non-controlling interests	27,082	-	35,375	-
		$ 576,099	4	414,831	3
	Earnings per share (Note 6(t))				
9750	Basic earnings per share (NT dollars)	$	2.91		2.58
9850	Diluted earnings per share (NT dollars)	$	2.89		2.55

See accompanying notes to consolidated financial statements.

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

SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Legal reserve	Unappropriated retained earnings	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance on January 1, 2019	$ 1,112,339	422,237	258,636	466,791	2,260,003	256,444	2,516,447
Profit	-	-	-	379,456	379,456	35,375	414,831
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	379,456	379,456	35,375	414,831
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	31,806	(31,806)	-	-	-
Cash dividends	-	-	-	(166,851)	(166,851)	-	(166,851)
Stock dividends	55,617	-	-	(55,617)	-	-	-
Stock dividends from capital surplus	55,617	(55,617)	-	-	-	-	-
Capital increase by cash	660,000	1,155,000	-	-	1,815,000	-	1,815,000
Increase in non-controlling interests	-	(712)	-	-	(712)	52,915	52,203
Disposal of subsidiaries and derecognition of non-controlling interests	-	-	-	-	-	(31)	(31)
Dividends to non-controlling interests from subsidiaries	-	-	-	-	-	(24,542)	(24,542)
Balance on December 31, 2019	1,883,573	1,520,908	290,442	591,973	4,286,896	320,161	4,607,057
Profit	-	-	-	549,017	549,017	27,082	576,099
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	549,017	549,017	27,082	576,099
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	37,945	(37,945)	-	-	-
Cash dividends	-	-	-	(376,715)	(376,715)	-	(376,715)
Cash dividends from capital surplus	-	(188,357)	-	-	(188,357)	-	(188,357)
Changes in ownership interests in subsidiaries	-	460	-	-	460	(42,194)	(41,734)
Dividends to non-controlling interests from subsidiaries	-	-	-	-	-	(30,004)	(30,004)
Balance on December 31, 2020	$ **1,883,573**	**1,333,011**	**328,387**	**726,330**	**4,271,301**	**275,045**	**4,546,346**

See accompanying notes to consolidated financial statements.

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

SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars)

	For the years ended December 31, 2020	2019
Cash flows from operating activities:		
Profit before tax	$ 730,150	517,464
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	68,868	58,445
Amortization expense	1,057	3,764
Gains on disposal of property, plant andequipment	(325)	(4,133)
Expected credit loss (Reversal of expected credit loss)	11,726	(3,200)
Net profit from financial assets or liabilities at fair value through profit or loss	(29,835)	(10,411)
Share of profit (loss) of associates accounted for using equity method	(9,042)	(3)
Interest expense	9,867	14,399
Interest income	(664)	(1,187)
Dividend income	(10,085)	(7,462)
Others	-	1,329
Total adjustments to reconcile profit (loss)	41,567	51,541
Changes in operating assets and liabilities:		
Total net changes in operating assets:		
Notes and accounts receivable (including related parties)	(250,786)	(136,857)
Current financial assets at fair value through profit or loss	396,997	(472,000)
Inventories	(106,510)	(276,364)
Other current assets	11,827	48,309
Other non-current assets	(1,123)	(610)
Total net changes in operating assets	50,405	(837,522)
Total net changes in operating liabilities:		
Contract liability	(451,881)	12,953
Notes and accounts payable	325,838	(102,557)
Other payables	42,015	24,422
Advance receipts	(24,376)	23,787
Other current liabilities	685	(1,376)
Other non-current liabilities	(134)	(7,205)
Total net changes in operating liabilities	(107,853)	(49,976)
Total net changes in operating assets and liabilities	(57,448)	(887,498)
Total adjustments	(15,881)	(835,957)
Cash inflows (outflows) generated from operations	714,269	(318,493)
Interest received	665	1,195
Dividends received	10,085	7,462
Interest paid	(9,779)	(14,574)
Income taxes paid	(110,162)	(125,498)
Net cash inflows (outflows) from operating activities	605,078	(449,908)
Cash flows from investing activities:		
Acquisition of non-current financial assets at fair value through profit or loss	(40,752)	(30,790)
Return of capital on capital reduction on acquisition of financial assets at fair value through profit or loss	-	1,258
Proceeds from disposal of non-current financial assets at fair value through profit or loss	627	199
Acquisition of investments accounted for using equity method	(109,391)	-
Cash decrease in disposal groups classified as held for sale	(107,704)	-
Cash outflows for disposal of subsidiaries	-	(2,585)
Acquisition of property, plant and equipment	(3,284)	(155,838)
Proceeds from disposal of property, plant, and equipment	786	12,308
Decrease in refundable deposits	2,574	3,880
Acquisition of right-of-use assets	(16,919)	-
Net cash outflows from investing activities	(274,063)	(171,568)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	393,022	(995,000)
Proceeds from long-term borrowings	-	99,940
Repayments of long-term borrowings	(16,684)	(15,104)
Increase (decrease) in guarantee deposits	(3,190)	4,511
Payment of lease liabilities	(31,916)	(25,560)
Capital increase by cash	-	1,815,000
Change in non-controlling interests	(41,734)	52,203
Cash dividends paid	(565,072)	(166,851)
Dividends to non-controlling interests from subsidiaries	(30,004)	(24,542)
Net cash inflows (outflows) from financing activities	(295,578)	744,597
Increase in cash and cash equivalents	35,437	123,121
Cash and cash equivalents, beginning of period	695,302	572,181
Cash and cash equivalents, end of period	$ 730,739	695,302

See accompanying notes to consolidated financial statements.

(1) Company history

SYSAGE TECHNOLOGY CO., LTD. ("the Company") was incorporated on April 16, 1998 under the approval of Ministry of Economic Affair, Republic of China ("R.O.C."). The address of its registered office is 10F, No. 516, Sec. 1, Neihu Rd., Taipei City 114064, Taiwan (R.O.C.). The consolidated financial statements as of December 31, 2020 consist of the Company and its subsidiaries (collectively as "the Group"), and the interests of associates. The Group's major business activities include distributing and reselling ICT software and hardware from Cisco and other companies, workstations and servers from IBM, Dell, EMC, and other companies, tools integration applications from Oracle and other companies. The Group provides integrated planning for the products it sells, including related consulting education services, as well as research and development of information applications.

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

The consolidated financial statements have been authorized for issue by the Board of directors on February 25, 2021.

(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 Group has initially adopted the following amendments to IFRSs from January 1, 2020, which did not have any material impact on its consolidated financial statements:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

(b) Impact of IFRSs endorsed by FSC but not yet effective

The Group assesses that the adoption of the amendments to IFRSs effective from January 1, 2021 would not have any material impact on its consolidated financial statements.

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—Phase 2"

(Continued)

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board ("IASB"), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

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

The Group expects no material impact of new and amended standards not yet endorsed by the FSC on the consolidated financial statements.

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IAS 16 "Property, Plant and Equipment—Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(Continued)

(4) Summary of significant accounting policies:

The significant accounting policies applied in the preparation of these consolidated financial statements are set out as below. Except for those specifically indicated, the following accounting policies have been applied consistently to all periods presented in these financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C. ("the IFRSs endorsed by the FSC").

(b) Basis of preparation

(i) Basis of measurement

Except for financial assets (liabilities) at fair value through profit or loss, the consolidated financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars, the Company' s functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its control over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Group.

(Continued)

Changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the adjustment of the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the Company.

When the Group loses control of its subsidiaries, the assets (including goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost will be derecognized and any investment retained in the former subsidiary at its fair value at the date when control is lost will be remeasured in the consolidated financial statement. The difference of disposal gain or loss is between the aggregate of (i) the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

(ii) List of subsidiaries in the consolidated financial statements

The subsidiaries included in the consolidated financial statements were as follows:

			Shareholding		
Name of investor	**Name of Subsidiary**	**Principal activity**	**December 31, 2020**	**December 31, 2019**	**Remark**
The Company and NEO TREND TECH	GLOBAL INTELLIGENCE NETWORK CO., LTD. (GLOBAL INTELLIGENCE NETWORK)	Trading in hardware and software for network and communications systems	79.43 %	62.12 %	(Note 1)
the Company	SYSAGE Universal Corporation (SYSAGE Samoa)	Trading in hardware and software for network systems	- %	- %	(Note 2)
The Company and NEO TREND TECH	EPIC CLOUD INFORMATION INTEGRATION CORP(EPIC CLOUD INFORMATION INTEGRATION)	Data software and data processing services	95.00 %	70.00 %	(Note 3)
the Company	NEO TREND TECH CORPORATION(NEO TREND TECH)	Telecommunications engineering	100.00 %	- %	(Note 4)
〃	KINGTEL CORPORATION(KINGTEL)	Manufacturers of wired and wireless communications equipment	- %	- %	(Note 5)
The Company and GLOBAL INTELLIGE NCE NETW ORK	DAWNING TECHNOLOGY NETWORK CO., LTD.(DAWNING TECHNOLOGY)	Trading in hardware and software for network systems	44.43 %	44.43 %	(Note 6)

(Continued)

Note 1:For the changes in the Group's percentage of ownership in GLOBAL INTELLIGENCE NETWORK, please refer to note 6(h).

Note 2:SYSAGE Samoa has completed its liquidation on August 26, 2019.

Note 3:For the changes in the Group's percentage of ownership in EPIC CLOUD INFORMATION INTEGRATION, please refer to note 6(h).

Note 4:NEO TREND TECH was established by the Company in June 2020.

Note 5:The Company lost its control over KINGTEL on April 26, 2019 without a proportionate subscription for KINGTEL's newly issued shares for capital increase. Please refer to note 6(i) for details.

Note 6:For the changes in the Group's percentage of ownership in DAWNING TECHNOLOGY, please refer to note 6(f).

(d) Foreign currency transactions and operations

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period ("the reporting date") monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies measured based on historical cost are translated using the exchange rate at the date of transaction.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting date; or

(iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled in its normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(Continued)

(iii) It is due to be settled within twelve months after the reporting date; or

(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and deposits. Cash equivalents comprise short-term highly liquid investments that are readily convertible into known amount of cash and are subject to an insignificant risk of changes in their fair value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial assets

Accounts receivables issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value, plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized derecognized on a trade date and settle date basis.

On initial recognition, a financial asset is classified as measured at amortized cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

A financial asset measured at amortized cost is initially recognized at fair value, plus/minus the cumulative amortization using the effective interest method, and adjusted for any loss allowance. Interest income, foreign exchange gains and losses, and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets at fair value through profit or loss

All financial assets not classified as amortized cost or fair value through other comprehensive income (" FVOCI") described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. These assets are subsequently measured at fair value.

Net gains and losses, including any dividend and interest income, are recognized in profit or loss.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses ("ECL") on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivables, guarantee deposits and other financial assets).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

· debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12-month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months)

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

(Continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly once it is past due.

The Group considers a financial asset to be in default when the financial asset is more than 120 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

ECL are probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 120 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(Continued)

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement and the definitions of a financial liability and an equity instrument.

2) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recognized at the amount of consideration received less the direct issuing cost.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is held for trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged, cancelled or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(Continued)

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments

Derivatives held for hedging risk exposure to currency and interest rate are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

(h) Inventories

Inventories are measured at the lower of cost or net realizable value. The costs of inventories weighted-average principle include expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses.

(i) Non-current assets or disposal groups classified as held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through a sale transaction, rather than through continuing use, are reclassified as non-current assets held for sale. Immediately before the initial classification of the non-current assets or disposal groups as held for sale, the carrying amount of the assets (or all the assets and liabilities in the group) is measured in accordance with the Group's applicable accounting policies. Thereafter, the assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell.

Once classified as held for sale, intangible assets and property, plant and equipment, are no longer amortized or depreciated and any equity-accounted investee is no longer equity accounted.

(j) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less, any accumulated impairment losses.

(Continued)

The consolidated financial reports include the Group' s share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group from the date on which significant influence commences until the date on which significant influence ceases. When an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes of the Group' s shareholding percentage in the associate, the Group recognizes equity changes attributable to the Group by its shareholding percentage as capital surplus.

Unrealized gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated party's interests in the associate.

When the Group's share of losses of an associate equal or exceed its interest in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(k) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful lives, and residual value which are the same as those adopted for property, plant, and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant, and equipment are measured at cost, which includes capitalized borrowing cost, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(Continued)

(iii) Depreciation

Depreciation is calculated on the cost of assets less their residual values and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant, and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant, and equipment are as follows:

1) Buildings and improvements: 50 years

2) Office and other equipment: 2 to 7 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(m) Leases

(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 customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

(Continued)

- the relevant decisions about how and for what purpose the asset would be used were predetermined and:
  - — the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - — the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

When the lease is established or the contract is reassessed whether consists of lease, the Group allocates the consideration in the contract to individual lease components on the basis of respective individual prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a leasee

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

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

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

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

- — fixed payments, including in-substance fixed payments;
- — variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- — amounts expected to be payable under a residual value guarantee; and
- — payments or penalties for purchase or termination options that are reasonably certain to be exercised.

(Continued)

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the assessment of whether it will have the option to exercise a purchase; or
- there is a change in its assessment of whether it will exercise an extension or termination option; or
- there is any lease modification 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 the difference 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 balance sheets.

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

(iii) As a leasor

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.

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.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

(Continued)

For operating lease, the Group recognizes rental income on a straight-line basis over the lease term.

(n) Impairment of non-derivative financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGU").

The recoverable amount of an individual asset or a CGU is the higher of its value in use and its fair value less costs of disposal. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of assets in the CGU on a pro rata basis.

For non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized in prior years.

(o) Revenue from contracts with customers

Revenue is measured basing on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The following is a description of the Group's major revenues:

(i) Sale of goods

Revenue is recognized when the control over a product has been transferred to the customer. When the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer' s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional. Advance sales receipts are recognized as contract liabilities and are transferred to revenue upon the delivery of goods.

(ii) Services

The Group provides installation and maintenance services on hardware and software. The recognition of the revenue generated was based on the progress towards completing the transaction recognized by the two parties as of the reporting date.

(Continued)

(iii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

The Group's net obligation in respect of the defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that managers have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service cost or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Income taxes

Income taxes include both current taxes and deferred taxes. Except for expenses related to business combinations, or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are measured using tax rates enacted or substantively enacted at the reporting date.

(Continued)

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for the following exceptions:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted on the reporting date.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(r) Earnings per share

The Group discloses the Group's basic and diluted earnings per share attributable to ordinary equity holders. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company divided by weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise accrued employee remuneration.

(Continued)

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). The operating results of all operating segments are regularly reviewed by The Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment has its financial information.

(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 the IFRSs 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.

Management continues to monitor the accounting estimates and assumptions. Any changes in accounting estimates are recognized during the period and the impact of those changes in accounting estimates are recognized in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) Judgment of whether the Group has substantive control investees.

(i) As the single largest shareholder, the Group holds 38.01% of the voting shares of UNISAGE DIGITAL CO., LTD. ("UNISAGE"). Although the remaining 61.99% shares of UNISAGE are not concentrated in specific shareholders, the Group still cannot obtain neither more than half of the Board of directors of UNISAGE, nor more than half of the voting rights in the shareholders' meeting. Therefore, it is determined that the Group would have a significant impact on UNISAGE.

(ii) As the single largest shareholder, the Group holds 23.58% of the voting shares of GRANDSYS INC. ("GRANDSYS"). Although the remaining 76.42% shares of GRANDSYS are not concentrated in specific shareholders, the Group still cannot obtain neither more than half the Board of directors of GRANDSYS, nor more than half of the voting rights in the shareholders' meeting. Therefore, it is determined that the Group would have a significant impact on GRANDSYS.

(iii) As the single largest shareholder, the Group holds 34.09% of the voting shares of ADVANCEDTEK INTERNATIONAL CORP. ("ADVANCEDTEK INTERNATIONAL"). Although the remaining 65.91% shares of ADVANCEDTEK INTERNATIONAL are not concentrated within specific shareholders, the Group still cannot obtain neither more than half of the Board of directors of ADVANCEDTEK INTERNATIONAL nor more than half of the voting rights in the shareholders' meeting. Therefore, it is determined that the Group would have a significant impact on ADVANCEDTEK INTERNATIONAL.

(Continued)

(iv) As the single largest shareholder, the Group holds 19.53% of the voting shares of DYNASAFE TECHNOLOGIES, INC. (" DYNASAFE"). Although the remaining 80.47% shares of DYNASAFE are concentrated within specific shareholders, the Group still cannot obtain more than half of the Board of directors of DYNASAFE. Therefore, it is determined that the Group would not have a significant impact on DYNASAFE.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

Valuation of inventories

As inventories are measured at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for normal loss, obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(e) for the valuation of inventories.

Valuation process

The Group's accounting policies and disclosure include measuring financial and non financial assets and liabilities at fair value through profit or loss. The Group's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are 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:input for the asset or liability is not based on the observable market information.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date.

(Continued)

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2020	December 31, 2019
Cash on hand and petty cash	$	262	276
Check and demand deposits		730,477	695,026
	$	**730,739**	**695,302**

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

(i) Details are set out in the following table:

		December 31, 2020	December 31, 2019
Financial assets at fair value through profit or loss:			
Current:			
Open-end funds	$	177,017	573,013
Non-current:			
Foreign and domestic unlisted stocks		157,694	104,362
Total	$	**334,711**	**677,375**
Financial liabilities at fair value through profit or loss:			
Current:			
Pre-purchased foreign currency forward contracts	$	**(655)**	**(5,199)**

(ii) The Group acquired 18.89% of equity interest in GRANDSYS, an unlisted company, at a price totaling $74,580 thousand in May 2020, resulting in significant impact on GRANDSYS, which was transferred to investment under the equity method. Please see Note 6(g) for information on the equity interest transaction.

(iii) Derivative financial instruments are used to hedge assets or liabilities denominated in foreign currencies for risks arising from exchange rate fluctuations. The following table sets out the Group' s derivatives recognized as held-for-trading financial assets and liabilities to which hedging accounting was not applicable:

	December 31, 2020		
Financial instruments	**Nominal amounts**	**Maturity period**	**Pre-agreed exchange rate**
Pre-purchased foreign currency forward contracts Buy USD/Sell TWD	USD22,818 thousand	2021.01.04~ 2021.03.25	28.096 to 28.655

(Continued)

	December 31, 2019		
Financial instruments	**Nominal amounts**	**Maturity period**	**Pre-agreed exchange rate**
Pre-purchased foreign currency forward contracts Buy USD/Sell TWD	USD19,387 thousand	2020.01.02~ 2020.04.08	30.046 to 30.497

(iv) Note 6(w) details the net profit or loss on the valuation of financial assets and liabilities arising from changes in fair value.

(c) Notes and accounts receivable (including long-term and related parties)

	December 31, 2020	December 31, 2019
Notes receivable (including long-term)	$ 187,429	421,234
Accounts receivable	1,800,096	1,757,469
Accounts receivable due from related parties	10,769	9,226
Less: loss allowance	(43,700)	(48,800)
Total	$ 1,954,594	2,139,129
Current	$ 1,930,433	2,134,727
Non-current	24,161	4,402
Total	$ 1,954,594	2,139,129

(i) The Group did not discount or provide any of the notes and accounts receivable (including long-term and related parties) as collateral. The aforementioned notes and accounts receivable, whose maturity period were less than 1 year, were not discounted, and their carrying amounts were assumed to approximate their fair values.

(ii) Non-current notes receivable mainly arose from installment sales.

(iii) The Group applies the simplified approach to provide for its ECL, the use of lifetime ECL provision for all notes and accounts receivables (including long-term and related parties). To measure the ECL, notes and accounts receivable have been grouped based on shared credit risk characteristics and customer's ability to pay all the amounts due based on the terms of the contract as well as incorporated forward-looking information. The analysis of expected credit losses on notes and accounts receivable was as follows:

(Continued)

	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance for lifetime expected credit losses
Current	$ 1,896,925	0.11%	2,047
1 to 30 days past due	14,727	3.00%	442
31 to 60 days past due	23,587	10.00%	2,359
61 to 90 days past due	19,337	20.00%	3,867
91 to 120 days past due	17,466	50.00%	8,733
More than 121 days past due	26,252	100.00%	26,252
	$ 1,998,294		43,700

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance for lifetime expected credit losses
Current	$ 2,061,448	0.36%	7,509
1 to 30 days past due	47,146	3.00%	1,414
31 to 60 days past due	35,995	10.00%	3,599
61 to 90 days past due	936	20.00%	187
91 to 120 days past due	12,627	50.00%	6,314
More than 121 days past due	29,777	100.00%	29,777
	$ 2,187,929		48,800

(iv) The movements in the loss allowance for notes and accounts receivable (including long-term and related parties) were as follows:

	For the years ended December 31	
	2020	2019
Beginning balance	$ 48,800	52,000
Impairment losses recognized	11,726	-
Reversal of impairment loss	-	(3,200)
Transferred to other receivables	(15,955)	-
Reclassified to disposal group held for sale	(871)	-
Ending balance	$ 43,700	48,800

(Continued)

(d) Other receivables

	December 31, 2020	December 31, 2019
Other receivables	$ 17,745	9,978
Less: loss allowance	(16,927)	(9,549)
	$ 818	429

(i) As of December 31, 2020 and 2019, there was no other receivable that was past due but not impaired.

(ii) The movements in the loss allowance for other receivables were as follows:

	For the years ended December 31	
	2020	2019
Beginning balance	$ 9,549	9,549
Write-offs of uncollectible amount for the period	(8,577)	-
Transferred from accounts receivable	15,955	-
Ending balance	$ 16,927	9,549

(e) Inventories

	December 31, 2020	December 31, 2019
Merchandise inventory	$ 2,908,464	2,990,814

During 2020 and 2019, losses on inventories written down to net realizable value and recognized as cost of goods sold amounted to $64,100 thousand and $49,200 thousand, respectively.

(f) Non-current assets or disposal groups classified as held for sale

On November 5, 2020, the Company, pursuant to a resolution of the Board, approved a change in the shareholding in its subsidiary, DAWNING TECHNOLOGY. The Company entered into a sale and purchase agreement in January 2021 and commenced the disposal process. Accordingly, the assets and liabilities of DAWNING TECHNOLOGY were recognized as non-current assets or disposal groups classified as held for sale. As of 31 December 2020, the amount of assets and liabilities arising from non-current assets or disposal groups classified as held for sale were $770,609 and $358,207 thousand, respectively. The details are set out below:

(Continued)

Non-current assets or disposal groups classified as held for sale	December 31, 2020
Cash and cash equivalents	$ 107,704
Notes and accounts receivable, net	423,595
Inventories	177,319
Prepayments	1,546
Other current assets	5,773
Property, plant and equipment	9,315
Right-of-use assets	33,630
Deferred income tax assets	8,683
Other non-current assets	3,044
	$ 770,609

Liabilities directly related to non-current assets or disposal groups classified as held for sale	December 31, 2020
Short-term borrowings	$ 43,022
Current financial liabilities at fair value through profit or loss	330
Contract liability	3,050
Notes and accounts payable	230,008
Other payables	51,564
Lease liabilities (current and non-current)	22,609
Advance receipts	6,907
Other current liabilities	582
Other non-current liabilities	135
	$ 358,207

In addition, no impairment loss was recognized after measuring at the lower of carrying amount and fair value less costs to sale.

(g) Investments accounted for using equity method

Investments accounted for using the equity method were as follows:

	December 31, 2020	December 31, 2019
Associates	$ 132,265	2,419

(Continued)

(i) The Group originally held 3.46% equity interest in GRANDSYS, which was accounted for under non-current financial assets at fair value through profit or loss. In May 2020, pursuant to the resolution of the Board, the Group purchased 4,520 thousand shares (18.89% ownership) from their former shareholders, resulting in a total percentage of ownership of 22.35% with significant influence on GRANDSYS. Consequently, the investment, as a whole, was transferred from non-current financial assets at fair value through profit or loss to investments accounted for using equity method. The transaction price totaling \$74,580 thousand has been fully paid up.

(ii) In September and October, 2020, the Group purchased 1,153 thousand shares of ADVANCEDTEK INTERNATIONAL from their former shareholders at a price totaling \$30,091 thousand, representing a percentage of ownership of 34.09% with significant impact on ADVANCEDTEK INTERNATIONAL. The above transaction price has been fully paid up.

(iii) In November and December, 2020, the Group parchased 259 thousand shares of GRANDSYS (1.08% ownership) and 36 thousand shares (0.15% ownership) at \$4,138 thousand and \$582 thousand, respectively. The payments of the aforesaid transactions have been fully paid up.

(iv) Aggregate financial information of associates that were not individually material was summarized as follows. The financial information was included in the Group's consolidated financial statements.

	For the years ended December 31	
	2020	**2019**
Attributable to the Group:		
Profit	$ 9,042	3
Other comprehensive income	-	-
Total comprehensive income	$ 9,042	3

(v) As of December 31, 2020 and 2019, none of the investments accounted for using the equity method was pledged as collateral.

(h) Changes in ownership interest in a subsidiary

(i) In November and December 2020, the Group acquired a portion of shareholdings in GLOBAL INTELLIGENCE NETWORK, increasing its percentage of ownership in GLOBAL INTELLIGENCE NETWORK from 62.12% to 79.43% and increasing the capital surplus by \$1,104 thousand as a result of the change in equity.

(Continued)

(ii) In December 2020, the Group acquired a portion of shareholdings in EPIC CLOUD INFORMATION INTEGRATION, increasing its percentage of ownership in EPIC CLOUD INFORMATION INTEGRATION from 70.00% to 95.00%, and decreasing the capital surplus by $644 thousand as a result of the change in equity.

(iii) In September 2019, the Group acquired a portion of shareholdings in DAWNING TECHNOLOGY, but without a subscription for newly issued shares, increasing its percentage of ownership in DAWNING TECHNOLOGY from 41.83% to 44.43%, and decreasing the capital surplus by $724 thousand as a result of the change in equity.

(i) Loss of control of subsidiaries

The Group had held 98.49% of equity interest in KINGTEL, a subsidiary. However, as of April 26, 2019, the Group did not subscribe for KINGTEL's newly issued shares for capital increase in proportion to its shareholdings, losing its control and significant influence over KINGTEL. The Group reclassified the carrying value of its equity holdings to non-current financial assets at fair value through profit or loss, and recognized $695 thousand as the resulting disposal gain measured at fair value.

The carrying amount of assets and liabilities of KINGTEL on April 26, 2019 were as follows:

Cash and cash equivalents	$	2,585
Inventories		1,111
Notes and accounts receivable, net		1,075
Prepayments		60
Other current assets		47
Property, plant and equipment		50
Notes and accounts payable		(591)
Other payables		(1,633)
Advance receipts		(619)
Other current liabilities		(25)
	$	2,060

(Continued)

(j) Property, plant and equipment

Information about costs and accumulated depreciation of property, plant and equipment was presented below:

		Land	Buildings and improvements	Office and other equipment	Total
Cost:					
Balance on January 1, 2020	$	599,659	379,906	192,119	1,171,684
Additions		-	-	3,284	3,284
Disposal		-	-	(11,267)	(11,267)
Transferred to investment property		(9,763)	(3,976)	-	(13,739)
Transferred to non-current assets held for sale		-	-	(13,574)	(13,574)
Transferred from inventories		-	-	11,541	11,541
Balance on December 31, 2020	$	589,896	375,930	182,103	1,147,929
Balance on January 1, 2019	$	501,137	354,147	185,720	1,041,004
Additions		104,544	27,733	23,561	155,838
Disposal		(6,022)	(1,974)	(19,139)	(27,135)
Transferred from inventories		-	-	13,758	13,758
Loss of subsidiaries		-	-	(11,781)	(11,781)
Balance on December 31, 2019	$	599,659	379,906	192,119	1,171,684
Accumulated depreciation:					
Balance on January 1, 2020	$	-	63,618	112,183	175,801
Depreciation		-	7,475	25,924	33,399
Disposal		-	-	(10,806)	(10,806)
Transferred to investment property		-	(709)	-	(709)
Transferred to non-current assets held for sale		-	-	(4,259)	(4,259)
Balance on December 31, 2020	$	-	70,384	123,042	193,426
Balance on January 1, 2019	$	-	56,442	118,666	175,108
Depreciation		-	7,482	24,009	31,491
Disposal		-	(306)	(18,654)	(18,960)
Reclassifications		-	-	(107)	(107)
Loss of subsidiaries		-	-	(11,731)	(11,731)
Balance on December 31, 2019	$	-	63,618	112,183	175,801

(Continued)

		Land	Buildings and improvements	Office and other equipment	Total
Carrying amount:					
December 31, 2020	$	589,896	305,546	59,061	954,503
December 31, 2019	$	599,659	316,288	79,936	995,883
January 1, 2019	$	501,137	297,705	67,054	865,896

(i) In January 2019, the Group's Board of directors passed a resolution to acquire real estates in Kaohsiung and Neihu for office use at a price of $62,430 thousand and $70,000 thousand, respectively. Ownership of the aforementioned property has been transferred to the Group.

(ii) As of December 31, 2020 and 2019 property, plant, and equipment were pledged as collateral for short-term and long-term borrowings, please refer to note 8.

(k) Investment property

Information about investment property was presented below:

		Land	Buildings and improvements	Total
Cost:				
Balance on January 1, 2020	$	-	-	-
Transferred from property, plant and equipment		9,763	3,976	13,739
Balance on December 31, 2020	$	9,763	3,976	13,739
Accumulated depreciation:				
Balance on January 1, 2020	$	-	-	-
Depreciation		-	60	60
Transferred from property, plant and equipment		-	709	709
Balance on December 31, 2020	$	-	769	769
Carrying amount:				
December 31, 2020	$	9,763	3,207	12,970
Fair value:				
January 1, 2020			$	25,542

As of December 31, 2020, none of the Group's investment property was pledged as collateral.

(Continued)

(l) Right-of-use assets

Information about the costs and accumulated depreciation of leases for which the Group as a lessee was presented below:

		Buildings and improvements
Cost:		
Balance on January 1, 2020	$	214,142
Additions		66,630
Reclassified to non-current assets held for sale		(40,501)
Decrease		(6,520)
Balance on December 31, 2020	$	**233,751**
Balance on January 1, 2019	$	177,210
Additions		36,932
Balance on December 31, 2019	$	**214,142**
Accumulated depreciation:		
Balance on January 1, 2020	$	26,954
Depreciation		35,409
Decrease		(6,520)
Reclassified to non-current assets held for sale		(6,871)
Balance on December 31, 2020	$	**48,972**
Balance on January 1, 2019	$	-
Depreciation		26,954
Balance on December 31, 2019	$	**26,954**
Carrying amount:		
December 31, 2020	$	**184,779**
December 31, 2019	$	**187,188**
January 1, 2019	$	**177,210**

(Continued)

(m) Short-term borrowings

(i) The details of the Group's short-term borrowings were as follows:

	December 31, 2020	December 31, 2019
Credit loans	$ 380,000	80,000
Secured loans	50,000	-
	$ 430,000	80,000
Range of interest rates at the end of period	0.82%~1.10%	1.30%~1.40%

(ii) For the collateral for bank loans, please refer to note 8.

(n) Long-term borrowings

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

	December 31, 2020			
	Currency	Range of interest rates	Maturity period	Amount
Secured loans	TWD	1.10%~1.30%	2021.01~2039.03	$ 310,497
Less: current portion				(16,822)
Total				$ 293,675
Unused credit lines				$ -

	December 31, 2019			
	Currency	Range of interest rates	Maturity period	Amount
Secured loans	TWD	1.45%~1.55%	2020.01~2039.03	$ 327,181
Less: current portion				(16,281)
Total				$ 310,900
Unused credit lines				$ -

For the collateral for bank loans, please refer to note 8.

(Continued)

(o) Lease liabilities

The carrying amounts of the Group's lease liabilities were as follows:

	December 31, 2020	December 31, 2019
Current	$ 26,803	24,008
Non-current	156,965	164,574
	$ **183,768**	**188,582**

The amounts recognized in profit or loss were as follows :

	For the years ended December 31	
	2020	2019
Interest on lease liabilities	$ 2,012	1,824
Revenue from sublease of right-of-use asset	$ 2,057	3,102

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

	For the years ended December 31	
	2020	2019
Interest payments for lease liabilities in operating activities	$ 2,012	1,824
Payments of lease liabilities in financing activities	31,916	25,560
Total cash outflow for leases	$ **33,928**	**27,384**

Real estate leases

As of December 31, 2020 and 2019, the Group leases buildings and improvements for its office and warehouse space. The leases typically run for 2 to 10 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.

For the Group's leased right-of-use assets under operating leases, please refer to note 6(p).

(p) Operating leases

The Group leases out its investment property and right-of-use assets. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to notes 6(k) and (l).

(Continued)

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date was as follows:

	December 31, 2020	December 31, 2019
Less than one year	$ 1,204	343
1 to 2 years	857	-
2 to 3 years	857	-
3 to 4 years	857	-
4 to 5 years	214	-
	$ 3,989	343

(q) Employee benefits

(i) Defined benefit plans

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan and the annuity insurance account for life insurance. Under the Labor Standards Act, each employee's retirement payment is calculated based on years of service and the average salary for the six months prior to retirement. Besides, the pension payment to appointed managers is calculated pursuant to the manager's plan for appointed managers.

The Group reached an agreed settlement with its employees in 2019 and recognized the settled pension benefit of $1,329 thousand as other gains and losses.

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the Labor Pension personal account of the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Group's pension costs under the defined contribution method amounted to $21,399 thousand and $16,353 thousand for the years ended December 31, 2020 and 2019, respectively. Payment to the Bureau of Labor Insurance has been made.

(Continued)

(r) Income taxes

(i) Income tax expense

Income tax expenses are summarized as follows:

		For the years ended December 31	
		2020	**2019**
Current income tax expense	$	165,216	110,304
Deferred income tax expense		(11,165)	(7,671)
Income tax expense	$	**154,051**	**102,633**

(ii) The Group had no income taxes recognized directly in equity and other comprehensive income.

(iii) Reconciliation of income tax expense and profit before tax was as follows:

		For the years ended December 31	
		2020	**2019**
Profit before income tax	$	730,150	517,464
Income tax using the Company's domestic tax rate		146,030	103,493
Undistributed earnings additional tax		191	3,628
Others		7,830	(4,488)
Income tax expense	$	**154,051**	**102,633**

(iv) Deferred income tax assets and liabilities

1) The Group had no unrecognized deferred income tax liabilities, and the unrecognized deferred income tax assets were as follows:

		December 31, 2020	**December 31, 2019**
Deductible temporary difference	$	**1,000**	**3,052**

(Continued)

2) Changes in the amount of deferred income tax assets and liabilities for 2020 and 2019 were as follows:

		Fair value gains and others
Deferred income tax liabilities:		
Balance on January 1, 2020	$	1,220
Debit profit or loss		829
Reclassified to liabilities related to non-current assets classified as held for sale		(135)
Balance on December 31, 2020	$	**1,914**
Balance on January 1, 2019	$	992
Debit profit or loss		228
Balance on December 31, 2019	$	**1,220**

		Inventory allowances	Allowance limit on bad debts	Others	Total
Deferred income tax assets:					
Balance on January 1, 2020	$	(44,224)	(6,707)	(5,775)	(56,706)
Debit (credit) profit or loss		(11,465)	(1,358)	829	(11,994)
Reclassified to non-current assets held for sale		8,289	-	394	8,683
Balance on December 31, 2020	$	**(47,400)**	**(8,065)**	**(4,552)**	**(60,017)**
Balance on January 1, 2019	$	(34,474)	(7,105)	(7,228)	(48,807)
Debit (credit) profit or loss		(9,750)	398	1,453	(7,899)
Balance on December 31, 2019	$	**(44,224)**	**(6,707)**	**(5,775)**	**(56,706)**

(v) The Group's tax returns, assessed and approved by the R.O.C. tax authority, were as follows:

	Year of approval
the Company	As of 2018
GLOBAL INTELLIGENCE NETWORK	As of 2018
DAWNING TECHNOLOGY	As of 2018
EPIC CLOUD INFORMATION INTEGRATION	As of 2019

(Continued)

(s) Capital and other equity

As of both December 31, 2020 and 2019, the Group's authorized shares amounted to $2,500,000 thousand, divided into 250,000 thousand shares, with par value of $10 per share. The issued 188,357 thousand shares comprised only ordinary shares, and all issued shares were paid up upon issuance.

Reconciliation of shares outstanding for 2020 and 2019 was as follows:

Unit: Thousand shares

	For the years ended December 31	
	2020	**2019**
Balance on January 1	188,357	111,233
Capital increase by cash	-	66,000
Retained earnings transferred to capital increase	-	5,562
Capital surplus transferred to capital increase	-	5,562
Balance on December 31	**188,357**	**188,357**

(i) Ordinary shares

A resolution was passed in extraordinary general meeting of shareholders held on August 1, 2019 and authorized the chairman or his designee for the issuance of ordinary shares for cash within a year under private placement, with the number of shares issued not exceeding 66,000 thousand shares. Subsequently, another resolution was passed in the Board of director's meeting held on August 9, 2019 for the issuance of 66,000 thousand ordinary shares at $27.5 per share under private placement, with par value of $10 per share, totaling $1,815,000 thousand. The date of capital increase was August 16, 2019 and relevant statutory registration procedures have since been completed.

The transfer of the aforementioned private placement of ordinary shares and any subsequently obtained bonus shares would be subject to section 43(8) under the Securities and Exchange Act. The application of these shares to be traded on the Taiwan Stock Exchange is in accordance with the said section where the shares should be elapsed after a three year period from the delivery date of the private placement securities before applying for a public offering with the FSC.

On May 28, 2019, the Company's shareholders' meeting approved a resolution to transfer its retained earnings of $55,617 thousand and capital surplus of $55,617 thousand to capital increase, with an aggregate amount of 11,124 thousand shares issued. All statutory registration procedures for the capital increase dated July 7, 2019 have been completed.

(Continued)

(ii) Capital surplus

The components of capital surplus were as follows:

		December 31, 2020	December 31, 2019
Share capital	$	1,249,950	1,438,307
Treasury share transactions		54,637	54,637
Difference arising from subsidiary's share price and its carrying value from acquired or disposed of		28,424	27,964
	$	1,333,011	1,520,908

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding. The capital increase by transferring capital surplus in excess of par value shall be capitalized in the subsequent year after such capital reserve has been authorized for registration by the regulator.

(iii) Retained earnings

In accordance with the Company's articles, if there are earnings at year end, 10 percent should be set aside as legal reserve (unless the amount in the legal reserve is already equal to or greater than the total paid-in capital) and special reserve according to the Securities and Exchange Act and the Company's operations after the payment of income tax and offsetting accumulated losses from prior years. The remaining portion will be combined with earnings from prior years, and the Board of directors can propose distribution plan to be approved by the shareholders' meeting. The abovementioned distribution plan by way of cash dividends should be approved by the Company's Board of directors and should be reported to the Company's shareholder's meeting.

As the Company is in its growth phase, it has adopted a residual dividend policy to pay dividends after the end of the year from the earnings of the current year and accumulated earnings from prior years, and to determine dividend appropriation after taking into consideration the Company's profit, capital structure, and future operating needs. Dividends are distributed as either cash or stock, where cash dividends represent no less than 20% of the total dividends and the actual amount distributed is based on the amount approved by the Board of directors.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(Continued)

2) Special reserve

In accordance with Order No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

On May 28, 2020 and 2019, the distribution plan for 2019 and 2018 was approved in shareholders' meeting. The amounts of dividends distributed to shareholders were as follows:

	For the years ended December 31	
	2019	2018
Dividends to shareholders - cash, \$2 and \$1.5 per share	\$ 376,715	166,851
Dividends to shareholders - cash from capital surplus, \$1 per share	188,357	-
Dividends to shareholders - capital increase transferred from capital surplus, \$0.5 per share	-	55,617
Dividends to shareholders - capital increase transferred from retained earnings, \$0.5 per share	-	55,617
	\$ 565,072	278,085

(t) Earnings per share

The Company's basic and diluted earnings per share were calculated as follows:

	For the years ended December 31	
	2020	2019
Basic earnings per share:		
Profit attributable to the Company	\$ 549,017	379,456
Weighted-average number of ordinary shares outstanding (basic/thousand shares)	188,357	147,107
Basic earnings per share	\$ 2.91	2.58

(Continued)

	For the years ended December 31	
	2020	2019
Weighted-average number of ordinary shares outstanding (basic/thousand shares)	$ 188,357	111,233
Effect of capital surplus transferred to capital increase	-	5,562
Effect of retained earnings transferred to capital increase	-	5,562
Capital increase by cash	-	24,750
Weighted-average number of ordinary shares outstanding (basic/thousand shares)	**188,357**	**147,107**

	For the years ended December 31	
	2020	2019
Diluted earnings per share:		
Profit attributable to the Company	$ **549,017**	**379,456**
Weighted-average number of ordinary shares (diluted/ thousand shares)	**190,106**	**148,740**
Earnings per share	**2.89**	**2.55**

	For the years ended December 31	
	2020	2019
Weighted-average number of ordinary shares (basic/ thousand shares)	188,357	147,107
Effect of employee remuneration	1,749	1,633
Weighted-average number of ordinary shares outstanding (diluted/thousand shares)	**190,106**	**148,740**

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	2020					
	Networking products	Computing products	Tool products	Technical services	Other products	Total
Major product/service lines:						
Sale of goods	$ 3,606,424	6,294,693	3,051,486	-	119,414	13,072,017
Rendering of services	-	-	-	440,504	-	440,504
Total	$ 3,606,424	6,294,693	3,051,486	440,504	119,414	13,512,521

(Continued)

	2019					
	Networking products	**Computing products**	**Tool products**	**Technical services**	**Other products**	**Total**
Major product/service lines:						
Sale of goods	$ 3,800,244	5,056,090	3,032,544	-	7,401	11,896,279
Rendering of services	-	-	-	410,720	-	410,720
Total	$ 3,800,244	5,056,090	3,032,544	410,720	7,401	12,306,999

(ii) Contract balances

	December 31, 2020	**December 31, 2019**	**January 1, 2019**
Notes receivable (including long-term)	$ 187,429	421,234	270,634
Accounts receivable (including related parties)	1,810,865	1,766,695	1,781,512
Less: loss allowance	(43,700)	(48,800)	(52,000)
	$ 1,954,594	2,139,129	2,000,146
Contract liability	$ 319,531	774,462	761,509

1) For the impairment of notes and accounts receivable (including long-term and related parties), please refer to note 6(c).

2) The amounts of contract liability balance, recognized as revenue as of January 1, 2020 and 2019 at the beginning of the period, were as follows:

	For the years ended December 31	
	2020	**2019**
Recognition Revenue	$ 720,728	667,922

3) The major changes in the balance of contract liability is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(v) Remuneration to employees, directors, and supervisors

In accordance with the Company's Articles, the Company should contribute no less than 8% of the profit as employee remuneration and less than 2% as directors' and supervisors' remuneration when there is profit for the year. (In May 2019, according to a resolution reached in a shareholders' meeting, the Company established an audit committee to replace supervisors.) However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. Employees entitled to receive the aforementioned employee remuneration, in shares or cash, include employees of affiliates whose company shares of more than 50% are held by the Company.

The Company estimated its remuneration to employees at $60,450 thousand and $45,200 thousand for 2020 and 2019, respectively, and remuneration to directors and super visors at $5,650 thousand and $5,040 thousand, respectively. The estimated amounts recognized as operating expense were based on the profit before income tax of each respective ending period before deducting the amount of the remuneration to employees, directors and supervisors multiplied by the percentage of the remuneration to employees, directors and supervisors as specified in the Company's article. Related information is available on the website of the Market Observation Post System. The differences between the estimated amounts and the actual amounts approved by the Board of directors for 2020, if any, shall be accounted for as changes in accounting estimates and recognized in 2021. The actual amounts distributed for 2019 and the estimated amounts for 2019 in the financial statements were the same.

(w) Non-operating income and expense

(i) Other income

The Group's other income was as follows:

	For the years ended December 31		
		2020	2019
Rental income	$	3,200	3,494
Dividend income		10,085	7,462
	$	13,285	10,956

(ii) Other gains and losses

The Group's other gains and losses were as follows:

	For the years ended December 31		
		2020	2019
Net foreign exchange gains	$	31,664	33,906
Net gains on valuation of financial assets (liabilities) at fair value through profit or loss		29,835	10,165
Gain on disposal of subsidiaries		-	695
Gains on disposal of property, plant, and equipment		325	4,133
Others		5,232	3,529
	$	67,056	52,428

(Continued)

(iii) Finance costs

The Group's of finance costs were as follows:

	For the years ended December 31		
		2020	2019
Interest on bank loans	$	7,855	12,575
Interest on lease liabilities		2,012	1,824
	$	9,867	14,399

(x) Financial instruments

(i) Credit risk

A credit risk is the risk of having financial losses arising from counterparties failing to meet their required contract obligation. The major potential credit risks are from defaults from counterparties who fail to meet their required contract obligation.

1) Accounts receivable and other receivables

The Group' s credit policy is transacting with creditworthy customers, and obtains collateral to mitigate risks arising from financial loss due to default if necessary. The Group assesses the ratings based on publicly available financial information and transactions records with its major customers. The Group continues to monitor the exposure to credit risk and the credit rating of counterparties, transaction amount to all qualified customers, and review annually the credit limit of counterparties, so as to manage risk exposure.

2) Other financial assets

The credit risk exposure in cash and cash equivalents, fixed income investments and other financial instruments are measured and monitored by the Group' s finance department. As the Group deals with the banks and other external parties with good credit standing and financial institutions which are graded above investment level, the management believes that the Group does not have any compliance issues, and therefore, there is no significant credit risk.

The carrying amount of financial assets, represents the maximum amount exposed to credit risk. As of December 31, 2020 and 2019, the maximum exposure to credit risk amounted to $3,085,771 thousand, and $3,582,762 thousand, respectively.

(Continued)

(ii) Liquidity risk

The followings were the contractual maturities of financial liabilities, including estimated interest payment.

	Carrying amount	Contractual cash flows	Within 1 year	1~5 years	Over 5 years
December 31, 2020					
Non-derivative financial liabilities					
Long-term and short-term borrowings	$ 740,497	774,908	450,984	81,957	241,967
Lease liabilities	183,768	190,166	28,451	105,736	55,979
Notes and accounts payable	1,549,889	1,549,889	1,549,889	-	-
Other payables	321,981	321,981	321,981	-	-
Guarantee deposits	1,621	1,621	1,621	-	-
Derivative financial liabilities					
Outflow	655	647,224	647,224	-	-
Inflow	-	(646,569)	(646,569)	-	-
	$ 2,798,411	2,839,220	2,353,581	187,693	297,946
December 31, 2019					
Non-derivative financial liabilities					
Long-term and short-term borrowings	$ 407,181	454,630	102,181	83,970	268,479
Lease liabilities	188,582	196,258	25,702	90,736	79,820
Notes and accounts payable	1,454,059	1,454,059	1,454,059	-	-
Other payables	324,451	324,451	324,451	-	-
Guarantee deposits	4,811	4,811	4,811	-	-
Derivative financial liabilities					
Outflow	5,199	587,964	587,964	-	-
Inflow	-	(582,765)	(582,765)	-	-
	$ 2,384,283	2,439,408	1,916,403	174,706	348,299

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

(Continued)

(iii) Currency risk

1) Exposure to currency risk

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

		December 31, 2020			December 31, 2019		
		Foreign currency (in thousands)	**Exchange rate**	**TWD**	**Foreign currency (in thousands)**	**Exchange rate**	**TWD**
Financial assets							
Monetary items							
USD/TWD	$	1,046	28.35	29,668	2,237	30.11	67,354
Financial liabilities							
Monetary items							
USD/TWD	$	24,570	28.35	696,571	17,215	30.11	518,276

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises mainly from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, and notes and accounts payable denominated in foreign currency. To avoid the decrease in the value of foreign currency assets and fluctuations of future cash flows resulted from changes in exchange rates, the Group uses derivative instruments to hedge exchange rate risk (see Note 6(b)). An appreciation (depreciation) of 1% of the USD against TWD as of December 31, 2020 and 2019, with all other variables including derivative financial instruments remaining constant, would have increased or decreased the profit before income tax by $200 thousand and decreased or increased the profit before income tax by $1,327 thousand for the years ended December 31, 2020 and 2019, respectively. The analysis for both periods was performed on the same basis.

3) Foreign exchange gains and losses on monetary items

Each Group entity's functional currency is New Taiwan Dollars, and foreign exchange gain (loss) on monetary items are recognized as foreign exchange gain (loss); please refer to 6(w) for details.

(Continued)

(iv) Interest rate analysis

The details of interest-bearing financial instruments at the reporting date were as follows:

	Carrying amount	
	December 31, 2020	December 31, 2019
Variable-rate instrument:		
Financial assets	$ 730,477	695,026
Financial liabilities	(740,497)	(407,181)
	$ (10,020)	287,845

According to the Group's sensitivity analysis of risk exposure to non-derivative instruments on the reporting date, if the interest rate had increased or decreased by 0.25%, with all other variable factors remaining constant, the Group' s profit before income tax would have decreased or increased by $25 thousand and increased or decreased by $720 thousand for the years ended December 31, 2020 and 2019, respectively. This is mainly due to risk exposures to borrowings at variable interest rate.

(v) Fair value of financial instruments

1) Kinds of financial instrument and fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss are measured on a recurring basis. The following sets out carrying amount and fair value of the Group' s financial assets and liabilities, including the information on fair value hierarchy but excluding financial instruments not measured at fair value with carrying amount reasonably close to their fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2020				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Open-end funds	$ 177,017	-	177,017	-	177,017
Foreign and domestic unlisted stocks	157,694	-	-	157,694	157,694
	$ 334,711				

(Continued)

	December 31, 2020				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at amortized cost					
Cash and cash equivalents	$ 730,739				
Notes and accounts receivable, net (including long-term and related parties)	1,954,594				
Other receivables	818				
Refundable deposits	64,909				
	$ 2,751,060				
Financial liabilities at fair value through profit or loss					
Pre-purchased foreign currency forward contracts	$ 655	-	-	655	655
Financial liabilities measured at amortized cost					
Long-term and short-term borrowings	$ 740,497				
Lease liabilities	183,768				
Notes and accounts payable	1,549,889				
Other payables	321,981				
Guarantee deposits	1,621				
	$ 2,797,756				

(Continued)

	December 31, 2019				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Open-end funds	$ 573,013	-	573,013	-	573,013
Foreign and domestic unlisted stocks	104,362	-	-	104,362	104,362
	$ 677,375				
Financial assets at amortized cost					
Cash and cash equivalents	$ 695,302				
Notes and accounts receivable, net (including long-term and related parties)	2,139,129				
Other receivables	429				
Refundable deposits	70,527				
	$ 2,905,387				
Financial liabilities at fair value through profit or loss					
Pre-purchased foreign currency forward contracts	$ 5,199	-	-	5,199	5,199
Financial liabilities measured at amortized cost					
Long-term and short-term borrowings	$ 407,181				
Lease liabilities	188,582				
Notes and accounts payable	1,454,059				
Other payables	324,451				
Guarantee deposits	4,811				
	$ 2,379,084				

(Continued)

2) Valuation techniques for financial instruments measured at fair value

The measurements of fair value of equity instruments without an active market are based on the market comparable listed company approach, which assumes that the fair value is measured by the investee' estimated net worth and the price-book ratio estimated based on comparable quoted market price. The estimate of the fair value of equity instruments has been adjusted due to the effect of the discount arising from the lack of market liquidity of the equity security.

Measurement of the 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.

3) Transfers between Level 1 and Level 2

There was no transfer between the level 1 and level 2 of fair value hierarchy for the years ended December 31, 2020 and 2019.

4) Reconciliation of Level 3 fair values

	Measured at fair value through profit or loss	
	Derivative financial assets (liabilities)	**Non-derivative financial assets measured at fair value through profit or loss**
January 1, 2020	$ (5,199)	104,362
Recognized in profit or loss	4,214	24,620
Additions	-	40,752
Disposal	-	(627)
Transferred to investments accounted for using equity method	-	(11,413)
Reclassified to disposal group held for sale	330	-
December 31, 2020	$ **(655)**	**157,694**
January 1, 2019	$ (1,010)	59,351
Recognized in profit or loss	(4,189)	13,649
Return of capital on capital reduction or liquidation	-	(1,258)
Acquisitions	-	30,790
Disposal	-	(199)
Reclassification	-	2,029
December 31, 2019	$ **(5,199)**	**104,362**

(Continued)

The aforementioned total gains and losses that were recognized in "other gains and losses". The gains or losses attributable to the assets and liabilities held on December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	2019
Total gains and losses		
Recognized in profit or loss (recognized as other gains and losses)	$ 23,965	8,251

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 profit or loss and derivative financial instruments.

The fair value of derivative financial instruments resulted from the quotation of a third party and did not use any unobservable inputs in its calculation. Therefore, the Group did not disclose the quantitative information about significant unobservable inputs and sensitivity analysis.

Quantified information on other significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss-domestic or foreign unlisted stocks	Comparable listed company approach	· Market liquidity discount rate (25.00%~34.61% as of December 31, 2020, and 25.00%~28.21% as of December 31, 2019)	· The higher the market liquidity discount rate, the lower the fair value

(Continued)

6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Group' s measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or parameters may lead to different results. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit:

	Inputs	Current profit (loss) arising from changes in fair value	
		10% increase	**10% decrease**
December 31, 2020			
Financial assets at fair value through profit or loss			
Foreign and domestic unlisted stocks	Market liquidity discount	$ (22,579)	22,579
December 31, 2019			
Financial assets at fair value through profit or loss			
Foreign and domestic unlisted stocks	Market liquidity discount	$ (14,063)	14,063

(y) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note expressed the information on risk exposure and objectives, policies and process of risk measurement and management of the Group. For more details about the quantitative effects of these risk exposures, please refer to respective notes in the report.

(ii) Structure of risk management

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities, so as to minimize risk exposure.

The Board of directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of directors is assisted in its oversight role by an internal auditor. The internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of directors.

(Continued)

(z) Capital management

The Board's policy is to maintain a strong capital base, in order to maintain investor, creditor, and market confidence. Capital consists of ordinary shares, capital surplus, retained earnings, and non-controlling interests. As of December 31, 2020, the Group had sufficient capital to meet the needs for working capital and other expenditure in the next 12 months. The Group's approach to capital management has not changed on each reporting date.

As of December 31, 2020 and 2019, the debt ratios were 44% and 41%, respectively.

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

(i) Non-current financial assets at fair value through profit or loss were transferred to investments accounted for using equity method, please refer to note 6(b) and (g).

(ii) The assets and liabilities of DAWNING TECHNOLOGY, a subsidiary, were transferred to assets or liabilities directly related to non-current assets or disposal groups classified as held for sale, respectively. Please refer to note 6(f).

(iii) Reconciliation of liabilities arising from financing activities were as follows:

		January 1, 2020	Cash flows	Non-cash changes	December 31, 2020
Short-term borrowings	$	80,000	393,022	(43,022)	430,000
Long-term borrowings		327,181	(16,684)	-	310,497
Guarantee deposits		4,811	(3,190)	-	1,621
Lease liabilities		188,582	(31,916)	27,102	183,768
Total liabilities arising from financing activities	$	**600,574**	**341,232**	**(15,920)**	**925,886**

		January 1, 2019	Cash flows	Non-cash changes	December 31, 2019
Long-term borrowings	$	242,345	84,836	-	327,181
Short-term borrowings		1,075,000	(995,000)	-	80,000
Guarantee deposits		300	4,511	-	4,811
Lease liabilities		177,210	(25,560)	36,932	188,582
Total liabilities arising from financing activities	$	**1,494,855**	**(931,213)**	**36,932**	**600,574**

(7) Related-party transactions:

(a) Parent company and ultimate controlling company

In August 2019, Qisda Corporation ("Qisda") acquired 35.04% of equity interest in the Company through subscription for ordinary shares under private placement, taking more than half of the Board directors and hence the control over the Company. Both the parent and the ultimate controlling party of the Company are Qisda. Qisda has prepared consolidated financial statements for public use.

(Continued)

(b) Names and relationship with related parties

The followings are related parties that have had transactions with the Group during the periods covered in the consolidated financial statements:

Name of related party	Relationship with the Group
Qisda Corporation (Qisda)	Parent of the Group
BenQ Material Corporation. (BenQ Material)	It and the Company have the same ultimate parent company
BenQ Guru Corporation (BenQ Guru)	It and the Company have the same ultimate parent company
Partner Tech Corporation (Partner Tech)	It and the Company have the same ultimate parent company
DFI Inc. (DFI)	It and the Company have the same ultimate parent company
Data Image Corporation (Data Image)	It and the Company have the same ultimate parent company
BenQ Corporation (New BenQ)	It and the Company have the same ultimate parent company
SIMULA TECHNOLOGY INC. (SIMULA TECHNOLOGY)	It and the Company have the same ultimate parent company
BenQ Asia Pacific Corporation (BenQ Asia Pacific)	It and the Company have the same ultimate parent company
BenQ ESCO Corporation (BenQ ESCO)	It and the Company have the same ultimate parent company
Webest Solution Corporation (Webest Solution)	Subsidiary of Partner Tech
COREX (PTY) LTD.	Subsidiary of Partner Tech
HITRON TECHNOLOGIES INC. (HITRON TECHNOLOGIES)	It and the Company have the same ultimate parent company (Note 1)
Interactive Digital Technologies Inc. (Interactive Digital)	It and the Company have the same ultimate parent company (Note 1)
Darfon Electronics Corporation (Darfon Electronics)	Associate of the parent company
AU Optronics Corporation (AUO)	Associate of the parent company
DARWIN PRECISIONS CORPORATION (DARWIN PRECISIONS)	Subsidiary of AUO
DYNASAFE TECHNOLOGIES, INC. (DYNASAFE)	Associate of the Group (Note 2)
GRANDSYS INC. (GRANDSYS)	Associate of the Group (Note 3)
Key management personnel	Key management personnel of the Group

(Continued)

Note 1: The parent company of HITRON TECHNOLOGIES and Interactive Digital is Alpha Networks Inc. ("Alpha"), a former associate of Qisda, after which Qisda acquired Alpha in July 2020, making them have the same ultimate parent company with the Company.

Note 2: DYNASAFE re-elected its directors on February 16, 2019, after which the Company is no longer its legal person and related party.

Note 3: The Company acquired the shares of GRANDSYS in May 2020, after which the percentage of ownership in GRANDSYS was 22.35%, making it an associate of the Group.

(c) Significant related-party transactions

(i) Sales

The amounts of significant sales by the Group to related parties were as follows:

	For the years ended December 31	
	2020	**2019**
Parent company	$ 42,469	-
Associates	622	-
Other associates	104,232	6,513
Other related parties	78,213	134,136
	$ **225,536**	**140,649**

The selling price for related parties approximated the market price, and the credit terms for 2020 and 2019 ranged from 30 to 120 days from the end of the month and 60 to 120 days from the end of the month, respectively. Receivables from related parties were not pledged as collateral, and were assessed not to provide any allowance for impairment loss.

(ii) Purchases

The amounts of significant purchases by the Group from related parties were as follows:

	For the years ended December 31	
	2020	**2019**
Parent company	$ 1,939	-
Other associates	7,011	-
Other related parties	20	-
	$ **8,970**	**-**

Purchase prices and payment terms from related parties were similar to those from third-party suppliers. The payment terms ranged between 30~120 days from the end of month for the year ended December 31, 2020.

(Continued)

(iii) Receivables from related parties

The receivables due from related parties were as follows:

Account	Category of related party	December 31, 2020	December 31, 2019
Accounts receivable	Parent company	$ 20	-
Accounts receivable	Associates	158	-
Accounts receivable	Other associates	10,591	9,226
		$ 10,769	9,226

(iv) Payables to related parties

The payables to related parties were as follows:

Account	Category of related party	December 31, 2020	December 31, 2019
Accounts payable	Other associates	$ 42	-

(v) Non-controlling interests acquired

The Group's non-controlling interests acquired from related parties were as follows:

Account	Category of related party	For the years ended December 31 2020	2019
Investment in subsidiary	Key management personnel	$ 10,344	6,151

(vi) Guarantee and endorsements

The company guarantees and endorsements for related parties are as follows:

Counterparty of guarantees and endorsements	Guarantees and endorsements amount December 31, 2020	December 31, 2019
Other associates		
COREX (PTY) LTD.	$ 141,750	-

(Continued)

(d) Key management personnel compensation

	For the years ended December 31		
		2020	2019
Short-term employee benefits	$	65,245	52,701
Post-employment benefits		666	394
Termination benefits		-	-
Other long-term benefits		-	-
Share-based payment		-	-
	$	65,911	53,095

(8) Pledged assets:

The carrying amounts of the assets which the Group pledged as collateral were as follows:

Asset Name	Object		December 31, 2020	December 31, 2019
Property, plant and equipment	Long-term and short-term borrowings	$	837,122	844,120

(9) Commitments and contingencies:

(a) The promissory notes, issued by the Group for loans from financial institutions, forward exchange transactions, and purchase limits, are detailed as follows:

	Currency		December 31, 2020	December 31, 2019
Promissory notes issued	TWD	$	4,691,000	4,657,000
	USD	$	17,350	17,350

(b) For the amounts of guarantees and endorsements for related parties, please see note 7(c)6.

(10) Losses due to major disasters: None

(11) Subsequent Events:

(a) The Company's Board of directors passed a resolution for shareholding change in DAWNING TECHNOLOGY, the subsidiary, on November 5, 2020. The Company and GLOBAL INTELLIGENCE NETWORK entered into a sale and purchase agreement in January 2021 to sell all the shareholdings in DAWNING TECHNOLOGY at a contract price of $266,595 thousand, wherein all statutory registration procedures had been completed as of issuance date of this financial report and the contract price has been fully received.

(Continued)

(b) The Company's Board of directors passed a resolution on December 18, 2020 to acquire the entire shareholdings in COREX(PTY) LTD., and its newly issued shares for capital increase by cash. In January 2021, the Company entered into a sale and purchase agreement to acquire all the shareholdings in COREX(PTY) LTD. at a contract price of $140,000 thousand, and issued shares for capital increase totaling $111,872 thousand, wherein the statutory registration is in progress as of the issuance date of this financial report. The contract price has been fully paid up.

(c) On January 28, 2021, the Company, according to a resolution of the Board of directors, acquired 1,504 thousand preference shares issued by STATINC COMPANY and purchased 251 thousand ordinary shares from their former shareholders with a total price of 70,023 thousand, representing 35% of voting rights. As of the issuance date of this financial report, the registration is in progress and the contract price has been fully paid up.

(12) Other:

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

By function / By item	For the years ended December 31, 2020 Operating expenses	2019 Operating expenses
Employee benefits		
Salary	571,416	462,847
Labor and health insurance	41,041	33,399
Pension expense	21,399	16,353
Other employee benefits expense	28,879	27,899
Depreciation	68,868	58,445
Amortization	1,057	3,764

(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 year ended December 31, 2020:

(i) Loans to other parties:None

(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 guarantees/ endorsements to third parties on behalf of subsidiary	Subsidiary guarantees/ endorsements to third parties on behalf of parent company	guarantees/ endorsements to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	the Company	COREX (PTY) LTD	Subsidiary of Partner Tech	(Note 1)	141,750	141,750	-	-	3.32 %	(Note 1)	(Note 2)	-	-

(Continued)

Note 1: The amount of the guarantees and endorsements for a single entity company shall not exceed 20% of the Company's net worth of $854,260 thousand when the guarantees and endorsements was provided; the total amount of guarantees and endorsements provided by the Company shall not exceed 40% of the Company's net worth of $1,708,520 thousand.

Note 2: COREX (PTY) LTD. became a wholly-owned (100%) subsidiary of the Company in January 2021.

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand shares/thousand units

Holder name	Category and name of security	Relationship with company	Account	Ending balance				Highest balance during the year		Remark
				Shares/Units	Carrying amount	Percentage of Ownership (%)	Fair value	Shares/Units (thousands)	Percentage of ownership (%)	
	Stock:									
the Company	DYNASAFE	-	Non-current financial assets at fair value through profit or loss	3,906	145,695	19.53	145,695	3,362	20.01	(Note 1)
〃	CDS Holdings Limited	-	〃	600	-	1.11	-	600	1.15	〃
〃	YOBON TECHNOLOGIES, INC.	-	〃	3	-	0.42	-	3	0.42	〃
〃	Touch Cloud Inc.	-	〃	200	410	2.74	410	200	2.74	〃
〃	Gemini Data, Inc.	-	〃	2,706	8,540	2.90	8,540	2,706	2.90	〃
〃	KINGTEL	-	〃	443	3,049	18.09	3,049	443	18.09	〃
					157,694		157,694			
	Open-end funds:									
the Company	Capital Money Market Fund	-	Current financial assets at fair value through profit or loss	9,222	150,003	-	150,003	27,746	-	
EPIC CLOUD INFORMATION INTEGRATION	Capital Money Market Fund	-	〃	123	2,004	-	2,004	246	-	
NEO TREND TECH	Hua Nan Phoenix Money Market Fund	-	〃	2,073	25,010	-	25,010	2,073	-	
					177,017		177,017			

Note 1: Unlisted company.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal (Note1)	Shares	Amount
the Company	Capital Money Market Fund	Current financial assets at fair value through profit or loss	Hua Nan Bank	None	12,351	200,057	15,395	250,000	18,524	300,212	300,000	158	9,222	150,003

Note 1: Valuation adjustments are included.

(Continued)

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

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

(vii) Related party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:None

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:None

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

(x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	the Company	GLOBAL INTELLIGENCE NETWORK	1	Sales revenue	41,593	60 days from the end of the month	0.31%
〃	〃	〃	1	Accounts receivable	11,224	〃	0.14%
〃	〃	〃	1	Rental income	5,697	Payment on 10th of each month	0.04%
〃	〃	DAWNING TECHNOLOGY	1	Sales revenue	24,181	60 days from the end of the month	0.18%
〃	〃	〃	1	Sale returns	24,406	〃	0.18%
〃	〃	〃	1	Accounts receivable	9,593	〃	0.12%
〃	〃	〃	1	Rental income	9,091	Payment on 10th of each month	0.07%
1	DAWNING TECHNOLOGY	the Company	2	Sales revenue	24,655	60 days from the end of the month	0.18%
〃	〃	〃	2	Accounts receivable	6,565	〃	0.08%

Note 1: No. are filled in as follows:
(i) "0" represents the parent company.
(ii) Subsidiaries are numbered starting from "1".

Note 2: Nature of relationship with counterparty are as below:
1.Parent to subsidiary.
2.Subsidiary to parent.
3.Subsidiary to subsidiary.

Note 3: Disclosure of only the amounts exceeding of NT$5 million.

Note 4: Related transactions have been eliminated during preparing the consolidated financial statements.

(Continued)

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2020:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Highest balance during the year		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying amount	Shares/Units (thousands)	Percentage of Ownership			
the Company	GLOBAL INTELLIGENCE NETWORK	Taiwan	Trading in hardware and software for network and communications systems	119,142	80,080	10,475	79.36 %	183,471	10,475	79.36 %	26,822	16,333	(Notes 1 and 2)
〃	DAWNING TECHNOLOGY	Taiwan	Trading in hardware and software for network systems	106,018	106,018	7,280	30.33 %	123,922	7,280	30.33 %	30,829	9,283	(Notes 1, 2, and 3)
〃	EPIC CLOUD INFORMATION INTEGRATION	Taiwan	Data software processing services	9,400	7,000	940	94.00 %	6,153	940	94.00 %	(2,437)	(1,891)	(Notes 1 and 2)
〃	NEO TREND TECH	Taiwan	Telecommunications engineering	50,000	-	5,000	100.00 %	35,963	5,000	100.00 %	(14,037)	(14,037)	〃
〃	UNISAGE	Taiwan	Manufacturing medical equipment	1,687	1,687	225	38.01 %	728	225	38.01 %	(4,452)	(1,691)	-
〃	GRANDSYS	Taiwan	Data software processing	94,547	-	5,643	23.58 %	99,417	5,643	23.58 %	28,717	8,704	-
〃	ADVANCEDTEK	Taiwan	applications implementing services	30,091	-	1,153	34.09 %	32,120	1,153	34.09 %	12,679	2,029	-
GLOBAL INTELLIGENCE NETWORK	DAWNING TECHNOLOGY	Taiwan	Trading in hardware and software for network systems	44,344	44,344	3,384	14.10 %	57,641	3,384	14.10 %	30,829	4,347	(Notes 1, 2, and 3)
NEO TREND TECH	GLOBAL INTELLIGENCE NETWORK	Taiwan	Trading in hardware and software for network and communications systems	172	-	10	0.08 %	172	10	0.08 %	26,822	-	(Notes 1, 2, and 4)
〃	EPIC CLOUD INFORMATION INTEGRATION	Taiwan	Data software and processing services	100	-	10	1.00 %	100	10	1.00 %	(2,437)	-	〃

Note 1: Subsidiary of the Company.
Note 2: The equity transactions on the left have already been eliminated during preparing the consolidated financial statements.
Note 3: The Group has reclassified DAWNING TECHNOLOGY to non-current assets classified as held for sale, please refer to note 6(f) for details.
Note 4: The equity interest in NEO TREND TECH was acquired on December 31, 2020, which was not required to be recognized as share of profit (loss) of investee.

(c) Information on investment in Mainland China:None

(d) Major shareholders:

Unit: share

Major shareholders	Shareholding	Shareholding	Percentage of Ownership
Qisda		66,000,000	35.04 %

(Continued)

(14) Segment information:

(a) General information

The Group has four reportable product line segments: networking, computing, tools, and technical services. The networking segment distributes and resells products from Cisco and other brands, the computing segment distributes products from IBM, Dell, EMC, and other brands, the tool segment distributes products from Oracle and other brands; the technical services segment generates revenue by providing technical support and after-sales services, the installation and support of software and hardware, foreign domain integration, as well as information system integration.

The Group's reported segments consist of strategic business units which provide different products and services. Since each strategic business unit requires different technology and marketing strategies, it must be administered separately.

(b) Information for reportable segment profit or loss, segment assets and their measurement and reconciliations

The Group did not allocate operating expenses, income tax expense, and non-operating income and expenses to reportable segments. The reported amount is the same as the amount of the financial statements used by operating decision makers.

The measurement of the profit or loss of the Group's operating segments was based on gross profit from operation, which has also been taken as the basis of performance evaluation. The accounting policies for the operating segments are the same as those in the summary of significant accounting policies described in note 4. Besides, sales and transfers between the segments are regarded as second party transactions and are measured based on current market prices.

Other segments of the Group mainly sell communications equipment and provide education training services and cloud products. For the years ended December 31, 2020 and 2019, the aforementioned segments did not reach the quantitative thresholds of a reportable segment.
The Group's operating segment information and reconciliation are as follows:

	For the year ended December 31, 2020						
	Networking products	Computing products	Tool products	Technical services	Other products	Reconciliation and eliminations	Total
Revenue:							
Revenue from external customers	$ 3,606,424	6,294,693	3,051,486	440,504	119,414	-	13,512,521
Intersegment revenue	5,039	51,832	7,328	4,822	6,751	(75,772)	-
Total revenue	$ 3,611,463	6,346,525	3,058,814	445,326	126,165	(75,772)	13,512,521
Gross profit (loss)	$ 475,259	659,387	243,597	297,654	11,013	(65,528)	1,621,382

(Continued)

	For the year ended December 31, 2019						
	Networking products	Computing products	Tool products	Technical services	Other products	Reconciliation and eliminations	Total
Revenue:							
Revenue from external customers	$ 3,800,244	5,056,090	3,032,544	410,720	7,401	-	12,306,999
Intersegment revenue	58,381	37,008	7,712	4,476	722	(108,299)	-
Total revenue	$ 3,858,625	5,093,098	3,040,256	415,196	8,123	(108,299)	12,306,999
Gross profit (loss)	$ 390,457	472,424	205,336	228,449	3,908	(49,685)	1,250,889

(c) Geographic information

In presenting information on the basis of geography, revenue is based on the geographical location of customers, and non-current assets are based on the geographical location of the assets.

Revenue from the external customers:

Geographic information	For the years ended December 31 2020	2019
Taiwan	$ 13,331,085	12,038,487
Others	181,436	268,512
Total	$ 13,512,521	12,306,999

Non-current assets:

Geographic information	December 31, 2020	December 31, 2019
Taiwan	$ 1,232,181	1,268,552

Non-current assets include property, plant and equipment, investment property, right-of-use assets, and other assets, but excluding financial instruments and deferred income tax assets.

(d) Major customers

The Group's revenues from a single customer did not exceed 10% of operating revenues in the statements of comprehensive income for the years ended December 31, 2020 and 2019, so the Group does not disclose any information on major customers.

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安侯建業聯合會計師事務所
KPMG
台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5, Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)
Telephone 電話 + 886 2 8101 6666
Fax 傳真 + 886 2 8101 6667
Internet 網址 home.kpmg/tw

Independent Auditors' Report

To the Board of Directors of SYSAGE TECHNOLOGY CO., LTD.:

Opinion

We have audited the parent company only financial statements of SYSAGE TECHNOLOGY CO., LTD.("the Company"), which comprise the parent company only balance sheets as of December 31, 2020 and 2019, the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Other Matter

We did not audit the financial statements of certain investments accounted for using equity method. Those financial statements were audited by other auditors.Therefore, our opinion, insofar as it relates to amounts included for those investees, is based solely on the reports of the other auditors. The recognized investments accounted for using the equity method constituted 1.83% of the total assets as of December 31, 2020, and the recognized share of profit or loss of associates accounted for using equity method constituted 1.56% of profit before tax for the year ended December 31, 2020.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of inventories

Please refer to Note 4(g) for the accounting policy for inventories, Note 5 for significant accounting assumptions and judgments, and major sources of estimation uncertainty, and Note 6(e) for the details and related expenses for inventories.

Description of key audit matter:

Inventories are measured at the lower of cost or net realizable value. Since information products, such as network and servers, are constantly evolving, and prices impact end-consumers' decisions on expenditure, sales of related products may fluctuate, resulting in a risk that the cost of inventories may exceed their net realizable values. Consequently, the estimate of the net realized value of inventories, dependent on management's subjective judgment, was considered to be a matter of high concern in our audit of the financial statements.

How the matter was addressed in our audit:

Our audit procedures included understanding the Company's policy for recognizing inventory allowances so as to assess whether inventory valuation was conducted pursuant to the policy; comparing the reasonableness of management's recognition of the allowance for inventory loss for prior years with the approach and assumption about the recognition of the allowance for inventory loss for the current period, in order to evaluate the appropriateness of the latter; looking into and sampling the sales prices adopted by management and reviewing sales transactions after the balance sheet date, with a view to assessing whether the estimate of the net realizable value of inventories and the loss allowance was reasonable.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

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Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are HUNG-WEN, FU and MEI-PIN, WU.

KPMG

Taipei, Taiwan (Republic of China)
February 25, 2021

Notes to Readers

The accompanying parent company only 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 audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying parent company only 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 auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

SYSAGE TECHNOLOGY CO., LTD.

Balance Sheets

December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars)

	Assets	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6(a))	$ 589,695	8	478,658	7
1110	Current financial assets at fair value through profit or loss (Note 6(b))	150,003	2	400,323	6
1170	Notes and accounts receivable, net (Notes 6(c) and (s))	1,795,611	25	1,763,399	25
1180	Accounts receivable due from related parties, net (Notes 6(c), (s) and 7)	31,156	1	46,148	1
1300	Inventories (Note 6(e))	2,734,354	38	2,686,068	38
1460	Non-current assets classified as held for sale, net (Note 6(f))	123,922	2	-	-
1470	Other current assets (Notes 6(d) and 7)	23,726	-	33,697	-
		5,448,467	76	5,408,293	77
	Non-current assets:				
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	157,694	2	104,362	1
1550	Investments accounted for using equity method (Notes 6(g) and 7)	357,852	5	276,213	4
1600	Property, plant and equipment (Notes 6(h) and 8)	815,380	12	834,631	12
1755	Right-of-use assets (Notes 6(i) and 7)	164,487	2	189,490	3
1760	Investment property, net (Notes 6(j) and 8)	74,123	1	74,680	1
1840	Deferred income tax assets (Note 6(p))	56,816	1	48,911	1
1931	Long-term notes receivable (Notes 6(c) and (s))	24,161	-	4,402	-
1900	Other non-current assets	69,910	1	74,119	1
		1,720,423	24	1,606,808	23
	Total assets	$ 7,168,890	100	7,015,101	100

	Liabilities and Equity	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current liabilities:				
2100	Short-term borrowings (Note 6(k))	$ 300,000	4	-	-
2120	Current financial liabilities at fair value through profit or loss (Note 6(b))	655	-	4,935	-
2130	Contract liability (Note 6(s))	295,836	4	662,996	10
2170	Accounts payable (Note 7)	1,463,165	20	1,235,630	18
2200	Other payables	388,026	6	309,501	4
2280	Current lease liabilities (Notes 6(m) and 7)	23,702	-	24,957	-
2310	Advance receipts	13,319	-	38,042	1
2320	Long-term borrowings, current portion (Note 6(l))	14,109	-	13,568	-
2399	Other current liabilities	910	-	786	-
		2,499,722	34	2,290,415	33
	Non-Current liabilities:				
2540	Long-term borrowings (Note 6(l))	251,420	4	265,934	4
2580	Non-current lease liabilities (Notes 6(m) and 7)	143,306	2	165,933	2
2640	Other non-current liabilities (Note 6(p))	3,141	-	5,923	-
		397,867	6	437,790	6
	Total liabilities	2,897,589	40	2,728,205	39
3100	Share capital (Note 6(q))	1,883,573	26	1,883,573	27
3200	Capital surplus (Note 6(q))	1,333,011	19	1,520,908	22
3310	Legal reserve (Note 6(q))	328,387	5	290,442	4
3350	Unappropriated retained earnings (Note 6(q))	726,330	10	591,973	8
	Total equity	4,271,301	60	4,286,896	61
	Total liabilities and equity	$ 7,168,890	100	7,015,101	100

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

SYSAGE TECHNOLOGY CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars)

		For the years ended December 31,			
		2020		2019	
		Amount	%	Amount	%
4000	**Operating revenue (Notes 6(s) and 7)**	$ 11,071,939	100	10,286,217	100
5000	**Operating costs (Notes 6(e) and 7)**	9,753,493	88	9,287,756	90
	Gross profit from operations	1,318,446	12	998,461	10
	Operating expenses (Notes 6(c), (o), (t) and 12):				
6100	Selling expenses	510,552	5	424,011	4
6200	General and administrative expenses	200,705	2	189,047	2
6300	Research and development expense	16,582	-	9,843	-
6450	Expected credit loss	11,226	-	-	-
		739,065	7	622,901	6
	Net operating income	579,381	5	375,560	4
	Non-operating income and expenses:				
7010	Other income (Notes 6(m), (n), (u) and 7)	26,718	-	21,965	-
7100	Interest income	556	-	966	-
7020	Other gains and losses (Notes 6(o), (u) and 7)	68,521	1	50,668	1
7050	Finance costs (Notes 6(m), (u) and 7)	(7,889)	-	(13,280)	-
7070	Share of profit (loss) of subsidiaries and associates accounted for using equity method (note 6(g))	18,730	-	28,471	-
		106,636	1	88,790	1
	Profit before income tax	686,017	6	464,350	5
7950	**Less: Income tax expenses (Note 6(p))**	137,000	1	84,894	1
	Profit	549,017	5	379,456	4
8300	**Other comprehensive income, net of tax**	-	-	-	-
	Total comprehensive income	$ 549,017	5	379,456	4
	Earnings per share (Note 6(r)):				
9750	**Basic earnings per share (NT dollars)**	$	2.91		2.58
9850	**Diluted earnings per share (NT dollars)**	$	2.89		2.55

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

SYSAGE TECHNOLOGY CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars)

	Share capital	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Unappropriated retained earnings	Total equity
Balance on January 1, 2019	$ 1,112,339	422,237	258,636	466,791	2,260,003
Profit	-	-	-	379,456	379,456
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	379,456	379,456
Appropriation and distribution of retained earnings:					
Legal reserve	-	-	31,806	(31,806)	-
Cash dividends	-	-	-	(166,851)	(166,851)
Stock dividends	55,617	-	-	(55,617)	-
Stock dividends from capital surplus	55,617	(55,617)	-	-	-
Capital increase by cash	660,000	1,155,000	-	-	1,815,000
Changes in ownership interests in subsidiaries	-	(712)	-	-	(712)
Balance on December 31, 2019	1,883,573	1,520,908	290,442	591,973	4,286,896
Profit	-	-	-	549,017	549,017
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	549,017	549,017
Appropriation and distribution of retained earnings:					
Legal reserve	-	-	37,945	(37,945)	-
Cash dividends	-	-	-	(376,715)	(376,715)
Cash dividends from capital surplus	-	(188,357)	-	-	(188,357)
Changes in ownership interests in subsidiaries	-	460	-	-	460
Balance on December 31, 2020	$ 1,883,573	1,333,011	328,387	726,330	4,271,301

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

SYSAGE TECHNOLOGY CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars)

		For the years ended December 31,	
		2020	2019
Cash flows from operating activities:			
Profit before income tax	$	686,017	464,350
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		56,760	57,127
Amortization expense		1,057	3,764
Expected credit loss		11,226	-
Net profit from financial assets or liabilities at fair value through profit or loss		(29,311)	(10,005)
Share of profit (loss) of subsidiaries and associates accounted for using equity method		(18,730)	(28,471)
Interest expense		7,889	13,280
Interest income		(556)	(966)
Dividend income		(10,085)	(7,462)
Others		(1,750)	(658)
Total adjustments to reconcile profit (loss)		16,500	26,609
Changes in operating assets and liabilities:			
Total net changes in operating assets:			
Current financial assets at fair value through profit or loss		250,731	(400,000)
Notes and accounts receivable		(48,205)	(127,644)
Inventories		(55,828)	(221,290)
Other current assets		9,971	4,029
Other non-current assets		(1,123)	(610)
Total net changes in operating assets		155,546	(745,515)
Total net changes in operating liabilities:			
Contract liability		(367,160)	(2,828)
Accounts payable		227,535	(122,125)
Other payables		26,364	15,217
Advance receipts		(24,723)	23,006
Other current liabilities		124	98
Other non-current liabilities		-	(2,218)
Total net changes in operating liabilities		(137,860)	(88,850)
Total net changes in operating assets and liabilities		17,686	(834,365)
Total adjustments		34,186	(807,756)
Cash inflows (outflows) generated from operations		720,203	(343,406)
Interest received		556	966
Dividends received		37,405	30,090
Interest paid		(7,823)	(13,481)
Income taxes paid		(92,008)	(106,147)
Net cash inflows (outflow) from operating activities:		658,333	(431,978)
Cash flows from investing activities:			
Acquisition of non-current financial assets at fair value through profit or loss		(40,752)	(30,790)
Return of capital on capital reduction or liquidation of financial assets at fair value through profit or loss		-	1,258
Proceeds from disposal of non-current financial assets at fair value through profit or loss		627	199
Acquisition of investments accounted for using equity method		(200,853)	(56,797)
Proceeds from liquidation of investments accounted for using equity method		-	2,900
Acquisition of property, plant and equipment		(3,154)	(93,514)
Proceeds from disposal of property, plant, and equipment		786	520
Decrease in refundable deposits		4,275	4,800
Net cash outflows from investing activities		(239,071)	(171,424)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings		300,000	(1,010,000)
Proceeds from long-term borrowings		-	50,000
Repayments of long-term borrowings		(13,973)	(12,843)
Increase (decrease) in guarantee deposits		(3,584)	4,511
Payments of lease liabilities		(25,596)	(26,280)
Cash dividends paid		(565,072)	(166,851)
Capital increase by cash		-	1,815,000
Net cash inflows (outflows) from financing activities		(308,225)	653,537
Increase in cash and cash equivalents		111,037	50,135
Cash and cash equivalents, beginning of period		478,658	428,523
Cash and cash equivalents, end of period	$	589,695	478,658

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

SYSAGE TECHNOLOGY CO., LTD.

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2020 and 2019

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

(1) Company history

SYSAGE TECHNOLOGY CO., LTD. ("the Company") was incorporated on April 16, 1998 under the approval of Ministry of Economic Affair, Republic of China ("R.O.C."). The address of its registered office is 10F, No. 516, Sec. 1, Neihu Rd., Taipei City 114064, Taiwan (R.O.C.). The Company's major business activities include distributing and reselling ICT software and hardware from Cisco and other companies, workstations and servers from IBM, Dell, EMC, and other companies, tools integration applications from Oracle and other companies. The Company provides integrated planning for the products it sells, including related consulting education services, as well as research and development of information applications.

(2) Approval date and procedures of the parent company only financial statements:

The parent company only financial statements have been authorized for issue by the Board of Directors on February 25, 2021.

(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 Company has initially adopted the following amendments to IFRSs from January 1, 2020, which did not have any material impact on its parent company only financial statements:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

(b) Impact of IFRSs endorsed by FSC but not yet effective

The Company assesses that the adoption of the amendments to IFRSs effective from January 1, 2021 would not have any material impact on its parent company only financial statements.

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform — Phase 2"

(Continued)

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

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board ("IASB"), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

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

The Company expects no material impact of new and amended standards not yet endorsed by the FSC on the parent company only financial statements.

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IAS 16 "Property, Plant and Equipment—Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(Continued)

(4) Summary of significant accounting policies:

The significant accounting policies applied in the preparation of these parent company only financial statements are set out as below. Except for those specifically indicated, the following accounting policies have been applied consistently to all periods presented in these financial statements.

(a) Statement of compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (" the Regulations").

(b) Basis of preparation

(i) Basis of measurement

Except for financial assets (liabilities) at fair value through profit or loss, the parent company only financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the Company operates. The parent company only financial statements are presented in New Taiwan Dollars, the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Foreign currency transactions and operations

Transactions in foreign currencies are translated into the respective functional currencies of the Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period ("the reporting date") monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies measured based on historical cost are translated using the exchange rate at the date of transaction.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting date; or

(iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

(Continued)

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled in its normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting date; or

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and deposits. Cash equivalents comprise short-term highly liquid investments that are readily convertible into known amount of cash and are subject to an insignificant risk of changes in their fair value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial assets

Accounts receivables issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value, plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date and settle date basis.

On initial recognition, a financial asset is classified as measured at amortized cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(Continued)

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus/minus the cumulative amortization using the effective interest method, and adjusted for any loss allowance. Interest income, foreign exchange gains and losses, and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets at fair value through profit or loss

All financial assets not classified as amortized cost or fair value through comprehensive income ("FVOCI") described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. These assets are subsequently measured at fair value.

Net gains and losses, including any dividend and interest income, are recognized in profit or loss.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses ("ECL") on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivables, guarantee deposits and other financial assets).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12-month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months)

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

(Continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly once it is past due.

The Company considers a financial asset to be in default when the financial asset is more than 120 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

ECL are probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

· significant financial difficulty of the borrower or issuer;

· a breach of contract such as a default or being more than 120 days past due;

· the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

· it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

· the disappearance of an active market for that financial asset because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

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4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement and the definitions of a financial liability and an equity instrument.

2) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recognized at the amount of consideration received less the direct issuing cost.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is held for trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged, cancelled or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(Continued)

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments

Derivatives held for hedging risk exposure to currency and interest rate are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

(g) Inventories

Inventories are measured at the lower of cost or net realizable value. The costs of inventories weighted-average principle include expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses.

(h) Non-current assets classified as held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through a sale transaction, rather than through continuing use, are reclassified as non-current assets held for sale. Immediately before the initial classification of the non-current assets or disposal groups as held for sale, the carrying amount of the assets (or all the assets and liabilities in the group) is measured in accordance with the Company' s applicable accounting policies. Thereafter, the assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell.

Once classified as held for sale, intangible assets and property, plant and equipment, are no longer amortized or depreciated and any equity-accounted investee is no longer equity accounted.

(i) Investment in associates

Associates are those entities in which the Company has significant influence, but not control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less, any accumulated impairment losses.

(Continued)

The parent company only financial reports include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company from the date on which significant influence commences until the date on which significant influence ceases. When an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes of the Company's shareholding percentage in the associate, the Company recognizes equity changes attributable to the Company by its shareholding percentage as capital surplus.

Unrealized gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated party's interests in the associate.

When the Company's share of losses of an associate equal or exceed its interest in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method when preparing the parent company only financial reports. There is no difference between net income and comprehensive income in the Company's parent company only financial statements and net income and comprehensive income attributable to stockholders of the parent. The equity in the Company's parent company only financial statements and the equity attributable to stockholders of the parent in the Company's consolidated financial statements are also the same.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(k) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful lives, and residual value which are the same as those adopted for property, plant, and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(Continued)

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant, and equipment are measured at cost, which includes capitalized borrowing cost, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of assets less their residual values and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant, and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant, and equipment are as follows:

1) Buildings and improvements: 50 years

2) Office and other equipment: 2 to 7 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(Continued)

(m) Leases

(i) Identifying a lease

At inception of a contract, the Company 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 Company 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 customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

- the relevant decisions about how and for what purpose the asset would be used were predetermined and:

  — the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

  — the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

When the lease is established or the contract is reassessed whether consists of lease, the Company allocates the consideration in the contract to individual lease components on the basis of respective individual prices. However, for the leases of land and buildings in which it is a lessee, the Company 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 Company 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.

(Continued)

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. 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 Company' s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

— fixed payments, including in-substance fixed payments;

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

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

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

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

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

— there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

— there is a change in the assessment of whether it will have the option to exercise a purchase; or

— there is a change in its assessment of whether it will exercise an extension or termination option; or

— there is any lease modification 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 Company 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 the difference in profit or loss any gain or loss relating to the partial or full termination of the lease.

(Continued)

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the balance sheets.

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

(iii) As a leasor

When the Company 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 Company 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 Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company 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 Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

For operating lease, the Company recognizes rental income on a straight-line basis over the lease term.

(n) Impairment of non-derivative financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGU").

The recoverable amount of an individual asset or a CGU is the higher of its value in use and its fair value less costs of disposal. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of assets in the CGU on a pro rata basis.

For non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized in prior years.

(Continued)

(o) Revenue from contracts with customers

Revenue is measured basing on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The following is a description of the Company's major revenues:

(i) Sale of goods

Revenue is recognized when the control over a product has been transferred to the customer. When the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer' s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional. Advance sales receipts are recognized as contract liabilities and are transferred to revenue upon the delivery of goods.

(ii) Services

The Company provides installation and maintenance services on hardware and software. The recognition of the revenue generated was based on the progress towards completing the transaction recognized by the two parties as of the reporting date.

(iii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

The Company's net obligation in respect of the defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that managers have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service cost or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Income taxes

Income taxes include both current taxes and deferred taxes. Except for expenses related to business combinations, or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for the following exceptions:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted on the reporting date.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(r) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company divided by weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise accrued employee remuneration.

(s) Operating segments

Please refer to the Company's consolidated financial statements for the year ended December 31, 2020, for further details.

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

The preparation of the parent company only financial statements in conformity with the Regulations 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.

Management continues to monitor the accounting estimates and assumptions. Any changes in accounting estimates are recognized during the period and the impact of those changes in accounting estimates are recognized in the following period.

(Continued)

Regarding control of investees, please refer to the Company's consolidated financial statements for the year ended December 31, 2020, for further details. There are no critical judgments made in applying the accounting policies that have significant effects on the amounts recognized in the parent company only financial statements.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the parent company only financial statements is as follows:

Valuation of inventories

As inventories are measured at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for normal loss, obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(e) for the valuation of inventories.

Valuation process

The Company's accounting policies and disclosure include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are 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:input for the asset or liability is not based on the observable market information.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2020	December 31, 2019
Cash on hand and petty cash	$	228	228
Check and demand deposits		589,467	478,430
	$	589,695	478,658

(Continued)

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

(i) Details are set out in the following table:

		December 31, 2020	December 31, 2019
Financial assets at fair value through profit or loss:			
Current:			
Open-end funds	$	150,003	400,323
Non-current:			
Foreign and domestic unlisted stocks		157,694	104,362
Total	$	307,697	504,685
Financial liabilities at fair value through profit or loss:			
Current:			
Pre-purchased foreign currency forward contracts	$	(655)	(4,935)

(ii) The Company acquired 18.89% of equity interest in GRANDSYS, an unlisted company, at a price totaling $74,580 thousand in May 2020, resulting in significant impact on GRANDSYS, which was transferred to investment under the equity method. Please see Note 6(g) for information on the equity interest transaction.

(iii) Derivative financial instruments are used to hedge assets or liabilities denominated in foreign currencies for risks arising from exchange rate fluctuations. The following table sets out the Company's derivatives recognized as held-for-trading financial assets and liabilities to which hedging accounting was not applicable:

	December 31, 2020		
Financial instruments	**Nominal amounts**	**Maturity period**	**Pre-agreed exchange rate**
Pre-purchased foreign currency forward contracts Buy USD/Sell TWD	USD22,818 thousand	2021.01.04~ 2021.03.25	28.096 to 28.655

	December 31, 2019		
Financial instruments	**Nominal amounts**	**Maturity period**	**Pre-agreed exchange rate**
Pre-purchased foreign currency forward contracts Buy USD/Sell TWD	USD18,172 thousand	2020.01.02~ 2020.04.08	30.046 to 30.497

(iv) Note 6(u) details the net profit or loss on the valuation of financial assets and liabilities arising from changes in fair value.

(Continued)

(c) Notes and accounts receivable (including long-term and related parties)

	December 31, 2020	December 31, 2019
Notes receivable (including long-term)	$ 172,478	347,965
Accounts receivable	1,689,794	1,465,836
Accounts receivable due from related parties	31,156	46,148
Less: loss allowance	(42,500)	(46,000)
Total	$ **1,850,928**	**1,813,949**
Current	$ 1,826,767	1,809,547
Non-current	24,161	4,402
Total	$ **1,850,928**	**1,813,949**

(i) The Company did not discount or provide any of the notes and accounts receivable (including long-term and related parties) as collateral. The aforementioned notes and accounts receivable, whose maturity period were less than 1 year, were not discounted, and their carrying amounts were assumed to approximate their fair values.

(ii) Non-current notes receivable mainly arose from installment sales.

(iii) The Company applies the simplified approach to provide for its ECL, the use of lifetime ECL provision for all notes and accounts receivables (including long-term and related parties). To measure the ECL, notes and accounts receivable have been grouped based on shared credit risk characteristics and customer's ability to pay all the amounts due based on the terms of the contract as well as incorporated forward-looking information. The analysis of expected credit losses on notes and accounts receivable was as follows:

	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance for lifetime expected credit losses
Current	$ 1,796,892	0.11%	1,972
1 to 30 days past due	14,474	3.00%	434
31 to 60 days past due	22,014	10.00%	2,201
61 to 90 days past due	16,787	20.00%	3,357
91 to 120 days past due	17,451	50.00%	8,726
More than 121 days past due	25,810	100.00%	25,810
	$ **1,893,428**		**42,500**

(Continued)

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance for lifetime expected credit losses
Current	$ 1,746,005	0.38%	6,663
1 to 30 days past due	40,812	3.00%	1,224
31 to 60 days past due	31,063	10.00%	3,106
61 to 90 days past due	936	20.00%	187
91 to 120 days past due	12,627	50.00%	6,314
More than 121 days past due	28,506	100.00%	28,506
	$ 1,859,949		46,000

(iv) The movements in the loss allowance for notes and accounts receivable (including long-term and related parties) were as follows:

	For the years ended December 31	
	2020	2019
Beginning balance	$ 46,000	46,000
Impairment losses recognized	11,226	-
Transferred to other receivables	(14,726)	-
Ending balance	$ 42,500	46,000

(d) Other receivables

	December 31, 2020	December 31, 2019
Other receivables	$ 19,004	6,785
Less: loss allowance	(16,927)	(5,156)
	$ 2,077	1,629

(i) As of December 31, 2020 and 2019, there was no other receivable that was past due but not impaired.

(ii) The movements in the loss allowance for other receivables were as follows:

	For the years ended December 31	
	2020	2019
Beginning balance	$ 5,156	5,156
Write-offs of uncollectible amount for the period	(2,955)	-
Transferred from accounts receivable	14,726	-
Ending balance	$ 16,927	5,156

(Continued)

(e) Inventories

	December 31, 2020	December 31, 2019
Merchandise inventory	$ 2,734,354	2,686,068

During 2020 and 2019, losses on inventories written down to net realizable value and recognized as cost of goods sold amounted to $37,000 thousand and $48,000 thousand, respectively.

(f) Non-current assets classified as held for sale

On November 5, 2020, the Company, pursuant to a resolution of the Board, approved a change in the shareholding in its subsidiary, DAWNING TECHNOLOGY. The Company entered into a sale and purchase agreement in January 2021 and commenced the disposal process. Accordingly, the carrying amount of investments accounted for using equity method was $123,922 thousand and was recognized as non-current assets classified as held for sale. In addition, no impairment loss was recognized after measuring at the lower of carrying amount and fair value less costs to sale.

(g) Investments accounted for using equity method

Investments accounted for using the equity method were as follows:

	December 31, 2020	December 31, 2019
Subsidiaries	$ 225,587	273,794
Associates	132,265	2,419
	$ 357,852	276,213

(i) Subsidiaries

Please refer to the Company's consolidated financial statements for the year ended December 31, 2020, for details of subsidiaries.

(ii) Associates

1) The Company originally held 3.46% equity interest in GRANDSYS, which was accounted for under non-current financial assets at fair value through profit or loss. In May 2020, pursuant to the resolution of the Board, the Company purchased 4,520 thousand shares (18.89% ownership) from their former shareholders, resulting in a total percentage of ownership of 22.35% with significant influence on GRANDSYS. Consequently, the investment, as a whole, was transferred from non-current financial assets at fair value through profit or loss to investments accounted for using equity method. The transaction price totaling $74,580 thousand has been fully paid up.

2) In September and October, 2020, the Company purchased 1,153 thousand shares of ADVANCEDTEK INTERNATIONAL from their former shareholders at a price totaling $30,091 thousand, representing a percentage of ownership of 34.09% with significant impact on ADVANCEDTEK INTERNATIONAL. The above transaction price has been fully paid up.

(Continued)

3) In November and December, 2020, the Company purchased 259 thousand shares of GRANDSYS (1.08% ownership) and 36 thousand shares (0.15% ownership) at $4,138 thousand and $582 thousand, respectively. The payments of the aforesaid transactions have been fully paid up.

4) Aggregate financial information of associates that were not individually material was summarized as follows. The financial information was included in the Company's parent company only financial statements.

	For the years ended December 31	
	2020	2019
Attributable to the Company:		
Profit	$ 9,042	3
Other comprehensive income	-	-
Total comprehensive income	$ 9,042	3

5) As of December 31, 2020 and 2019, none of the investments accounted for using the equity method was pledged as collateral.

(h) Property, plant and equipment

Information about the costs and accumulated depreciation of property, plant and equipment was presented below:

	Land	Buildings and improvements	Office and other equipment	Total
Cost:				
Balance on January 1, 2020	$ 495,211	324,912	179,113	999,236
Additions	-	-	3,154	3,154
Disposal	-	-	(11,207)	(11,207)
Transferred from inventories	-	-	7,542	7,542
Balance on December 31, 2020	$ 495,211	324,912	178,602	998,725
Balance on January 1, 2019	$ 455,200	331,888	168,306	955,394
Additions	63,790	6,164	23,560	93,514
Disposal	-	-	(17,726)	(17,726)
Transferred from investment property	763	480	-	1,243
Transferred from inventories	-	-	4,973	4,973
Transferred to investment property	(24,542)	(13,620)	-	(38,162)
Balance on December 31, 2019	$ 495,211	324,912	179,113	999,236

(Continued)

		Land	Buildings and improvements	Office and other equipment	Total
Accumulated depreciation:					
Balance on January 1, 2020	$	-	57,243	107,362	164,605
Depreciation		-	6,446	23,040	29,486
Disposal		-	-	(10,746)	(10,746)
Balance on December 31, 2020	$	-	63,689	119,656	183,345
Balance on January 1, 2019	$	-	50,551	102,117	152,668
Depreciation		-	6,541	22,485	29,026
Disposal		-	-	(17,240)	(17,240)
Transferred to investment property		-	151	-	151
Balance on December 31, 2019	$	-	57,243	107,362	164,605
Carrying amount:					
December 31, 2020	$	495,211	261,223	58,946	815,380
December 31, 2019	$	495,211	267,669	71,751	834,631
January 1, 2019	$	455,200	281,337	66,189	802,726

As of December 31, 2020 and 2019 property, plant, and equipment were pledged as collateral for short-term and long-term borrowings, please refer to note 8.

(i) Right-of-use assets

Information about the costs and accumulated depreciation of leases for which the Company as a lessee was presented below:

		Buildings and improvements
Cost:		
Balance on January 1, 2020	$	217,000
Additions		1,714
Decrease		(6,520)
Balance on December 31, 2020	$	212,194
Balance on January 1, 2019	$	177,646
Additions		39,790
Decrease		(436)
Balance on December 31, 2019	$	217,000

(Continued)

		Buildings and improvements
Accumulated depreciation:		
Balance on January 1, 2020	$	27,510
Depreciation		26,717
Decrease		(6,520)
Balance on December 31, 2020	$	**47,707**
Balance on January 1, 2019	$	-
Depreciation		27,655
Decrease		(145)
Balance on December 31, 2019	$	**27,510**
Carrying amount:		
December 31, 2020	$	**164,487**
December 31, 2019	$	**189,490**
January 1, 2019	$	**177,646**

(j) Investment property

Information about investment property was presented below:

		Land	Buildings and improvements	Total
Cost:				
Balance on January 1, 2020	$	51,382	28,408	79,790
Balance on December 31, 2020	$	**51,382**	**28,408**	**79,790**
Balance on January 1, 2019	$	27,603	15,268	42,871
Transferred from property, plant and equipment		24,542	13,620	38,162
Transferred to property, plant and equipment		(763)	(480)	(1,243)
Balance on December 31, 2019	$	**51,382**	**28,408**	**79,790**
Accumulated depreciation:				
Balance on January 1, 2020	$	-	5,110	5,110
Depreciation		-	557	557
Balance on December 31, 2020	$	-	**5,667**	**5,667**

(Continued)

		Land	Buildings and improvements	Total
Balance on January 1, 2019	$	-	4,815	4,815
Depreciation		-	446	446
Transferred to property, plant and equipment		-	(151)	(151)
Balance on December 31, 2019	$	-	5,110	5,110
Carrying amount:				
December 31, 2020	$	51,382	22,741	74,123
December 31, 2019	$	51,382	23,298	74,680
January 1, 2019	$	27,603	10,453	38,056
Fair value:				
December 31, 2020				$ 224,183
December 31, 2019				$ 224,183

(i) Investment property comprises a number of commercial properties which are leased to third parties. Each of the leases contains an initial non-cancellable period from 1 to 3 years. Subsequent renewals are negotiated with the lessee, and no contingent rents are charged. Please refer to note 6(n) for further information (including rental income and related direct operating expense).

(ii) As there is no readily comparable information regarding the fair value of the aforementioned investment property, management determined its fair value according to the latest prices within the vicinity. The inputs used to evaluate the fair value belonged to Level 3.

(iii) As of both December 31, 2020 and 2019, investment property was pledged as collateral for short-term borrowings, please refer to note 8.

(k) Short-term borrowings

(i) The details of the Company's short-term borrowings were as follows:

	December 31, 2020	December 31, 2019
Credit loans	$ 250,000	-
Secured loans	50,000	-
	$ 300,000	-
Range of interest rates at the end of period	0.82%~0.90%	-

(ii) For the collateral for bank loans, please refer to note 8.

(Continued)

(l) Long-term borrowings

The details of the Company's long-term borrowings were as follows:

	December 31, 2020			
	Currency	Range of interest rates	Maturity period	Amount
Secured loans	TWD	1.10%~1.30%	2021.01~2039.03	$ 265,529
Less: current portion				(14,109)
Total				$ 251,420
Unused credit lines				$ -

	December 31, 2019			
	Currency	Range of interest rates	Maturity period	Amount
Secured loans	TWD	1.45%~1.55%	2020.01~2039.03	$ 279,502
Less: current portion				(13,568)
Total				$ 265,934
Unused credit lines				$ -

For the collateral for bank loans, please refer to note 8.

(m) Lease liabilities

The carrying amounts of the Company's lease liabilities were as follows:

	December 31, 2020	December 31, 2019
Current	$ 23,702	24,957
Non-current	143,306	165,933
	$ 167,008	190,890

The amounts recognized in profit or loss were as follows：

	For the years ended December 31	
	2020	2019
Interest on lease liabilities	$ 1,721	1,838
Revenue from sublease of right-of-use asset	$ 10,350	8,559

(Continued)

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

	For the years ended December 31	
	2020	**2019**
Interest payments for lease liabilities in operating activities	$ 1,721	1,838
Payments of lease liabilities in financing activities	25,596	26,280
Total cash outflow for leases	$ 27,317	28,118

Real estate leases

As of December 31, 2020 and 2019, the Company leases buildings and improvements for its office and warehouse space. The leases typically run for 2 to 10 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.

For the Company's leased right-of-use assets under operating leases, please refer to note 6(n).

(n) Operating leases

The Company leases out its investment property. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(j).

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date was as follows:

	December 31, 2020	December 31, 2019
Less than one year	$ 11,515	15,131
1 to 2 years	4,655	14,788
2 to 3 years	-	6,162
Undiscounted lease payments	$ 16,170	36,081

For the years ended December 31, 2020 and 2019, the amounts of rental income from investment property were $6,496 thousand and $6,149 thousand, respectively.

(o) Employee benefits

(i) Defined benefit plans

The Company makes defined benefit plan contributions to the annuity insurance account for life insurance. The pension payment to appointed managers is calculated pursuant to the manager's plan for appointed managers.

Based on the manager' s plan for appointed managers, the Company reached an agreed settlement with its employees on October, 2019, and recognized the settled pension benefit of $2,073 thousand as other gains and losses.

(Continued)

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the Labor Pension personal account of the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company's pension costs under the defined contribution method amounted to $14,462 thousand and $12,165 thousand for the years ended December 31, 2020 and 2019, respectively. Payment to the Bureau of Labor Insurance has been made.

(p) Income taxes

(i) Income tax expense

Income tax expenses are summarized as follows:

	For the years ended December 31	
	2020	**2019**
Current income tax expense	$ 144,103	92,503
Deferred income tax expenses	(7,103)	(7,609)
Income tax expense	$ **137,000**	**84,894**

(ii) The Company had no income taxes recognized directly in equity and other comprehensive income.

(iii) Reconciliation of income tax expense and profit before tax was as follows:

	For the years ended December 31	
	2020	**2019**
Profit before income tax	$ 686,017	464,350
Income tax using the Company's domestic tax rate	137,203	92,870
Undistributed earnings additional tax	-	3,189
Share of profit accounted for using equity method	(5,734)	(5,704)
Gains on evaluation of financial assets at fair value through profit or loss	(4,979)	(2,690)
Others	10,510	(2,771)
Income tax expense	$ **137,000**	**84,894**

(Continued)

(iv) Deferred income tax assets and liabilities

The Company had no unrecognized deferred income tax assets and liabilities. Changes in the amount of deferred income tax assets and liabilities for 2020 and 2019 were as follows:

	Fair value gains and others
Deferred income tax liabilities:	
Balance on January 1, 2020	$ 1,112
Debit profit or loss	802
Balance on December 31, 2020	**$ 1,914**
Balance on January 1, 2019	$ 978
Debit profit or loss	134
Balance on December 31, 2019	**$ 1,112**

	Inventory allowances	Allowance limit on bad debts	Others	Total
Deferred income tax assets:				
Balance on January 1, 2020	$ (37,000)	(6,501)	(5,410)	(48,911)
Debit (credit) profit or loss	(7,400)	(1,564)	1,059	(7,905)
Balance on December 31, 2020	**$ (44,400)**	**(8,065)**	**(4,351)**	**(56,816)**
Balance on January 1, 2019	$ (27,400)	(6,756)	(7,012)	(41,168)
Debit (credit) profit or loss	(9,600)	255	1,602	(7,743)
Balance on December 31, 2019	**$ (37,000)**	**(6,501)**	**(5,410)**	**(48,911)**

(v) The Company' s tax returns have been assessed and approved by the R.O.C. tax authority through the years to 2018.

(q) Capital and other equity

As of both December 31, 2020 and 2019, the Company's authorized shares amounted to $2,500,000 thousand, divided into 188,357 thousand shares, with par value of $10 per share. The issued 250,000 thousand shares comprised only ordinary shares, and all issued shares were paid up upon issuance.

(Continued)

Reconciliation of shares outstanding for 2020 and 2019 was as follows:

Unit: Thousand shares

	For the years ended December 31	
	2020	**2019**
Balance on January 1	188,357	111,233
Capital increase by cash	-	66,000
Retained earnings transferred to capital increase	-	5,562
Capital surplus transferred to capital increase	-	5,562
Balance on December 31	**188,357**	**188,357**

(i) Ordinary shares

A resolution was passed in extraordinary general meeting of shareholders held on August 1, 2019 and authorized the chairman or his designee for the issuance of ordinary shares for cash within a year under private placement, with the number of shares issued not exceeding 66,000 thousand shares. Subsequently, another resolution was passed in the Board of director's meeting held on August 9, 2019 for the issuance of 66,000 thousand ordinary shares at $27.5 per share under private placement, with par value of $10 per share, totaling $1,815,000 thousand. The date of capital increase was August 16, 2019 and relevant statutory registration procedures have since been completed.

The transfer of the aforementioned private placement of ordinary shares and any subsequently obtained bonus shares would be subject to section 43(8) under the Securities and Exchange Act. The application of these shares to be traded on the Taiwan Stock Exchange is in accordance with the said section where the shares should be elapsed after a three year period from the delivery date of the private placement securities before applying for a public offering with the FSC.

On May 28, 2019, the Company's shareholders' meeting approved a resolution to transfer its retained earnings of $55,617 thousand and capital surplus of $55,617 thousand to capital increase, with an aggregate amount of 11,124 thousand shares issued. All statutory registration procedures for the capital increase dated July 7, 2019 have been completed.

(ii) Capital surplus

The components of capital surplus were as follows:

	December 31, 2020	December 31, 2019
Share capital	$ 1,249,950	1,438,307
Treasury share transactions	54,637	54,637
Difference arising from subsidiary's share price and its carrying value from acquired or disposed of	28,424	27,964
	$ 1,333,011	**1,520,908**

(Continued)

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding. The capital increases by transferring capital surplus in excess of par value shall be capitalized in the subsequent year after such capital reserve has been authorized for registration by the regulator.

(iii) Retained earnings

In accordance with the Company's articles, if there are earnings at year end, 10 percent should be set aside as legal reserve (unless the amount in the legal reserve is already equal to or greater than the total paid-in capital) and special reserve according to the Securities and Exchange Act and the Company's operations after the payment of income tax and offsetting accumulated losses from prior years. The remaining portion will be combined with earnings from prior years, and the Board of directors can propose distribution plan to be approved by the shareholders' meeting. The abovementioned distribution plan by way of cash dividends should be approved by the Company's Board of directors and should be reported to the Company's shareholders' meeting.

As the Company is in its growth phase, it has adopted a residual dividend policy to pay dividends after the end of the year from the earnings of the current year and accumulated earnings from prior years, and to determine dividend appropriation after taking into consideration the Company's profit, capital structure, and future operating needs. Dividends are distributed as either cash or stock, where cash dividends represent no less than 20% of the total dividends and the actual amount distributed is based on the amount approved by the Board of directors.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Order No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(Continued)

3) Earnings distribution

On May 28, 2020 and 2019, the distribution plan for 2019 and 2018 was approved in shareholders' meeting. The amounts of dividends distributed to shareholders were as follows:

	For the years ended December 31	
	2019	2018
Dividends to shareholders - cash, $2 and $1.5 per share	$ 376,715	166,851
Dividends to shareholders - capital increase transferred from capital surplus, $0.5 per share	188,357	-
Dividends to shareholders - capital increase transferred from capital surplus, $0.5 per share	-	55,617
Dividends to shareholders - capital increase transferred from retained earnings, $0.5 per share	-	55,617
	$ 565,072	278,085

(r) Earnings per share

The Company's basic and diluted earnings per share were calculated as follows:

	For the years ended December 31	
	2020	2019
Basic earnings per share:		
Profit attributable to the Company	$ 549,017	379,456
Weighted-average number of ordinary shares outstanding (basic/thousand shares)	188,357	147,107
Basic earnings per share	$ 2.91	2.58

	For the years ended December 31	
	2020	2019
Weighted-average number of ordinary shares outstanding (basic/thousand shares)	188,357	111,233
Effect of capital surplus transferred to capital increase	-	5,562
Effect of retained earnings transferred to capital increase	-	5,562
Capital increase by cash	-	24,750
Weighted-average number of ordinary shares outstanding (basic/thousand shares)	188,357	147,107

(Continued)

	For the years ended December 31	
	2020	**2019**
Diluted earnings per share:		
Profit attributable to the Company	$ **549,017**	**379,456**
Weighted-average number of ordinary shares (diluted/ thousand shares)	**190,106**	**148,740**
Earnings per share	$ **2.89**	**2.55**

	For the years ended December 31	
	2020	**2019**
Weighted-average number of ordinary shares (basic/ thousand shares)	188,357	147,107
Effect of employee remuneration	1,749	1,633
Weighted-average number of ordinary shares outstanding (diluted/thousand shares)	**190,106**	**148,740**

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	2020					
	Networking products	**Computing products**	**Tool products**	**Technical services**	**Other products**	**Total**
Major product/service lines:						
Sale of goods	$ 3,214,339	4,391,088	3,011,696	-	114,455	10,731,578
Rendering of services	-	-	-	340,361	-	340,361
Total	$ 3,214,339	4,391,088	3,011,696	340,361	114,455	11,071,939

	2019					
	Networking products	**Computing products**	**Tool products**	**Technical services**	**Other products**	**Total**
Major product/service lines:						
Sale of goods	$ 3,365,792	3,610,469	2,966,011	-	-	9,942,272
Rendering of services	-	-	-	343,945	-	343,945
Total	$ 3,365,792	3,610,469	2,966,011	343,945	-	10,286,217

(Continued)

(ii) Contract balances

		December 31, 2020	December 31, 2019	January 1, 2019
Notes receivable (including long-term)	$	172,478	347,965	248,826
Accounts receivable (including related parties)		1,720,950	1,511,984	1,483,479
Less: loss allowance		(42,500)	(46,000)	(46,000)
	$	1,850,928	1,813,949	1,686,305
Contract liability	$	295,836	662,996	665,824

1) For the impairment of notes and accounts receivable (including long-term and related parties), please refer to note 6(c).

2) The amounts of revenue recognized for the years ended December 31, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were $609,971 thousand and $576,056 thousand, respectively.

3) The major changes in the balance of contract liability is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(t) Remuneration to employees, directors, and supervisors

In accordance with the Company's Articles of Incorporation, the Company should contribute no less than 8% of the profit as employee remuneration and less than 2% as directors' and supervisors' remuneration when there is profit for the year. (In May 2019, according to a resolution reached in shareholders' meeting, the Company established an audit committee to replace supervisors.) However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. Employees entitled to receive the aforementioned employee remuneration, in shares or cash, include employees of affiliates whose company shares of more than 50% are held by the Company.

The Company estimated its remuneration to employees at $60,450 thousand and $45,200 thousand for 2020 and 2019, respectively, and remuneration to directors and supervisors at $5,650 thousand and $5,040 thousand, respectively. The estimated amounts recognized as operating expense were based on the profit before income tax of each respective ending period before deducting the amount of the remuneration to employees, directors and supervisors multiplied by the percentage of the remuneration to employees, directors and supervisors as specified in the Company's article. Related information is available on the website of the Market Observation Post System. The differences between the estimated amounts and the actual amounts approved by the Board of directors for 2020, if any, shall be accounted for as changes in accounting estimates and recognized in 2021. The actual amounts distributed for 2019 and the estimated amounts for 2019 in the financial statements were the same.

(Continued)

(u) Non-operating income and expense

(i) Other income

The Company's other income was as follows:

	For the years ended December 31	
	2020	2019
Rental income	$ 16,633	14,503
Dividend income	10,085	7,462
	$ 26,718	21,965

(ii) Other gains and losses

The Company's other gains and losses were as follows:

	For the years ended December 31	
	2020	2019
Net foreign exchange gains	$ 29,882	32,424
Net gains on valuation of financial assets (liabilities) at fair value through profit or loss	29,311	10,453
Revenue from system consulting and technical services	5,345	4,858
Others	3,983	2,933
	$ 68,521	50,668

(iii) Finance costs

The Company's finance costs were as follows:

	For the years ended December 31	
	2020	2019
Interest on bank loans	$ 6,168	11,442
Interest on lease liabilities	1,721	1,838
	$ 7,889	13,280

(Continued)

(v) Financial instruments

(i) Credit risk

A credit risk is the risk of having financial losses arising from counterparties failing to meet their required contract obligation. The major potential credit risks are from defaults from counterparties who fail to meet their required contract obligation.

1) Accounts receivable and other receivables

The Company's credit policy is transacting with creditworthy customers, and obtains collateral to mitigate risks arising from financial loss due to default if necessary. The Company assesses the ratings based on publicly available financial information and transactions records with its major customers. The Company continues to monitor the exposure to credit risk and the credit rating of counterparties, transaction amount to all qualified customers, and review annually the credit limit of counterparties, so as to manage risk exposure.

2) Other financial assets

The credit risk exposure in cash and cash equivalents, fixed income investments and other financial instruments are measured and monitored by the Company's finance department. As the Company deals with the banks and other external parties with good credit standing and financial institutions which are graded above investment level, the management believes that the Company does not have any compliance issues, and therefore, there is no significant credit risk.

The carrying amount of financial assets, represents the maximum amount exposed to credit risk. As of December 31, 2020 and 2019, the maximum exposure to credit risk amounted to $2,805,287 thousand, and $2,858,086 thousand, respectively.

(ii) Liquidity risk

The followings were the contractual maturities of financial liabilities, including estimated interest payment.

	Carrying amount	Contractual cash flows	Within 1 year	1~5 years	Over 5 years
December 31, 2020					
Non-derivative financial liabilities					
Long-term and short-term borrowings	$ 565,529	594,071	317,530	68,863	207,678
Lease liabilities	167,008	173,006	25,194	91,833	55,979
Accounts payable	1,463,165	1,463,165	1,463,165	-	-
Other payables	285,302	285,302	285,302	-	-
Guarantee deposits	1,227	1,227	1,227	-	-
Derivative financial liabilities					
Outflow	655	647,224	647,224	-	-
Inflow	-	(646,569)	(646,569)	-	-
	$ 2,482,886	2,517,426	2,093,073	160,696	263,657

(Continued)

December 31, 2019		Carrying amount	Contractual cash flows	Within 1 year	1~5 years	Over 5 years
Long-term and short-term borrowings	$	279,502	319,362	17,673	70,710	230,979
Lease liabilities		190,890	198,591	26,667	92,105	79,819
Accounts payable		1,235,630	1,235,630	1,235,630	-	-
Other payables		258,873	258,873	258,873	-	-
Guarantee deposits		4,811	4,811	4,811	-	-
Derivative financial liabilities						
Outflow		4,935	551,144	551,144	-	-
Inflow		-	(546,209)	(546,209)	-	-
	$	1,974,641	2,022,202	1,548,589	162,815	310,798

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

(iii) Currency risk

1) Exposure to currency risk

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

		December 31, 2020			December 31, 2019		
		Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD
Financial assets							
Monetary items							
USD/TWD	$	834	28.35	23,635	1,522	30.11	45,819
Financial liabilities							
Monetary items							
USD/TWD	$	24,557	28.35	696,194	15,542	30.11	467,922

(Continued)

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises mainly from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, and accounts payable denominated in foreign currency. To avoid the decrease in the value of foreign currency assets and fluctuations of future cash flows resulted from changes in exchange rates, the Company uses derivative instruments to hedge exchange rate risk (see Note 6(b)). An appreciation (depreciation) of 1% of the USD against TWD as of December 31, 2020 and 2019, with all other variables including derivative financial instruments remaining constant, would have increased or decreased the profit before income tax by $257 thousand and decreased and increased the profit before income tax by $1,250 thousand for the years ended December 31, 2020 and 2019, respectively. The analysis for both periods was performed on the same basis.

3) Foreign exchange gains and losses on monetary items

The Company's functional currency is New Taiwan Dollar, and foreign exchange gain (loss) on monetary items are recognized as foreign exchange gain (loss); please refer to 6(u) for details.

(iv) Interest rate analysis

The details of interest-bearing financial instruments at the reporting date were as follows:

	Carrying amount	
	December 31, 2020	**December 31, 2019**
Variable-rate instrument:		
Financial assets	$ 589,467	478,430
Financial liabilities	(565,529)	(279,502)
	$ 23,938	198,928

According to the Company's sensitivity analysis of risk exposure to non-derivative instruments on the reporting date, if the interest rate had increased or decreased by 0.25%, with all other variable factors remaining constant, the Company's profit before income tax would have increased or decreased by $60 thousand and $497 thousand for the years ended December 31, 2020 and 2019, respectively. This is mainly due to risk exposures to borrowings at variable interest rate.

(Continued)

(v) Fair value of financial instruments

1) Kinds of financial instrument and fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss are measured on a recurring basis. The following sets out carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy but excluding financial instruments not measured at fair value with carrying amount reasonably close to their fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2020				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Open-end funds	$ 150,003	-	150,003	-	150,003
Foreign and domestic unlisted stocks	157,694	-	-	157,694	157,694
	$ 307,697				
Financial assets at amortized cost					
Cash and cash equivalents	$ 589,695				
Notes and accounts receivable, net (including long-term and related parties)	1,850,928				
Other receivables	2,077				
Refundable deposits	54,890				
	$ 2,497,590				
Financial liabilities at fair value through profit or loss					
Pre-purchased foreign currency forward contracts	$ 655	-	-	655	655

(Continued)

	December 31, 2020				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Long-term and short-term borrowings	$ 565,529				
Lease liabilities	167,008				
Notes and accounts payable	1,463,165				
Other payables	285,302				
Guarantee deposits	1,227				
	$ 2,482,231				

	December 31, 2019				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Open-end funds	$ 400,323	-	400,323	-	400,323
Foreign and domestic unlisted stocks	104,362	-	-	104,362	104,362
	$ 504,685				
Financial assets at amortized cost					
Cash and cash equivalents	$ 478,658				
Notes and accounts receivable, net (including long-term and related parties)	1,813,949				
Other receivables	1,629				
Refundable deposits	59,165				
	$ 2,353,401				
Financial liabilities at fair value through profit or loss					
Pre-purchased foreign currency forward contracts	$ 4,935	-	-	4,935	4,935

(Continued)

	December 31, 2019				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Long-term and short-term borrowings	$ 279,502				
Lease liabilities	190,890				
Notes and accounts payable	1,235,630				
Other payables	258,873				
Guarantee deposits	4,811				
	$ 1,969,706				

2) Valuation techniques for financial instruments measured at fair value

The measurements of fair value of equity instruments without an active market are based on the market comparable listed company approach, which assumes that the fair value is measured by the investee' estimated net worth and the price-book ratio estimated based on comparable quoted market price. The estimate of the fair value of equity instruments has been adjusted due to the effect of the discount arising from the lack of market liquidity of the equity security.

Measurement of the 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.

3) Transfers between Level 1 and Level 2

There was no transfer between the level 1 and level 2 of fair value hierarchy for the years ended December 31, 2020 and 2019.

(Continued)

4) Reconciliation of Level 3 fair values

	Measured at fair value through profit or loss	
	Derivative financial assets (liabilities)	Non-derivative financial assets measured at fair value through profit or loss
January 1, 2020	(4,935)	104,362
Recognized in profit or loss	4,280	24,620
Additions	-	40,752
Disposal	-	(627)
Reclassified to investments accounted for using equity method	-	(11,413)
December 31, 2020	$ (655)	157,694
January 1, 2019	$ (968)	59,351
Recognized in profit or loss	(3,967)	13,649
Return of capital on capital reduction or liquidation	-	(1,258)
Acquisitions	-	30,790
Disposal	-	(199)
Reclassification	-	2,029
December 31, 2019	$ (4,935)	104,362

The aforementioned total gains and losses that were recognized in "other gains and losses". The gains or losses attributable to the assets and liabilities held on December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	2019
Total gains and losses		
Recognized in profit or loss (recognized as other gains and losses)	$ 23,965	8,515

(Continued)

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

The Company's financial instruments that use Level 3 inputs to measure fair value include financial assets measured at fair value through profit or loss and derivative financial instruments.

The fair value of derivative financial instruments resulted from the quotation of a third party and did not use any unobservable inputs in its calculation. Therefore, the Company did not disclose the quantitative information about significant unobservable inputs and sensitivity analysis.

Quantified information on other significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss-domestic or foreign unlisted stocks	Comparable listed company approach	· Market liquidity discount rate (25.00%~34.61% as of December 31, 2020, and 25.00%~28.21% as of December 31, 2019)	· The higher the market liquidity discount rate, the lower the fair value

6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Company's measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or parameters may lead to different results. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit:

	Inputs	Current profit (loss) arising from changes in fair value	
		10% increase	10% decrease
December 31, 2020			
Financial assets at fair value through profit or loss			
Foreign and domestic unlisted stocks	Market liquidity discount	$ (22,579)	22,579
December 31, 2019			
Financial assets at fair value through profit or loss			
Foreign and domestic unlisted stocks	Market liquidity discount	$ (14,063)	14,063

(Continued)

(w) Financial risk management

(i) Overview

The Company is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note expressed the information on risk exposure and objectives, policies and process of risk measurement and management of the Company. For more details about the quantitative effects of these risk exposures, please refer to respective notes in the report.

(ii) Structure of risk management

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities, so as to minimize risk exposure.

The Board of directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board of directors is assisted in its oversight role by an internal auditor. The internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of directors.

(x) Capital management

The Board's policy is to maintain a strong capital base, in order to maintain investor, creditor, and market confidence. Capital consists of ordinary shares, capital surplus and retained earnings. As of December 31, 2020, the Company had sufficient capital to meet the needs for working capital and other expenditure in the next 12 months. The Company's approach to capital management has not changed on each reporting date.

As of December 31, 2020 and 2019, the debt ratios were 40% and 39%, respectively.

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

(i) Non-current financial assets at fair value through profit or loss were transferred to investments accounted for using equity method, please refer to notes 6(b) and (g).

(ii) The investments accounted for using equity method were transferred to non-current assets classified as held for sale, please refer to notes 6(f) and (g).

(Continued)

(iii) Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2020	Cash flows	Non-cash changes	December 31, 2020
Long-term borrowings	$ 279,502	(13,973)	-	265,529
Short-term borrowings	-	300,000	-	300,000
Guarantee deposits	4,811	(3,584)	-	1,227
Lease liabilities	190,890	(25,596)	1,714	167,008
Total liabilities arising from financing activities	$ 475,203	256,847	1,714	733,764

	January 1, 2019	Cash flows	Non-cash changes	December 31, 2019
Long-term borrowings	$ 242,345	37,157	-	279,502
Short-term borrowings	1,010,000	(1,010,000)	-	-
Guarantee deposits	300	4,511	-	4,811
Lease liabilities	177,646	(26,280)	39,524	190,890
Total liabilities arising from financing activities	$ 1,430,291	(994,612)	39,524	475,203

(7) Related-party transactions:

(a) Parent company and ultimate controlling company

In August 2019, Qisda Corporation ("Qisda") acquired 35.04% of equity interest in the Company through subscription for ordinary shares under private placement, taking more than half of the Board directors and hence the control over the Company. Both the parent and the ultimate controlling party of the Company are Qisda. Qisda has prepared consolidated financial statements for public use.

(b) Names and relationship with related parties

The followings are the subsidiaries and related parties that have had transactions with the Company during the periods covered in the parent company only financial statements:

Name of related party	Relationship with the Company
Qisda Corporation (Qisda)	Parent of the Company
GLOBAL INTELLIGENCE NETWORK CO., LTD. (GLOBAL INTELLIGENCE NETWORK)	Subsidiary of the Company
DAWNING TECHNOLOGY INC. (DAWNING TECHNOLOGY)	Subsidiary of the Company
EPIC CLOUD INFORMATION INTEGRATION CORP (EPIC CLOUD INFORMATION INTEGRATION)	Subsidiary of the Company

(Continued)

SYSAGE TECHNOLOGY CO., LTD.
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Name of related party	Relationship with the Company
NEO TREND TECH CORPORATION (NEO TREND TECH)	Subsidiary of the Company
KINGTEL CORPORATION (KINGTEL)	Subsidiary of the Company (Note 1)
BenQ Material Corporation (BenQ Material)	It and the Company have the same ultimate parent company
Partner Tech Corporation (Partner Tech)	It and the Company have the same ultimate parent company
BenQ Guru Corporation (BenQ Guru)	It and the Company have the same ultimate parent company
BenQ Corporation (New BenQ)	It and the Company have the same ultimate parent company
BenQ ESCO Corporation (BenQ ESCO)	It and the Company have the same ultimate parent company
DFI Inc. (DFI)	It and the Company have the same ultimate parent company
Data Image Corporation (Data Image)	It and the Company have the same ultimate parent company
Interactive Digital Technologies Inc. (Interactive Digital)	It and the Company have the same ultimate parent company (Note 2)
HITRON TECHNOLOGIES INC. (HITRON TECHNOLOGIES)	It and the Company have the same ultimate parent company (Note 2)
Webest Solution Corporation (Webest Solution)	Subsidiary of Partner Tech
COREX (PTY) LTD.	Subsidiary of Partner Tech
AU Optronics Corporation (AUO)	Associate of the parent company
DARWIN PRECISIONS CORPORATION (DARWIN PRECISIONS)	Subsidiary of AUO
Darfon Electronics Corporation (Darfon Electronics)	Associate of the parent company
UNISAGE DIGITAL CO., LTD. (UNISAGE DIGITAL)	Associate of the Company
GRANDSYS INC. (GRANDSYS)	Associate of the Company (Note 3)
DYNASAFE TECHNOLOGIES, INC. (DYNASAFE)	The Company is its legal person (Note 4)
Key management personnel	Key management personnel of the Company

Note 1: As of April 26, 2019, the Company did not subscribe for KINGTEL's newly issued shares for capital increase in proportion to its shareholdings, losing its control and significant influence over KINGTEL. As a result, KINGTEL is no longer its related party.

(Continued)

Note 2: The parent company of HITRON TECHNOLOGIES and INTERACTIVE DIGITAL is Alpha Networks Inc. ("Alpha"), a former associate of Qisda, after which Qisda acquired Alpha in July 2020, making them have the same ultimate parent company with the Company.

Note 3: The Company acquired the shares of GRANDSYS in May 2020, after which the percentage of ownership in GRANDSYS was 22.35%, making it an associate of the Company.

Note 4: DYNASAFE re-elected its directors on February 16, 2019, after which the Company is no longer its legal person and related party.

(c) Significant related-party transactions

(i) Sales

The amounts of significant sales by the Company to related parties were as follows:

	For the years ended December 31	
	2020	2019
Parent company	$ 34,843	-
Subsidiaries	42,809	69,167
Associates	408	-
Other associates	101,544	6,467
Other related parties	67,368	128,166
	$ 246,972	203,800

The selling price for related parties approximated the market price, and the credit terms for 2020 and 2019 ranged from 30 to 120 days from the end of the month and 60 to 120 days from the end of the month, respectively. Receivables from related parties were not pledged as collateral, and were assessed not to provide any allowance for impairment loss.

(ii) Purchases

The amounts of significant purchases by the Company from related parties were as follows:

	For the years ended December 31	
	2020	2019
Parent company	$ 200	-
Subsidiaries	27,602	34,172
Other associates	6,728	-
Other related parties	20	-
	$ 34,550	34,172

Purchase prices and payment terms from related parties were similar to those from third-party suppliers. The payment terms ranged between 30~120 days from the end of the month and 60~120 days from the end of the month for the years ended December 31, 2020 and 2019.

(Continued)

(iii) Receivables from related parties

The receivables due from related parties were as follows:

Account	Category of related party	December 31, 2020	December 31, 2019
Accounts receivable	Subsidiaries	$ 21,202	36,922
Accounts receivable	Associates	33	-
Accounts receivable	Other associates	9,921	9,226
		$ 31,156	46,148

(iv) Payables to related parties

The payables to related parties were as follows:

Account	Category of related party	December 31, 2020	December 31, 2019
Accounts payable	Subsidiaries	$ 6,999	9,932

(v) Lease

1) Lessor

The Company leased out buildings to its related parties. The amounts of rental income were as follows:

	Rental income	
	For the years ended December 31	
Lessee	2020	2019
Subsidiaries:		
GLOBAL INTELLIGENCE NETWORK	$ 5,697	4,363
DAWNING TECHNOLOGY	9,091	7,243
Other subsidiaries	-	38
Associates	3	-
Total	$ 14,791	11,644

According to the terms of the contracts, the deposit and the rental were by reference of the rental price of the nearby offices. The rental was collected on a monthly basis. For the years ended December 31, 2020 and 2019, receivables of the rental income have been fully paid up.

(Continued)

2) Lessee

The Company rented buildings from GLOBAL INTELLIGENCE NETWORK and entered into 2-years lease contract by reference of the rental price of the nearby offices. As of January 1, 2019, The Company recognized right-of-use assets and lease liabilities both amounted to $436 thousand. In April 2019, the Company ended the lease contract early.

In June 2019, The Company rented buildings from GLOBAL INTELLIGENCE NETWORK and entered into 3-years lease contract by reference of the rental price of the nearby offices. The Company recognized right-of-use assets and lease liabilities both amounted to $2,858 thousand. For the years ended December 31, 2020 and 2019, the Company recognized the amounts of $17 thousand and $15 thousand, respectively, as interest expense. As of December 31, 2020 and 2019, the balance of lease liabilities amounted to $1,359 thousand and $2,308, respectively.

(vi) Guarantee and endorsements

The company guarantees and endorsements for related parties are as follows:

Counterparty of guarantees and endorsements	Guarantees and endorsements amount December 31, 2020	Guarantees and endorsements amount December 31, 2019
Other associates		
COREX (PTY) LTD.	$ 141,750	-

(vii) Services revenue

The Company provided system consulting and project supporting services to its related parties. The amounts of services revenue were as follows:

	Services revenue For the years ended December 31 2020	Services revenue For the years ended December 31 2019
Subsidiaries		
GLOBAL INTELLIGENCE NETWORK	$ 2,354	2,429
DAWNING TECHNOLOGY	2,991	2,429
	$ 5,345	4,858

(Continued)

The outstanding balances for providing system consulting and project supporting services to its related parties were as follows:

Account	Category of related party		December 31, 2020	December 31, 2019
	Subsidiaries			
Other receivables	GLOBAL INTELLIGENCE NETWORK	$	618	638
Other receivables	DAWNING TECHNOLOGY		785	638
		$	1,403	1,276

(viii) Investments accounted for using equity method acquired

The Company acquired investments accounted for using equity method from its related parties.

Account	Category of related party		For the years ended December 31 2020	2019
Investments accounted for using equity method	Key management personnel	$	10,344	6,151

(d) Key management personnel compensation

		For the years ended December 31 2020	2019
Short-term employee benefits	$	62,352	52,701
Post-employment benefits		600	394
Termination benefits		-	-
Other long-term benefits		-	-
Share-based payment		-	-
	$	62,952	53,095

(8) Pledged assets:

The carrying amounts of the assets which the Company pledged as collateral were as follows:

Asset Name	Object		December 31, 2020	December 31, 2019
Property, plant and equipment	Long-term and short-term borrowings	$	701,501	707,511
Investment property	Short-term borrowings		74,123	74,680
		$	775,624	782,191

(Continued)

(9) Commitments and contingencies:

(a) The promissory notes, issued by the Company for loans from financial institutions, forward exchange transactions, and purchase limits, are detailed as follows:

	Currency	December 31, 2020	December 31, 2019
Promissory notes issued	TWD	$ 3,965,000	3,985,000
	USD	$ 13,850	13,850

(b) For the amounts of guarantees and endorsements for related parties, please see note 7(c)6.

(10) Losses due to major disasters:None

(11) Subsequent Events:

(a) The Company's Board of directors passed a resolution for shareholding change in DAWNING TECHNOLOGY, the subsidiary, on November 5, 2020. The Company entered into a sale and purchase agreement in January 2021 to sell all the shareholdings in DAWNING TECHNOLOGY at a contract price of $181,997 thousand, wherein all statutory registration procedures had been completed as of issuance date of this financial report and the contract price has been fully received.

(b) The Company's Board of directors passed a resolution on December 18, 2020 to acquire the entire shareholdings in COREX(PTY) LTD., and its newly issued shares for capital increase by cash. In January 2021, the Company entered into a sale and purchase agreement to acquire all the shareholdings in COREX(PTY) LTD. at a contract price of $140,000 thousand, and issued shares for capital increase totaling $111,872 thousand, wherein the statutory registration is in progress as of the issuance date of this financial report. The contract price has been fully paid up.

(c) On January 28, 2021, the Company, according to a resolution of the Board of directors, acquired 1,504 thousand preference shares issued by STATINC COMPANY and purchased 251 thousand ordinary shares from their former shareholders with a total price of 70,023 thousand, representing 35% of voting rights. As of the issuance date of this financial report, the registration is in progress and the contract price has been fully paid up.

(Continued)

(12) Other:

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

By function / By item	For the years ended December 31, 2020 Operating expenses	2019 Operating expenses
Employee benefits		
Salary	425,978	348,876
Labor and health insurance	29,286	25,219
Pension expense	14,462	12,165
Benefits of directors	15,102	7,331
Other employee benefits expense	20,768	21,574
Depreciation	56,760	57,127
Amortization	1,057	3,764

The following were the additional information on the Company's employees and employee benefits for the years ended December 31, 2020 and 2019:

	For the years ended December 31 2020	2019
Numbers of employees	404	352
Numbers of directors, but not employees concurrently	7	5
The average employee benefits	$ 1,236	1,175
The average salaries	$ 1,073	1,005
Adjustment of the average salaries	6.77 %	
Benefits of supervisors	$ -	855

The following was the information about the Company's benefits policies (including directors, executive officers and employees):

The Company's directors' benefits consisted of remuneration and compensation. In accordance with the Articles of the Company, the Company should contribute less than 2 percent as directors' remuneration when there is profit for the year. The compensation is evaluated by Human Resources Department and based on competitive environment and operational risk. It is proposed by management after considering regulation and bonus plan then submitted to the Board of Directors for approval.

The benefits of executive officers and employees consisted of fixed salary and variable salary. The former is basic salaries of employees and the latter is connected to operational performance and strategic objectives that the Company wants to achieve. The Company's benefits policies are proposed by Human Resources Department, which is based on management regulation and bonus plan and then submitted to the Board of Directors for approval.

(Continued)

(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 Company for the year ended December 31, 2020:

(i) Loans to other parties:None

(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 guarantees/ endorsements to third parties on behalf of subsidiary	Subsidiary guarantees/ endorsements to third parties on behalf of parent company	Guarantees/ endorsements to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	the Company	COREX (PTY) LTD	Subsidiary of Partner Tech	(Note 1)	141,750	141,750	-	-	3.32 %	(Note 1)	(Note 2)	-	-

Note 1: The amount of the guarantees and endorsements for a single-entity company shall not exceed 20% of the Company's net worth of $854,260 thousand when the guarantees and endorsements was provided; the total amount of guarantees and endorsements provided by the Company shall not exceed 40% of the Company's net worth of $1,708,520 thousand.

Note 2:COREX (PTY) LTD. became a wholly-owned (100%) subsidiary of the Company in January 2021.

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand shares/thousand units

Holder name	Category and name of security	Relationship with company	Account	Ending balance				Remark
				Shares/Units	Carrying amount	Percentage of Ownership (%)	Fair value	
	Stock:							
the Company	DYNASAFE	-	Non-current financial assets at fair value through profit or loss	3,906	145,695	19.53	145,695	(Note 1)
〃	CDS Holdings Limited	-	〃	600	-	1.11	-	〃
〃	YOBON TECHNOLOGIES, INC	-	〃	3	-	0.42	-	〃
〃	Touch Cloud Inc.	-	〃	200	410	2.74	410	〃
〃	Gemini Data, Inc.	-	〃	2,706	8,540	2.90	8,540	〃
〃	KINGTEL	-	〃	443	3,049	18.09	3,049	〃
					157,694		157,694	
	Open-end funds:							
the Company	Capital Money Market Fund	-	Current financial assets at fair value through profit or loss	9,222	150,003	-	150,003	
EPIC CLOUD INFORMATION INTEGRATION	Capital Money Market Fund	-	〃	123	2,004		2,004	
NEO TREND TECH	Hua Nan Phoenix Money Market Fund	-	〃	2,073	25,010	-	25,010	
					177,017		177,017	

Note 1: Unlisted company.

(Continued)

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal (Note 1)	Shares	Amount
the Company	Capital Money Market Fund	Current financial assets at fair value through profit or loss	Hua Nan Bank	None	12,351	200,057	15,395	250,000	18,524	300,212	300,000	158	9,222	150,003

Note 1: Valuation adjustments are included.

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

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

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:None

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:None

(ix) Trading in derivative instruments:Please refer to notes the Company's consolidated financial statem 6(b).

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying amount			
the Company	GLOBAL INTELLIGENCE NETWORK	Taiwan	Trading in hardware and software for network and communications systems	119,142	80,080	10,475	79.36 %	183,471	26,822	16,333	(Note 1)
〃	UNISAGE DIGITAL	Taiwan	Manufacturing medical equipment	1,687	1,687	225	38.01 %	728	(4,452)	(1,691)	〃
〃	DAWNING TECHNOLOGY	Taiwan	Trading in hardware and software for network systems	106,018	106,018	7,280	30.33 %	123,922	30,829	9,283	(Notes 1, and 2)
〃	EPIC CLOUD INFORMATION INTEGRATION	Taiwan	Data software processing services	9,400	7,000	940	94.00 %	6,153	(2,437)	(1,891)	(Note 1)
〃	ADVANCEDTEK INTERNATIONAL	Taiwan	applications implementing services	30,091	-	1,153	34.09 %	32,120	12,679	2,029	
〃	NEO TREND TECH	Taiwan	Manufacturing medical equipment	50,000	-	5,000	100.00 %	35,963	(14,037)	(14,037)	(Note 1)
〃	GRANDSYS	Taiwan	Data software processing services	94,547	-	5,643	23.58 %	99,417	28,717	8,704	〃
GLOBAL INTELLIGENCE NETWORK	DAWNING TECHNOLOGY	Taiwan	Trading in hardware and software for network systems	44,344	44,344	3,384	14.10 %	57,641	30,829	4,347	(Notes 1 and 2)

(Continued)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying amount			
NEO TREND TECH	GLOBAL INTELLIGENCE NETWORK	Taiwan	Trading in hardware and software for network and communications systems	172	-	10	0.08 %	172	26,822	-	(Notes 1 and 3
〃	EPIC CLOUD INFORMATION INTEGRATION	Taiwan	Data software and processing services	100	-	10	1.00 %	100	(2,437)	-	〃

Note 1: Subsidiary of the Company.

Note 2: The Company and GLOBAL INTELLIGENCE NETWORK have reclassified DAWNING TECHNOLOGY to non-current assets classified as held for sale; please refer to note 6(f) for details.

Note 3: The equity interest in NEO TREND TECH was acquired on December 31, 2020, which was not required to be recognized as share of profit (loss) of investee.

(c) Information on investment in Mainland China:None

(d) Major shareholders:

Unit: share

Major shareholders	Shareholding	Shareholding	Percentage of Ownership
Qisda		66,000,000	35.04 %

(14) Segment information:

Please refer to the Company's consolidated financial statements for the year ended December 31, 2020, for details.

SYSAGE TECHNOLOGY CO., LTD.

Chairman: Michael Lee