

SYSGRATION LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2020 AND 2019

For the convenience of readers and for information purpose only, the auditors’ report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors’ report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Sysgration Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Sysgration Ltd. as at December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors, as described in the Other matter section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Sysgration Ltd. as at 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 of the financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China, and our audit of the financial statements for the year ended December 31, 2019 in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Jin-Guan-Zheng-Shen-Zi Order No. 1090360805 as approved by the Financial Supervisory Commission, and generally accepted auditing standards 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 Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 2020 financial statements. These matters were addressed in the context

of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2020 financial statements are stated as follows:

Valuation of allowance for uncollectible accounts

Description

The valuation of loss allowance for accounts receivable of Sysgration Ltd. and subsidiaries (shown as 'investment using the equity method') was in accordance with IFRS 9, 'Financial Instruments', applying the modified approach to assess the expected credit loss. The management decides the customer's credit rating based on the customer's financial situation, credit rating and historical transaction records in order to assess the recoverability of each account and determine the corresponding provision ratio of loss allowance, which were included in the forecast information to build the expected loss rate. However, the effect on the risk assumption of customers were based on management's judgement resulting in an estimation uncertainty. Considered that the accounts receivable and loss allowance of the Group were material to the financial statements, we determined valuation of allowance for uncollectible accounts a key audit matter.

Please refer to Note 4(9) of parent company only financial statements for accounting policy on accounts receivable, Note 5(2) of parent company only financial statements for uncertainty of accounting estimates and assumptions in relation to provision for loss allowance for accounts receivable, and Notes 6(5) of parent company only financial statements for details of accounts receivable and overdue receivables.

How our audit addressed the matter:

As this key audit matter had covered different consolidated entities based on our audit, the key audit procedures performed in respect of the above included the following:

- A. Obtained an understanding of management's procedures on assessing the recoverability of accounts receivable and selected samples to ensure whether the credit facility given to new significant customers or the credit adjustment of existing customers were assessed and approved in accordance with the Company's internal control procedures.
- B. Referred to the historical loss rate of prior years taking into consideration the future forecastability to assess the adequateness of the allowance provision rate, and obtained and examined related data

provided by management.

- C. Tested the aging report which was used in calculating loss allowance for accounts receivable and recalculated the provision amount for loss allowance.
- D. Obtained the information on collections of overdue accounts receivable after the balance sheet date in order to assess whether there is an indication that an additional loss allowance shall be provided

Valuation of allowance for inventory valuation losses

Description

Sysgration Ltd. and subsidiaries (shown as ‘investment using the equity method’) are primarily engaged in the manufacture and sales of automobile electronics products. Because of the rapid change in development of electronic products, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. Sysgration Ltd. and subsidiaries’ inventories are measured at the lower of cost and net realisable value, and individually assessed for those inventories over a certain age in order to identify obsolete or slow-moving inventories. The material’s net realisable value is calculated based on the latest purchase price, and the net realisable values of work in process and finished goods are measured at the last sales price as well as taken into consideration of the operating expense ratio.

The industry technology is rapidly changing, and the net realisable value of inventories involves subjective judgement resulting in an uncertainty when assessing the obsolete or slow-moving inventories. Considering that the inventory and allowance for inventory valuation losses were material to the financial statements, the assessment of allowance for inventory valuation losses was identified as a key audit matter.

Refer to Note 4(12) for accounting policy on inventory, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(6) for detailed information on allowance for inventory valuation losses.

How our audit addressed the matter:

As this key audit matter had covered different consolidated entities based on our audit, the key audit procedures performed in respect of the above included the following:

- A. Assessed the reasonableness of provision policies on allowance for inventory valuation losses based on our understanding of the Sysgration Ltd. and subsidiaries’ operations and the characteristics of the industry, including the classification of inventory for determining net realisable value and the

reasonableness of determining the obsolescence of inventory.

- B. Obtained an understanding of the Sysgration Ltd. and subsidiaries' warehousing control procedures. Reviewed the annual physical inventory count plan and observed in the annual inventory count in order to assess the effectiveness of the classification of obsolete inventory and internal control over obsolete inventory.
- C. Obtained an understanding of the policy on inventory aging report and the logic of inventory aging report program. Selected samples to verify the accuracy of inventory aging report.
- D. Verified the reasonableness of inventory valuation basis, including test sampling the latest purchase price, purchase invoice, the latest sales price and sales invoices in order to verify that the inventory was measured at the lower of cost and net realisable value.

Other matter –Reference to the audits of other auditors

For the year ended December 31, 2019, we did not audit the financial statements of certain subsidiaries which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors. The balance of these investments accounted for under the equity method amounted to NT\$17,237 thousand, constituting 1.08% of the total assets as at December 31, 2019, and the comprehensive income recognized amounted to (NT\$76,241) thousand, constituting 25.25% of the total comprehensive income for the year then ended.

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 the 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 consolidated 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.

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 a 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 generally accepted auditing standards 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 the generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- A. 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 controls.
- B. Obtain an understanding of internal controls 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 controls.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- D. 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 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 report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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.

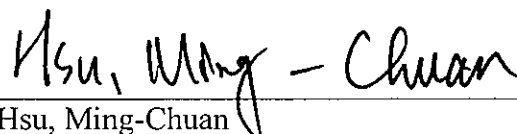
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

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 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.



Chiu, Chao-Hsien



Hsu, Ming-Chuan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 18, 2021

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

SYSGRATION LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 717,717	34	\$ 329,908	21
1110	Financial assets at fair value through profit or loss	6(2)	2,250	-	-	-
1136	Current financial assets at amortised cost	6(4) and 8	-	-	20,536	1
1150	Notes receivable, net	6(5)	-	-	198	-
1170	Accounts receivable, net	6(5) and 12(3)	332,262	16	249,429	16
1200	Other receivables		3,862	-	3,806	-
1210	Other receivables-related parties	7	71,838	4	132,390	8
1220	Current tax assets	6(29)	464	-	553	-
130X	Inventories	6(6)	76,043	4	81,883	5
1470	Other current assets		4,840	-	3,661	-
11XX	Current assets		<u>1,209,276</u>	<u>58</u>	<u>822,364</u>	<u>51</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	48,626	2	44,660	3
1535	Non-current financial assets at amortised cost	6(4) and 8	119,501	6	-	-
1550	Investments accounted for using equity method	6(7)	351,440	17	362,961	23
1600	Property, plant and equipment	6(8) and 8	288,449	14	277,970	17
1755	Right-of-use assets	6(9)	12,163	1	27,172	2
1760	Investment property, net	6(10)	4,300	-	4,437	-
1780	Intangible assets	6(11)	9,177	-	13,282	1
1840	Deferred tax assets	6(29)	32,363	1	33,304	2
1900	Other non-current assets		13,474	1	13,757	1
15XX	Non-current assets		<u>879,493</u>	<u>42</u>	<u>777,543</u>	<u>49</u>
1XXX	Current tax assets		<u>\$ 2,088,769</u>	<u>100</u>	<u>\$ 1,599,907</u>	<u>100</u>

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SYSGRATION LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Current borrowings	6(12)	\$ -	-	\$ 110,000	7
2130	Current contract liabilities	6(22)	1,498	-	1,938	-
2150	Notes payable		715	-	1,297	-
2170	Accounts payable		81,268	4	66,357	4
2180	Accounts payable-related parties	7	222,595	11	193,461	12
2200	Other payables	6(15)	77,179	4	81,857	5
2220	Other payables-related parties	7	3,396	-	2,726	-
2280	Current lease liabilities		6,517	-	18,956	1
2300	Other current liabilities	6(13) and 8	54,901	2	20,376	2
21XX	Current liabilities		<u>448,069</u>	<u>21</u>	<u>496,968</u>	<u>31</u>
Non-current liabilities						
2530	Bonds payable	6(14)	487,660	24	-	-
2540	Long-term borrowings	6(13) and 8	80,711	4	-	-
2580	Non-current lease liabilities		5,717	-	8,379	1
25XX	Non-current liabilities		<u>574,088</u>	<u>28</u>	<u>8,379</u>	<u>1</u>
2XXX	Liabilities		<u>1,022,157</u>	<u>49</u>	<u>505,347</u>	<u>32</u>
Equity						
	Share capital	6(18)				
3110	Ordinary share		1,524,847	73	1,511,547	94
3140	Advance receipts for share capital		15,958	1	-	-
	Capital surplus	6(19)				
3200	Capital surplus		135,896	6	96,653	6
	Retained earnings	6(20)				
3320	Special reserve		35,953	2	35,953	2
3350	Accumulated deficit		(550,117)	(26)	(449,902)	(28)
	Other equity interest	6(21)				
3400	Other equity interest		(95,925)	(5)	(99,691)	(6)
3XXX	Equity		<u>1,066,612</u>	<u>51</u>	<u>1,094,560</u>	<u>68</u>
3X2X	Total liabilities and equity		<u>\$ 2,088,769</u>	<u>100</u>	<u>\$ 1,599,907</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

SYSGRATION LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except losses per share amount)

	Items	Notes	Year ended December 31			
			2020		2019	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(22) and 7	\$ 1,298,610	100	\$ 799,997	100
5000	Operating costs	6(6)(16)(17)(26)(27) and 7	(1,099,553)	(84)	(741,606)	(93)
5900	Gross profit from operations		<u>199,057</u>	<u>16</u>	<u>58,391</u>	<u>7</u>
	Operating expenses	6(16)(17)(26)(27) and 7				
6100	Selling expenses		(53,728)	(4)	(65,586)	(8)
6200	Administrative expenses		(115,603)	(9)	(86,487)	(11)
6300	Research and development expenses		(135,599)	(11)	(114,714)	(14)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(3)	(3,666)	-	(384)	-
6000	Operating expenses		<u>(308,596)</u>	<u>(24)</u>	<u>(267,171)</u>	<u>(33)</u>
6900	Net operating loss		<u>(109,539)</u>	<u>(8)</u>	<u>(208,780)</u>	<u>(26)</u>
	Non-operating income and expenses					
7100	Interest income	6(4)(23)	906	-	5,256	1
7010	Other income	6(3)(10)(24)	13,211	1	4,502	1
7020	Other gains and losses	6(2)(25) and 12(3)	(5,186)	-	(20,236)	(3)
7050	Finance costs	6(9)(12)(13)(28)	(2,742)	-	(1,967)	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method	6(7)	<u>5,035</u>	<u>-</u>	<u>(60,075)</u>	<u>(8)</u>
7000	Total non-operating income and expenses		<u>11,224</u>	<u>1</u>	<u>(72,520)</u>	<u>(9)</u>
7900	Loss before income tax		<u>(98,315)</u>	<u>(7)</u>	<u>(281,300)</u>	<u>(35)</u>
7950	Income tax expense	6(29)	-	-	(3,459)	(1)
8200	Loss for the year		<u><u>(\$ 98,315)</u></u>	<u><u>(7)</u></u>	<u><u>(\$ 284,759)</u></u>	<u><u>(36)</u></u>
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss	6(3)(21)(29)				
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		\$ 3,966	-	(\$ 6,505)	(1)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(1,173)	-	(1,946)	-
8310	Total components of other comprehensive loss that will not be reclassified to profit or loss		<u>2,793</u>	<u>-</u>	<u>(8,451)</u>	<u>(1)</u>
	Components of other comprehensive income that will be reclassified to profit or loss	6(21)(29)				
8361	Exchange differences on translation		(1,159)	-	(10,897)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss		<u>232</u>	<u>-</u>	<u>2,179</u>	<u>-</u>
8360	Components of other comprehensive loss that will be reclassified to profit or loss		<u>(927)</u>	<u>-</u>	<u>(8,718)</u>	<u>(1)</u>
8300	Other comprehensive income (loss) for the year, net of tax		<u><u>(\$ 1,866)</u></u>	<u><u>-</u></u>	<u><u>(\$ 17,169)</u></u>	<u><u>(2)</u></u>
8500	Total comprehensive loss for the year		<u><u>(\$ 96,449)</u></u>	<u><u>(7)</u></u>	<u><u>(\$ 301,928)</u></u>	<u><u>(38)</u></u>
	Basic loss per share	6(30)				
9750	Basic loss per share		<u>(\$ 0.64)</u>		<u>(\$ 1.88)</u>	
	Diluted loss per share	6(30)				
9850	Diluted loss per share		<u>(\$ 0.64)</u>		<u>(\$ 1.88)</u>	

The accompanying notes are an integral part of these parent company only financial statements.

SYSGRATION LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital			Retained earnings		Other equity interest		Total equity
		Ordinary share	Advance receipts for share capital	Capital surplus, additional paid-in capital	Special reserve	Accumulated deficit	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	
<u>2019</u>									
Balance at January 1, 2019		\$ 1,511,547	\$ -	\$ 92,411	\$ 35,953	(\$ 148,907)	(\$ 51,380)	(\$ 47,378)	\$ 1,392,246
Loss for the year		-	-	-	-	(284,759)	-	-	(284,759)
Other comprehensive loss for the year	6(21)	-	-	-	-	-	(8,718)	(8,451)	(17,169)
Total comprehensive loss		-	-	-	-	(284,759)	(8,718)	(8,451)	(301,928)
Share-based compensation cost	6(17)(19)	-	-	4,242	-	-	-	-	4,242
Proceeds from disposal of equity instruments at fair value through other comprehensive income	6(3)(21)	-	-	-	-	(16,236)	-	16,236	-
Balance at December 31, 2019		\$ 1,511,547	\$ -	\$ 96,653	\$ 35,953	(\$ 449,902)	(\$ 60,098)	(\$ 39,593)	\$ 1,094,560
<u>2020</u>									
Balance at January 1, 2020		\$ 1,511,547	\$ -	\$ 96,653	\$ 35,953	(\$ 449,902)	(\$ 60,098)	(\$ 39,593)	\$ 1,094,560
Loss for the year		-	-	-	-	(98,315)	-	-	(98,315)
Other comprehensive income (loss) for the year	6(21)	-	-	-	-	-	(927)	2,793	1,866
Total comprehensive income (loss)		-	-	-	-	(98,315)	(927)	2,793	(96,449)
Share-based compensation cost	6(17)(19)	-	-	7,049	-	-	-	-	7,049
Proceeds from disposal of equity instruments at fair value through other comprehensive income	6(3)(21)	-	-	-	-	(1,900)	-	1,900	-
Recognition of share option in issuance of convertible bonds	6(19)	-	-	11,131	-	-	-	-	11,131
Exercise of employee stock options	6(18)(19)	13,300	15,958	21,063	-	-	-	-	50,321
Balance at December 31, 2020		\$ 1,524,847	\$ 15,958	\$ 135,896	\$ 35,953	(\$ 550,117)	(\$ 61,025)	(\$ 34,900)	\$ 1,066,612

The accompanying notes are an integral part of these parent company only financial statements.

SYSGRATION LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 98,315)	(\$ 281,300)
Adjustments			
Adjustments to reconcile profit (loss)			
Gains on financial assets and financial liabilities at fair value through profit or loss	6(2)(25)	(250)	-
Expected credit impairment loss	12(3)	3,666	384
Depreciation	6(8)(9)(10)(26)	43,576	37,858
Gain on disposal of property, plant and equipment	6(25)	-	(282)
Amortization	6(11)(26)	7,929	6,487
Share of (profit) loss of subsidiaries, and associates accounted for using the equity method	6(7)	(5,035)	60,075
Interest expense	6(9)(12)(13)(14)(28)	2,742	1,967
Interest income	6(23)	(906)	(5,256)
Dividend income	6(24)	(842)	(1,293)
Share-based compensation cost	6(17)(19)	7,049	4,242
Impairment loss on non-financial assets	6(7)(25)	-	14,289
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		200	1,400
Accounts receivable		(86,501)	(132,796)
Other receivables		(56)	22,466
Other receivables - related parties		60,552	7,819
Inventories		5,840	(2,471)
Other current assets		(1,179)	6,868
Changes in operating liabilities			
Current contract liabilities		(440)	(912)
Notes payable		(582)	(703)
Accounts payable		14,911	(8,071)
Accounts payable-related parties		29,134	25,115
Other payables		(1,945)	20,639
Other payables-related parties		670	2,033
Other current liabilities		10,125	4,439
Cash outflow generated from operations		(9,657)	(217,003)
Interest paid		(1,371)	(1,526)
Interest received		906	5,256
Dividend received		842	1,293
Income tax paid		(65)	(399)
Income tax refund		153	23,678
Net cash flows used in operating activities		(9,192)	(188,701)

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SYSGRATION LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income	12(4)	\$ -	(\$ 15,560)
Proceeds from disposal of investments accounted for using the equity method	6(7)	15,397	-
Increased in financial assets at amortised cost		(98,965)	(2,721)
Acquisition of property, plant and equipment	6(31)	(40,117)	(39,886)
Proceeds from disposal of property, plant and equipment		-	5,336
Acquisition of intangible assets	6(11)	(3,824)	(2,932)
Increase in refundable deposits		(1,905)	(842)
Decrease (increase) in prepayments for business facilities		2,079	(4,886)
Decrease (increase) in other current assets		109	(3,286)
Net cash flows used in investing activities		<u>(127,226)</u>	<u>(64,777)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term borrowings	6(12)(32)	(110,000)	10,000
Proceeds from long-term borrowings	6(13)(32)	110,000	-
Repayment of long-term borrowings	6(13)(32)	(4,889)	-
Proceeds from issuance of bonds	6(14)	495,680	-
Exercise of employee share options	6(18)	50,321	-
Payment of lease liabilities	6(9)(32)	(16,885)	(15,725)
Net cash flows from (used in) financing activities		<u>524,227</u>	<u>(5,725)</u>
Net increase (decrease) in cash and cash equivalents		387,809	(259,203)
Cash and cash equivalents at beginning of year		329,908	589,111
Cash and cash equivalents at end of year		<u>\$ 717,717</u>	<u>\$ 329,908</u>

The accompanying notes are an integral part of these parent company only financial statements.

SYSGRATION LTD.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

SYSGRATION LTD. (the ‘Company’) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on October 14, 1977, and the Company’s shares have been approved by Securities and Futures Commission, Ministry of Finance to be officially traded on Taipei Exchange from December 1995. The Company is primarily engaged in the manufacture and sale of automobile electronics products and power management products.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on March 18, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note : Earlier application from January 1, 2020 is allowed by FSC.

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment:proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of preparation

A. Except for financial assets at fair value through other comprehensive income, the parent company only financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and the Company’s presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income.

(d) All foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

Investments in foreign operations resulting in exchange differences are recognised in other comprehensive income.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

- (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
- (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using the equity method - subsidiaries, associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealised profit (loss) from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted to be consistent with the Company's accounting policies.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. If changes in the Company's shares in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

- G. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- H. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- I. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall be equal to the amount attributable to owners of the parent in the parent company only financial statements. Owners' equity in the parent company only financial statements shall be equal to equity attributable to owners of the parent in the parent company only financial statements.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2~55	years
Machinery	2~20	years
Maintenance equipment and tools	2~5	years
Office equipment	2~30	years
Transportation equipment	5~7	years
Leasehold improvements	3~5	years or lease period (whichever is shorter)
Others	2~3	years

(15) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable;

(b) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

(c) Any initial direct costs incurred by the lessee; and

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Leasing arrangements (lessor) – operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 years.

(18) Intangible assets

Intangible assets, mainly computer software and patent rights, are amortised on a straight-line basis over their estimated useful lives of 1 ~ 10 years.

(19) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(20) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(21) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Convertible bonds payable

Convertible bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds or are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable or and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable or as stated above. Conversion options are not subsequently remeasured.

- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and ‘financial assets or financial liabilities at fair value through profit or loss’) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and ‘capital surplus—share options’.

(23) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions

where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(27) Share capital

Ordinary shares are classified as equity.

(28) Revenue recognition

Sales of goods

- A. The Company manufactures and sells of automobile electronics products and power management products. Sales are recognised when control of the products has transferred, being 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, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(29) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Valuation of allowance for uncollectible accounts

The Company assesses the provision of allowance for uncollectible accounts by considering accounts receivable that contain a significant financing components, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs. The valuation of provision is a reasonable prediction of future events at the balance sheet date. Significant changes may occur when there are differences between actual results and estimation.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand	\$ 764	\$ 510
Checking accounts and demand deposits	361,953	235,138
Time deposits	355,000	94,260
	<u>\$ 717,717</u>	<u>\$ 329,908</u>

- A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. As of December 31, 2020 and 2019, cash and cash equivalents amounting to \$119,501 and \$20,536, respectively, as short-term and long-term borrowings were pledged to others as collateral, and were classified as financial assets at amortised cost.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	\$ <u>2,250</u>	\$ <u>-</u>

- A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>2020</u>	<u>2019</u>
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	\$ <u>250</u>	\$ <u>173</u>

- B. The Company had no financial assets at fair value through profit or loss pledged to others as collateral.
- C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(3).

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

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-current items:		
Equity instruments		
Listed stocks	\$ 14,160	\$ 14,160
Unlisted stocks	<u>83,173</u>	<u>85,073</u>
	97,333	99,233
Valuation adjustment	(<u>48,707</u>)	(<u>54,573</u>)
	<u>\$ 48,626</u>	<u>\$ 44,660</u>

- A. The Company has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$48,626 and \$44,660 as at December 31, 2020 and 2019, respectively.
- B. In the third quarter of 2020 and the first quarter of 2019, the Company had incurred an accumulated impairment loss in the amounts of \$1,900 and \$16,236 because an investee has been dissolved and liquidated. Realised loss has been transferred to retained earnings from other equity.

C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>2020</u>	<u>2019</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ <u>3,966</u>	(\$ <u>6,505</u>)
Cumulative gains reclassified to retained earnings due to derecognition	\$ <u>1,900</u>	\$ <u>16,236</u>
Dividend income recognised in profit or loss		
Held at end of period	\$ <u>842</u>	\$ <u>1,293</u>

D. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was \$48,626 and \$44,660, respectively.

E. The Company had no financial assets at fair value through other comprehensive income pledged to others as collateral.

F. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(4) Financial assets at amortised cost

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
pledged time deposits	\$ <u>-</u>	\$ <u>20,536</u>
Non-current items:		
pledged time deposits	\$ <u>119,501</u>	\$ <u>-</u>

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	<u>2020</u>	<u>2019</u>
Interest income	\$ <u>55</u>	\$ <u>302</u>

B. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was \$119,501 and \$20,536, respectively.

C. Details of the Company's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

(5) Notes and accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable	\$ -	\$ 200
Less: Allowance for uncollectible accounts	<u>-</u>	<u>(2)</u>
	<u>\$ -</u>	<u>\$ 198</u>
Accounts receivable	\$ 336,991	\$ 250,490
Less: Allowance for uncollectible accounts	<u>(4,729)</u>	<u>(1,061)</u>
	<u>\$ 332,262</u>	<u>\$ 249,429</u>

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 308,164	\$ -	\$ 206,662	\$ 198
Up to 30 days	16,897	-	33,224	-
31 to 120 days	2,698	-	9,543	-
121 to 180 days	-	-	-	-
Over 180 days	4,503	-	-	-
	<u>\$ 332,262</u>	<u>\$ -</u>	<u>\$ 249,429</u>	<u>\$ 198</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers amounted to \$118,615.
- C. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was \$332,262 and \$249,627, respectively.
- D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(3).

(6) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 47,476	\$ (16,501)	\$ 30,975
Work in progress	12,608	-	12,608
Finished goods	35,732	(3,272)	32,460
	<u>\$ 95,816</u>	<u>\$ (19,773)</u>	<u>\$ 76,043</u>

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 38,746	\$ (16,948)	\$ 21,798
Work in progress	13,496	-	13,496
Finished goods	26,954	(5,782)	21,172
Inventory in transit	25,417	-	25,417
	<u>\$ 104,613</u>	<u>\$ (22,730)</u>	<u>\$ 81,883</u>

The cost of inventories recognised as expense for the year :

	Year ended December 31, 2020	Year ended December 31, 2019
Cost of goods sold	\$ 1,102,510	\$ 752,503
Gain on reversal of decline in market value	(2,957)	(10,897)
	<u>\$ 1,099,553</u>	<u>\$ 741,606</u>

A. The Company reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because of inventory clearance.

B. The Company had no inventories pledged to others as collateral.

(7) Investments accounted for using equity method

	2020	2019
At January 1	\$ 362,961	\$ 448,222
Disposal of investments accounted for using equity (method (Note 1)	(15,566)	-
Share of profit or loss of investments accounted for using equity method	5,035	(60,075)
Impairment loss (Notes 1 and 2)	-	(14,289)
Changes in other equity items	(990)	(10,897)
At December 31	<u>\$ 351,440</u>	<u>\$ 362,961</u>

Note 1: The subsidiary, Leadman Electronics USA, Inc., has been incurring continuous deficits and there is no indication that its operation will improve in the future. On January 30, 2020, to enhance the competitiveness of the Company's long-term operating development, the Board of Directors of the Company approved to dispose all of its shares of Leadman Electronics

USA, Inc. of 1,314,181 shares (representing 51%) amount to US\$510 thousand on January 30, 2020. The loss on disposal was \$8,463 and an impairment loss was recognised in the amount of \$8,463 for the year ended December 31, 2019. Aforementioned proceeds from disposal have been collected in February 2020.

Note 2: In September 2015, the Company acquired the special technique of the subsidiary, Leadman Electronics USA, Inc. at premium. However, the recoverable amount was less than the carrying amount based on the assessment management. The discount rate used in calculating the value of right-of-use was 20.01%, thus, the impairment loss was recognised in the amount of \$5,826 for the year ended December 31, 2019.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries:		
SYSGRATION TECHNOLOGY (SAMOA) LTD. \$	183,154	\$ 200,078
SYSGRATION (SAMOA) LTD.	164,485	141,872
LEADMAN ELECTRONICS USA, INC.	-	17,237
SYSGRATION USA INC.	<u>3,801</u>	<u>3,774</u>
	<u>\$ 351,440</u>	<u>\$ 362,961</u>

- A. Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2020 for the information regarding the Company's subsidiaries.
- B. The Company recognised investment gain (loss) of \$5,035 and (\$60,075) for the investments accounted for using equity method for the years ended December 31, 2020 and 2019, respectively. The investment loss of \$61,711 recognised for the investment accounted for using equity method, Leadman Electronics USA, Inc., for the year ended December 31, 2019, was based on the investee's financial statements audited by other independent auditors.

(8) Property, plant and equipment

	2020								
	Land	Buildings and structures	Machinery	Maintenance equipment and tools	Office equipment	Transportation equipment	Leasehold improvements	Others	Total
At January 1									
Cost	\$ 18,807	\$ 355,836	\$ 120,391	\$ 6,313	\$ 21,878	\$ 2,625	\$ 3,488	\$ 10,893	\$ 540,231
Accumulated depreciation and impairment	-	(165,384)	(63,734)	(3,717)	(18,399)	(567)	(3,132)	(7,328)	(262,261)
	<u>\$ 18,807</u>	<u>\$ 190,452</u>	<u>\$ 56,657</u>	<u>\$ 2,596</u>	<u>\$ 3,479</u>	<u>\$ 2,058</u>	<u>\$ 356</u>	<u>\$ 3,565</u>	<u>\$ 277,970</u>
Opening net book amount as at January 1	\$ 18,807	\$ 190,452	\$ 56,657	\$ 2,596	\$ 3,479	\$ 2,058	\$ 356	\$ 3,565	\$ 277,970
Additions	-	640	30,529	977	1,185	-	-	4,054	37,385
Depreciation charge	-	(6,502)	(12,632)	(1,825)	(2,535)	(525)	(277)	(2,610)	(26,906)
Closing net book amount as at December 31	<u>\$ 18,807</u>	<u>\$ 184,590</u>	<u>\$ 74,554</u>	<u>\$ 1,748</u>	<u>\$ 2,129</u>	<u>\$ 1,533</u>	<u>\$ 79</u>	<u>\$ 5,009</u>	<u>\$ 288,449</u>
At December 31									
Cost	\$ 18,807	\$ 307,249	\$ 149,119	\$ 7,290	\$ 21,380	\$ 2,625	\$ 693	\$ 14,748	\$ 521,911
Accumulated depreciation and impairment	-	(122,659)	(74,565)	(5,542)	(19,251)	(1,092)	(614)	(9,739)	(233,462)
	<u>\$ 18,807</u>	<u>\$ 184,590</u>	<u>\$ 74,554</u>	<u>\$ 1,748</u>	<u>\$ 2,129</u>	<u>\$ 1,533</u>	<u>\$ 79</u>	<u>\$ 5,009</u>	<u>\$ 288,449</u>

	2019								
	Land	Buildings and structures	Machinery	Maintenance equipment and tools	Office equipment	Transportation equipment	Leasehold improvements	Others	Total
At January 1									
Cost	\$ 18,807	\$ 354,692	\$ 96,164	\$ 4,121	\$ 19,105	\$ 2,625	\$ 6,331	\$ 9,081	\$ 510,926
Accumulated depreciation and impairment	-	(157,743)	(60,254)	(2,666)	(17,920)	(42)	(5,189)	(5,794)	(249,608)
	<u>\$ 18,807</u>	<u>\$ 196,949</u>	<u>\$ 35,910</u>	<u>\$ 1,455</u>	<u>\$ 1,185</u>	<u>\$ 2,583</u>	<u>\$ 1,142</u>	<u>\$ 3,287</u>	<u>\$ 261,318</u>
Opening net book amount as at January 1	\$ 18,807	\$ 196,949	\$ 35,910	\$ 1,455	\$ 1,185	\$ 2,583	\$ 1,142	\$ 3,287	\$ 261,318
Additions	-	1,168	35,202	2,228	3,473	-	-	1,909	43,980
Disposals	-	-	(5,054)	-	-	-	-	-	(5,054)
Depreciation charge	-	(7,665)	(9,401)	(1,087)	(1,179)	(525)	(786)	(1,631)	(22,274)
Closing net book amount as at December 31	<u>\$ 18,807</u>	<u>\$ 190,452</u>	<u>\$ 56,657</u>	<u>\$ 2,596</u>	<u>\$ 3,479</u>	<u>\$ 2,058</u>	<u>\$ 356</u>	<u>\$ 3,565</u>	<u>\$ 277,970</u>
At December 31									
Cost	\$ 18,807	\$ 355,836	\$ 120,391	\$ 6,313	\$ 21,878	\$ 2,625	\$ 3,488	\$ 10,893	\$ 540,231
Accumulated depreciation and impairment	-	(165,384)	(63,734)	(3,717)	(18,399)	(567)	(3,132)	(7,328)	(262,261)
	<u>\$ 18,807</u>	<u>\$ 190,452</u>	<u>\$ 56,657</u>	<u>\$ 2,596</u>	<u>\$ 3,479</u>	<u>\$ 2,058</u>	<u>\$ 356</u>	<u>\$ 3,565</u>	<u>\$ 277,970</u>

- A. The significant components of buildings and structures include main plants and structure improvements, which are depreciated over 55 and 2~45 years, respectively.
- B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.
- C. The Company's property, plant and equipment were for self-use.

(9) Leasing arrangements — lessee

- A. The Company leases various assets including buildings and transportation equipment. Rental contracts are typically made for periods of 3 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes and sublet without agreement.
- B. Short-term leases with a lease term of 12 months or less comprise offices. On December 31, 2020 and 2019, payments of lease commitments for short-term leases amounted to \$1,385 and \$435, respectively.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020	December 31, 2020	December 31, 2019	December 31, 2019
	Carrying amount	Depreciation charge	Carrying amount	Depreciation charge
Buildings	\$ 4,055	\$ 14,917	\$ 23,559	\$ 13,658
Transportation equipment	8,108	1,616	3,613	1,789
	<u>\$ 12,163</u>	<u>\$ 16,533</u>	<u>\$ 27,172</u>	<u>\$ 15,447</u>

- D. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$10,526 and \$12,608, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 260	\$ 441
Expense on short-term lease contracts	1,756	435
	<u>\$ 2,016</u>	<u>\$ 876</u>

- F. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases were \$16,885 and \$15,725, respectively.

(10) Investment property

	<u>2020</u>		<u>2019</u>
	<u>Buildings</u>		<u>Buildings</u>
At January 1		At January 1	
Cost	\$ 7,000	Cost	\$ 7,000
Accumulated depreciation	(2,563)	Accumulated depreciation	(2,426)
	<u>\$ 4,437</u>		<u>\$ 4,574</u>
Opening net book amount as at January 1	\$ 4,437	Opening net book amount as at January 1	\$ 4,574
Depreciation charge	(137)	Depreciation charge	(137)
Closing net book amount as at December 31	<u>\$ 4,300</u>	Closing net book amount as at December 31	<u>\$ 4,437</u>
At December 31		At December 31	
Cost	\$ 7,000	Cost	\$ 7,000
Accumulated depreciation	(2,700)	Accumulated depreciation	(2,563)
	<u>\$ 4,300</u>		<u>\$ 4,437</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	<u>Year ended</u> <u>December 31, 2020</u>	<u>Year ended</u> <u>December 31, 2019</u>
Rental income from investment property	<u>\$ 288</u>	<u>\$ 288</u>
Direct operating expenses arising from the investment property that generated rental income during the year	<u>\$ 137</u>	<u>\$ 137</u>

B. The fair value of the investment property held by the Company as at December 31, 2020 and 2019 was both \$7,000, which was based on the trading prices of similar prices in the neighboring areas.

C. The Company had no investment property pledged to others as collateral.

(11) Intangible assets

	2020		
	<u>Patent right</u>	<u>Software</u>	<u>Total</u>
At January 1			
Cost	\$ 17,407	\$ 18,575	\$ 35,982
Accumulated amortisation and impairment	(9,037)	(13,663)	(22,700)
	<u>\$ 8,370</u>	<u>\$ 4,912</u>	<u>\$ 13,282</u>
Opening net book amount as at January 1	\$ 8,370	\$ 4,912	\$ 13,282
Additions	-	3,824	3,824
Amortisation charge	(4,185)	(3,744)	(7,929)
Closing net book amount as at December 31	<u>\$ 4,185</u>	<u>\$ 4,992</u>	<u>\$ 9,177</u>
At December 31			
Cost	\$ 17,407	\$ 22,399	\$ 39,806
Accumulated amortisation and impairment	(13,222)	(17,407)	(30,629)
	<u>\$ 4,185</u>	<u>\$ 4,992</u>	<u>\$ 9,177</u>
	2019		
	<u>Patent right</u>	<u>Software</u>	<u>Total</u>
At January 1			
Cost	\$ 17,407	\$ 17,334	\$ 34,741
Accumulated amortisation and impairment	(4,853)	(13,051)	(17,904)
	<u>\$ 12,554</u>	<u>\$ 4,283</u>	<u>\$ 16,837</u>
Opening net book amount as at January 1	\$ 12,554	\$ 4,283	\$ 16,837
Additions	-	2,932	2,932
Amortisation charge	(4,184)	(2,303)	(6,487)
Closing net book amount as at December 31	<u>\$ 8,370</u>	<u>\$ 4,912</u>	<u>\$ 13,282</u>
At December 31			
Cost	\$ 17,407	\$ 18,575	\$ 35,982
Accumulated amortisation and impairment	(9,037)	(13,663)	(22,700)
	<u>\$ 8,370</u>	<u>\$ 4,912</u>	<u>\$ 13,282</u>

Details of amortisation on intangible assets are as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Operating costs	\$ 1,535	\$ 561
Selling expenses	192	161
Administrative expenses	4,876	5,206
Research and development expenses	1,326	559
	<u>\$ 7,929</u>	<u>\$ 6,487</u>

(12) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank unsecured borrowings	\$ 10,000	1.60%	None
Bank secured borrowings	100,000	1.40%~1.60%	Note
	<u>\$ 110,000</u>		

Note: Details of assets pledged as collateral for short-term borrowings are provided in Note 8.

A. Aforementioned borrowings were from short-term financing contracts which the Company entered into with financial institutions. Each contract has different restrictions on the Company's capital maintenance and the purpose of capital in the borrowing period.

B. Interest expense recognised in profit or loss amounted to \$1,183 and \$1,526 for the years ended December 31, 2020 and 2019, respectively.

(13) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2020
Long-term bank borrowings				
Unsecured borrowings	Borrowing period is from May 20, 2020 to May 20, 2023; interest is repayable monthly.	1.145%	None	\$ 16,111
Unsecured borrowings	Borrowing period is from December 1, 2020 to November 15, 2025; interest is repayable monthly.	1.00%	None	59,000
Unsecured borrowings	Borrowing period is from December 1, 2020 to November 15, 2025; interest is repayable monthly.	0.91%	None	<u>30,000</u>
				105,111
Less: Current portion (shown as 'other current liabilities')				(24,400)
				<u>\$ 80,711</u>

For the years ended December 31, 2020 and 2019, interest expense were recognised in profit or loss amounted to \$188 and \$0, respectively.

(14) Bonds payable

	<u>December 31, 2020</u>
Bonds payable	\$ 500,000
Less: Discount on bonds payable	(12,340)
	<u>\$ 487,660</u>

A. The issuance of domestic convertible bonds by the Company:

(a) The terms of the fourth domestic secured convertible bonds issued by the Company are as follows:

- i. The Company issued \$500,000, 0% of coupon rate, fourth domestic secured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (October 20, 2020 ~ October 20, 2023) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on October 20, 2020
- ii. The bondholders have the right to ask for conversion of the bonds into common shares of The Company during the period from the date after 3 month (January 21, 2021) of the bonds issue to the maturity date (October 20, 2023), except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted; however, the conversion price of the convertible bonds was NT\$35 (in dollars) per share.
- iv. The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value plus 0.5006% of the face value as interests upon two years from the issue date.
- v. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of The Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three month of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.
- vi. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights

and obligations attached to the bonds are also extinguished.

(b) As of December 31, 2020, the bonds totaling \$500,000 (face value) had not been converted into common stock.

B. Regarding the issuance of convertible bonds, the non-equity conversion options, call options, put options and conversion price resetting options embedded in bonds payable were separated from their host contracts which was classified as ‘capital surplus—share options’ amount to \$11,131 and were recognised in ‘financial assets or liabilities at fair value through profit or loss’ in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation was 0.9112%.

(15) Other payables

	December 31, 2020	December 31, 2019
Wages and salaries payable	\$ 48,399	\$ 48,213
Payables for machinery and equipment	2,366	5,098
Others	26,414	28,546
	<u>\$ 77,179</u>	<u>\$ 81,857</u>

(16) Pensions

Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2020 and 2019, were \$12,372 and \$10,539, respectively.

(17) Share-based payment

A. On November 12, 2019, December 27, 2016, November 11, 2015 and July 24, 2014, the Board of Directors of the Company resolved to issue employees’ options of 5,000 units (every unit can purchase 1,000 shares of the Company’s common share, the total number of common shares which can be purchased was 5,000,000 shares with a subscription price of \$33.80), 4,500 units (every unit can purchase 1,000 shares of the Company’s common share, the total number of common shares which can be purchased was 4,500,000 shares with a subscription price of \$10.00), 5,000 units (every unit can purchase 1,000 shares of the Company’s common share, the total number of common shares which can be purchased was 5,000,000 shares with a subscription price of \$21.80) and 10,000 units (every unit can purchase 1,000 shares of the Company’s common share, the total number of common shares which can be purchased was 10,000,000 shares with a subscription price of \$22.70), respectively, except for the 4,731 units were issued out of 5,000 units on August 20, 2020, others were issued 4,500 units, 5,000 units and 10,000 units on October 15, 2018, January 12, 2016 and October 15, 2014, respectively. The exercise

price under the aforementioned stock-based employee compensation plan is at least the closing price of the Company's common stock at the grant date. There will be adjustment to the subscription price in accordance with specific formula if there is any change in the Company's ordinary shares or distribution of cash dividend after the issuance of stock options. The life of the options is 5 years. After 2 years from the date of grant, employees may exercise the options in accordance with certain schedules as prescribed in the option plan.

B. For the years ended December 31, 2020 and 2019, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock options	2014.10.15	10,000	5 years	2 ~ 4 years' service
Employee stock options	2016.01.12	5,000	5 years	2 ~ 4 years' service
Employee stock options	2018.10.15	4,500	5 years	2 ~ 4 years' service
Employee stock options	2020.08.20	4,731	5 years	2 ~ 4 years' service

C. Details of the share-based payment arrangements are as follows:

(a). Employees' options which were issued in 2020

	2020	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	-
Options granted	4,731	\$ 33.80
Options exercised	-	-
Options forfeited (Note)	(262)	-
Options outstanding at the end of the year	<u>4,469</u>	\$ 33.80
Options exercisable at the end of the year	<u>-</u>	-

Note: Due to employees' retirement or termination.

(b). Employees' options which were issued in 2018

	2020		2019	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	3,755	\$ 10.00	4,240	\$ 10.00
Options granted	-	-	-	-
Options exercised	(1,141)	-	-	-
Options forfeited (Note)	(430)	-	(485)	-
Options outstanding at the end of the year	<u>2,184</u>	\$ 10.00	<u>3,755</u>	\$ 10.00
Options exercisable at the end of the year	<u>258</u>	-	<u>-</u>	-

Note: Due to employees' retirement or termination.

(c). Employees' options which were issued in 2016

	2020		2019	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	2,665	\$ 21.80	2,835	\$ 21.80
Options granted	-	-	-	-
Options exercised	(1,785)	-	-	-
Options forfeited (Note)	(100)	-	(170)	-
Options outstanding at the end of the year	<u>780</u>	\$ 21.80	<u>2,665</u>	\$ 21.80
Options exercisable at the end of the year	<u>780</u>	-	<u>1,866</u>	-

Note: Due to employees' retirement or termination.

(d). Employees' options which were issued in 2014

	2020		2019	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	\$ -	3,895	\$ 22.70
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options forfeited (Note)	-	-	(73)	-
Options expired	-	-	(3,822)	-
Options outstanding at the end of the year	-	\$ -	-	\$ -
Options exercisable at the end of the year	-	-	-	-

Note: Due to employees' retirement or termination.

D. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

Issue date approved	Expiry date	December 31, 2020		December 31, 2019	
		No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2016.01.12	2021.01.11	780	\$ 21.80	2,655	\$ 21.80
2018.10.15	2023.10.14	2,184	10.00	3,755	10.00
2020.08.20	2025.08.19	4,469	33.80	-	-

E. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Exercise price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Employee stock options	2014.10.15	\$22.70	43.58% ~44.32%	3.5~4.5 years	0%	1.05% ~1.22%	\$5.36 ~6.04
Employee stock options	2016.01.12	21.80	44.16% ~44.51%	3.5~4.5 years	0%	0.56% ~0.66%	5.04 ~5.74
Employee stock options	2018.10.15	10.00	43.64% ~44.73%	3.5~4.5 years	0%	0.69% ~0.73%	1.90 ~2.19
Employee stock options	2020.08.20	33.80	49.75% ~53.32%	3.5~4.5 years	0%	0.28% ~0.31%	13.02 ~13.74

F. Expenses incurred on share-based payment transactions are shown below:

	Year ended December 31, 2020	Year ended December 31, 2019
Equity-settled	\$ 7,049	\$ 4,242

(18) Share capital

A. As of December 31, 2020, the Company's authorised capital was \$3,000,000, consisting of 300,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options), and the paid-in capital was \$1,540,805 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2020 (Note)	2019 (Note)
At January 1	\$ 151,155	\$ 151,155
Employee stock options exercised	2,926	-
At December 31	\$ 154,081	\$ 151,155

Note: Expressed in thousands of shares.

B. On April 30, 2020, the shareholders of the Company resolved the private placement of common shares and authorised the Board of Directors to issue such shares in several stages based on the actual situation of fundraising and in one year starting from the resolution of shareholders.

C. As of December 31, 2020, the Company's employees' options which were issued in 2016 were applied for purchasing 105 thousand shares, 1,225 thousand shares and 455 thousand shares and were resolved by the Board of Directors to increase capital on August 14, 2020, November 13, 2020 and January 14, 2021; the effective dates were set on August 14, 2020, November 13, 2020 and January 14, 2021, respectively. All subscription price was \$21.8, the registration of changes has been completed.

D. As of December 31, 2020, the Company's employees' options which were issued in 2018 were applied for purchasing 1,141 thousand shares and were resolved by the Board of Directors to increase capital on January 14, 2021; the effective date was set on January 14, 2021. All purchase price was \$10, the registration of changes has been completed.

(19) Capital surplus

A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. Movements in the number of the Company's ordinary shares outstanding are as follows: (Share in thousands)

2020

	Share premium	Employee stock options	Share options	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Net change in equity of associates
At January 1	\$ 28,350	\$ 49,752	\$ 6,204	\$ 2,654	\$ 9,693	\$ 96,653
Recognition of share option in issue of convertible bonds	-	-	11,131	-	-	11,131
Share-based compensation	31,923	(10,860)	-	-	-	21,063
Employee stock options exercised	-	7,049	-	-	-	7,049
At December 31	<u>\$ 60,273</u>	<u>\$ 45,941</u>	<u>\$ 17,335</u>	<u>\$ 2,654</u>	<u>\$ 9,693</u>	<u>\$ 135,896</u>

2019

	Share premium	Employee stock options	Share options	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Net change in equity of associates
At January 1	\$ 28,350	\$ 45,510	\$ 6,204	\$ 2,654	\$ 9,693	\$ 92,411
Share-based compensation	-	4,242	-	-	-	4,242
At December 31	<u>\$ 28,350</u>	<u>\$ 49,752</u>	<u>\$ 6,204</u>	<u>\$ 2,654</u>	<u>\$ 9,693</u>	<u>\$ 96,653</u>

(20) Unappropriated retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and appropriate or reverse for special reserve as required by the operating needs of the Company or regulations when necessary. The remainder, if any, to be retained or to be appropriated shall be proposed by the Board of Directors and to be resolved by the stockholders at the stockholders' meeting.
- B. For the long-term business development of the Company, the needs of capital in the future and long-term business plan, the distributable earnings can be distributed no higher than 90% as shareholders' bonus every year. However, the distributable earnings may not be distributed if the accumulated distributable earnings lower than 5% of paid-in capital. The cash dividend can not lower than 10% of total dividends. However, when the cash dividend per share is lower than \$0.5, it can be distributed in stock dividend at full amount.
- C. The Board of Directors proposed and shareholders have resolved the deficit compensation for the

year of 2019 on April 30, 2020. Details of the resolution of deficit compensation are provided in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

- D. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company’s paid-in capital.
- E. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(21) Other equity items

	2020		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	(\$ 39,593)	(\$ 60,098)	(\$ 99,691)
Revaluation	2,793	-	2,793
Proceeds from disposal of equity instruments at fair value through other comprehensive income	1,900	-	1,900
Currency translation differences	-	(927)	(927)
At December 31	<u>(\$ 34,900)</u>	<u>(\$ 61,025)</u>	<u>(\$ 95,925)</u>

	2019		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	(\$ 47,378)	(\$ 51,380)	(\$ 98,758)
Revaluation	(8,451)	-	(8,451)
Proceeds from disposal of equity instruments at fair value through other comprehensive income	16,236	-	16,236
Currency translation differences	-	(8,718)	(8,718)
At December 31	<u>(\$ 39,593)</u>	<u>(\$ 60,098)</u>	<u>(\$ 99,691)</u>

(22) Operating revenue

	Year ended December 31, 2020	Year ended December 31, 2019
Revenue from contracts with customers	<u>\$ 1,298,610</u>	<u>\$ 799,997</u>

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major product lines:

2020	Automobile electronics products	Power management products	All other segments	Total
Total segment revenue	\$ 748,999	\$ 545,507	\$ 4,104	\$ 1,298,610
Inter-segment revenue	-	-	-	-
Revenue from external customer contracts	<u>\$ 748,999</u>	<u>\$ 545,507</u>	<u>\$ 4,104</u>	<u>\$ 1,298,610</u>
2019	Automobile electronics products	Power management products	All other segments	Total
Total segment revenue	\$ 442,603	\$ 356,803	\$ 591	\$ 799,997
Inter-segment revenue	-	-	-	-
Revenue from external customer contracts	<u>\$ 442,603</u>	<u>\$ 356,803</u>	<u>\$ 591</u>	<u>\$ 799,997</u>

B. Contract assets and liabilities

The Company has recognised the following revenue-related contract assets and liabilities:

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities:			
Contract liabilities – Advance sales receipts	<u>\$ 1,498</u>	<u>\$ 1,938</u>	<u>\$ 2,850</u>

(a) Significant changes in contract assets and liabilities: None.

(b) Revenue recognised that was included in the contract liability balance at the beginning of the period

	Year ended December 31, 2020	Year ended December 31, 2019
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	<u>\$ 1,817</u>	<u>\$ 685</u>

(23) Interest income

	Year ended December 31, 2020	Year ended December 31, 2019
Interest income from bank deposits	\$ 851	\$ 4,954
Interest income from financial assets measured at amortised cost	<u>55</u>	<u>302</u>
	<u>\$ 906</u>	<u>\$ 5,256</u>

(24) Other income

	Year ended December 31, 2020	Year ended December 31, 2019
Rent income	\$ 288	\$ 288
Dividend income	842	1,293
Design fees revenue	4,542	-
Government grant revenues	264	-
Other income, others	7,275	2,921
	<u>\$ 13,211</u>	<u>\$ 4,502</u>

(25) Other gains and losses

	Year ended December 31, 2020	Year ended December 31, 2019
Foreign exchange losses	(\$ 4,051)	(\$ 6,229)
Losses on disposals of property, plant and equipment	-	282
Gains on financial assets at fair value through profit or loss	250	-
Impairment loss on non-financial assets (Note)	-	(14,289)
Other losses	(1,385)	-
	<u>(\$ 5,186)</u>	<u>(\$ 20,236)</u>

Note: Please refer to Note 6(7) for information on the impairment loss of non-financial assets.

(26) Expenses by nature

	Year ended December 31, 2020	Year ended December 31, 2019
Employee benefit expense	\$ 304,099	\$ 251,699
Depreciation charges on property, plant and equipment	26,906	22,274
Depreciation charges on right-of-use assets	16,533	15,447
Depreciation charges on investment property	137	137
Amortisation charges on intangible assets	7,929	6,487
	<u>\$ 355,604</u>	<u>\$ 296,044</u>

(27) Employee benefit expense

	Year ended December 31, 2020	Year ended December 31, 2019
Wages and salaries	\$ 250,671	\$ 207,171
Employee stock options	7,049	4,242
Labour and health insurance fees	22,758	18,656
Pension costs	12,372	10,539
Other personnel expenses	11,249	11,091
	<u>\$ 304,099</u>	<u>\$ 251,699</u>

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be between 10%~15% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. The Company has an accumulated deficit as of December 31, 2020 and 2019, and therefore, no employees' compensation and directors' remuneration were recognised.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Finance costs

	Year ended December 31, 2020	Year ended December 31, 2019
Interest expense	\$ 1,371	\$ 1,526
Interest expense on lease liabilities	260	441
Interest expense on convertible bonds	1,111	-
	<u>\$ 2,742</u>	<u>\$ 1,967</u>

(29) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2020	Year ended December 31, 2019
Current tax:		
Current tax on profits for the year	\$ -	\$ -
Prior year income tax (over) underestimation	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of temporary differences	-	3,459
Impact of change in tax rate	-	-
Total deferred tax	-	3,459
Income tax expense	\$ -	\$ 3,459

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Changes in fair value of financial assets at fair value through other comprehensive income	\$ 1,173	\$ 1,946
Exchange differences on translation of foreign financial statements	(232)	(2,179)
	\$ 941	\$ 233

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2020	Year ended December 31, 2019
Tax calculated based on profit before tax and statutory tax rate	(\$ 19,663)	(\$ 56,260)
Expenses disallowed by tax regulation	206	(259)
Taxable loss not recognised as deferred tax assets	(38,698)	14,873
Change in assessment of realisation of deferred tax assets	58,155	45,105
Income tax expense	\$ -	\$ 3,459

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Company entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	For the year ended December 31, 2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Allowance for obsolescence and market value decline	\$ 4,546	\$ -	\$ -	\$ 4,546
Valuation of financial assets measured at fair value through other comprehensive income	10,914	- (1,173)	9,741
Exchange differences on translation of foreign financial statements	15,026	-	232	15,258
Unrealized foreign exchange loss	1,079	-	-	1,079
Others	1,739	-	-	1,739
Income tax expense	<u>\$ 33,304</u>	<u>\$ -</u>	<u>(\$ 941)</u>	<u>\$ 32,363</u>

	For the year ended December 31, 2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Allowance for obsolescence and market value decline	\$ 6,726	(\$ 2,180)	\$ -	\$ 4,546
Valuation of financial assets measured at fair value through other comprehensive income	12,860	- (1,946)	10,914
Exchange differences on translation of foreign financial statements	12,847	-	2,179	15,026
Unrealized foreign exchange loss	2,626	(1,547)	-	1,079
Others	1,471	268	-	1,739
Income tax expense	<u>\$ 36,530</u>	<u>(\$ 3,459)</u>	<u>\$ 233</u>	<u>\$ 33,304</u>

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2020					
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year	
2013	\$ 191,549	\$ 185,700	\$ 185,700	2023	
2017	253,720	253,720	253,720	2027	
2018	89,287	89,287	89,287	2028	
2019	210,051	210,051	210,051	2029	
2020	289,935	289,935	289,935	2030	

December 31, 2019					
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year	
2013	\$ 191,549	\$ 185,700	\$ 185,700	2023	
2017	300,712	300,712	300,712	2027	
2018	100,639	100,639	100,639	2028	
2019	224,230	224,230	224,230	2029	

E. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2020	December 31, 2019
Deductible temporary differences	\$ 770,378	\$ 963,869

F. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(30) Loss per share

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 98,315)	152,032	(\$ 0.64)
<u>Diluted loss per share(Note)</u>			
Loss attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	(\$ 98,315)	152,032	(\$ 0.64)

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 284,759)	151,155	(\$ 1.88)
<u>Diluted loss per share(Note)</u>			
Loss attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	(\$ 284,759)	151,155	(\$ 1.88)

Note: The Company's employees' options and convertible bonds were not included in the calculation of diluted loss per share due to their anti-dilutive effect.

(31) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31, 2020	Year ended December 31, 2019
Purchase of property, plant and equipment	\$ 37,385	\$ 43,980
Add: Opening balance of payable on equipment	5,098	1,004
Less: Ending balance of payable on equipment	(2,366)	(5,098)
Cash paid during the year	\$ 40,117	\$ 39,886

(32) Changes in liabilities from financing activities

	2020			
	Short-term borrowings	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 110,000	\$ -	\$ 27,335	\$ 137,335
Changes in cash flow from financing activities	(110,000)	(105,111)	(16,885)	(231,996)
Changes in other non-cash items	-	-	1,524	1,524
Interest expense on lease liabilities	-	-	260	260
At December 31	\$ -	(\$ 105,111)	\$ 12,234	(\$ 92,877)

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company has no parent company nor ultimate controlling party.

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	Subsidiaries
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	"
SYSGRATION (SAMOA) LTD.	"
SYSGRATION TECHNOLOGY (SAMOA) LTD.	"
SYSGRATION USA INC.	"
ORO TECHNOLOGY CO., LTD	Other related party
LI, YI-REN	The Company's chairman

(3) Significant related party transactions

A. Operating revenue:

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Sales of goods:		
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	\$ 1,353	\$ 456
SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	846	-
	<u>\$ 2,199</u>	<u>\$ 456</u>

Prices and collection terms for services and goods provided to subsidiaries are based on the mutual agreement since no similar transaction can be compared with.

B. Purchases:

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Purchases of goods:		
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	\$ 429,357	\$ 242,324
SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	265,447	167,121
	<u>\$ 694,804</u>	<u>\$ 409,445</u>

Prices and payment terms for purchasing from subsidiaries are based on the mutual agreement since no similar transaction can be compared with.

C. Operating costs and operating expenses:

	Year ended December 31, 2020	Year ended December 31, 2019
Subsidiaries	\$ 4,328	\$ 5,951

Expenses for product marketing and service fee are based on the mutual agreement.

D. Royalty for software (shown as ‘operating cost’)

	Year ended December 31, 2020	Year ended December 31, 2019
Other related party	\$ 10,521	\$ 2,533

Expenses for software royalties are based on the mutual agreement since no similar transaction can be compared with.

E. Accounts payable:

	December 31, 2020	December 31, 2019
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	\$ 185,111	\$ 126,875
SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	37,484	66,586
	<u>\$ 222,595</u>	<u>\$ 193,461</u>

The payables to related parties arise mainly from purchase transactions and are due 60 days after the date of purchase. The payables bear no interest.

F. Other receivables from related parties:

	December 31, 2020	December 31, 2019
Other receivables:		
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	\$ 71,838	\$ 132,390

The proceeds from the Company’s payments on behalf of subsidiaries and subsidiaries collected on behalf of the Company.

G. Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other payables:		
Subsidiaries	\$ 507	\$ 647
Other related parties	<u>2,889</u>	<u>2,079</u>
	<u>\$ 3,396</u>	<u>\$ 2,726</u>

(4) Key management compensation

Salaries and other short-term employee benefits	\$ 30,527	\$ 25,184
Post-employment benefits	999	872
Share-based payments	<u>1,794</u>	<u>879</u>
	<u>\$ 33,320</u>	<u>\$ 26,935</u>

(5) Endorsements and guarantees provided by related parties

For the years ended December 31, 2020 and 2019, the Company borrowed from financial institutions. Li, Yi-Ren is the guarantor (the Company's Chairman), aforementioned financing facilities which were provided by related parties were \$710,000 and \$595,000, respectively.

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	
Time deposit (classified as financial assets at amortised cost)	\$ 119,501	\$ 20,536	Short-term, long-term borrowings and issuance of convertible bonds
Land	18,807	18,807	
Buildings and structures	<u>168,663</u>	<u>173,720</u>	
	<u>\$ 306,971</u>	<u>\$ 213,063</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Significant events

Tsuzuki Denki Co., Ltd. filed a civil litigation with the Taiwan Taipei District Court and claimed that the quality problem of tablet computers which were purchased from the Company caused damage to Tsuzuki Denki Co., Ltd. It claimed for a return of the full price of inventories and compensation amounting to US\$5,306 thousand and JPY\$1,225 thousand, respectively. On August 6, 2018, the

Company received a notification of civil court from the Taiwan Taipei District Court, and the Company has appointed lawyers to handle the case to protect the rights of the Company and its shareholders. The Company's appointed lawyer comments are as follows: 'The counterparty complained that there were flaws in the inventory and deferred payment, but refused to return the inventory which should have been repaired by the Company, therefore, the counterparty's claim is not reasonable. In addition, it is reasonable that our side took counter-action to claim the payment for inventory and rework expenses in the total amount of US\$996 thousand, because the Company had completed the work and delivered the said inventories.' As of March 18, 2021, the case is still under trial with the Taiwan Taipei District Court. The Company has accounts receivable from Tsuzuki Denki Co., Ltd. in the amount of \$19,370 which was provisioned for impairment at full amount.

(2) Capital management

The Company's objectives when managing capital are to maintain an optimal capital structure to reduce the cost of capital in order to provide returns for shareholders. In order to maintain or adjust the capital structure, the Company may issue new shares, issue convertible bonds or sell assets to reduce debt.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total liabilities	\$ 1,022,157	\$ 505,347
Total equity	<u>1,066,612</u>	<u>1,094,560</u>
Total capital	<u>\$ 2,088,769</u>	<u>\$ 1,599,907</u>
Gearing ratio	<u>49%</u>	<u>32%</u>

(3) Financial instruments

A. Financial instruments by category

<u>Financial assets</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 2,250	\$ -
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	48,626	44,660
Financial assets at amortised cost		
Cash and cash equivalents	717,717	329,908
Financial assets at amortised cost	119,501	20,536
Notes receivable	-	198
Accounts receivable	332,262	249,429
Other receivables	3,862	3,806
Other receivables-related parties	71,838	132,390
Refundable deposits	6,044	4,139
	<u>\$ 1,302,100</u>	<u>\$ 785,066</u>

<u>Financial liabilities</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial liabilities at amortised cost		
Short-term borrowings	\$ -	\$ 110,000
Notes payable	715	1,297
Accounts payable	81,268	66,357
Accounts payable-related parties	222,595	193,461
Other accounts payable	77,179	81,857
Other accounts payable-related parties	3,396	2,726
Bonds payable (including current portion)	487,660	-
Long-term borrowings (including current portion)	105,111	-
	<u>\$ 977,924</u>	<u>\$ 455,698</u>
Lease liabilities	<u>\$ 12,234</u>	<u>\$ 27,335</u>

B. Financial risk management policies

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD and other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2020					
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 11,459	28.48	\$ 326,353	1%	\$ 3,264	\$ -
HKD:NTD	92	3.67	337	1%	3	-
<u>Non-monetary items</u>						
USD:NTD	12,340	28.48	351,440	1%	-	3,514
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 1,050	28.48	\$ 29,895	1%	\$ 299	-
(Foreign currency: functional currency)	December 31, 2019					
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 9,580	29.98	\$ 287,202	1%	\$ 2,872	\$ -
HKD:NTD	886	3.85	3,410	1%	34	-
<u>Non-monetary items</u>						
USD:NTD	12,107	29.98	362,961	1%	-	3,630
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 723	29.98	\$ 21,668	1%	\$ 217	\$ -

iv. The total exchange loss, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019, amounted to \$4,051 and \$6,229, respectively.

Price risk

i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

- ii. The Company's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$23 and \$0, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$486 and \$447, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value Interest rate risk

- i. The Company's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During 2020 and 2019, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars and US Dollars.
- ii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2020 and 2019 would have increased/decreased by \$841 and \$880, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Company manages their credit risk taking into consideration the entire company's concern. For banks and financial institutions with no recent major defaults are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- iv. The Company classifies customer's accounts receivable in accordance with credit rating of customer. The Company applies the modified approach using a provision matrix based on the loss rate methodology to estimate expected credit loss under the provision matrix

basis.

- v. The following indicators are used to determine whether the credit impairment of debt instruments have occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Company used the forecast ability to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. On December 31, 2020 and 2019, the provision matrix, loss rate methodology is as follows:

<u>At December 31, 2020</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.3%	\$ 309,097	(\$ 933)
Up to 30 days	1%	17,069	(172)
31 to 120 days	1%~5%	2,734	(36)
121 to 180 days	10%	-	-
Over 180 days	40%~100%	8,091	(3,588)
		<u>\$ 336,991</u>	<u>(\$ 4,729)</u>
<u>At December 31, 2019</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.3%	\$ 207,288	(\$ 626)
Up to 30 days	1%	33,562	(338)
31 to 120 days	1%~5%	9,640	(97)
121 to 180 days	10%	-	-
Over 180 days	40%~100%	-	-
		<u>\$ 250,490</u>	<u>(\$ 1,061)</u>

vii. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable, contract assets and lease payments receivable are as follows:

	2020	
	Accounts receivable	Notes receivable
At January 1	\$ 1,061	\$ 2
Provision for impairment	3,668	-
Reversal of impairment loss	-	(2)
At December 31	<u>\$ 4,729</u>	<u>\$ -</u>

	2019	
	Accounts receivable	Notes receivable
At January 1	\$ 663	\$ 16
Provision for impairment	398	-
Reversal of impairment loss	-	(14)
At December 31	<u>\$ 1,061</u>	<u>\$ 2</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at December 31, 2020 and 2019 the Company held money market position of \$716,953 and \$329,398, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. As at December 31, 2020 and 2019, the Company has the undrawn borrowing of \$207,497 and \$600,000, respectively.
- iv. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Notes payable	\$ 715	\$ -	\$ -	\$ -
Accounts payable (including related parties)	303,863	-	-	-
Lease liability	6,517	1,908	3,809	-
Other payables (including related parties)	80,575	-	-	-
Long-term borrowings (including current portion)	24,400	24,650	56,061	-
Bonds payable	-	-	500,000	-
December 31, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 110,000	\$ -	\$ -	\$ -
Notes payable	1,297	-	-	-
Accounts payable (including related parties)	259,818	-	-	-
Lease liability	18,956	7,217	1,162	-
Other payables (including related parties)	84,583	-	-	-

As of December 31, 2020 and 2019, the Company had no derivative financial liabilities.

(4) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in convertible bonds is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market and financial assets mandatorily measured at fair value through profit or loss are included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. The carrying amounts of the Company's financial instruments, including cash and cash

equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables which not measured at fair value are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2020 and 2019 is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss-current	\$ -	\$ 2,250	\$ -	\$ 2,250
Financial assets at fair value through other comprehensive income-non-current	18,636	-	29,990	48,626
	<u>\$ 18,636</u>	<u>\$ 2,250</u>	<u>\$ 29,990</u>	<u>\$ 50,876</u>
<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income-non-current	<u>\$ 14,670</u>	<u>\$ -</u>	<u>\$ 29,990</u>	<u>\$ 44,660</u>

(b) The methods and assumptions the Company used to measure fair value are as follows:

i. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

ii. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Company must make reasonable estimates based on its assumptions.

iii. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

E. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019:

	2020	
	Equity instrument	Debt instrument
At January 1	\$ 29,990	\$ -
Loss recognised in other comprehensive income (Note)	-	-
Acquired in the year	-	-
At December 31	<u>\$ 29,990</u>	<u>\$ -</u>

	2019	
	Equity instrument	Debt instrument
At January 1	\$ 23,651	\$ -
Loss recognised in other comprehensive income (Note)	(9,221)	-
Acquired in the year	15,560	-
At December 31	<u>\$ 29,990</u>	<u>\$ -</u>

Note: Shown as valuation adjustment for financial assets at fair value through other comprehensive income.

G. For the years ended December 31, 2020 and 2019, there was no transfer from Level 3.

H. The valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of external financial instruments entrusted by finance segment.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 29,990	Market comparable companies	No open market saleability discount	23%~45%	The higher the discount for lack of marketability, the lower the fair value
	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 29,990	Market comparable companies	No open market saleability discount	23%~45%	The higher the discount for lack of marketability, the lower the fair value

J. The Company has carefully assessed the valuation models and assumptions used to measure fair

value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2020			
		Recognised in profit or loss		Recognised in other comprehensive income	
		Favourable change	Unfavourable change	Favourable change	Unfavourable change
	Input	Change			
Financial assets					
Equity instrument	No open market saleability discount	±1%	\$ -	\$ -	\$ 300 (\$ 300)
December 31, 2019					
		Recognised in profit or loss		Recognised in other comprehensive income	
		Favourable change	Unfavourable change	Favourable change	Unfavourable change
	Input	Change			
Financial assets					
Equity instrument	No open market saleability discount	±1%	\$ -	\$ -	\$ 300 (\$ 300)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. SEGMENT INFORMATION

Not applicable.

SYSGRATION LTD.
Loans to others
For the year ended December 31, 2020

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2020	Balance at December 31, 2020	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for uncollectible accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 2)	Footnote
													Item	Value			
0	SYSGRATION LTD.	SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	Other receivables	Y	\$ 71,654	\$ 71,557	\$ 71,557	-	Having business relationship	\$ 242,324	-	\$ -	None	\$ -	\$ 242,324	\$ 426,644	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

- (1)The Company is '0'.
- (2)The subsidiaries are numbered in order starting from '1'.

Note 2: In accordance with the Company's amended "Procedures for Provision of Loans" as approved by the shareholders on April 30, 2020, the ceiling on total loans granted and to individuals of the Company's were as follows:

- (1) The ceiling on total loans granted to others is 40% of the Company's net assets.
- (2) Loans granted to a single party for business transactions: Limit on loans granted to a single party for business transactions is the total value of business transactions in 1 year or 12 months. The value of business transactions refers to the higher of purchase or sales.

SYSGRATION LTD.

Provision of endorsements and guarantees to others

For the year ended December 31, 2020

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2020 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote			
			Relationship with the endorser/ guarantor (Note 2)	Relationship with the endorser/ guarantor (Note 2)														
0	SYSGRATION LTD.	SYSGRATION LTD.	1	\$	319,983	\$	3,000	\$	123	\$	-	0.28%	\$	479,975	N	N	N	
0	SYSGRATION LTD.	SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	2		319,983		43,790		43,770		-	-	4.10%		479,975	Y	N	Y

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1)Having business relationship.

(2)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/ guaranteed subsidiary.

(3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract

(6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) The performance guarantees for the sale of pre-sales contracts under the Consumer Protection Law are jointly guaranteed.

Note 3: In accordance with the Company's amended "Procedures for Provision of Loans" as approved by the shareholders' meeting on June 14, 2019, the limit on endorsements/guarantees provided for subsidiaries whose 50% of the shares are directly and indirectly held is 30% of the Company's net assets and the ceiling on total amount of endorsements/guarantees provided is 45% of the Company's net assets based on the Company's latest financial statements.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

SYSGRATION LTD.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2020

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2020				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership	Fair value	
SYSGRATION LTD.	SINTRONIC TECHNOLOGY INC.	None	Financial assets at fair value through other comprehensive income - non-current	53,399	\$ 238	0%	\$ 238	
SYSGRATION LTD.	COREMATE TECHNICAL CO., LTD.	None	Financial assets at fair value through other comprehensive income - non-current	265,200	-	3%	-	
SYSGRATION LTD.	ARCHERS INC.	None	Financial assets at fair value through other comprehensive income - non-current	1,000,000	-	3%	-	
SYSGRATION LTD.	NEXTRONICS ENGINEERING CORP.	None	Financial assets at fair value through other comprehensive income - non-current	447,100	18,398	1%	18,398	
SYSGRATION LTD.	ORO TECHNOLOGY CO., LTD.	The company was an institutional shareholder of ORO TECHNOLOGY CO., LTD.	Financial assets at fair value through other comprehensive income - non-current	526,000	18,917	19%	18,917	
SYSGRATION LTD.	GOMORE INC.	None	Financial assets at fair value through other comprehensive income - non-current	25,216,865	11,073	5%	11,073	
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	Capital-guaranteed income-based wealth management products	None	Financial assets at fair value through profit or loss - current	-	43,770	-	43,770	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

SYSGRATION LTD.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2020

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
SYSGRATION LTD.	SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	Subsidiary	Purchases	\$ 429,357	44%	60 days	Note	Note	(\$ 185,111)	61%	
SYSGRATION LTD.	SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	Subsidiary	Purchases	265,447	27%	60 days	Note	Note	(37,484)	12%	

Note: Based on the mutual agreement since no similar transaction can be compared with.

SYSGRATION LTD.

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

December 31, 2020

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	SYSGRATION LTD.	Subsidiary	\$ 185,111	2.75	\$ -	-	\$ -	\$ -

SYSGRATION LTD.

Significant inter-company transactions during the reporting periods

For the year ended December 31, 2020

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount	
1	SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	SYSGRATION LTD.	2	Accounts receivable	\$ 185,111	Note 6 8%
1	SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	SYSGRATION LTD.	2	Sales of goods	429,357	Note 6 32%
2	SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	SYSGRATION LTD.	2	Sales of goods	265,447	Note 6 20%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Transaction amount that did not reach NT\$100 million or 20% of paid-in capital or more will not be disclosed. Additionally, the counter related parties' of the transaction will also not be disclosed.

Note 4: Ratios of asset/liability are divided by consolidated total assets, and ratios of profit/loss accounts are divided by consolidated sales revenue.

Note 5: For details of the loans granted and endorsement and guarantees between the Company and subsidiaries, please refer to tables 1 and 2.

Note 6: There are no comparable transaction to non-related parties. The conditions of transactions are agreed upon by both parties.

SYSGRATION LTD.
Information on investees
For the year ended December 31, 2020

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Note 1, 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020 (Note 2(2))	Investment income(loss) recognised by the Company for the year ended December 31, 2020 (Note 2(3))	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership	Book value			
SYSGRATION LTD.	SYSGRATION TECHNOLOGY (SAMOA) LTD.	SAMOA	Investment holding of overseas companies	\$ 671,762	\$ 671,762	21,800,000	100%	\$ 183,154	(\$ 16,643)	(\$ 16,643)	
SYSGRATION LTD.	SYSGRATION (SAMOA) LTD.	SAMOA	Investment holding of overseas companies	505,131	505,131	15,938,000	100%	164,485	23,293	23,293	
SYSGRATION LTD.	SYSGRATION USA INC.	U.S.A.	Sale of electronic products	10,062	10,062	300,000	100%	3,801	225	225	
SYSGRATION LTD.	LEADMAN ELECTRONICS USA, INC.	U.S.A.	Manufacturing and sale of electronic products	-	174,252	-	-	-	(3,608)	(1,840)	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2020' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2)The 'Net profit (loss) of the investee for the year ended December 31, 2020' column should fill in amount of net profit (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognised by the Company for the year ended December 31, 2020' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

SYSGRATION LTD.
Information on investments in Mainland China
For the year ended December 31, 2020

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 5)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020 (Note 5)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020 (Note5)		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 (Note 5)	Net income of investee as of December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	Manufacturing of battery module	\$ 615,168	2	\$ 615,168	-	-	\$ 615,168	(\$ 16,602)	100%	(\$ 16,602)	\$ 182,598	-	Note 6
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	Manufacturing of tire pressure monitoring system	105,376	2	105,376	-	-	105,376	19,226	100%	19,226	102,918	-	Note 7

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 (Notes 3 and 5)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 5)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)	Footnote
SYSGRATION LTD.	\$ 99,398	\$ 136,308	\$ 639,967	

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2020' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The financial statements that are audited and attested by R.O.C. parent company's CPA.
 - C. Others.

Note 3: The Company reinvested in 'SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.' through 'SYSGRATION TECHNOLOGY (SAMOA) LTD.' which was invested by the Company under the approval of Jing-Shen-II-Zi No.10100477000, No.10200372350, No.10300319430, No.1040023080, No.10500055360 and No.10500105990. Additionally, the Company reinvested in 'SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.' through 'SYSGRATION (SAMOA) LTD.' which was invested by the Company under the approval of Jing-Shen-II-Zi No.10400006240, No.10400023090, No.10400163350, No.10400251280 and No.10500072680.

Note 4: The ceiling is NT\$80 million and 60% of the net assets or consolidated net assets, whichever is higher.

Note 5: It was translated to NTD at the exchange rate on December 31, 2020.

Note 6: Through SYSGRATION TECHNOLOGY (SAMOA) LTD..

Note 7: Through SYSGRATION (SAMOA) LTD..

SYSGRATION LTD.

Significant transactions , either directly or indirectly through a third area, with investee companies in the Mainland Area

For the year ended December 31, 2020

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Other accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at December 31, 2020	%	Balance at December 31, 2020	%	Balance at December 31, 2020	Purpose	Maximum balance during the year ended December 31, 2020	Balance at December 31, 2020	Interest rate	Interest for the year ended December 31, 2020	Others
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	(\$ 429,357)	44%	\$ -	-	(\$ 185,111)	61%	\$ 71,838	95%	\$ -	-	\$ 71,654	\$ 71,557	-	\$ -	-
SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	(265,447)	27%	-	-	(37,484)	12%	-	-	Note	Note	-	-	-	-	-

Note: Please refer to table 2.

SYSGRATION LTD.
Major shareholders information
December 31, 2020

Table 10

Name of major shareholders	Shares	
	Number of shares held	Ownership
Li, Yi-Ren	12,661,210	8.21%
Nomura International PLC	8,466,000	5.49%

SYSGRATION LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Form 1

Item	Description	Amount
Cash on hand		\$ 764
Bank deposits		
Demand deposits		181,836
Checking accounts deposits		56
Time deposits		355,000
Foreign currency demand deposits	USD 6,280,658 with exchange rate at 28.48	178,873
Foreign currency demand deposits	Other sporadic foreign currency	1,188
		<u>\$ 717,717</u>

SYSGRATION LTD.
STATEMENT OF ACCOUNT RECEIVABLES
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Form 2

Client name	Amount	Note
Client A	\$ 125,031	
Client B	73,576	
Client C	33,710	
Client D	27,949	
Client E	25,134	
Client F	17,211	
Others	34,380	Balance of each client has not exceeded 5% of total account balance
	<u>336,991</u>	
Less: Allowance for doubtful accounts (4,729)	
	<u>\$ 332,262</u>	

Note: Because the Company promised the customers that the name of customers can not be disclosed, the customers' name above was substituted by code number.

SYSGRATION LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Form 3

Item	Description	Amount		Note
		Cost	Market price	
Raw materials		\$ 47,476	\$ 46,021	Use the net realisable value as market price
Work in progress		12,608	12,608	
Finished goods		<u>35,732</u>	<u>41,460</u>	
		95,816	<u>\$ 100,089</u>	
Less: Allowance for valuation loss		(<u>19,773</u>)		
		<u>\$ 76,043</u>		

SYSGRATION LTD.
STATEMENT OF RIGHT-OF-USE ASSETS
DECEMBER 31, 2020
 (Expressed in thousands of New Taiwan dollars)

Form 4

Item	Beginning balance	Increase	Decrease	Ending balance	Note
<u>Cost</u>					
Buildings	\$ 37,217	\$ 4,417	(\$ 25,206)	\$ 16,428	
Transportation equipment	4,851	6,109	-	10,960	
<u>Accumulated depreciation</u>					
Buildings	(13,658)	(14,918)	16,204	(12,372)	
Transportation equipment	(1,238)	(1,615)	-	(2,853)	
	<u>\$ 27,172</u>	<u>(\$ 6,007)</u>	<u>(\$ 9,002)</u>	<u>\$ 12,163</u>	

SYSGRATION LTD.
STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Form 5

<u>Item</u>	<u>Description</u>	<u>Lease term</u>	<u>Discount rate</u>	<u>Amount</u>	<u>Note</u>
Buildings	Leased office, etc.	within a year	1.50%	\$ 4,078	
Transportation equipment	Rental cars	within a year	"	2,439	
"	"	1~2 years	"	1,908	
"	"	2~5 years	"	3,809	
				<u>12,234</u>	
Less: Lease liabilities - current				(<u>6,517</u>)	
				<u>\$ 5,717</u>	

SYSGRATION LTD.
STATEMENT OF CHANGES IN FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME –
NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Form 6

Name	Beginning balance		Increase		Decrease		Ending balance		Collateral or pledge	Note
	Shares	Fair value	Shares	Amount	Shares	Amount	Shares	Fair value		
Listed stocks:										
SINTRONIC TECHNOLOGY INC.	53,399	\$ 206	-	\$ 32	-	\$ -	53,399	\$ 238	None	
NEXTRONICS ENGINEERING CORP.	447,100	14,464	-	3,934	-	-	447,100	18,398	"	
		<u>14,670</u>		<u>3,966</u>		<u>-</u>		<u>18,636</u>		
Unlisted shares:										
COREMATE TECHNICAL CO., LTD.	265,200	-	-	-	-	-	265,200	-	None	
ARCHERS INC.	1,000,000	-	-	-	-	-	1,000,000	-	"	
GROUPS TECH CO., LTD.	190,000	-	-	-	(190,000)	-	-	-	"	
ORO TECHNOLOGY CO., LTD.	526,000	18,917	-	-	-	-	526,000	18,917	"	
GOMORE INC.	25,216,865	11,073	-	-	-	-	25,216,865	11,073	"	
		<u>29,990</u>		<u>-</u>		<u>-</u>		<u>29,990</u>		
		<u>\$ 44,660</u>		<u>\$ 3,966</u>		<u>\$ -</u>		<u>\$ 48,626</u>		

SYSGRATION LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Form 7

Name	Beginning balance		Increase		Decrease		Ending balance			Market value or net equity		Valuation bases	Collateral or pledge
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Ownership	Amount	Unit price	Total price		
SYSGRATION TECHNOLOGY (SAMOA) LTD.	21,800,000	\$ 200,078	-	\$ - (Note 1)	-	(\$ 16,924) (Note 1)	21,800,000	100.00%	\$ 183,154	-	\$ 183,154	Equity method	None
SYSGRATION USA INC.	300,000	3,774	-	27 (Note 1)	-	- (Note 1)	300,000	100.00%	3,801	-	3,801	Equity method	None
SYSGRATION (SAMOA) LTD.	15,938,000	141,872	-	22,613 (Note 1)	-	- (Note 1)	15,938,000	100.00%	164,485	-	164,485	Equity method	None
LEADMAN ELECTRONICS USA, INC.	1,314,181	<u>17,237</u>	-	<u>-</u> (Note 1)	-	<u>(17,237)</u> (Note 1)	-	-	<u>-</u>	-	<u>-</u>	Equity method	None
		<u>\$ 362,961</u>		<u>\$ 22,640</u>		<u>(\$ 34,161)</u>			<u>\$ 351,440</u>		<u>\$ 351,440</u>		

Note: Exchange differences on translation, subsidiaries, associates and joint ventures (loss) profit accounted for using equity method for the year ended December 31, 2020.

SYSGRATION LTD.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Form 8

Creditor	Description	Amount	Contract period	Interest rate	Collateral or pledge	Note
First Commercial Bank, Ltd.	Five-year long-term loans	\$ 59,000	2020.12.1-2025.11.15	1.00%	Time deposits of NTD 6,000 were pledged as collaterals (maturity date was 2021.11.24).	
Chang Hwa Commercial Bank, Ltd.	Five-year long-term loans	30,000	2020.12.1-2025.11.15	0.91%	Time deposits of NTD 9,000 were pledged as collaterals (maturity date was 2021.11.26).	
The Shanghai Commercial & Savings Bank, Ltd.	Three-year long-term loans	16,111	2020.5.20-2023.5.20	1.145%	Time deposits of NTD 4,000 were pledged as collaterals (maturity date was 2023.5.18).	
Less: Current portion		(24,400)				
		<u>\$ 80,711</u>				

SYSGRATION LTD.
STATEMENT OF BONDS PAYABLE
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Form 9

Bonds name	Trustee	Issuance date	Interest payment date	Coupon rate	Amount		Ending balance	Unamortized premiums (discounts)	Carrying amount	Repayment term	Collateral	Note
					Total issuance amount	Repayment paid						
Fourth domestic secured convertible bonds	The Shanghai Commercial & Savings Bank, Ltd.	2020.10.20 ~ 2023.10.20	Note 1	0%	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$500,000</u>	<u>(\$ 12,340)</u>	<u>\$487,660</u>	Note 1	Note 2	
					<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$500,000</u>	<u>(\$ 12,340)</u>	<u>\$487,660</u>			

Note 1: Please refer to Note 6(14) for details of interest payments and repayment terms.

Note 2: Please refer to Note 8 for details of collaterals.

SYSGRATION LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Form 10

<u>Item</u>	<u>Quantities</u>	<u>Amount</u>
Automobile electronics products	3,063,127 pieces	\$ 748,999
Power management products	140,227 pieces	545,722
Others	18,450 pieces	4,104
Total		1,298,825
Less: Sales return and allowance		(215)
Operating revenue-net		\$ 1,298,610

SYSGRATION LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Form 11

Item	Amount	Note
Beginning raw materials	\$ 38,746	
Add: Raw materials purchased	276,659	
Less: Ending raw materials	(47,476)	
Transferred to manufacturing or operating expenses	1,128	
Cost of materials sold	(2,129)	
Raw materials used	266,928	
Direct labor	42,914	
Manufacturing overhead	103,768	
Manufacturing cost	413,610	
Add: Beginning work in progress	13,496	
Less: Ending work in progress	(12,608)	
Cost of finished goods	414,498	
Add: Beginning finished goods	26,954	
Goods purchased	694,883	
Less: Ending finished goods	(35,732)	
Transferred to manufacturing or operating expenses	(5,436)	
Subtotal	1,095,167	
Cost of materials sold	2,129	
Other operating costs	5,214	
Cost of goods sold	1,102,510	
Gain on reversal of decline in market value	(2,957)	
Operating costs	<u>\$ 1,099,553</u>	

SYSGRATION LTD.
STATEMENT OF MANUFACTURING OVERHEAD
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Form 12

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Indirect labor	\$ 41,118	
Depreciation expenses	22,081	
Utilities expenses	5,463	
Others	35,106	None of the balances of remaining items is greater than 5% of this account balance.
	<u>\$ 103,768</u>	

SYSGRATION LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Form 13

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries	\$ 32,307	
Professional service fees	2,904	
Depreciation expenses	3,520	
Insurance expenses	3,020	
Others	<u>11,977</u>	None of the balances of remaining items is greater than 5% of this account balance.
	<u>\$ 53,728</u>	

SYSGRATION LTD.
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Form 14

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries	\$ 72,044	
Professional service fees	7,879	
Depreciation expenses	9,475	
Amortization expenses	5,455	
Insurance expenses	5,261	
Others	15,489	None of the balances of remaining items is greater than 5% of this account balance.
	<u>\$ 115,603</u>	

SYSGRATION LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Form 15

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries	\$ 88,886	
Depreciation expenses	8,500	
Sample fees	6,937	
Insurance expenses	6,526	
Others	24,750	None of the balances of remaining items is greater than 5% of this account balance.
	<u>\$ 135,599</u>	

SYSGRATION LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTISATION EXPENSES BY
FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Form 16

Function Nature	Year ended December 31, 2020			Year ended December 31, 2019		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense						
Wages and salaries	\$ 73,818	\$ 183,902	\$ 257,720	\$ 62,587	\$ 148,826	\$ 211,413
Labour and health insurance fees	9,659	13,099	22,758	6,791	11,865	18,656
Pension costs	3,217	9,155	12,372	2,928	7,611	10,539
Directors' remuneration	-	1,560	1,560	-	635	635
Other personnel expenses	5,672	4,017	9,689	5,131	5,325	10,456
Total	\$ 92,366	\$ 211,733	\$ 304,099	\$ 77,437	\$ 174,262	\$ 251,699
Depreciation expense	\$ 22,081	\$ 21,495	\$ 43,576	\$ 18,529	\$ 19,329	\$ 37,858
Amortisation expense	\$ 1,535	\$ 6,394	\$ 7,929	\$ 560	\$ 5,927	\$ 6,487

- Note:
- 1.As at December 31, 2020 and 2019, the Company had 317 and 350 employees, respectively, including 4 non-employee directors for both years.
 - 2.A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information :
 - (1) Average employee benefit expense in current year was \$967.
Average employee benefit expense in previous year was \$726.
 - (2) Average employee wages and salaries in current year was \$823.
Average employee wages and salaries in previous year was \$611.
 - (3) Adjustments of average employee wages and salaries was +34.70%.

SYSGRATION LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTISATION EXPENSES BY
FUNCTION (Cont.)
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Form 16

(4) Salary and remuneration policies of the Company

I. Directors' remuneration

When directors acted their responsibilities on behalf of the Company, the Board of Directors was authorised to determine the remuneration with reference to the standard of domestic and foreign industry. If the Company has profit in the annual settlement, the Company's Articles of Incorporation Article 20 will be performed.

II. Managers' remuneration

Managers' remuneration of the Company including salary, bonus and employees' compensation, the remuneration payment policy was based on his or her education background, experience and responsibility of his or her position in the Company, according to the Company's operating strategy, profit, performance and position contribution and other factors, taking into consideration the standard of salary market, suggested by the Remuneration Committee and was executed after being approved by the Board of Directors.

III. Employees' remuneration

- i. Primarily includes monthly salary (monthly salary including basic salary, meal allowances, duty allowance and other special allowance), business bonus, operating performance bonus and year-end bonus.
- ii. Execution based on the Company's Articles of Incorporation Article 20. The profit of the current year shall be distributed by no lower than 10% and no higher than 15% as employees' compensation and distributed no higher than 3% as directors' remuneration. If the Company has an accumulated deficit, earnings should be reserved to cover losses. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned employees' compensation in stock or cash.
- iii. Year-end bonus: year-end bonus was distributed based on the operation of the Company and was referred to employees' performance review score as basis of year-end bonus.

SYSGRATION LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTISATION EXPENSES BY
FUNCTION (Cont.)
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Form 16

- iv. Annual salary adjustment: the salary adjustment was based on the Company's operation, and was referred to the salary market, price index, salary adjustment in the industry and law of government, and then set the salary adjustment range based on individual performance score.
- v. Employee stock options
Distribution standard: Limited to all formal employees in the Company and domestic and foreign subsidiaries. Employees who can actually recognise shares and the number they can be granted were referred to the seniority, job grade, performance, contribution or special merit. This will be recognised after the approval of chairman and the resolution adopted by a majority vote at a meeting of Board of Directors attended by more than two-thirds of the total number of directors. However, for managers, shall be approved by the Remuneration Committee first.
Expenses recognition: Executed based on the IFRS 2, 'Share-based Payment', and periodically commissioned actuarial firms to do appraisal report, calculate the fair value of employee stock options issued by company and the labor cost shall be recognised based on 'issuance and purchase of employee stock options method', plan of employee stock options, change of employee stock options and related assumptions.