

Stock Code: 5309



# 2020 Annual Report

*Notice to readers*

*This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

Data query website related to this annual report  
(MOPS) Market Observation Post System website: [mops.twse.com.tw](http://mops.twse.com.tw)  
Company website: [www.sysgration.com](http://www.sysgration.com)

**Published on April 10, 2021**

## **I. Spokesperson and Deputy Spokesperson**

- (1) Name of Spokesperson: Tsai, Hsiu-Mei
- (2) Title: Chief Financial Officer
- (3) Name of Deputy Spokesperson: Dai, Yi-Ying
- (4) Title: Secretary of the Board of Directors
- (5) Tel. (02)2790-0088
- (6) E-mail: [sys5309@sysgration.com](mailto:sys5309@sysgration.com)

## **II. Headquarters and Plant**

- (1) Headquarters Address: 6F., No. 1, Sec. 1, Tiding Blvd., Neihu Dist., Taipei City  
Tel. (02)2790-0088
- (2) Nangang Plant Address: No. 26, Gongye N. Rd. (Nangang Industrial Park),  
Nantou City, Nantou County  
Tel. (049)226-3627

## **III. Share Transfer Agent**

- (1) Name: Grand Fortune Securities Co., Ltd.
- (2) Address: 6F., No. 6, Sec. 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City
- (3) Website: [www.gfortune.com.tw](http://www.gfortune.com.tw)
- (4) Tel. (02)2371-1658

## **IV. Auditor**

- (1) Name of Auditor: Chiu, Chao-Hsien, Hsu, Ming-Chuan
- (2) Name of Accounting Firm: PricewaterhouseCoopers Taiwan
- (3) Address: 27F., No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City
- (4) Website: [www.pwc.com.tw](http://www.pwc.com.tw)
- (5) Tel. (02)2729-6666

## **V. Overseas Securities Exchanges**

The Company does not issue foreign securities.

## **VI. Corporate Website: [www.sysgration.com](http://www.sysgration.com)**

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# I. Letter to Shareholders

Dear Shareholders,

The Company's operating results in 2020 and operating outlook in 2021 are reported as follows:

## 1 2020 Annual Operating Result Report

### 1.1 Operating situation

The Company's annual parent company only operating revenue in 2020 was NT\$1,298,610 thousand, with an increase of 62.33% compared to the individual operating revenue of NT\$799,997 thousand in 2019; the individual net loss after tax in 2020 was NT\$98,315 thousand, a decrease of NT\$186,444 thousand compared to NT\$284,759 thousand in 2019; the individual basic loss per share after tax in 2020 was NT\$0.64.

The Company's annual consolidated operating revenue in 2020 was NT\$1,326,691 thousand, with an increase of 27.29% compared to the consolidated operating revenue of NT\$1,042,284 thousand in 2019; the consolidated net loss after tax attributable to the parent company was NT\$98,315 thousand, a decrease of NT\$186,444 thousand compared to the consolidated net loss after tax of NT\$284,759 thousand in 2019; the consolidated after-tax basic loss per share in 2020 was NT\$0.64.

### 1.2 Financial revenue & expenditure and profitability analysis: (Individual and Consolidated Financial Statement of the Company)

#### Parent Company Only Financial Statement

Unit: NT\$1,000

Item	Year		2020	2019	Growth rate (%)
Financial revenue and expenditure	Operating revenue		1,298,610	799,997	62.33
	Operating margin		199,057	58,391	240.90
	Net profit (loss) after tax		(98,315)	(284,759)	65.47
Profitability analysis	Return on assets (%)		(5.27)	(16.61)	68.27
	Return on shareholder's equity (%)		(9.10)	(22.90)	60.27
	Ratio to paid-up capital (%)	Net operating profit (loss)	(7.11)	(13.81)	48.53

		Net profit (loss) before tax	(6.38)	(18.61)	65.71
	Net profit (loss) ratio (%)		(7.57)	(35.60)	78.73
	Net profit (loss) per share (NT\$)		(0.64)	(1.88)	65.96

Consolidated Financial Statement

Unit: NT\$1,000

Item		Year	2020	2019	Growth rate (%)	
Financial revenue and expenditure	Operating revenue		1,326,691	1,042,284	27.29	
	Operating margin		262,699	94,368	178.38	
	Net profit (loss) after tax – attributable to parent company		(98,315)	(284,759)	65.47	
Profitability analysis	Return on assets (%)		(4.91)	(15.50)	68.32	
	Return on shareholder's equity (%)		(9.10)	(22.90)	60.27	
	Ratio to paid-up capital (%)	Net operating profit (loss)		(6.61)	(23.59)	71.98
		Net profit (loss) before tax		(6.50)	(23.44)	72.29
	Net profit (loss) ratio (%)		(7.41)	(27.32)	72.88	
	Net profit (loss) per share (NT\$)		(0.64)	(1.88)	65.96	

1.3 Research and development

R&D Product	Summary description (product specification or function)
The multi-frequency universal wireless tire pressure monitoring system	TPMS to be compatible with more than 99% of vehicles of the United States, Europe, and Japan 315~433MHz original factories by single design, for customers to greatly reduce their inventory and financial pressure.

BLE wireless tire pressure monitoring system	Intelligent TPMS for fleet management applications such as OE front-mounted and new-energy electric vehicles, motorcycles, pickup trucks, heavy trucks, and buses.
Camping RV intelligent electronic control system	Industrial IoT technology is used to integrate the traditional distributed electromechanical control system of the camping RV into a wireless digital central control system. It can also remotely monitor the status of camping RVs and control the surrounding electrical appliances through the 3G/4G cloud system.
DATA center power management system	Cloud server power management-related system.
Energy storage product	Development and integration of battery packs for electric logistics vehicles and related industrial energy storage equipment.

## 2 Summary of 2021 Annual Operation plan

In recent years, Sysgration Ltd. has been committed to the development of a tire pressure monitoring system (TPMS) as a vehicle safety component. In addition to actively expanding the US and Europe RF replacement market, Sysgration Ltd. globally initiated the Bluetooth BLE TPMS with multinational patents, successfully breaking into the OE market, and gradually mass-produced and shipped to internationally well-known vehicle manufacturers. In 2021, the Company will continue to expand its RF replacement market in the US and Europe, as well as continuously expand BLE TPMS applications in the US and Europe OE market, including such fleet management applications as new-energy electric vehicles, motorcycles, pickup trucks, heavy trucks, and buses. Since the Mainland Chinese government has required tire pressure detectors as a standard product for general passenger cars, and the US is also planning to install tire pressure detectors on trucks and large vehicles in the foreseeable future, the TPMS market has considerable room for development. Therefore, Sysgration Ltd. is also actively developing relevant agency partners in the United States, Europe, Japan, and Mainland China and promoting the market to major automakers and other fleet management applications around the world.

Furthermore, Sysgration Ltd. has combined industrial IoT technology and experience

and applied it to automotive electronics, leading to the successful development of a recreational vehicle (RV) control system. Its technical components include industrial computers, in-car electronic control systems, smart home appliances control, mobile APPs, and cloud services. This system enables users to control all the appliances and equipment in the RV through the cloud and central control tablet. Looking forward to 2021, in addition to actively cooperating with US camping vehicle manufacturers to expand the market share, Sysgration Ltd. will also expand this industrial computer and intelligent IoT technology to other industries, such as marine electronic control systems, sports and fitness equipment, agribusiness fleet management, and virtual reality/augmented reality (VR/AR) equipment.

With regard to energy products, the Company's cumulative advantage in the power management and industrial energy storage technology will be expanded to widely promote the centralized power supply system (PSS) and battery backup system (BBS) to Data Center customers, while extending the electric vehicle's lithium battery pack experience to such industrial applications as semiconductor plant uninterrupted power systems, community energy storage systems, and power plant energy storage & voltage stabilizing systems.

### 3 Future R&D direction of the Company:

- (I) Enhance the product function of multi-frequency single-machine universal tire pressure monitoring system.
- (II) Expand the application of the world's initiative low-power Bluetooth BLE tire pressure detector in new-energy electric vehicles, motorcycles, heavy trucks, and buses.
- (III) Extend the camping vehicle control IoT system to navigation, virtual reality (VR/AR), and other intelligent industrial applications.
- (IV) Enhance such lithium energy storage technology as the battery management system (BMS) and energy management system (EMS), and expand their applications in data centers, semiconductor factories, residential areas, power plants, and other industries.

The company will continue to actively cultivate and solicit R&D talents, be committed to product and quality system conformity with the requirements of international laws and regulations and international certifications, and follow the current laws and regulations related to the operating process of Taiwan and foreign investment countries, in



the hope of responding to market condition changes and fully grasping changes in relevant laws and regulations in the face of the external competitive environment to prepare and implement appropriate measures. The management team is also aware of any changes in policies and regulations that may affect the Company's financial and business operations. In the face of rapid changes and challenges in both the domestic and foreign environments, the Company will pay more attention to the development and sales of new products and the acquisition of patent rights in order to contribute the maximum interest to shareholders. In this regard, we hope that shareholders can give us even more support and encouragement. All the staff must also work harder to respond to the Company and adhere to the business philosophy of integrity and earnestness, so that the Company can still grow in the changing environment. The management team will also handle variables with the most responsible attitude and the most active and prudent thinking, as in the past, to improve the performance and profit of the Company.

Finally, we would once more like to thank all the shareholders for their support, trust, and encouragement.

Chairman: Li, Yi-Ren

President: Hsieh, Tung-Fu

CFO: Tsai, Hsiu-Mei

## II. Company Profile

### 1 Date of Incorporation

The Company was established on October 14, 1977.

### 2 Company Milestones

- (1) Company mergers and acquisitions: None.
- (2) Reinvestment to affiliated enterprises: None.
- (3) Restructuring: None.
- (4) Mass transfer or replacement of shares belonging to directors, supervisors, or major shareholders holding more than 10% of the shares: None.
- (5) Change of management rights, a major change in operation mode or business content, and other important matters affecting the shareholders' equity and their impact on the Company: None.

#### (6) Other Information:

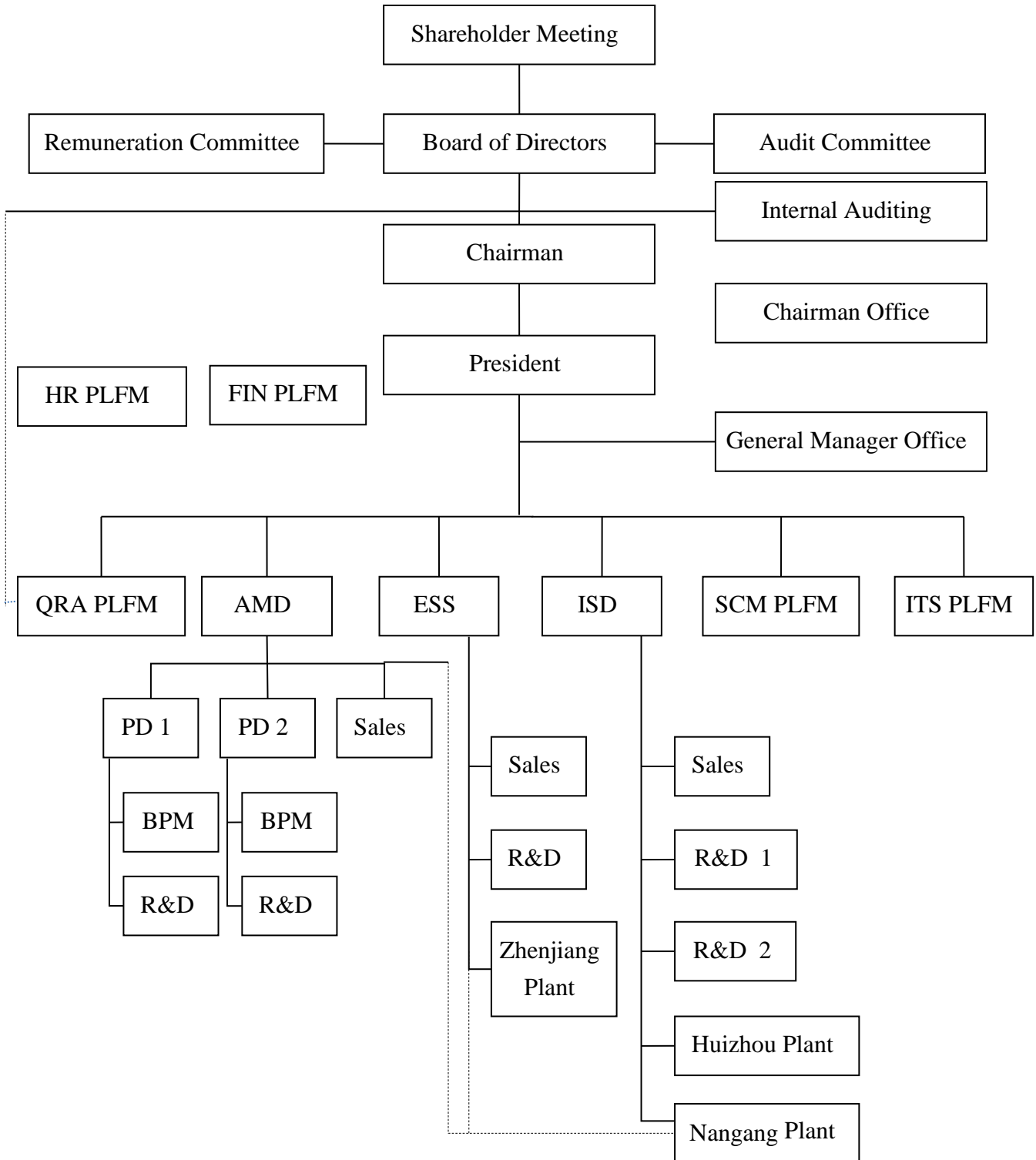
October	1977	-	The Company "Sysgration Ltd." was incorporated
December	1988	-	The Xindian Plant No. 2 workshop was purchased.
December	1989	-	The industrial land located in Neihu and Nangang was purchased. The Neihu industrial land covers an area of 160 ping, and the Nangang industrial land covers an area of 6,000 ping which is earmarked for future business use.
December	1991	-	Building of the workshop on the Nangang Industrial Land commenced.
April	1993	-	Nangang Plant No. 1 was completed.
November	1994	-	Nangang Plant No. 2 was completed.
March	1996	-	The Company's stocks were listed on TPEX on March 18, 1996.
July	1997	-	The subsidiary Sysgration (Cayman) Ltd. was incorporated.
October	1997	-	Nangang Plant No. 3 was completed.
December	1997	-	Sysgration Technology (Shenzhen) Co., Ltd. was incorporated.
July	1998	-	The subsidiary Sysgration (B.V.I.) Ltd. was incorporated.
September	1998	-	The subsidiary Sysgration (SAMOA) Ltd. was incorporated.
September	1999	-	Sysgration (USA) Inc. was closed for business.
February	2003	-	The subsidiary Sysgration USA Inc. was incorporated.
December	2005	-	Merged with Origitech Co., Ltd., The Company was the surviving company, and Origitech was the dissolved company.

April	2007	-	Sysgration (B.V.I.) Ltd. was closed for business.
September	2012	-	To facilitate company operation and management, purchased from other shareholders the remaining 8.7% shareholding of Sysgration Technology (Shenzhen) Co., Ltd. through Sysgration (Cayman) Ltd. to reach 100% shareholding held.
October	2012	-	The Board of Directors decided to set up subsidiaries, Sysgration Technology (Samoa) Ltd., and Sysgration Technology (Zhenjiang) Co., Ltd. in Zhenjiang City, Jiangsu Province, China.
December	2013	-	Acquired 28.93% shareholdings of Etasis Electronics Corp.
May	2014	-	Acquired 98% shareholding of the subsidiary, Ancher Technology Co., Ltd.
May	2014	-	Merged with Ancher Technology Co., Ltd. The Company was the surviving company, and Ancher Technology was the dissolved company
May	2014	-	Sysgration Technology (Huizhou) Co., Ltd. was incorporated.
March	2015	-	Invested in Etasis (Dongguan) Co., Ltd.
August	2015	-	Invested in Leadman Electronics USA, Inc.
November	2017	-	Merged with Etasis Co., Ltd.
August	2018	-	The paid-up capital, after the capital reduction to make up for losses, was NT\$1,511,547,090.
January	2020	-	Disposed all shareholdings of the key subsidiary, Leadman Electronics USA, Inc.
August	2020	-	Employee stock option conversion was exercised, with capital increased to NT\$1,512,597,090.
October	2020	-	Issued the fourth domestic secured convertible corporate bond of NT\$ 500 million.
November	2020	-	Employee stock option conversion was exercised, with the capital increased to NT\$1,524,847,090.
January	2021	-	Employee stock option conversion was exercised, with the capital increased to NT\$1,540,805,090.

# III. Corporate Governance Report

## 1 Organization

### 1.1 Organizational chart



## 1.2 Major corporate functions

Department	Responsibilities
Internal Auditing	To audit or spot check compliance of the Company's operation, management, and operation treatment to ensure internal control management compliance.
Chairman Office	To perform duties under the orders of the Chairman.
General Manager Office	To perform duties under the orders of the General Manager.
HR PLFM	Human resource management and organization development, provision for employee welfare, and building harmonious labor relations.
FIN PLFM	Financial analysis, accounting, statement preparation, variation analysis, capital scheduling and planning of the Company's tax, financial affairs, and investments, and monitoring the operations of the branches and subsidiaries.
SCM PLFM	Responsible for the supply chain planning and coordination to improve the Company's competitive advantage.
QRA PLFM	Responsible for the promotion, implementation, and review of quality policies to ensure the quality and reliability of products.
ITS PLFM	To construct the whole Company's safe high-speed information network system, towards the goal of the whole Company's operation automation.
AMD	Responsible for the development and marketing of the intelligent electronic control system of camping vehicles and actively cooperating with other camping vehicle manufacturers in the USA to expand market share.
ESS	Responsible for the development and marketing of power supply products and battery packs and the provision of Total Solution.
ISD	To lead ISD team, operate TPMS business, expand the market share, and create the highest profit for the Company.
Nangang Plant	Responsible for the production, incoming inspection, process inspection, process improvement, and production technology upgrade of electronic, power supply, and tire pressure monitoring system products.
Huizhou Plant	Responsible for tire pressure monitoring system production, incoming inspection, process inspection, process improvement, and production technology upgrading.
Zhenjiang Plant	Responsible for the power management system's battery module production, incoming material inspection, process inspection, process improvement, and upgrade of production technology.

## 2 Directors, Supervisors, and Management Teams

### 2.1 Directors and Supervisors

#### Information of Directors and Supervisors (1)

Unit: share, % March 31, 2021

Title (Note 1)	Nationality/ Country of Origin	Name	Gender	Date Elected	Term of Office	Date of First Elected (Note 2)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience and Education (Note 3)	Other Position	Executives, Directors, or Supervisors who are spouses or within two degrees of kinship			Remark (Note 4)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Taiwan	Li, Yi-Ren	Male	20200430	3 years	20030610	12,661,210	8.38	12,961,210	8.39	2,782,097	1.80	6,804,673	4.40	MBA, JFK. Univ. Chairman, Hipro Elec. Co. Vice Chairman & General Manager, Chicony Elec. Co. Chairman, Winmate Inc..	Chairman, Sysgration (Zhenjiang) Director, Sysgration (Huizhou)	Director	Li, Cheng-Han	Father and son	None
Director	Taiwan	Hsieh, Tung-Fu	Male	20200430	3 years	20130930	459,892	0.30	661,892	0.43	0	0.00	0	0.00	Ph.D., Electric Machine of National Chiao Tung Univ. V.P., Altek Corp. V.P., Lite-On Technology Corp.	President, Sysgration Ltd. Supervisor, Sysgration (Zhenjiang) Chairman, Sysgration (Huizhou)	None	None	None	None
Director	Taiwan	Li, Cheng-Han	Male	20200430	3 years	20140620	434,126	0.29	534,126	0.35	0	0.00	0	0.00	Master, Science in E.E.Univ. of Southern California Special Assistant of GM, Sysgration Ltd.	BU GM, Sysgration Ltd Director, Sysgration (Zhenjiang) Supervisor, Sysgration (Huizhou)	Chairman	Li, Yi-Ren	Father and son	None

Title (Note 1)	Nationality/ Country of Origin	Name	Gender	Date Elected	Term of Office	Date of First Elected (Note 2)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience and Education (Note 3)	Other Position	Executives, Directors, or Supervisors who are spouses or within two degrees of kinship			Remark (Note 4)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	Taiwan	Chang, Jih-Yen (Note 5)	Male	20170619	3 years	20140620	386,000	0.18	(Note 5)	0.00	0	0.00	0	0.00	Master, Finance of College of Management, National Taiwan University. Accountant, Chang Jih-Yen CPA Firm Chairman, Cin- Jheng Finance Consultant Co..	Independent Director, Panion & BF Biotech. Independent Director, CTCI Advanced Systems Co. Independent Director, Joinsoon Elec. Director, Roo Hsing Co. Independent Director, Esun Bank (China) Independent Director, Savior Lifetec Co.	None	None	None	None
Director	Taiwan	Chen, Chih-Pin (Note 6)	Male	20200430	3 years	20200430	3,537	0.00	3,537	0.00	0	0.00	0	0.00	Ph.D. program, Shanghai Univ. of Finance and Economics MBA, St. Edward's Univ., Austin, Texas. V.P. & Spokesman Acon Investment Holding Co.	Independent Director, Hengs Solar V.P., Acon Holding Co. Chairman, Dezhen Tech. Chairman, Acon Green Energy Tech. Director, Acon Pure Co. Director, Eco Gas Tech Co.	None	None	None	None
Independent Director	Taiwan	Wang, Chih- Chung (Note 5)	Male	20170619	3 years	20170619	0	0.00	0	0.00	0	0.00	0	0.00	EMBA, National Chengchi Univ. Bachelor of Industrial Management of National Cheng- gong Univ.	None	None	None	None	None
Independent Director	Taiwan	Lin, Kuan- Chao	Male	20200430	3 years	20170619	0	0.00	0	0.00	0	0.00	0	0.00	Master, Accounting National Chengchi Univ. Director, PKF Taiwan	Supervisor, Prospect Tech. Independent Director, Luminescence Tech. Co.	None	None	None	None

Title (Note 1)	Nationality/ Country of Origin	Name	Gender	Date Elected	Term of Office	Date of First Elected (Note 2)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience and Education (Note 3)	Other Position	Executives, Directors, or Supervisors who are spouses or within two degrees of kinship			Remark (Note 4)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Taiwan	He, Ju- Hsiang (Note 6)	Male	20200430	3 years	20200430	0	0.00	0	0.00	0	0.00	0	0.00	MBA, International Exchange Program Customer Service Deputy Manager, Taiwan Life Insurance Co.	Independent Director, Polylite Taiwan	None	None	None	None
Independent Director	Taiwan	Wei, Che- Chen	Male	20200430	3 years	20170619	0	0.00	0	0.00	0	0.00	0	0.00	Bachelor, Accounting National Chengchi Univ. Doctoral program, Guangzhou Sun Yat- Sen Univ. COO & Consultant, H&D Asset Manage- ment Co. Chairman, Taiwan Life Ins. Secu. Investment Trust Co. Chairman, Taiwan Int'l Securities Consulting Corp. President, TIS Securities Co.	Independent Director, EPS Bio-Tech. Co. Independent Director, Tradetool Auto Independent Director, Denso Corp.	None	None	None	None

Note 1: The corporate shareholder shall list the names and representatives of the corporate shareholders respectively (if it is a representative of the corporate shareholder, the name of the corporate shareholder shall be indicated) and shall fill in the following Table 1.

Note 2: The duration of first serving as the Director or Supervisor of the Company should be stated with a note if there is any interruption.

Note 3: If the experience is relevant to the current position, such as having worked in a certified accounting firm or at an affiliated company during the previous reporting period, his/her title and position of responsibility should be stated.

Note 4: If the Chairman and General Manager or the equivalent (top manager) are the same person, or they are spouses or first-class relatives, the Company should explain the reasons, reasonability, necessity, and corresponding measures (such as increasing the number of Independent Directors, and more than half of the Directors should not be the employees or managers, etc.).

Note 5: Mr. Chang, Jih-Yen resigned as Director on 2020/03/02 (the number of shares held is not disclosed), and Mr. Wang, Chih-Chung dismissed as Director on 2020/04/30 due to re-election of directors.

Note 6: Mr. Chen, Chih-Pin, and Mr. He, Ju-Hsiang were elected and appointed on 2020/04/30.

Table 1: Major shareholders of the institutional shareholders: Not applicable.

Table 2: Major shareholders of Table 1 institutional shareholders: Not applicable.



## Qualifications and Independence Analysis of Directors and Supervisors

As of March 31, 2021

Criteria  Name	With more than 5 years of work experience and the following professional qualifications			independence Criteria (Note 1)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Li, Yi-Ren			✓				✓	✓	✓	✓	✓	✓		✓	✓	
Hsieh, Tung-Fu			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Li, Cheng-Han			✓			✓	✓	✓	✓	✓	✓	✓		✓	✓	
Chen, Chih-Pin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Lin, Kuan-Chao		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
He, Ju-Hsiang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Wei, Che-Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Note: If each director or supervisor meets the following criteria in the two years before and during his/her appointment, please tick “✓” in the box below each criterion.

- (1) Not an employee of the Company or its affiliated enterprises.
- (2) Director or supervisor who is not director or supervisor of the Company or its affiliated enterprises (except those independent directors of the Company and its parent company, subsidiaries or subsidiaries of the same parent company who hold concurrent positions in accordance with the laws of their respective countries).
- (3) Not a natural-person shareholder who holds share, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings
- (4) Not a manager listed in (1) or a spouse, relative within second degree of kinship or lineal relative within third degree of kinship of the person listed in (2) or (3).
- (5) Not a person directly holding more than 5% of the total shares issued, or a Top Five shareholder, or a director, supervisor or employee of a corporate shareholder appointing the representative as a director or supervisor of a Company in accordance with Item 1 or 2 of Article 27 in Company Law (except those independent directors of a Company and its parent company, subsidiaries or subsidiaries of the same parent company who hold concurrent positions in accordance with the laws of their respective countries).

- (6) Not a director, supervisor, or employee of other companies controlled by the same person, with the director seat or more than half of voting shares of the Company (except those independent directors of the Company and its parent company, subsidiaries, or subsidiaries of the same parent company who hold concurrent positions in accordance with the laws of their respective countries).
- (7) Not a director, supervisor, or employee of another company as the same person or spouse of the Company's Chairman, General Manager, or equivalent position (except those independent directors of the Company and its parent company, subsidiaries, or subsidiaries of the same parent company who hold concurrent positions in accordance with the laws of their respective countries).
- (8) Not a director, supervisor or Manager, or shareholder with more than 5% of the total shares of a particular company or organization with financial or business with the Company (except if the particular company or organization holds more than 20% but less than 50% of the Company-issued total shares, and those independent directors of the Company and its parent company, subsidiaries or subsidiaries of the same parent company hold concurrent positions in accordance with the laws of their respective countries).
- (9) Not a professional who provides audit services for the Company or affiliated enterprises or provides business, legal, financial, accounting, and other related services for which the aggregate amount of remuneration in the last two years is not more than NT\$500,000, or a proprietor, partner, director, supervisor, manager, or their spouses. Members of the Remuneration Committee, Public Takeovers Review Committee or Mergers and Acquisitions Special Committee performing under relevant ordinances of the Securities and Exchange Act or the Mergers and Acquisitions Act shall not be subject to this provision.
- (10) Not related to any other director such as a spouse or within the second degree of kinship.
- (11) No conditions of Article 30 of the Company Act.
- (12) Not a governmental, juridical person, or its representative as defined in Article 27 of the Company Law.

## Diversity of Directors

The Company's Code of Practice on Corporate Governance states that the composition of the Board of Directors shall be diverse, except for directors who are also managers of the Company not exceeding one-third of the total directors, and that they shall also have the knowledge, skills, and qualities necessary for the performance of their duties and professional backgrounds.

To achieve the ideal goal of corporate governance, the Board of Directors shall have the following capabilities:

1. Operation judgment ability.
2. Accounting and financial analysis skill.
3. Operation and management ability.
4. Crisis management ability.
5. Industry knowledge.
6. Global market view.
7. Leadership.
8. Decision-making ability.
9. Knowledge and ability to manage risk.
10. Corporate governance experience.

Required Items	Operation judgment ability	Accounting and financial analysis skill	Operation and management ability	Crisis management ability	Industry knowledge	Global market view	Leadership	Decision-making ability	Knowledge and ability to manage risk	Corporate governance experience
Li, Yi-Ren	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Hsieh, Tung-Fu	✓		✓	✓	✓	✓	✓	✓	✓	✓
Li, Cheng-Han	✓		✓	✓	✓	✓	✓	✓	✓	✓
Chen, Chih-Pin	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lin, Kuan-Chao	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
He, Ju-Hsiang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Wei, Che-Chen	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Management objective and current status:

Currently, the Company has met the requirement of diversity on the Board of Directors. However, in order to meet the needs of future development, we will continue to review the elements of diversity and strengthen the goal of diversity on the Board of Directors at the time of re-election.

## 2.2 Management Team

Unit: share, %

As of March 31, 2021

Title	Nationality	Name	Gender	Date Effected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience and Education	Other Position	Managers who are spouses or within two degrees of kinship			Remark (Note 3)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman & CEO	Taiwan	Li, Yi-Ren (Note 5)	Male	20190115	12,961,210	8.39	2,782,097	1.80	6,804,673	4.40	MBA, JFK. Univ. Chairman, Hipro Elec. Co. Vice Chairman & General Manager, Chicony Elec. Co. Chairman, Winmate Inc..	Chairman, Sysgration (Zhenjiang) Director, Sysgration (Huizhou)	V.P.	Li, Cheng-Han	Father and son	None
CEO	Taiwan	Hsiao, Teng-Chou (Note 4 and Note 5)	Male	20200512	0	0.00	0	0.00	0	0.00	EMBA, National Chengchi Univ. GM, Rosewill Inc. Special Assist, ICT Corp. Executive V.P., Microlife Corp.	None	None	None	None	None
President	Taiwan	Hsieh, Tung-Fu	Male	20130102	661,892	0.43	0	0.00	0	0.00	Ph.D., Electric Machine of National Chiao Tung Univ. V.P., Altek Corp. V.P., Lite-On Technology Corp	Supervisor, Sysgration (Zhenjiang) Chairman, Sysgration (Huizhou)	None	None	None	None
V.P.	Taiwan	Li, Cheng-Han	Male	20160329	534,126	0.35	0	0.00	0	0.00	Master, Science in E.E., Univ. of Southern California Special Assistant of GM, Sysgration Ltd.	BU GM, Sysgration Ltd Director, Sysgration (Zhenjiang) Supervisor, Sysgration (Huizhou)	Chairman	Li, Yi-Ren	Father and son	None
V.P.	Taiwan	Yeh, Chia-Fu	Male	20170724	40,000	0.03	0	0.00	0	0.00	Bachelor, Chemistry NTU Director of Tongda Tech. Director, Lite-On Clean Energy Tech. Co.	President, Sysgration (Zhenjiang)	None	None	None	None

V.P.	Taiwan	Li, Fang-Mao	Male	20101105	97,075	0.06	0	0.00	0	0.00	Bachelor, Mechanics NTU of Sci. & Tech. GM, Zyxel Corp. Wuxi Plant	Director and President, Sysgration (Huizhou)	None	None	None	None
V.P.	Taiwan	To, Chi-Nan (Note 4)	Male	20181022	0	0.00	0	0.00	0	0.00	Master, South Australia Univ. GM, Lead Year Enterprise Co.	None	None	None	None	None
V.P.	Taiwan	Li, Jane-Hui (Note 4)	Female	20170508	0	0.00	0	0.00	0	0.00	Bachelor, Department of Law, NTU HR V.P., Lite-On Tech. Corp. CLO & CHRO, Dunyoung Co.	None	None	None	None	None
V.P.	Taiwan	Li, Yi-Chia	Male	20171101	80,000	0.05	0	0.00	0	0.00	Lunghwa Univ. Sci. and Tech. GM, Ancher Tech. Co. GM, Etasis Elec. Corp.	None	None	None	None	None
V.P.	Taiwan	Chang, Ping-Hua (Note 4)	Male	20200804	0	0.00	0	0.00	0	0.00	Bachelor, Doshisha Univ. Sr. Director, Denmark Steel Series Co. Sr. Director, Celxpert Energy Corp.	None	None	None	None	None
V.P.	Taiwan	Yang, Nien-Ling (Note 4)	Male	20190805	0	0.00	0	0.00	0	0.00	MBA, Baylor Univ. Texas GM, Gettop Taiwan Branch Director, Getac Tech. Corp.	None	None	None	None	None
V.P.	Taiwan	Hsing, Chien	Male	20190909	0	0.00	0	0.00	0	0.00	Bachelor, Info. Management, Ming Chuan Univ. GM, Jorjin Tech. Inc. V.P., Ubiqconn Tech. Inc. BU Head, Advantech Co. V.P., Advanced Digital Tech. Co.	None	None	None	None	None

V.P.	Taiwan	Chan, Wei-Chen (Note 4)	Male	20191125	0	0.00	0	0.00	0	0.00	Bachelor, Physics, Tunghai Univ. CPO/CQO, Remarkable Tech. Co. Sr. Manager, Wellpool Co. General Quality GM, LG Philips Nanking Plant	None	None	None	None	None
Director Manager	Taiwan	Hsu, Shui-Tien (Note 4)	Male	20171101	20,000	0.01	0	0.00	0	0.00	Bachelor of Bioscience, Fu Jen Catholic Univ. Purchasing Manager, Advantech Co. Sr. Manager, FSP Co.	None	None	None	None	None
Director Manager	Taiwan	Chen, Hsin-Hung (Note 4)	Male	20171101	0	0.00	0	0.00	0	0.00	Bachelor of E.E., China Univ. of Sci. and Tech. R&D Manager, Super Flower Computer Inc. Senior R&D Manager, Channel Well Tech. Co., Ltd. R&D Manager, Etasis Elec. Corp.	None	None	None	None	None
Director Manager	Taiwan	Wang, Hua-Wei	Male	20110701	95,378	0.06	680	0.00	0	0.00	Bachelor of Mechanics, Hwa Hsia Univ. of Tech. R&D Director, Sysgration Ltd.	None	None	None	None	None
Director Manager	Taiwan	Wu, Jeng-Ru	Male	20150101	68,000	0.04	0	0.00	0	0.00	Bachelor of Electronics, Hwa Hsia Univ. of Tech. R&D Director, Shanghai Liyao Energy Co. Sr. R&D Manager, Lite-On Tech. Corp.	None	None	None	None	None
Director Manager	Taiwan	Huang, Yao-Lun	Male	20180705	20,000	0.01	0	0.00	0	0.00	Master, Creative Design, NTU of Tech. Sr. R&D Manager, Liteon Tech.Corp.	None	None	None	None	None

											R&D Director, Chicony Elec. Co.					
Director Manager	Taiwan	Tsai, Hsiu-Mei	Female	20170717	36,000	0.02	0	0.00	0	0.00	MBA, Univ. of Washington CFO, Taiwan Chinsan Elec. CFO, TaiSol Electronics Co.	None	None	None	None	None
Director Manager	Taiwan	Lin, Yung- Liang (Note 4)	Male	20190304	0	0.00	0	0.00	0	0.00	MBA, National Chengchi Univ. IT Officer, EUPA Group	None	None	None	None	None
Director Manager	Taiwan	Wang, Wen- Ling (Note 4)	Female	20190401	0	0.00	0	0.00	0	0.00	Bachelor, NTNU Sales Director, Flytech Tech. Co.	None	None	None	None	None
Director Manager	Taiwan	Li, Tsung-Po	Male	20190401	0	0.00	0	0.00	0	0.00	Bachelor, Fu Jen Catholic Univ. Sr. manager, Winmate Inc.	None	None	None	None	None
Director Manager	Taiwan	Wen, Nai-Ruei (Note 4)	Male	20190723	0	0.00	0	0.00	0	0.00	Bachelor of Industrial Eng. Tunghai Univ. Sr. Purchasing Manager, Eaton Phoenixtec Mmpl Co.	None	None	None	None	None
Director Manager	Taiwan	Li, Mu- Sen	Male	20191216	0	0.00	0	0.00	0	0.00	Bachelor of E.E., National Taiwan University of Sci.& Tech. R&D Director, Jorjin Tech. Inc. CTO Automotive Products, Sef Tech Co. Manager, Wistron Co.	None	None	None	None	None

Note 1: The data for the President ,V.P., Director, heads of departments and branches should be included, and those whose positions are equivalent to a President, V.P., Director, regardless of title, should also be disclosed.

Note 2: If the experience is relevant to the current position, such as having worked in the auditor's CPA firm or an affiliated company during the previous reporting period, his/her title and position of responsibility should be stated.

Note 3: If the President or equivalent position to the top manager and the Chairman are the same person or are spouses or relatives within the first degree of kinship, the

company should explain the reasons, reasonability, necessity, and corresponding measures (such as increasing the number of independent directors and more than half of the directors should not be employees or managers, etc.).

Note 4: Ms. Li, Jane-Hui retired on 2020/05/07, Ms. Wang, Wen-Ling resigned on 2020/05/22, Mr. To, Chi-Nan resigned on 2020/05/28, Mr. Wen, Nai-Ruei resigned on 2020/05/29, Mr. Yang, Nien-Ling resigned on 2020/06/15, Mr. Chen, Hsin-Hung resigned on 2020/06/30, Mr. Lin, Mr. Yung-Liang resigned on 2020/07/21, Mr. Hsu Shui-Tien resigned on 2021/01/29, Mr. Chang Ping-Hua resigned on 2021/02/28, Mr. Hsiao Teng-Chou resigned on 2021/03/08, and Mr. Chan Wei-Chen resigned on 2021/03/15.

Note 5: Mr. Li, Yi-Ren, served as CEO on 2019/01/15 concurrently and relieved on 2020/05/12. Mr. Hsiao, Teng-Chou succeeded as CEO.

### 2.3 If the Chairman and President or the top manager are the same person or are spouses or relatives within the first degree of kinship, the Company should explain the reasons, reasonability, necessity, and corresponding measures

The Company's Chairman and General Manager are not relatives within the first or second degree of kinship.



### 3 Remuneration of Director, Supervisor, President, and Vice President paid in the most recent years

#### 3.1 Remuneration of general director and independent director (disclosure of individual name and remuneration method)

Unit: NT\$1,000; %

Date: December 31, 2020

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or the Parent Company
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit-Sharing- Employee Bonus (G)						
		The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	Cash	Stock	Cash	Stock	The company	All companies in the consolidated financial statements	
Chairman	Li, Yi-Ren	0	0	0	0	0	0	60	60	(0.06)	(0.06)	4,672	4,672	0	0	0	0	0	0	(4.81)	(4.81)	0
Director	Hsieh, Tung-Fu	0	0	0	0	0	0	60	60	(0.06)	(0.06)	2,556	3,580	108	108	0	0	0	0	(2.77)	(3.81)	0
Director	Li, Cheng-Han	0	0	0	0	0	0	60	60	(0.06)	(0.06)	2,761	2,761	108	108	0	0	0	0	(2.98)	(2.98)	0
Director	Chen, Chih-Pin (Note 4)	0	0	0	0	0	0	240	240	(0.24)	(0.24)	0	0	0	0	0	0	0	0	(0.24)	(0.24)	0
Director	Chang, Jih-Yen (Note 3)	0	0	0	0	0	0	60	60	(0.06)	(0.06)	0	0	0	0	0	0	0	0	(0.06)	(0.06)	0
Independent Director	Wang, Chih-Chung (Note 3)	0	0	0	0	0	0	120	120	(0.12)	(0.12)	0	0	0	0	0	0	0	0	(0.12)	(0.12)	0
Independent Director	Lin, Kuan-Chao	0	0	0	0	0	0	360	360	(0.37)	(0.37)	0	0	0	0	0	0	0	0	(0.37)	(0.37)	0
Independent Director	He, Ju-Hsiang (Note 4)	0	0	0	0	0	0	240	240	(0.24)	(0.24)	0	0	0	0	0	0	0	0	(0.24)	(0.24)	0
Independent Director	Wei, Che-Chen	0	0	0	0	0	0	360	360	(0.37)	(0.37)	0	0	0	0	0	0	0	0	(0.37)	(0.37)	0

Note 1: The relationship between director remuneration payment policies, standards, and amount: the remuneration of directors of the Company shall be determined in accordance with the Articles of Incorporation of the Company.

Note 2: Severance Pay was defined contribution amount allocated, not the actual amount paid.

Note 3: Mr. Chang, Jih-Yen resigned as Director on 2020/03/02 and Mr. Wang, Chih-Chung dismissed as Director on 2020/04/30 due to re-election of Directors.

Note 4: Mr. Chen, Chih-Pin and Mr. He, Ju-Hsiang were elected and appointed on 2020/04/30.

Remuneration Scale Table

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the Consolidated Financial Statements H	The Company	Companies in the Consolidated Financial Statements I
Under NT\$1,000,000	Li, Yi-Ren/Hsieh, Tung-Fu/Li, Cheng-Han/Chen, Chih-Pin /Chang, Jih-Yen/Wang, Chih-Chung /Lin, Kuan-Chao/He, Ju-Hsiang/Wei, Che-Chen	Li, Yi-Ren/Hsieh, Tung-Fu/Li, Cheng-Han/Chen, Chih-Pin /Chang, Jih-Yen/Wang, Chih-Chung /Lin, Kuan-Chao/He, Ju-Hsiang/Wei, Che-Chen	Chen, Chih-Pin /Chang, Jih-Yen/Wang, Chih-Chung /Lin, Kuan-Chao/He, Ju-Hsiang/Wei, Che-Chen	Chen, Chih-Pin /Chang, Jih-Yen/Wang, Chih-Chung /Lin, Kuan-Chao/He, Ju-Hsiang/Wei, Che-Chen
NT\$1,000,000 ~ NT\$2,000,000	None	None	None	None
NT\$2,000,000 ~ NT\$3,500,000	None	None	Hsieh, Tung-Fu/Li, Cheng-Han	Li, Cheng-Han
NT\$3,500,000 ~ NT\$5,000,000	None	None	Li, Yi-Ren	Li, Yi-Ren/Hsieh, Tung-Fu
NT\$5,000,000 ~ NT\$10,000,000	None	None	None	None
NT\$10,000,000 ~ NT\$15,000,000	None	None	None	None
NT\$15,000,000 ~ NT\$30,000,000	None	None	None	None
NT\$30,000,000 ~ NT\$50,000,000	None	None	None	None
NT\$50,000,000 ~ NT\$100,000,000	None	None	None	None
Over NT\$100,000,000	None	None	None	None
Total	9	9	9	9

- Note 1: The names of directors shall be listed separately (institutional shareholders shall list the names of shareholders' corporate names and their representatives separately) and disclose the payments in a summary manner. If the director is also the president or vice president of the company, he/she shall fill out this form and the following Table (3-1) or (3-2).
- Note 2: It means the remuneration of the director in the most recent year (including the director's salary, duty increment, severance pay, various bonuses, incentive payments, etc.).
- Note 3: The remuneration for the director in the most recent year approved by the Board of Directors.
- Note 4: The relevant business execution expenses of the director in the most recent year (including the travel fees, special expenses, allowances, accommodation, vehicle distribution, etc.). In the case of the provision of housing, motor vehicles, and other means of transport or personal expenses, the disclosure shall be made of the nature and cost of the assets provided, according to actual or fair market rent, oil cost, and other payments. If there is a driver, please note the remuneration paid by the Company to the driver but not included in the director's remuneration.
- Note 5: The salary, duty increment, severance payment, various bonuses, incentive payments, travel expenses, special expenses, allowances, accommodation, vehicle distribution, and other material supplies received by directors concurrently (including concurrently as president, vice president, managers, and employees) in recent years. In the case of the provision of housing, motor vehicles, and other means of transport or personal expenses, the disclosure shall be made of the nature and cost of the assets provided, according to actual or fair market rent, fuel cost, and other payments. If there is a driver, please note the remuneration is paid by the Company to the driver but not included in the director's remuneration. In addition, the salary expenses recognized in accordance with IFRS 2, "Share-based Payment," including the acquisition of an employee stock option certificate, restricted employee

rights new shares, and participation in cash capital increase for shares shall also be included in the remuneration.

Note 6: The concurrent director (including concurrently as president, vice president, managers, and employees) getting the employee payment (including stocks and cash) in recent years, which should reveal the employee payment approved by the Board of Directors in the most recent fiscal year; if unable to estimate the amount, the proposed assigned amount in this year shall be calculated according to the actual assigned amount ratio of last year, and it should be included in the Attached Table 1-3.

Note 7: The total remuneration paid to the directors of the Company by all companies (including the Company) in the consolidated report shall be disclosed.

Note 8: The total remuneration paid to each director by the Company is disclosed in the class to which they belong.

Note 9: The total remuneration paid by all companies (including the Company) to each director of the Company in the consolidated report shall be disclosed. The names of the directors shall be disclosed in the classes to which they belong.

Note 10: Net income refers to the net profit after tax for the most recent year. For those who have adopted IFRS, the net income refers to the net profit after tax of parent company only financial statement in the most recent year.

Note 11: a. This column shall clearly state the amount of remuneration received by the directors in connection with the transfer of investment other than from the subsidiary.

b. If a director of the Company receives any remuneration related to the reinvestment business other than from the subsidiaries, the remuneration received by the director of the Company from the reinvestment business other than from the subsidiaries shall be incorporated into Column I of the remuneration scale, and the domain name shall be changed to "all reinvestment businesses."

c. Remuneration means the remuneration, reward (including remuneration of employees, directors, and supervisors), business execution expenses, and other relevant remuneration received by the Company's directors as directors, supervisors, or managers of the business transferred other than from the subsidiaries.

\* The content of remuneration disclosed in this form is different from the concept of income in the Income Tax Act. Therefore, the purpose of this form is for disclosure purposes only and not for taxation purposes.

3.2 Remuneration of the Supervisor: The Company has set up the audit committee, so there is no supervisor remuneration.

3.3 Remuneration of the President and Vice President (consolidated disclosure of names and remuneration methods)

Unit: NT\$1,000

Date: December 31, 2020

Title	Name	Salary (A)		Severance Pay (B) (Note 3)		Bonuses and Allowances (C)		Profit Sharing - Employee Bonus (D)				Ratio of Total Compensation(A+B+C+D) to Net Income (%)		Compensation from an Invested Company Other than the Company's Subsidiary or the Parent Company
		The Company	companies in the consolidated financial statements	The Company	companies in the consolidated financial statements	The Company	companies in the consolidated financial statements	The Company		companies in the consolidated financial statements		The Company	companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Chairman & CEO	Li, Yi-Ren (Note 1)	26,172	28,426	999	999	2,795	2,795	0	0	0	0	(30.48)	(32.77)	0
CEO	Hsiao, Teng-Chou (Note 1 & Note 2)													
President	Hsieh, Tung-Fu													
Vice President	Li, Cheng-Han													
Vice President	Yeh, Chia-Fu													
Vice President	Li, Fang-Mao													
Vice President	To, Chi-Nan (Note 2)													
Vice President	Li, Jane-Hui (Note 2)													
Vice President	Li, Yi-Chia													
Vice President	Chang, Ping-Hua (Note 1 & Note 2)													
Vice President	Yang, Nien-Ling (Note 2)													
Vice President	Hsing, Chien													
Vice President	Chan, Wei-Chen (Note 2)													

Note 1: Mr. Li, Yi-Ren, served as CEO on 2019/01/15 concurrently and relieved on 2020/05/12. Mr. Hsiao, Teng-Chou, succeeded as CEO.

Note 2: Mr. To, Chi-Nan, resigned on 2020/05/28, Ms. Li, Jane-Hui, retired on 2020/05/07, Mr. Yang, Nien-Ling, resigned on 2020/06/15, Mr. Chang, Ping-Hua, resigned on 2021/02/28, Mr. Hsiao, Teng-Chou, resigned on 2021/03/08, and Mr. Chan, Wei-Chen, resigned on 2021/03/15.

Note 3: Severance pay is defined contribution amount allocated, not the actual amount paid.

Note 4: The remuneration disclosed above is different from the concept of income in the Income Tax Law. Therefore, the information is only for disclosure purposes not for taxation purposes.

### 3.4 Remuneration of the top five executives (disclosure of individual names and remuneration methods)

Unit: NT\$1,000 Date: December 31, 2020

Title	Name	Salary (A)		Severance Pay (B) (Note 2)		Bonuses and Allowances (C)		Profit Sharing - Employee Bonus (D)				Ratio of Total Compensation(A+B+C+D) to Net Income (%)		Compensation from an Invested Company Other than the 'Company's Subsidiary or the Parent Company
		The Company	companies in the consolidated financial statements	The Company	companies in the consolidated financial statements	The Company	companies in the consolidated financial statements	The Company		companies in the consolidated financial statements		The Company	companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Chairman	Li, Yi-Ren (Note 1)	4,243	4,243	0	0	429	429	0	0	0	0	(4.75)	(4.75)	0
President	Hsieh, Tung-Fu	2,190	3,214	108	108	366	366	0	0	0	0	(2.71)	(3.75)	0
Vice President	Li, Yi-Chia	2,611	2,611	108	108	222	222	0	0	0	0	(2.99)	(2.99)	0
Vice President	Li, Cheng-Han	2,493	2,493	108	108	268	268	0	0	0	0	(2.92)	(2.92)	0
Vice President	Hsing, Chien	2,735	2,735	108	108	232	232	0	0	0	0	(3.13)	(3.13)	0

Note 1: Mr. Li, Yi-Ren, served as the Chief Executive Officer on 2019/01/15 concurrently and relieved on 2020/05/12.

Note 2: Severance pay is defined contribution amount allocated, not the actual amount paid.

Note 3: The content of remuneration disclosed in this form is different from the concept of income in the Income Tax Law. Therefore, the purpose of this form is for disclosure purpose only and not for taxation purposes.

## Remuneration Scale Table

Range of Remuneration	Name of President and Vice President	
	The Company	All companies in the consolidated financial statements
Under NT\$1,000,000	Li, Jane-Hui/To, Chi-Nan/Chang, Ping-Hua	Li, Jane-Hui/To, Chi-Nan/Chang, Ping-Hua
NT\$1,000,000 ~ NT\$2,000,000	Li, Fang-Mao/Yeh, Chia-Fu/Yang, Nien-Ling	Yang, Nien-Ling
NT\$2,000,000 ~ NT\$3,500,000	Hsieh, Tung-Fu/Li, Cheng-Han/Li, Yi-Chia/ Hsing, Chien/Chan, Wei-Chen/Hsiao, Teng-Chou	Li, Cheng-Han/Li, Yi-Chia/Li, Fang-Mao/ Yeh, Chia-Fu/ Hsing, Chien/Chan, Wei-Chen/Hsiao, Teng-Chou
NT\$3,500,000 ~ NT\$5,000,000	Li, Yi-Ren	Li, Yi-Ren/Hsieh, Tung-Fu
NT\$5,000,000 ~ NT\$10,000,000	None	None
NT\$10,000,000 ~ NT\$15,000,000	None	None
NT\$15,000,000 ~ NT\$30,000,000	None	None
NT\$30,000,000 ~ NT\$50,000,000	None	None
NT\$50,000,000 ~ NT\$100,000,000	None	None
Over NT\$100,000,000	None	None
Total	13	13

Note 1: The names of the President and Vice President shall be listed separately, to disclose the payments in a summary manner.

Note 2: The salary, duty increment, severance pay of the President and Vice President in the most recent year.

Note 3: The salary, duty increment, severance payment, various bonuses, incentive payments, travel expenses, special expenses, allowances, accommodation, vehicle distribution, and other material supplies received by the President and Vice President in recent years. In the case of the provision of housing, motor vehicles, and other means of transport or personal expenses, the disclosure shall be made of the nature and cost of the assets provided, according to actual or fair market rent, oil cost, and other payments. If there is a driver, please note the remuneration paid by the Company to the driver but not included in the 'director's remuneration. In addition, the salary expenses recognized in accordance with IFRS 2, "Share-based Payment", including the acquisition of employee stock option certificate, restricted employee rights new shares, and participation in cash capital increase for shares shall also be included in the remuneration.

Note 4: The employee payment (including stocks and cash) of the President and Vice President in recent years, which approved by Board of Directors; if unable to estimate the amount, the proposed assigned amount in this year shall be calculated according to the actual assigned amount ratio of last year, and it should be included in the Attached Table 1-3. net income refers to the net profit after tax in the most recent year. For those who have adopted IFRS, the net income refers to the net profit after

tax of parent company only financial statement in the most recent year.

Note 5: The total amount of remuneration paid to the President and Vice President of the Company by all companies (including the Company) in the consolidated report shall be disclosed.

Note 6: The total amount of remuneration paid to each President and Vice President by the Company is disclosed in the class to which they belong.

Note 7: The total amount of remuneration paid by all companies (including the Company in the consolidated report shall be disclosed, and the names of the President and Vice President shall be disclosed in the classes to which they belong.

Note 8: Net income refers to the net profit after tax in the most recent year. For those who have adopted IFRS, the net income refers to the income of parent company only financial statement in the most recent year.

Note 9: a. This column shall clearly state the amount of remuneration received by the President and Vice President in connection with the transfer of investment other than from the subsidiaries

b. If a President and Vice President of the Company receives any remuneration related to the reinvestment business other than from the subsidiaries, the remuneration received by the President and Vice President of the Company from the reinvestment business other than from the subsidiaries shall be incorporated into Column E of the remuneration scale. The domain name shall be changed to "all reinvestment businesses."

c. Remuneration means the remuneration, reward (including remuneration of employees, directors, and supervisors), business execution expenses, and other relevant remuneration received by the Company's President and Vice President as directors, supervisors, or managers of the business transferred other than from the subsidiaries.

\* The content of remuneration disclosed in this form is different from the concept of income in the Income Tax Act. Therefore, the purpose of this form is for the disclosure purpose only and not for taxation purposes.

## Profit Sharing of Employee Bonuses to Executive Officers

December 31, 2020

	Title	Name	Employee Bonuses - in stock	Employee Bonuses - in Cash	Total	Ratio of Total Amount to net Income (%)
Executive Officers	Chairman & CEO	Li, Yi-Ren (Note 6)	0	0	0	0
	CEO	Hsiao, Teng-Chou (Note 5 & 6)				
	President	Hsieh, Tung-Fu				
	Vice President	Li, Cheng-Han				
		Yeh, Chia-Fu				
		Li, Fang-Mao				
		To, Chi-Nan (Note 5)				
		Li, Jane-Hui (Note 5)				
		Li, Yi-Chia				
		Chang, Ping-Hua (Note 5)				
		Yang, Nien-Ling (Note 5)				
		Hsing, Chien				
		Chan, Wei-Chen (Note 5)				
		Director Manager				
	Chen, Hsin-Hung (Note 5)					
	Wang, Hua-Wei					
	Wu, Jeng-Ru					
	Huang, Yao-Lun					
	Tsai, Hsiu-Mei					
	Lin, Yung-Liang (Note 5)					
Wang, Wen-Ling (Note 5)						
Li, Tsung-Po						
Wen, Nai- Ruei (Note 5)						
Li, Mu-Sen						

Note 1: The individual names and titles should be disclosed, but the profit distribution may be disclosed in a summary manner.

Note 2: The amount of remuneration (including stock and cash) approved by the Board of Directors to the managers in the most recent year. If it is impossible to estimate, the proposed distribution for this year will be calculated in proportion to the actual distribution from last year. Net income means the net profit after tax in the most recent year; for those who have adopted IFRS, the net income refers to the net profit after tax of parent company only financial statement for the most recent year.

Note 3: The scope of application for managers is as follows, in accordance with the Letter TCZSZ No. 0920001301 dated March 27, 2003:

- (1) President and equivalent level
- (2) Vice President and equivalent level
- (3) Director manager or equivalent level
- (4) Supervisor of a financial department
- (5) Supervisor of an accounting department
- (6) Other person who has the right to manage and sign for the Company

Note 4: If directors, Vice President, and Vice Presidents receive the employee remuneration (including shares and cash), they should fill in this form in addition to Attached Table 1-2.



Note 5: Mr. To, Chi-nan resigned on 2020/05/28, Ms. Li, Jane-Hui retired on 2020/05/07, Ms. Wang, Wen-Ling resigned on 2020/05/22, Mr. Wen, Nai-Ruei resigned on 2020/05/29, Mr. Yang, Nien-Ling resigned on 2020/06/15, Mr. Chen, Hsin-Hung resigned on 2020/06/30, Mr. Lin, Yung-Liang resigned on 2020/07/21, Mr. Hsu Shui-Tien resigned on 2021/01/29, Mr. Chang Ping-Hua resigned on 2021/02/28, Mr. Hsiao Teng-Chou resigned on 2021/03/08, and Mr. Chan Wei-Chen resigned on 2021/03/15.

Note 6: Mr. Li, Yi-Ren served as CEO on 2019/01/15 concurrently and relieved on 2020/05/12. Mr. Hsiao, Teng-Chou succeeded as CEO.

3.5 Comparative analysis of the ratios of total remuneration paid to the Company's Directors, Supervisors, President, and Vice Presidents by the Company and all the companies in the consolidated financial statements for the most recent two years to the income, and description of the policies, standards, and combinations of compensation, procedures for determining the compensation, and their relevance to business performance and future risks.

Unit: NT\$1,000

Year	2020					2019				
Title	Total remuneration		Net Income	Ratio of Total Remuneration to Net Income (%)		Total remuneration		Net Income	Ratio of Total Remuneration to Net Income (%)	
	the Company	Companies in the consolidated financial statements		the Company	Companies in the consolidated financial statements	the Company	Companies in the consolidated financial statements		the Company	Companies in the consolidated financial statements
Director	1,560	1,560	(98,315)	(1.59)	(1.59)	635	635	(284,759)	(0.22)	(0.22)
President and Vice Presidents	29,966	32,220		(30.48)	(32.77)	25,421	27,783		(8.93)	(9.76)
Total	31,526	33,780		(32.07)	(34.36)	26,056	28,418		(9.15)	(9.98)

The Articles of Incorporation of the Company stipulates that the Directors shall be remunerated by the Company for performing their duties in the Company, irrespective of business profits and losses and that such remuneration shall be paid to the extent of their participation in the operation of the Company and the value of their contribution to the Company, and to the extent of the profit of the Company and at the usual level of the same industry. The President and Vice Presidents shall conduct the business of the Company on the orders of the Board of Directors, and the appointment, dismissal, and remuneration shall be governed by Company Law. When the Company has a surplus, it shall be distributed in accordance with the provisions of Article 25 of the Company's Articles of Incorporation. In the last two years, there was no surplus allocation in the Company. The remuneration of the directors and supervisors were travel expenses; the executive officers' payments and salaries were in accordance with the Company personnel management rules, bonuses and other employee rewards in consideration of the Company's operating performance and future risks and decided according to personal performance. The total amount of remuneration paid to Directors, President, and Vice Presidents in the last two years did not change significantly, but the ratio to net income of 2020 was higher than in 2019 due to the decrease of the Company's loss in 2020.

## 4 Operation of Corporate Governance

### 4.1 Operation of the Board of Directors

#### 1. Board of Directors

In the most recent year (2020), the Board of Directors held eight (8) meetings (A). The attendance of the directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remark
Chairman	Li, Yi-Ren	7	1	88	None
Director	Hsieh, Tung-Fu	8	0	100	None
Director	Li, Cheng-Han	8	0	100	None
Director	Chen, Chih-Pin	5	0	100	elected and appointed on 2020/04/30 5 meetings to attend
Director	Chang, Jih-Yen	2	0	100	resigned on 2020/3/2 2 meetings to attend
Independent Director	Wang, Chih-Chung	3	0	100	dismissed on 2020/4/30 3 meetings to attend
Independent Director	Lin, Kuan-Chao	8	0	100	None
Independent Director	He, Ju-Hsiang	5	0	100	elected and appointed on 2020/04/30 5 meetings to attend
Independent Director	Wei, Che-Chen	8	0	100	None

#### Other items:

- Matters listed in Article 14-3 of the Securities and Exchange Act and resolutions of the Board of Directors' meetings which are opposed or subject to qualified opinions by the Independent Directors and recorded or declared in writing, shall be stated with the date, sessions, contents of the motion, all Independent Directors' opinions, and the Company's response to the Independent Directors' opinions:

The Company's 2020 Board of Directors' meeting motions relating to the matters set forth in Article 14-3 of the Securities and Exchange Act are as follows:

Meeting Date	Motion Content	Opinions of Independent Directors and the Company's Response
2020/01/30 16 <sup>th</sup> meeting of 13 <sup>th</sup> Term BOD	(1) Adopted the shareholding disposal of important subsidiary, Leadman Electronics USA, Inc.	Approved Unanimously by All Independent Directors in Attendance.
2020/03/20 18th meeting of 13th Term BOD	<ul style="list-style-type: none"> <li>(1) Adopted the Company's 2019 "Internal control system effectiveness assessment" and "Statement of internal control system."</li> <li>(2) Adopted the Company's 2019 annual loss appropriation and compensation.</li> <li>(3) Adopted the tariff endorsement guarantee for the Company.</li> <li>(4) Adopted the amendment of the Company's "Articles of Incorporation."</li> <li>(5) Adopted the amendment of the Company's "Procedures for lending funds to others."</li> <li>(6) Adopted the Company common stock private placement.</li> <li>(7) Adopted the candidate nomination list of the Company's Directors and Independent Directors.</li> </ul>	Approved Unanimously by All Independent Directors in Attendance.
2020/05/12 1 <sup>st</sup> meeting of 14th Term BOD	<ul style="list-style-type: none"> <li>(1) Adopted the Company's appointment and dismissal of senior executives.</li> <li>(2) Adopted the amendment of the Company's "Authorization Delegation List"</li> </ul>	Approved Unanimously by All Independent Directors in Attendance.
2020/06/30 2 <sup>nd</sup> meeting of 14th Term BOD	(1) Adopted other receivables to the subsidiary "Sysgration Technology (Huizhou) Co., Ltd. " reclassified as loan funding as of June 2020.	Approved Unanimously by All Independent Directors in Attendance.
2020/08/14 3 <sup>rd</sup> meeting of 14th Term BOD	<ul style="list-style-type: none"> <li>(1) Adopted the Company's issuance of fourth domestic secured convertible corporate bonds.</li> <li>(2) Adopted the Company formulated "Business Improvement Plan."</li> <li>(3) Adopted the Company's capital increase record date of employee stock option execution.</li> <li>(4) Adopted the guarantee limit application for the convertible corporate bonds</li> <li>(5) Adopted the Company's accounts receivable with a significant amount due to business transactions exceeding the normal credit period of three months as of June 2020, which shall not be deemed as loans to others.</li> <li>(6) Adopted the Company's appointment and promotion of senior executives.</li> <li>(7) Adopted the Company's list of employees and granted stock option.</li> </ul>	Approved Unanimously by All Independent Directors in Attendance.

2020/11/13 4 <sup>th</sup> meeting of 14 <sup>th</sup> Term BOD	(1) Adopted the Company's 2021 annual audit plan. (2) Adopted the Company's capital increase record date of employee stock option execution. (3) Adopted the Company's organizational adjustment.	Approved Unanimously by All Independent Directors in Attendance.
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2. If directors withdraw motions in conflict of interest, state with the names of the directors, the content of the motion, the reasons for avoidance, and the voting result.

Meeting Date	Name of Director	Motion content	Reasons for Avoidance and Voting Result
2020/03/20 18 <sup>th</sup> meeting of 13 <sup>th</sup> Term BOD	Li, Yi-Ren	The Company's common stock private placement.	Except for Chairman Li, Yi-Ren, who had conflict of interests and needed to withdraw from the discussion and voting, the acting chairman, Independent Director Wei, Che-Chen, asked other directors present and approved the motion without objection.
	Li, Yi-Ren Li, Cheng-Han Hsieh, Tung-Fu Lin, Kuan-Chao Wei, Che-Chen	The Company's nomination and resolution of candidate list of directors (including Independent Directors).	Due to the interest withdrawal factor, this motion was carried out in two stages: Stage 1: "Independent Director Candidate List" discussion, except Independent Director Lin, Kuan-Chao and Independent Director Wei, Che-Chen had other interests and needed to withdraw from the discussion and voting, the motion was passed after the Chairman asked all the directors present and approved the motion without objection. Stage 2: "Director Candidate List" discussion, except for Chairman Li, Yi-Ren, Director Li, Cheng-Han, and Director Hsieh, Tung-Fu who had other interests and needed to withdraw from the discussion and voting, the acting chairman, Independent Director Wang, Chih-Chung asked the other directors present and approved the motion without objection.
2020/05/12 1 <sup>st</sup> meeting of 14 <sup>th</sup> Term BOD	Li, Yi-Ren	The Company's appointment and dismissal of senior executives.	Except for Chairman Li, Yi-Ren, who had other interests and needed to withdraw from the discussion and voting, the acting chairman, Director Chen, Chih-Bin, asked the other directors present and approved the motion without objection.
	Li, Yi-Ren Li, Cheng-Han Hsieh, Tung-Fu	The Company's managers' compensation discussion.	Except for Chairman Li, Yi-Ren, Director Li, Cheng-Han, and Director Hsieh, Tung-Fu, who had other interests and needed to withdraw from the discussion and voting, the acting chairman, Director Chen, Chih-Bin, asked the other directors present and approved the motion without objection.

2020/08/14 3 <sup>rd</sup> meeting of 14 <sup>th</sup> Term BOD	Li, Cheng-Han	The Company appointment and promotion of senior executives.	Except for Director Li, Cheng-Han, who had other interests and needed to withdraw from the discussion and voting, the Chairman asked the other directors present and approved the motion without objection.
	Li, Cheng-Han Hsieh, Tung-Fu	The Company's senior executives' compensation discussion.	Except for Director Li, Cheng-Han, and Director Hsieh, Tung-Fu, who had other interests and needed to withdraw from the discussion and voting, the Chairman asked the other directors present and approved the motion without objection.
	Li, Cheng-Han Hsieh, Tung-Fu	The Company's list of stock options granted to employees.	Except for Director Li, Cheng-Han, and Director Hsieh, Tung-Fu, who had other interests and needed to withdraw from the discussion and voting, the Chairman asked the other directors present and approved the motion without objection.

3. Information on the Board of Directors' self-evaluation (or peer evaluation), the scope, method, and content of the evaluation:

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
Annual	2020/01/01 ~ 2020/12/31	Performance evaluation of BOD, individual directors, and functional committees	The evaluation methods include the self-evaluation of individual board member, the self-evaluation of the Board and of the functional committee.	(1)The Board Performance evaluation: Including the degree of participation in the operation of the Company, the improvement of the decision-making quality of the Board of Directors, Board composition and structure, director selection and continuing education, and internal control, etc., a total of 40 items.  (2)Individual board member Performance evaluation: Including the mastery of corporate goals and tasks, the awareness of director's responsibilities, participation in corporate operations, internal relationship management and communication, professional and continuing education of directors, and internal control, etc., a total of 23 items.  (3)Performance evaluation of the functional committees (Audit

				<p>Committee and Remuneration Committee):</p> <p>Including the degree of participation in the Company's operation, the awareness of the responsibilities of the committee, the improvement of the decision-making quality of the committee, the composition and selection of the members of the committee, internal control, etc. The Audit Committee self-evaluated a total of 22 items, and the Remuneration Committee self-evaluated 20 items.</p>
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The results of the internal self-evaluation of the performance of the Board of Directors, individual members of the Board, and the functional committees in 2020 and the comprehensive evaluation, are excellent and meet the expectations. The relevant evaluation results also reported to the Board of Directors on March 18, 2021.

4. The objectives to strengthen the functioning of the Board of Directors (e.g., setting up the audit committee, improving the information transparency, etc.) in current and recent years, and the evaluation of the implementation:
- (1) The Board of Directors of the Company operates in accordance with the laws and regulations, the Articles of Incorporation of the Company, and the resolutions of Shareholders' meeting to exercise its functions and powers. In addition to having the professional knowledge, skills, and qualities necessary for performing their duties, all the directors shall follow the principle of loyalty, integrity, and duty of care to create the maximum benefits for all shareholders.
  - (2) The Company has set up the audit committee and remuneration committee to assist in performing the duties and supervision of the Board of Directors. To improve the supervision function and strengthen the management function, the "Rules of Procedure for Board of Directors' meeting" has been formulated, containing the main discussion contents, procedures, items to be stated, announcements, and other matters that should be followed to establish a good system for the Board of Directors.

Note 1: Where directors and supervisors are institutional legal entities, they shall disclose the names of the corporate shareholders and their representatives.

Note 2: (1) If a director or supervisor resign before the end of the year, the date of resignation shall be indicated in the remarks column, and the actual attendance rate (%) shall be calculated based on the number of Board meetings and the actual attendance during his/her term in office.

(2) Before the end of the year, if there are any director or supervisor re-election, it should fill the new and former director or supervisor in the columns and indicate that the director or supervisor is former, new, or re-elected and the date of election in the remarks column; the actual attendance rate (%) is calculated based on the number of Board meetings and the actual attendance number during his/her term in office.

## 4.2 Operation of the Audit Committee:

The qualifications of the Audit Committee are the same as those of the Remuneration Committee. The purpose of the establishment of the Audit Committee is to strengthen the supervisory function of the Board of Directors, which is responsible for supervising the proper expression of the Company's Financial Statements, the selection (demission), independence and performance of the certified accountants, the effective implementation of the Company's internal control system, the Company's compliance with the relevant laws and regulations, and the management and control of the Company's existing or potential risks. Its main functions and responsibilities are to:

1. Establish or amend the internal control system in accordance with Article 14 (1) of the Securities and Exchange Act.
2. Assess the effectiveness of the internal control system.
3. Formulate or amend the procedures for the acquisition or disposal of assets, engaging in derivatives trading, lending funds to others, endorsing or providing guarantees for others, and the procedures of major financial business activities in accordance with Article 36-1 of the Securities and Exchange Act.
4. Handle the matters involving the director's interests.
5. Handle the material transaction of assets or derivatives.
6. Handle the loans, endorsements, or provide guarantees for material assets.
7. Raise, issue or place the private placement securities.
8. Appoint and dismiss auditors.
9. Appoint or dismiss the finance, accounting, or internal audit directors.
10. Approve the annual audited financial report and approve the second quarterly financial report if certified and audited by the accountant.
11. Address other major matters stipulated by the Company or the competent authority.

In the most recent year (2020), the Audit Committee has held 6 meetings (A). The attendance of the Independent Directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remark
Independent Director	Wang, Chih-Chung	2	0	100	dismissed on 2020/4/30, 2 meetings to attend
Independent Director	Lin, Kuan-Chao	6	0	100	
Independent Director	He, Ju-Hsiang	4	0	100	elected and appointed on 2020/04/30, 4 meetings to attend
Independent Director	Wei, Che-Chen	6	0	100	



Note 1: If any Independent Director leaves before the end of the year, he/she shall indicate the demission date in the remark column. The attendance rate (%) shall be calculated based on the number of audit committee meetings and the actual attendance times during his/her term in office.

Note 2: Before the end of the year, if a new Independent Director is elected, the new Independent Director and the former Independent Director shall be included in the column, and the Independent Director shall be indicated in the remarks column as the former Independent Director or the new Independent Director and the re-elected date. The attendance rate (%) is calculated based on the number of meetings during his/her term in office and his/her actual attendance number.

Other matters:

1. If the operation of the Audit Committee has any of the following circumstances, the meeting date, sessions, content of motions, resolution of the Audit Committee, and the Company's response to the opinion of the Audit Committee shall be stated.

(1) The matters listed in Article 14-5 of the Securities Exchange Act.

(2) Other matters, other than those mentioned above, which have not been approved by the Audit Committee but have been approved upon by more than two-thirds of all the directors.

The motions of the Company's Audit Committee in 2020 related to Article 14-5 of the Securities Exchange Act are listed below. The Audit Committee had communicated with the relevant attended personnel on the relevant motions. All the motions were approved by the present members. There was no opposition or subject to qualified opinions, and there was also no motion not approved by the Audit Committee and subject to consent by more than two-thirds of all the directors.

Meeting Date	Motion content	Opinions of Committee and the Company's Response
2020/01/30 16 <sup>th</sup> meeting of 1 <sup>st</sup> Term Audit Committee	(1) Adopted the shareholding disposal of important subsidiary, Leadman Electronics USA, Inc.	Approved by All Committee Members in Attendance.
2020/03/20 17 <sup>th</sup> meeting of 1 <sup>st</sup> Term Audit Committee	(1) Adopted the Company's 2019 "Internal control system effectiveness assessment" and "Statement of internal control system." (2) Adopted the Company's 2019 audited financial statements and business report. (3) Adopted the Company's 2019 annual loss appropriation and compensation. (4) Adopted the tariff endorsement guarantee to the Company. (5) Adopted the amendment of the Company's "Procedures for lending funds to others." (6) Adopted the Company common stock private placement.	Approved by All Committee Members in Attendance.
2020/05/12 1 <sup>st</sup> meeting of 2 <sup>nd</sup> Term Audit Committee	(1) Adopted the amendment of the Company's "Authorization Delegation List."	Approved by All Committee Members in Attendance.
2020/06/30	(1) Adopted other receivables to the subsidiary "Sysgration Technology (Huizhou) Co., Ltd. " reclassified as loan funding as of June 2020.	Approved by All Committee

2 <sup>nd</sup> meeting of 2 <sup>nd</sup> Term Audit Committee		Members in Attendance.
2020/08/14 3 <sup>rd</sup> meeting of 2 <sup>nd</sup> Term Audit Committee	<p>(1) Adopted the Company’s issuance of fourth domestic secured convertible corporate bonds.</p> <p>(2) Adopted the Company formulated “Business Improvement Plan”.</p> <p>(3) Adopted the Company’s accounts receivable with a significant amount due to business transactions exceeding the normal credit period of three months as of June 2020, which shall not be deemed as loans to others.</p> <p>(4) Adopted the Company’s list of employees and granted stock options.</p>	Approved by All Committee Members in Attendance.
2020/11/13 4 <sup>th</sup> meeting of 2 <sup>nd</sup> Term Audit Committee	(1) Adopted the Company’s 2021 annual audit plan.	Approved by All Committee Members in Attendance.

2. If Independent Directors withdraw motions in conflict of interest, shall state the Independent Director's name, content of the motion, reason for the withdrawal, and the voting situation: no such situation exists.
3. Communication between the Independent Directors and the internal audit supervisor, and the CPAs (including the major issues of financial and business status of the Company, methods, and results of the communication).
  - (1) The Audit Committee of the Company shall be composed of all independent directors. It shall hold at least one meeting a quarter and may be convened at any time as necessary.
  - (2) Communication between the internal audit supervisor and the Audit Committee:  
The Company's Audit Committee maintains good communication with internal audit supervisor. The main communication and interactions are as follows:
    - (A) The internal audit supervisor shall attend each Audit Committee and Board meeting to report on the findings of the audit and the improvement progress of abnormal matters during the period, reply to any questions raised by the Independent Directors, and strengthen the audit work according to the instructions, to ensure the effectiveness of the internal control system and give full play to the supervision function.
    - (B) Internal audit supervisor shall regularly report on any abnormal matters found in the audit to the Audit Committee, review the internal rules and regulations, and moderately revise the relevant measures to continuously optimize the operating process.
    - (C) The meeting dates and matters communicated by the Independent Directors and the internal audit supervisor through the Audit Committee in 2020 were as follows. In addition to providing the audit progress report and deficiency tracking report to the

Independent Directors for reference, the internal audit supervisor also report and reply to any questions raised by the Independent Director make improvements and follow up according to the suggestions made by the Independent Directors.

Meeting Date	Communication matters
2020/03/20	A. Internal audit implementation report of the Company from December 2019 to February 2020. B. Discussion on the Company's 2019 annual "Internal control system effectiveness assessment" and "Statement of internal control system."
2020/05/12	A. The Company's internal audit implementation report from May to July 2020, and the internal audit implementation report of the Mainland Chinese subsidiaries in the first quarter of 2020.
2020/08/14	A. The Company's internal audit implementation report from March to April 2020, and the internal audit implementation report of the Mainland Chinese subsidiaries in the second quarter of 2020.
2020/11/13	A. The Company's internal audit implementation report from August to October 2020, and the internal audit implementation report of the Mainland Chinese subsidiaries in the third quarter of 2020.

(3) Communication between the CPAs and the Audit Committee:

- (A) When the auditing CPA reviews or checks the financial statements quarterly, he/she shall issue a written statement or report to the Audit Committee and the Board of Directors and explain the operating results of the Company.
- (B) The Company's Independent Directors must regularly communicate with the accountant regarding the review or the checking of the financial reports through the Audit Committee, or fully discuss and interact with the Independent Directors on issues related to finance, tax, and internal control.
- (C) In addition, the Company's the auditing CPA held a separate communication meeting with the Audit Committee and directors of the Company on March 20, 2021, regarding the annual audit. The communication items are as follows:
- (a) The method that accountants audit and check the accounts of subsidiaries in Mainland China under the coronavirus epidemic.
  - (b) The Company's assessment of the allowance for the loss of accounts receivable and the valuation of the loss of inventory allowance for the depreciation of key audit items, the audit procedures of the accountant, and the audit results.
  - (c) Whether there is any material adjustment entries.
  - (d) Other communication matters including the independence of the accountants, the audit results of internal controls, the consistency of the major opinions of management, and the reasonability of the fair value assessment methods implemented by the Company

The result of the communication: none of the checks found any significant risks or deficiencies.

4.3 The difference between the operation of corporate governance and the Code of Practice on Corporate Governance for Listed Companies and the reasons

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Governance for Listed Companies
	Y	N	Explanation	
1. Has the Company established and disclosed the code of practice on corporate governance in accordance with the Code of Practice on Corporate Governance for Listed Companies?	✓		The Company has published and disclosed the Code of Practice on Corporate Governance on the Company's website. The Company has also considered the Code and the actual situation of the Company in its operations and established a complete internal control system and various management methods. The control function is sound, and there is no significant difference in the actual operation.	Compliance with the Code of Practice on Corporate Governance without significant differences.
2. Company's equity structure and shareholders' equity (1) Has the Company established the internal operating procedures to deal with shareholder suggestions, doubts, disputes, and lawsuits and implemented them in accordance with the procedures?	✓		(1) The Company has various internal operating procedures. Shareholders may contact the Company at any time by telephone, e-mail, or mail correspondence if they have any suggestions or doubts. If any dispute or lawsuit is true, they may notify the Company in accordance with the legal procedures. The Company will request its appointed legal counsel to assist in handling the matter.	Compliance with the Code of Practice on Corporate Governance without significant differences.
(2) Does the Company keep a list of the major shareholders who control the Company and the ultimate controllers of the major shareholders?	✓		(2) The Company keeps a list of the major shareholders and the ultimate controllers of the major shareholders and shall report relevant information according to the provisions.	

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Governance for Listed Companies
	Y	N	Explanation	
<p>(3) Has the Company established and implemented the risk control and firewall mechanism with affiliated enterprises?</p> <p>(4) Has the Company adopted the internal regulations to prohibit its insiders from trading securities by undisclosed information in the market?</p>	<p>✓</p> <p>✓</p>		<p>(3) The Company has clearly established all rights and responsibilities with its related companies. It has continuously operated while assessing the risks that may arise as per the internal control system.</p> <p>(4) The Company has adopted the "Code of Integrity," the "Code of Integrity management," and other relevant internal regulations to prohibit its insiders from trading securities by undisclosed information in the market. It conducts regular audit operations and reports to the Audit Committee and the Board of Directors. Management also regularly advocates and implements relevant education and training courses.</p>	Compliance with the Code of Practice on Corporate Governance without significant differences.
<p>3. Composition and duties of the Board of Directors</p> <p>(1) Has the Board of Directors drawn up and implemented a diversity policy on the composition of its members?</p>	<p>✓</p>		<p>(1) The Company has formulated and implemented the "Code of Practice on Corporate Governance" to draw up and implement a diversity policy on the Board's membership. Furthermore, the nomination and selection of the Board members shall be conducted following the provisions of the Articles of Incorporation of the Company. In addition to assessing the candidates' academic experience and</p>	Compliance with the Code of Practice on Corporate Governance without significant differences.

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Governance for Listed Companies
	Y	N	Explanation	
<p>(2) In addition to the Remuneration Committee and Audit Committee, does the Company voluntarily set up other functional committees?</p> <p>(3) Has the Company formulated the performance evaluation methods and evaluation measures, conducted the annual performance evaluation, and reported performance evaluation results to the Board of Directors for reference in the salaries and remuneration of individual directors and the nomination for renewal of office?</p>		✓	<p>qualifications, the "Code of Practice on Corporate Governance" and the "Method for Election of Directors" shall be observed to ensure the diversity and independence of the directors.</p> <p>The Board members of the Company is diverse and should demonstrates business judgment, management abilities, crisis treatment, industry knowledge, and global market perspective to implement the diversity policy and improve the Board structure of the Company.</p> <p>(2) The Company does not set up any other functional committees except the Remuneration Committee and Audit Committee.</p> <p>(3) The Company's Board of Directors adopted the "Performance Evaluation Measures of the Board of Directors" on January 14, 2021. It stipulated that internal evaluation should be conducted at least once a year.</p> <p>2020 Board Performance Evaluation Results and Improvement Actions:</p> <p>(A) Evaluation period: January 1, 2020, to</p>	Compliance with the Code of Practice on Corporate Governance without significant differences.

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Governance for Listed Companies
	Y	N	Explanation	
(4) Does the Company regularly evaluate the independence of the auditing CPAs?	✓		<p>December 31, 2020</p> <p>(B) Internal performance evaluation results of individual board member: the individual director's performance meets expectations.</p> <p>(C) Internal performance evaluation results of the overall Board of Directors and the functional committees: The results of the overall Board of Directors' performance and the functional committees meet expectations.</p> <p>(D) The results of the performance evaluation were submitted to the Board of Directors on March 18, 2021.</p> <p>(4) The Company evaluates the independence and competence of the auditing CPAs appointed and submits to the Audit Committee and the Board of Directors for approval annually. On May 12, 2020, the Audit Committee and the Board of Directors evaluated the independence and competence of CPAs Chiu, Chao-Hsien, and Hsu, Ming-Chuan of PricewaterhouseCoopers Taiwan.</p>	Compliance with the Code of Practice on Corporate Governance without significant differences.

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Governance for Listed Companies
	Y	N	Explanation	
			<p>The main assessment procedures include:</p> <p>(A) Company evaluation: The financial department will check each of the two certified accountants individually to establish compliance with the 16 evaluation items set out in the Company's "Independence and Competence Evaluation Form" and submit the contents and results of the evaluation form to the Audit Committee and the Board of Directors for review.</p> <p>(B) Self-assessment by the accounting firm: Through the certified public accountant law and rule of internal independence of the accounting firm, the inspectors in charge of the self-assessment and accountants shall assess themselves in compliance with the independent provisions. The firm shall issue the written documents to verify the independence of the accountant with respect to its evaluation contents and the results and submit them to the Audit Committee and the Board of Directors as the basis for evaluation.</p>	Compliance with the Code of Practice on Corporate Governance without significant differences.
4. Does the listed company configure the corporate	✓		The Company has the stock affairs unit and secretary of	



Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Governance for Listed Companies
	Y	N	Explanation	
governance personnel of competency and in the appropriate number, and specifies the corporate governance director responsible for corporate governance-related matters (including but not limited to providing required data for directors and supervisors to perform business, assisting the directors and supervisors in following the law, carrying out the matters related to the meeting of the Board of Directors and Shareholders in accordance with the law, and making the minute records for the meetings of Board of Directors and Shareholders, etc.)?			the Board of Directors to assist in the handling of corporate governance matters. However, a corporate governance director has not been appointed. The stock affairs unit is mainly responsible for handling the matters related to the meetings of the Board of Directors and Shareholders, and the company registration and change registration, etc. At the same time, the secretary of the Board of Directors is mainly responsible for providing data required by the directors and supervisors to carry out business and assisting the Board of Directors to carry out matters related to corporate governance.	Compliance with the Code of Practice on Corporate Governance without significant differences.
5. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and designated section for stakeholders on the Company website to respond to key CSR issues concerned by interested parties properly?	✓		The Company has a spokesperson and deputy spokesperson system, and a specific section for stakeholders on the Company website. Shareholders, employees, customers, suppliers, and any important corporate responsibility issues or opinions are responded to by dedicated personnel to serve as a channel for communication with stakeholders. The topics of interest and communication channels for various stakeholders are described below:	Compliance with the Code of Practice on Corporate Governance without significant differences

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Governance for Listed Companies																					
	Y	N	Explanation																						
			<table border="1"> <thead> <tr> <th>Type of Stakeholder</th> <th>Concerned Topics</th> <th>Communication Channels</th> </tr> </thead> <tbody> <tr> <td>Shareholders and Investors</td> <td>Business strategies, operational performance, corporate governance</td> <td>           1. Annual shareholders' meeting            2. Investor Conference            3. Monthly operating revenue announcement            4. Significant information released in real time         </td> </tr> <tr> <td>Customers</td> <td>Service quality and customer satisfaction, customer relationship management and complaint mechanism, customer privacy</td> <td>           1. Real-time online customer communication system            2. Business meetings            3. Frequent customer visits         </td> </tr> <tr> <td>Suppliers</td> <td>Supply chain management, product regulatory compliance</td> <td>           1. Supplier audit            2. Periodical supplier communication         </td> </tr> <tr> <td>Employees</td> <td>Talent attraction and retention, labor relationship, employee communication and satisfaction, human resource development, employee diversity</td> <td>           1. Labor Council            2. Employee Welfare Committee            3. Internal communication mailbox         </td> </tr> <tr> <td>Government agencies</td> <td>Environmental regulation compliance, health and safety of employees, waste management, regulatory product compliance</td> <td>           1. Regulation compliance and Real-time communication            2. Declaring regularly         </td> </tr> <tr> <td>Media</td> <td>Operating performance, corporate governance</td> <td>           1. Investor Conference            2. Significant information released on the Open Information Observatory in real time         </td> </tr> </tbody> </table>	Type of Stakeholder	Concerned Topics	Communication Channels	Shareholders and Investors	Business strategies, operational performance, corporate governance	1. Annual shareholders' meeting 2. Investor Conference 3. Monthly operating revenue announcement 4. Significant information released in real time	Customers	Service quality and customer satisfaction, customer relationship management and complaint mechanism, customer privacy	1. Real-time online customer communication system 2. Business meetings 3. Frequent customer visits	Suppliers	Supply chain management, product regulatory compliance	1. Supplier audit 2. Periodical supplier communication	Employees	Talent attraction and retention, labor relationship, employee communication and satisfaction, human resource development, employee diversity	1. Labor Council 2. Employee Welfare Committee 3. Internal communication mailbox	Government agencies	Environmental regulation compliance, health and safety of employees, waste management, regulatory product compliance	1. Regulation compliance and Real-time communication 2. Declaring regularly	Media	Operating performance, corporate governance	1. Investor Conference 2. Significant information released on the Open Information Observatory in real time	Compliance with the Code of Practice on Corporate Governance without significant differences.
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Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Governance for Listed Companies
	Y	N	Explanation	
6. Does the Company appoint a professional shareholder service agency to handle the shareholders' affairs?	✓		The Company's stock affairs and matters related to the shareholders' meeting are entrusted to professional shareholder agency, Grand Fortune Securities Co., Ltd. to handle.	Compliance with the Code of Practice on Corporate Governance without significant differences
7. Information disclosure				
(1) Has the company set up a website to disclose the information on its financial standing and corporate governance?	✓		(1) The Company has a website in both Chinese and English, where it discloses the financial, business, and corporate governance information related to the Company.	Compliance with the Code of Practice on Corporate Governance without significant differences.
(2) Does the Company implement other ways of disclosing information (such as setting up an English website, assigning a special person to collect and disclose the Company's information, implementing a spokesman system, and webcasting investor conferences)?	✓		(2) The Company designates persons responsible for the collection and disclosure of the Company's information. The Company had also established spokesperson and deputy spokesperson to be responsible for the external presentation of the Company's financial and business situation. If there is an investor conference, the relevant information shall be published in accordance with the provisions, for the benefit of investors.	

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Governance for Listed Companies
	Y	N	Explanation	
(3) Does the company announce and report its annual financial report within two months after the end of each fiscal year, and announce and report the financial report of the first, second, and third quarters and the operating situation of each month before the prescribed time?	✓		(3) The Company publishes the financial reports for the first, second, and third quarters and the annual financial reports and the operating situation of each month within the prescribed time limit.	
8. Is there other important information that helps to understand the situation of the corporate governance operation of the Company (including, but not limited to, the employees' rights and interests, employee care, relations of investors and suppliers, rights of stakeholders, directors' and supervisors' further education, risk management policy and execution of risk measurement, execution of customer policy, and purchase of liability insurance for directors and supervisors of the Company, etc.)?	✓		Other important information to help to understand the operation of corporate governance is described in the following summary.	Compliance with the Code of Practice on Corporate Governance without significant differences.
<p>Summary:</p> <p>(1) Employee rights and interests: The Company holds regular labor and management meetings so that the employees' opinions can be valued and communicated effectively.</p> <p>(2) Employee care: The Company has established a good relationship of mutual trust with its employees through various welfare systems, including education and training, and various activities organized from time to time.</p>				

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Governance for Listed Companies
	Y	N	Explanation	

- (3) Investor relations: The Company's website indexes the public data observation station, through which the investors can understand the Company's relevant information, and it has a spokesperson and deputy spokesperson system as the way to contact the Company.
- (4) Supplier relations: The Company communicates with suppliers smoothly and communicates with integrity.
- (5) Rights of stakeholders: The Company lists relevant contact information and windows on its website to protect the rights and stakeholders and maintain smooth communication channels.
- (6) Continuing education for Directors: To strengthen the implementation of corporate governance, the Company actively encourages the directors to participate in continuing their education and discloses the information in the corporate governance area of the Open Information Observatory.

Continuing Education for Directors of the Company in the Most Recent Year.

Title	Name	Host unit	Continuing education course	Continuing educated hours	Does it comply with the "Key Points of Directors' and Supervisors' Continuing Education Promotion of Listed Companies?"
Director	Li, Yi-Ren	Corporate Operation Association	2020 Mergers & Acquisitions and Corporate Governance Practice Operation" series courses	3	Yes
		Taiwan Institute of Directors	Corporate Continuation Examination	3	
		Taiwan Listed Company Association	Oriental Leadership Lecture	2	
Director	Hsieh, Tung-Fu	Taiwan Corporate Governance Association	Talking about intelligent financial management from the angle of the Board of Directors	3	Yes
		Taiwan Corporate Governance Association	How a company can do a good job in fraud detection and establish a whistling mechanism to strengthen the	3	

Evaluation Item			Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Governance for Listed Companies
			Y	N	Explanation	
				corporate governance		
Director	Li, Cheng-Han	Corporate Operation Association		2020 Mergers & Acquisitions and Corporate Governance Practice Operation	3	No
Director	Chen, Chih-Pin	MAPECT		Mergers and Acquisitions Professional Talent Training Course Primary Stage	24	Yes
		Taipei Exchange		2020 Director and Supervisor Advocacy on Corporate Governance and Corporate Integrity	3	
		Taiwan Investor Relations Institute		Speech Communication Practice and Application	3	
Independent Director	He, Ju-Hsiang	Taiwan Corporate Governance Association		Industry 4.0 and Enterprises Lead Innovation Transformation	3	Yes
		Taiwan Corporate Governance Association		Impact of the Trade War Between China and the United States on Taiwan-funded Enterprises and Countermeasures	3	
Independent Director	Lin, Kuan-Chao	National Federation of CPA Associations of ROC Taiwan		Application of an Internal Control System to Prevent Money Laundering and Terrorism in Accounting Firms	3	Yes
		National Federation of CPA Associations of ROC Taiwan		Analysis on the Latest Regulations and Practices of Security Management Companies	3	
		National Federation of CPA Associations of ROC Taiwan		Accounting Science Innovation Theory and Practical Application - Blockchain Accounting	3	
		National Federation of CPA Associations of ROC Taiwan		Mode of Competition for Management Rights of Corporates and the Prevention & Solution of Deadlock	3	
		National Federation of CPA Associations of ROC Taiwan		Latest Foreign Taxation Business Tax and Revenue Tax Cases and Exemption Order Seminar	3	
Independent Director	Wei, Che-Chen	Taiwan Corporate Governance Association		Mergers and Acquisitions Strategy and Practice Sharing	3	Yes
		Taiwan Corporate Governance Association		Regulatory Independent Directors and Audit Committee set by listed companies - enterprise responding method	3	

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Governance for Listed Companies												
	Y	N	Explanation													
(7) Implementation of risk management policies and risk measurement standards: The Company implements all policies in accordance with the relevant laws and regulations and maintains the internal auditors to ensure the implementation of relevant policies.																
(8) Implementation of policies to protect consumers: The Company has sale force team responsible for providing services to customers to ensure a timely response to customers' needs.																
(9) Situation of the Company-purchased liability insurance for the directors: The Company has purchased the liability insurance for the directors.																
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1	All the directors	Nan Shan General Insurance Company	July 1, 2019 ~ July 1, 2020													
2	All the directors	Nan Shan General Insurance Company	July 1, 2020 ~ July 1, 2021													
(10) Succession planning for the members of the Board of Directors and important management: The Company pays close attention to the succession planning for the members of the Board of Directors who have professional competence and expertise in various fields. Succession planning for key management levels is to select the grassroot managers with development potential, cultivate their decision-making and judgment ability, and cultivate talent to obtain the work challenge and learning opportunities to achieve succession planning.																
(11) Education and training on security exchange laws and regulations: "Insiders' Precautios Matters" was held on March 18, 2021, for the Company's insiders to conduct the education and training on equity trading declaration and prevention of insider trading.																
9. Please state the improved situation based on the corporate governance evaluation results released by the corporate governance center of the Taiwan Stock Exchange in the recent year and prioritize the improvement issues and measures for those who have not been improved. The Company has strengthened the disclosure of its financial practices and corporate governance through its website and public information observatory. It has increased the transparency of corporate information to comply with the Code of Practice on Corporate Governance.																

#### 4.4 Composition, responsibilities, and operation of the Remuneration Committee

The Remuneration Committee of the Company is responsible for evaluating the salary and compensation of the directors and managers of the Company. It provides the Board of Directors with the performance evaluations and compensation decisions of the directors and managers. The composition and operation of the Remuneration Committee for the most recent year and up to the date of the Annual Report are as follows:

##### 1. Professional Qualifications and Independence Analysis of Remuneration Committee Members

#### **Information on the members of the Remuneration Committee**

Title	Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)										Number of concurrent positions as members of the remuneration committee of other public offering companies	Remarks		
		Criteria	Criteria	Criteria	1	2	3	4	5	6	7	8	9	10				
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company														
Independent Director	Lin, Kuan- Chao		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	None
Independent Director	He, Ju- Hsiang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	None
Independent Director	Wei, Che- Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	None

Note: For members who have met the following criteria in the two years prior to and during their appointment, please tick "✓" in the box below each criterion.

- (1) Not an employee of the Company or any of its affiliated enterprises.



- (2) Not a director or supervisor of the Company or any of its affiliated enterprises (except for independent directors of the Company and its parent company, subsidiaries, or subsidiaries of the same parent company who hold concurrent positions in accordance with this Act or the laws of their respective countries).
- (3) Not a natural person shareholder who holds more than 1% of the Company's total issued shares or holds the top 10 shares in the name of others other than themselves, their spouse, minor children, or others.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of the manager listed in (1) or the person listed in (2) or (3).
- (5) Not a director, supervisor, or employee of the corporate shareholders appointing the representative as a director or supervisor of the Company, who directly holds more than 5% of the total shares issued, the top five shareholding, or in accordance with Item 1 or 2 of Article 27 of the Company Law (except for independent directors of the Company and its parent company, subsidiaries or subsidiaries of the same parent company who hold concurrent positions in accordance with this Act or the laws of their respective countries).
- (6) Not a director, supervisor or employee of another company controlled by the same person, with a director's position or more than half of the voting shares of the Company (except those independent directors of the Company and its parent company, subsidiaries or subsidiaries of the same parent company who hold concurrent positions in accordance with the laws of their respective countries).
- (7) Not a director, supervisor, or employee of another company as the same person or spouse of the Company's Chairman, President, or equivalent position (except those independent directors of the Company and its parent company, subsidiaries or subsidiaries of the same parent company who hold concurrent positions in accordance with the laws of their respective countries).
- (8) Not a director, supervisor or manager, or shareholder with more than 5% of the total shares of a particular company or organization with financial or business interests with the Company (except if the particular company or organization holds more than 20% but less than 50% of the Company's total issued shares, and those independent directors of the Company and its parent company, subsidiaries or subsidiaries of the same parent company who hold concurrent positions in accordance with the laws of their respective countries).
- (9) Not a professional who provides auditing services for the Company or affiliated enterprises or provides business, legal, financial, accounting, and other related services for which the aggregate amount of remuneration in the last two years is not more than NT\$500,000, or a proprietor, partner, director, supervisor, manager, or their spouse. Members of the Remuneration Committee, the Public Takeovers Review Committee, or the Mergers and Acquisitions Special Committee performing under relevant ordinances of the Securities and Exchange Act or the Mergers and Acquisitions Act shall not be subject to this provision.
- (10) No conditions of Article 30 of the Company Act.

## 2. Operation of the Remuneration Committee

- (1) The Company's Remuneration Committee consists of three members.
- (2) The term of the current members: April 30, 2020, to April 29, 2023. The Remuneration Committee has held 6 meetings (A) in the most recent year until the publication date of the annual report. The attendance recode of Remuneration Committee members was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remark
Convener	Wei, Che-Chen	6	0	100	None
Committee member	Wang, Chih-Chung	1	0	100	dismissed on 2020/4/30, 1 meeting to attend
Committee member	He, Ju-Hsiang	5	0	100	Newly elected and appointed on 2020/4/30, 5 meetings to attend
Committee member	Lin, Kuan-Chao	6	0	100	None

### Other items:

A. If the Board of Directors does not accept or amend the suggestion of the Remuneration Committee, it should state the meeting date of the Board of Directors, session, motion content, resolution of the Board of Directors, and response of the Company to the Remuneration Committee opinion (if the remuneration approved by the Board of Directors is superior to the suggestion of the Remuneration Committee, it shall state the difference and reason): No such situation exists.

B. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: No such situation exists.

The Company's 2020 Remuneration Committee's resolutions and results are as follows. All the resolutions have been passed by the members present without objection or qualified opinion.

Meeting date	Motion content	Results of the Remuneration Committee's decisions and the Company's response to the Remuneration Committee's opinions
2020/03/20 11 <sup>th</sup> meeting of 3 <sup>rd</sup> Term Remuneration Committee	(1) Revision of the Company's "Measurement of operation bonus". (2) The Company's 2019Q4 business bonus release for managers.	All the attending committee members approved.

2020/05/12 1st meeting of 4 <sup>th</sup> Term Remuneration Committee	(1) The Company's 2020Q1 business bonus release for managers. (2) Compensation of new hired executive managers.	All the attending committee members approved
2020/08/14 2 <sup>nd</sup> meeting of 4 <sup>th</sup> Term Remuneration Committee	(1) The Company's 2020Q1 and 2020Q2 operation bonus release for managers. (2) Compensation of executive managers. (3) List of employees (including managers) and the number of stock options to be granted to the Company's employees.	All the attending committee members approved
2020/11/13 3 <sup>rd</sup> meeting of 4 <sup>th</sup> Term Remuneration Committee	(1) Executive Managers' compensation and benefit adjustment. (2) The Company's 2020Q3 business bonus release for managers.	All the attending committee members approved
2021/01/14 4 <sup>th</sup> meeting of 4 <sup>th</sup> Term Remuneration Committee	(1) Revision of the Company's "Measurement of business bonus". (2) Revision of the Company's "Measurement of operation bonus". (3) The Company's 2020Q4 business bonus release for managers. (4) The Company's 2020Q4 operation bonus release for managers. (5) The Company's 2020 year-end bonus release for managers.	All the attending committee members approved
2021/03/18 5 <sup>th</sup> meeting of 4 <sup>th</sup> Term Remuneration Committee	(1) Executive managers' compensation of the Company.	All the attending committee members approved

Note: (1) If a member of the Remuneration Committee leaves before the end of the year, the resignation date shall be indicated in the remarks column, and the attendance rate (%) shall be calculated based on the number of meetings of the Remuneration Committee and the attendance in person times during his/her term in office.

(2) Before the end of the year, if any member of the Remuneration Committee is re-elected, the new member and the former member shall be filled in. The former member, new member, or re-elected member and the re-election date shall be indicated in the remark column. The attendance rate (%) is calculated based on the number of meetings of the Remuneration Committee during his/her term of office and his/her attendance in person.

### 3. Responsibilities of the Remuneration Committee

The Remuneration Committee of the Company evaluates the remuneration and compensation policies and systems for the directors and executive managers of the Company professionally and objectively and makes recommendations to the Board for its decision making. The main responsibilities are as follows:

- (1) To formulate and regularly review the policies, systems, standards, and structures of performance evaluation and the remuneration of directors and managers.
- (2) To regularly evaluate and formulate the remuneration of directors and executive managers.
- (3) To regularly evaluate the achievement of performance objectives of the directors and managers of the Company, and to determine the contents and amounts of their individual salaries and remuneration.

#### 4.5 Corporate social responsibility:

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Social Responsibility for Listed Companies																	
	Y	N	Explanation																		
1. Does the Company conduct the relevant risk assessment of environmental, social, and corporate governance issues related to the Company's operation in accordance with the major principles and establish the related risk management policy or strategy?	✓		<p>The Company integrates the risks from environmental, social, and corporate governance issues related to its operations into its business strategy based on the principle of materiality. The risk management policies are as follows:</p> <table border="1"> <thead> <tr> <th>Major Issue</th> <th>Risk Assessment Item</th> <th>Risk Management Strategy</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Environment</td> <td>Occupational safety</td> <td>1. Provide a safe and sanitary working environment for employees. 2. Reduce the frequency and severity of employee disability injuries. 3. Zero accidents in work, actively prevent the occurrence of occupational diseases.</td> </tr> <tr> <td>Waste management</td> <td>Continue to promote the waste reduction at the source and waste recovery and reuse.</td> </tr> <tr> <td>Climatic change</td> <td>Continue to promote the measures to reduce greenhouse gases.</td> </tr> <tr> <td>Energy management</td> <td>Develop green energy products and continuously improve the energy-saving performance.</td> </tr> <tr> <td rowspan="2">Society</td> <td>Talent development</td> <td>Planning organizational and employees' talent development for sustainable development of the Company.</td> </tr> <tr> <td>Human rights</td> <td>1. Assist employees to maintain their physical and mental health and work-life balance. 2. Through the diverse and smooth channels of employee opinions, continue to care for employees and create harmonious labor</td> </tr> </tbody> </table>	Major Issue	Risk Assessment Item	Risk Management Strategy	Environment	Occupational safety	1. Provide a safe and sanitary working environment for employees. 2. Reduce the frequency and severity of employee disability injuries. 3. Zero accidents in work, actively prevent the occurrence of occupational diseases.	Waste management	Continue to promote the waste reduction at the source and waste recovery and reuse.	Climatic change	Continue to promote the measures to reduce greenhouse gases.	Energy management	Develop green energy products and continuously improve the energy-saving performance.	Society	Talent development	Planning organizational and employees' talent development for sustainable development of the Company.	Human rights	1. Assist employees to maintain their physical and mental health and work-life balance. 2. Through the diverse and smooth channels of employee opinions, continue to care for employees and create harmonious labor	Compliance with the Code of Practice on Corporate Social Responsibility without significant differences.
				Major Issue	Risk Assessment Item	Risk Management Strategy															
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2. Does the Company designate a dedicated (part-time) unit to promote the corporate social responsibility that the Board of Directors authorizes the senior management to handle and report to the Board of Directors?	✓		The Company has not yet set up a dedicated (part-time) unit to promote corporate social responsibility. However, the Company is staffed by the Chairman/ CEO's office to continuously promote the corporate business philosophy and corporate social responsibility obligations.	Compliance with the Code of Practice on Corporate Social Responsibility without significant differences.												
3. Environmental issues																
(1) Has the Company established an appropriate environmental management system according to its industrial characteristics?	✓		(1) The Company mainly engages in automotive electronics and energy management products, and the relevant environmental management complies with the environmental and control standards of other relevant industries.	Compliance with the Code of Practice on Corporate Social Responsibility without significant differences.												
(2) Is the Company committed to improving the utilization efficiency of various resources and	✓		(2) The Company complies with domestic environmental laws and regulations and responds to international green product													

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Social Responsibility for Listed Companies
	Y	N	Explanation	
<p>using recycled materials with a low impact on the environmental load?</p> <p>(3) Has the Company assessed the potential risks and opportunities of climate change to the enterprise now and for the future and taken measures to address climate-related issues?</p> <p>(4) Does the Company compile statistics on greenhouse gas emissions, water consumption, and the total weight of waste in the past two years, and formulate policies on energy saving and carbon reduction, greenhouse gas reduction, water reduction, or other waste management and policies?</p>	<p>✓</p> <p>✓</p>		<p>activities. At present, the Company uses recycled or reusable materials as a priority to reduce the environmental impact.</p> <p>(3) The global climate has undergone significant changes due to the impact of the greenhouse effect. The intensity and scope of the impact has gradually increased, posing potential risks to the sustainable operation of the Company. The Company actively controls the suppliers and customers in the supply chain. It establishes relevant emergency response systems to facilitate a rapid response in case of disasters, to minimize the impact to the Company.</p> <p>(4) Although the Company has not recorded its greenhouse gas emissions, water consumption, and the total weight of waste in the past two years, it pays great attention to energy saving and carbon reduction. It continues to promote the e-office to reduce the use of paper, sets temperature control in the office environment, and uses energy-saving light bulbs for the purpose of energy saving and carbon reduction.</p>	
<p>4. Social issues</p> <p>(1) Has the Company formulated relevant management policies and procedures under the relevant laws and regulations and international</p>	<p>✓</p>		<p>(1) In addition to abiding by relevant labor laws and regulations and international human rights conventions, the Company has formulated the employee handbooks and management rules</p>	

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Social Responsibility for Listed Companies
	Y	N	Explanation	
<p>human rights conventions?</p> <p>(2) Has the Company set and implemented reasonable measures for employee welfare (including remuneration, leave, and other benefits) and properly reflected its business performance or results in employee remuneration?</p> <p>(3) Does the Company provide employees with a safe and healthy working environment and regularly implement health and safety education for employees?</p> <p>(4) Does the Company establish an effective career development training program for employees?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>and held regular labor meetings to communicate with employees about the Company's business and management, to protect the rights and interests of employees.</p> <p>(2) The Company not only actively implements humane management and various welfare measures, but it also adheres to the concept of profit-sharing with employees, attracts and motivates outstanding talents, and determines the employee compensation based on the Company's operating results.</p> <p>(3) The Company attaches great importance to the health and safety of its employees. It has signed an agreement with Boren General Hospital to provide health maintenance services and advocacy services to employees every week, in addition to providing health consultations to employees by its professional physicians and medical personnel. Moreover, the Company will regularly check the safety of the work environment, carry out an employee health check, promote safety and hygiene from time to time, and communicate relevant precautions and health management knowledge to employees through the internal network.</p> <p>(4) The Company encourages employees to further their knowledge and aims at developing outstanding talents. In</p>	<p>Compliance with the Code of Practice on Corporate Social Responsibility without significant differences.</p>

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Social Responsibility for Listed Companies
	Y	N	Explanation	
(5) Regarding customer health and safety, customer privacy, and the marketing and labeling of products and services, does the Company follow relevant laws and international standards and formulate relevant policies and complaint procedures to protect the rights and interests of consumers?	✓		<p>addition to arranging the internal education and training, employees can also apply for external education and training to enhance their abilities and develop their career skills.</p> <p>(5) The Company's products are related to the electronics, automobile, and energy storage equipment industries and the products are subject to strict international standards. Therefore, the marketing and labeling of the Company's products are in accordance with the relevant laws and international standards. Also, product liability insurance is purchased for some of the Company's products to protect the rights and interests of consumers. If any questions about the product, the Company can be reached by phone or e-mail. The Company will assign a dedicated person to understand the situation and coordinate and properly deal with the relevant matters.</p>	Compliance with the Code of Practice on Corporate Social Responsibility without significant differences.
(6) Does the Company have a supplier management policy requiring the suppliers to follow relevant standards in environmental protection, occupational health and safety, labor rights, and other issues, and what are the conditions of implementation?	✓		(6) The Company has established the "Operation Instruction for Manufacturer Management Evaluation." It requires the associated manufacturers to sign the "Code of Conduct for the Supplier's Corporate Social and Environmental Responsibility" and the "Letter of Commitment for Integrity, Environmental Protection, and Social Responsibility," which	



Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Social Responsibility for Listed Companies
	Y	N	Explanation	
			requires and advocates our suppliers to work together with the Company to promote corporate social responsibility on environmental protection, occupational health and safety, labor and human rights, and integrity management. The Company also evaluates the supplier through daily interaction and regular evaluation. If the supplier violates the corporate responsibility or has a significant negative impact on the environment and society, the contact between the two parties will be terminated. If any complaint is received, it will be verified and dealt with in a confidential manner.	Compliance with the Code of Practice on Corporate Social Responsibility without significant differences.
5. Has the Company prepared a corporate social responsibility report to reveal non-financial company information with reference to general international report establishment standards or guidelines? Has the aforementioned report obtained assurance or opinions from a third-party verification agency?	✓		Although the Company has not obtained assurance or opinions from a third-party verification agency, the Company has established the "Code of Practice for Corporate Social Responsibility," which considers the interests of stakeholders, treats customers in a fair and reasonable manner, and requires the suppliers to abide by the norms of the social and environmental responsibility agreement.	Compliance with the Code of Practice on Corporate Social Responsibility without significant differences.
6. If the Company has its own corporate social responsibility code under the Code of Practice on Corporate Social Responsibility of Listed Companies, please state the difference between its operation and the Code: The Company has formulated the "Code of Practice on Corporate Social Responsibility" and discloses relevant information on the Company's website. The Company adheres to the Code in practice.				

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Social Responsibility for Listed Companies
	Y	N	Explanation	
<p>7. Other important information for understanding the Company's operation of corporate social responsibility:  Corporate social responsibility (CSR) has gradually become a key indicator of the sustainable development of enterprises. In addition to the original environmental management aspects, the Company focuses on social and environmental responsibility. Furthermore, the risk assessment and measures of labor health and safety are also added, the promotion of labor rights and interests are promoted, the equal emphasis is placed on work and leisure, no sexual harassment of employees is allowed, consideration is given to occupational safety and employees' physical and mental health, as well as the compliance with business ethics, and the protection of intellectual property rights and business secrets.</p>				

Note 1: If "Yes" is ticked, please describe the major policies, strategies, measures adopted and implemented; if "No" is ticked, please explain the reasons and how the relevant policies, strategies, and measures will be implemented in the future.

Note 2: If the Company has prepared a corporate social responsibility report, the summary should indicate how to consult the corporate social responsibility report and the page number of the index instead.

Note 3: The materiality principle refers to an issue of environment, society, and corporate governance that significantly impacts investors and other interested parties of the Company.

#### 4.6 Performance of ethical management and implementation measures:

Evaluation Item	Operation Condition			Situation and Reasons for Differences from Code of Integrity Management for Listed Companies
	Y	N	Explanation	
<p>1. Establishment of a policy and plan of integrity management</p> <p>(1) Has the company formulated a policy of ethical management approved by the Board of Directors and clearly stated the policy and practice of ethical management in the rules and regulations and external documents, as well as the commitment of the Board of Directors and executive management to actively implement the business policy?</p> <p>(2) Has the Company established a risk assessment mechanism for dishonest conduct, regularly analyzed and evaluated the business activities within the scope of business with a high risk of dishonest conduct, and based on this, formulated a plan to prevent dishonest conduct, which shall at least cover the preventive measures for the conduct in Paragraph 2 of Article 7 of the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies"?</p>	<p>✓</p> <p>✓</p>		<p>(1) All business rules and regulations of the Company strictly comply with the latest laws and regulations of the government. The Board of Directors and the management of the Company adhere to the principle of integrity management. The "Code of Ethical Management" has been published on the Company website to facilitate investors' understanding.</p> <p>(2) The internal rules of the Company, such as the operating rules for preventing insider trading and the employee handbook, stipulate that employees shall not engage in or be involved in any dishonest business activities, and the audit unit shall conduct regular audits and prevent such activities through internal reporting.</p>	<p>Compliance with the Code of Integrity Management without significant differences.</p>

Evaluation Item	Operation Condition			Situation and Reasons for Differences from Code of Integrity Management for Listed Companies
	Y	N	Explanation	
(3) Has the Company defined the operating procedures, conduct guidelines, punishment, and reporting system for violations to prevent dishonest acts and implement, and regularly reviewed the plan for revising and exposing the violations?	✓		(3) The Company has a " Code of Ethical Management" and relevant internal measures. The punishment and appeal system for violations has been defined, advocated, and implemented through internal education and training.	Compliance with the Code of Integrity Management without significant differences.
2. Implementation of ethical management (1) Has the Company assessed the ethical record of its dealing parties and has included in the contracts entered into with its dealing parties a clause on ethical conduct?	✓		(1) The Company requires its associates to sign a "Letter of Commitment on Integrity, Environmental Protection, and Social Responsibility," which stipulates that the associates shall abide by integrity and shall not grant or receive improper benefits to the employees of the Company. They also regularly assess the integrity of their business operations and whether they violate their ethical records to ensure that their business operations are transparent and fair.	Compliance with the Code of Integrity Management without significant differences.
(2) Does the Company set up a dedicated unit under the Board of Directors to promote the honest operation, and regularly (at least once a year) report to the Board of Directors its policy of honest operation and the plan to prevent dishonest behavior and supervise its implementation?	✓		(2) The Audit Office of the Company is subordinate to the Board of Directors. It is responsible for supervising and checking the implementation of ethical management by all operating departments of the Company to comply with the internal control system and regularly reporting the implementation status to the Board of Directors.	

Evaluation Item	Operation Condition			Situation and Reasons for Differences from Code of Integrity Management for Listed Companies
	Y	N	Explanation	
(3) Has the Company formulated and implemented a policy to prevent conflict of interest and provided appropriate channels for presentation?	✓		(3) The Company conducts all business activities in accordance with the law and will release important information in accordance with the law to achieve information transparency; if there is a conflict of interest in the vote of the Board of Directors, the person shall be withdrawn.	Compliance with the Code of Integrity Management without significant differences.
(4) Has the Company established an effective accounting system and internal control system for the implementation of ethical management? Has the internal audit unit drawn up relevant audit plans based on the assessment results of the risks of dishonest conduct and checked the compliance of the plan to prevent the dishonest conduct, or entrust an accountant to carry out the audit?	✓		(4) The Company has established an effective accounting formulation and internal control system. The Company's audit unit shall carry out the audit according to the annual audit plan approved by the Board of Directors, submit the report to the Audit Committee, report the implementation of its audit to the Audit Committee and the Board of Directors, and report to the competent authority according to the relevant provisions.	
(5) Does the Company regularly hold internal and external education and training on ethical management?	✓		(5) The Company held several internal and external education and training related to ethical business issues in 2020, including courses such as patent retrieval, avoidance and infringement analysis, insider withdrawing right and prevention of insider trading, etc., of 115 persons and 176.5 hours of training; in the hope that employees can fully understand the principles of the Company's ethical	

Evaluation Item	Operation Condition			Situation and Reasons for Differences from Code of Integrity Management for Listed Companies
	Y	N	Explanation	
			management determination, and self-requirements of words and practices in their daily work.	
<p>3. Operation of the Company's reporting system</p> <p>(1) Has the Company formulated a specific reporting and reward system, established a convenient reporting channel, and designated an appropriate person in charge of handling the report?</p> <p>(2) Has the Company set the standard operating procedures to investigate complaints, the follow-up measures to be taken after the investigation is completed, and a relevant confidentiality mechanism?</p> <p>(3) Has the Company taken measures to protect the informant from improper treatment due to reporting?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has set up specific reporting and reward systems, and the HR unit is a specialized accepting unit, which can effectively operate the complaint system.</p> <p>(2) The HR unit shall accept the matter reported to the Company and establish relevant operating procedures and a confidentiality mechanism to safeguard the rights and interests of the informant and his/her confidentiality.</p> <p>(3) The Company's HR unit is the specialized accepting unit. It strictly requires the accepting unit not to disclose the informant's identity to ensure the effective implementation of the appeal system and protect the informant from improper treatment due to the reporting.</p>	Compliance with the Code of Integrity Management without significant differences.
<p>4. Strengthened information disclosure</p> <p>(1) Does the Company disclose the content and effectiveness of its ethical management on its website and on its Open Information Observatory?</p>	<p>✓</p>		The Company's Code of Ethical Management is disclosed on the Company's website and the Open Information Observatory.	Compliance with the Code of Integrity Management without significant differences.

Evaluation Item	Operation Condition			Situation and Reasons for Differences from Code of Integrity Management for Listed Companies
	Y	N	Explanation	
5. If the Company has its own code of ethical management based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please state the difference between its operation and the code: No differences exist.				
6. Other important information that will help us to understand the ethical management operation of the Company: The Company has an accounting system, audit, and other operations. It has formulated the Code of Corporate Governance and Code of Ethical Management for the Company's executive management and employees to follow. The auditors also regularly report to the Audit Committee and the Board of Directors on the Company's internal control system and various audits. In addition, the Audit Committee and the Board of Directors will be informed of any work or content revision that needs to be strengthened so that the ethical management system can be effectively implemented.				

4.7 If the Company has a corporate governance code and relevant regulations, it shall disclose its inquiry methods:  
Please refer to the Company's website ([www.sysgration.com](http://www.sysgration.com)) and the Open Information Observatory.

4.8 Other important information which is sufficient to enhance the understanding of the operation of corporate governance may be disclosed together:  
In order to establish a good internal material information processing and disclosure mechanism, avoid the improper disclosure of information, and ensure the consistency and accuracy of the information published by the Company to the outside world, the Company hereby establishes the "Internal Material Information Processing Procedure."

## 4.9 Implementation of the internal control system

### 1. Statement of internal control

Sysgration Ltd.

Statement of the internal control system

Date: March 18, 2021

The Company's internal control system of 2020, based on the results of its own assessment, is hereby stated as follows:

1. The Company acknowledges that the establishment, implementation, and maintenance of the internal control system is the responsibility of the Board of Directors and the management team of the Company, and the Company has established such a system. The objective is to provide reasonable assurance of the effectiveness and efficiency of operations (including profitability, performance, and asset safety, etc.), reliability, timeliness, transparency of reporting, and compliance with relevant regulations.
2. The internal control system has its innate limitations, no matter how perfect the design is. An effective internal control system can only provide a reasonable assurance for achieving the above three objectives. Moreover, due to the change in the environment, the effectiveness of the internal control system may change. However, The Company has a self-monitoring mechanism for its internal control system. Once any deficiencies are identified, the Company shall take corrective action.
3. The Company judges whether the design and implementation of the internal control system are effective or not according to the "Guidelines for Handling the Establishment of Internal Control System by Public Offering Companies" (hereinafter referred to as the "Guidelines for Handling"). The internal control system used in the "Guidelines for Handling" is the process of management control. The internal control system is divided into five components: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Supervision operation. Each component includes several items. For the foregoing items, please refer to the "Guidelines for Handling."
4. The Company has adopted the above internal control system judgment items and evaluated the effectiveness of the design and implementation of the internal control system.
5. Based on the results of the foregoing assessment, the Company considers that the internal control system of the Company as of December 31, 2020 (including the supervision and management of the subsidiaries), including an understanding of the effectiveness of operations and the extent to which efficiency objectives are achieved, and the report is reliable, timely, transparent, and in compliance with relevant codes and major regulations with relevant internal control systems, so the design and implementation are effective and can reasonably ensure that the above objectives are achieved.
6. This Statement will be the main content of the Company's annual report and prospectus and will be disclosed publicly. Any false or concealment of the above information will be subject to the legal liability of Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement is approved by the Board of Directors of the Company on March 18, 2021. Among the seven directors present, there are no opposing opinions, and they agree with the contents of this Statement and hereby declare as such.

Sysgration Ltd.

Chairman: Li, Yi-Ren

President: Hsieh, Tung-Fu



2. If an accountant is entrusted with reviewing the internal control system professionally, the audit report of the accountant shall be disclosed: None.

4.10 In the most recent year, as of the publication date of the annual report, the Company and its internal personnel have been punished according to the law, or the Company has punished its internal personnel for violating the provisions of the internal control system. The punishment result may have a significant impact on the shareholders' rights and interests or securities prices. The content of the punishment, main deficiency, and improvement measures are as below: None.

4.11 Important resolutions from the shareholders' and the Board of Directors meeting in the most recent year, as of the publication date of the annual report:

1. Contents and implementation of important resolutions of the meeting of shareholders

Date	Important resolutions of the meeting of shareholders	Implementation
2020/04/30	1. Approved 2019 Business Report and Parent Company only Financial Statements and the Consolidated Financial Statements	The Company's 2019 annual financial statements have been approved at the meeting of the shareholders and are available for viewing on the Open Information Observatory website.
	2. Approved 2019 annual loss appropriation and compensation	Appropriation complete according to the resolution of the shareholders' meeting.
	3. Revised the "Articles of Incorporation"	Handling according to the revision of the Articles of Incorporation.
	4. Revised the "Procedures for lending funds to others"	Handling according to the revision of procedures.
	5. Adopted common stock private placement.	In consideration of the capital market conditions, the Board of Directors decided not to proceed with the aforementioned private placement on April 16, 2021.
	6. Elected board members of the 14 <sup>th</sup> term of Board of Directors.	After election, Director Li, Yi-Ren, Director Hsieh, Tung-Fu, Director Li, Cheng-Han, Director Chen, Chih -Pin and Independent Director Lin, Kuan-Chao, Independent Director He, Ju-Hsiang, and Independent Director Wei, Che-Chen were elected and appointed.
	7. Relieved the restrictions on non-competition of new directors.	Resolution of the shareholders' meeting, Director Chen, Chih-Pin, Independent Director Lin, Kuan-Chao, Independent Director Wei, Che-Chen, and Independent Director He, Ju-Hsiang without prejudice to the interests of the Company, the non-competition restrictions shall be relieved if investing in or operating other companies with the same or similar business scope or acting as a director or manager.

## 2. Material resolutions of the Board of Directors

Date	Material Resolutions of the Board of Directors
2020/01/30	Disposal of the shareholding of the important subsidiary Leadman Electronics USA, Inc.
2020/02/11	Convened the Company's 2020 annual meeting of shareholders
2020/03/20	<ol style="list-style-type: none"> <li>1. The Company's 2019 "Internal control system effectiveness assessment" and "Statement of internal control system".</li> <li>2. The Company's 2019 Financial Statement and Business Report.</li> <li>3. The Company's 2019 annual loss appropriation and compensation.</li> <li>4. Tariff endorsement guarantee for the Company.</li> <li>5. Revised the Company's "Articles of Incorporation".</li> <li>6. Revised the Company's "Procedures for lending funds to others".</li> <li>7. The Company common stock private placement.</li> <li>8. The Company's re-election of directors</li> <li>9. The Company's nomination and decision on the candidate list of directors (including the Independent Director)</li> <li>10. Relieved the restrictions of non-competition of new directors</li> <li>11. Added the "common stock private placement" motion in the 2020 annual meeting of shareholders</li> <li>12. Revised the Company's "Measurement of Operation Bonus".</li> <li>13. The Company's 2019Q4 business bonus release for managers.</li> </ol>
2020/04/30	<ol style="list-style-type: none"> <li>1. The Company's Chairman election of the 14<sup>th</sup> term of Board of Directors.</li> <li>2. The Company's 4<sup>th</sup> term Remuneration Committee member election and appointment.</li> </ol>
2020/05/12	<ol style="list-style-type: none"> <li>1. The Company's periodic evaluation of the independence of the auditing CPAs.</li> <li>2. The Company's bank credit limit.</li> <li>3. The Company's 2020Q1 business bonus release for managers.</li> <li>4. The Company's appointment and dismissal of senior executives.</li> <li>5. The Company's compensation for the new hired executive managers.</li> <li>6. Revised the Company's "Authorization Delegation List".</li> </ol>
2020/06/30	<ol style="list-style-type: none"> <li>1. Other receivables to the subsidiary Sysgration Technology (Huizhou) Co., Ltd. reclassified as loan funding as of June 2020.</li> </ol>
2020/08/14	<ol style="list-style-type: none"> <li>1. The Company's issuance of the fourth domestic secured convertible corporate bonds.</li> <li>2. The Company revised the 2020 operation plan and budget.</li> <li>3. The Company formulated the "Business Improvement Plan".</li> <li>4. Stipulated capital increase record date of employee stock option execution.</li> <li>5. Application for the guarantee limit of secured convertible corporate bonds.</li> <li>6. The Company's bank credit limit.</li> <li>7. The Company's accounts receivable with a significant amount due to business transactions exceeding the normal credit period of three months as of June 2020, which shall not be deemed as loans to others.</li> <li>8. The Company's 2020Q1 and 2020Q2 operation bonus release for managers.</li> <li>9. The Company's appointment and promotion of senior executives</li> <li>10. The Company's executive managers' compensation.</li> <li>11. The Company's list of employees and the number of stock options to be granted to employees.</li> </ol>
2020/11/13	<ol style="list-style-type: none"> <li>1. The Company's 2021 annual audit plan.</li> <li>2. The Company's capital increase record date of employee stock option execution.</li> <li>3. The Company's bank credit limit.</li> <li>4. Adopted the Company's organization adjustment.</li> </ol>

Date	Material Resolutions of the Board of Directors
	5. The Company's executive managers' compensation and benefit adjustment. 6. The Company's 2020Q3 business bonus release for managers.
2021/01/14	1. Formulated the Company's "Performance evaluation method of the Board of Directors" 2. The Company's 2021 operation plan and budget. 3. The Company's capital increase record date of employee stock option execution. 4. The Company's bank credit limit. 5. To manage the exchange rate risk, drafted to apply for a derivative commodity trading line. 6. Convened the Company's 2021 annual meeting of shareholders. 7. Special business incentive for Energy Storage Division. 8. Revised the Company's "Measurement of business bonus". 9. Revised the Company's "Measurement of operation bonus". 10. The Company's 2020Q4 business bonus release for managers. 11. The Company's 2020Q4 operation bonus release for managers. 12. The Company's 2020 year-end bonus release for managers. 13. The Company adopted land purchase proposal.
2021/03/18	1. The Company's 2020 "Internal control system effectiveness assessment" and "Statement of internal control system". 2. The Company's 2020 Financial Statement and Business Report. 3. The Company's 2020 annual loss appropriation and compensation. 4. Increased guarantee amount RMB 10 million to the Company's subsidiary Sysgration Technology (Zhenjiang) Ltd. 5. The Company's CEO resignation. 6. The Company's executive managers' compensation. 7. Revised the Company's "Authorization Delegation List"

4.12 In the most recent year, as of the publication date of the annual report, the directors or supervisors have different opinions on the adoption of material resolutions by the Board of Directors, and there is a record or written statement: None.

4.13 In the most recent year and up to the publication date of the annual report, the resignation of the Chairman, President, Accounting Supervisor, Finance Supervisor, Internal Audit Supervisor, Corporate Governance Supervisor, and Research and Development Supervisor:

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
CEO	Hsiao, Teng-Chou	2020/05/12	2021/03/08	Resignation

## 5 Information on CPA's Services Fees

### 5.1 Audit Services Fee

Accounting Firm	Name of CPA		Audit Period Covered	Remarks
PricewaterhouseCoopers Taiwan	Chiu, Chao-Hsien	Hsu, Ming-Chuan	2020/01/01~2020/12/31	None

Amount Unit: NT\$

Item		Audit Fee	Non-audit Fee	Total
Fee Range				
1	Less than 2,000,000		✓	
2	2,000,001 ~ 4,000,000	✓		
3	4,000,001 ~ 6,000,000			✓
4	6,000,001 ~ 8,000,000			
5	8,000,001 ~10,000,000			
6	More than 10,000,000			

Amount Unit: NT\$1,000

Accounting Firm	Name of CPA	Audit Fee	Non-audit fee (Note)					Period Covered by CPA's Audit	Remarks
			System design	Company Registration	Human Resource	Others	Subtotal		
Pricewaterhouse Coopers Taiwan	Chiu, Chao-Hsien Hsu, Ming-Chuan	3,720	0	60	0	490	550	2020/01/01 to 2020/12/31	None

Note: The Company paid a total of NT\$550 thousand for non-audit fees in 2020, of which the industrial and commercial registration fee of NT\$60,000 is related to the registration change. Other expenses of NT\$490,000 are the pricing transfer fee of NT\$250,000, the issuance of employee stock option declaration documents and opinion is NT\$80,000, and the corporate bond issuance declaration checklist and opinion is NT\$160,000.

- 5.2 Where the non-audit fees paid to the audit CPAs, accounting firm, and its affiliated enterprises are more than one-fourth of the audit fees, the amount of audit and non-audit fees, and the content of non-audit services shall be disclosed: None.
- 5.3 Where the accounting firm is changed and the amount of audit fees paid in the year of the change is less than that in the year before the change, the amount of audit fees and the reasons before and after the change shall be disclosed: None.
- 5.4 Where the audit fees have been reduced by more than 10% compared with the previous year, the amount, proportion, and reasons for the reduction of audit

fees shall be disclosed: None.

## 6 Information of replacement of CPA

None.

## 7 Information to be disclosed regarding the Chairman, President, or Chief manager in charge of the financial or accounting affairs of the Company who has worked for auditing accounting firm or its affiliated companies within the last one year

None.

## 8 Changes of shareholding and pledge of directors, supervisors, executive managers, and shareholders holding more than 10% of the shares

### 8.1 Changes in shareholding

Title	Name	2020		as of March 31, 2021	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares	Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares
Chairman	Li, Yi-Ren	0	0	300,000	0
Director	Li, Cheng-Han	100,000	0	0	0
Director	Chen, Chih-Pin	0	0	0	0
Director and President	Hsieh, Tung-Fu	202,000	0	0	0
Independent Director	Lin, Kuan-Chao	0	0	0	0
Independent Director	Wei, Che-Chen	0	0	0	0
Independent Director	He, Ju-Hsiang	0	0	0	0
CEO	Hsiao Teng-Chou	0	0	0	0
Vice President	Yeh, Chia-Fu	40,000	0	0	0
Vice President	Li, Fang-Mao	90,000	0	0	0
Vice President	Li, Yi-Chia	20,000	0	60,000	0
Vice President	Hsing, Chien	0	0	0	0
Vice President	Chan, Wei-Chen	0	0	0	0
Vice President	Chang, Ping-Hua	0	0	0	0
Director Manager	Wang, Hua-Wei	94,000	0	0	0
Director Manager	Wu, Jeng-Ru	0	0	0	0
Director Manager	Huang, Yao-Lun	20,000	0	0	0
Director Manager	Li, Tsung-Po	0	0	0	0
Director Manager	Lin, Mu-Sen	0	0	0	0
Director Manager	Tsai, Hsiu-Mei	36,000	0	0	0

Note 1: The shareholders holding more than 10% of the Company's total shares shall be marked as major shareholders and listed separately.

Note 2: If the relative person of shares transfer or pledged is a related party, the following table should be completed.

8.2 Shares trading with related parties: None.

8.3 Shares pledge with related parties: None.

## 9 Relationship among the top 10 shareholders

As of March 31, 2021

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees of Kinship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Li, Yi-Ren	12,961,210	8.39%	2,782,097	1.80%	6,804,673	4.40%	Wu, Cui-Ying	Spouse	None
Investment account of Nomura International Co., Ltd. in Citibank custody	8,459,000	5.47%	0	0.00%	0	0.00%	No	No	None
Danren Investment Co., Ltd.	6,804,673	4.40%	0	0.00%	0	0.00%	Li, Yi-Ren	Leal person	None
Investment account of Morgan Stanley in HSBC custody	6,009,660	3.89%	0	0.00%	0	0.00%	No	No	None
Wu, Cui-Ying	2,782,097	1.80%	12,961,210	8.39%	0	0.00%	Li, Yi-Ren	Spouse	None
Investment account of LGT- Private Banking Singapore in Standard Chartered custody	2,320,000	1.50%	0	0.00%	0	0.00%	No	No	None
Chan, Ta-Ching	1,567,000	1.01%	0	0.00%	0	0.00%	No	No	None
Yang, Yi-Xuan	1,300,000	0.84%	0	0.00%	0	0.00%	No	No	None
Chien Shing Investment Co., Ltd. (CSI Co. Ltd.)	1,192,890	0.77%	0	0.00%	0	0.00%	Ye, Shuo-Tang	Representative of CSI Co. Ltd.	None
Representative: Ye, Shuo-Tang	0	0.00%	0	0.00%	0	0.00%	CSI Co. Ltd.	Representative of CSI Co. Ltd.	None
Wang, Hui-Ling	916,000	0.59%	0	0.00%	0	0.00%	No	No	None

Note 1: All the top ten shareholders must be listed. The names of the corporate shareholders and the names of the representatives shall be listed if they are corporate shareholders.

Note 2: The calculation of the shareholding ratio refers to calculating the shareholding ratio in the name of oneself, spouse, minor child, and by nominee arrangement.

Note 3: The shareholders listed above, including the institutional shareholders and natural persons, shall disclose their relationships according to the issuer's financial statement reporting standards.

## 10 Ownership of shares in affiliated enterprises

Unit: share; %, as of December 31, 2020

Affiliated Enterprises (Note 2)	Ownership by the Company		Direct or Indirect Ownership by the Directors, Supervisors, and Executive Managers		Comprehensive Ownership	
	Shares	%	Shares	%	Shares	%
Sysgration Technology (Samoa) Ltd.	21,800,000	100%	0	0%	21,800,000	100%
Sysgration (Samoa) Ltd.	15,938,000	100%	0	0%	15,938,000	100%
Sysgration USA. Inc.	300,000	100%	0	0%	300,000	100%
Sysgration Technology (Zhenjiang) Ltd.	Note 1	100%	Note 1	100%	Note 1	100%
Sysgration Technology (Huizhou) Ltd.	Note 1	100%	Note 1	100%	Note 1	100%

Note 1: No shares issued.

Note 2: Long-term investment by the Company using the equity method.

## IV. Capital Overview

### 1 Capital and shares:

#### 1.1 Source of capital

##### 1. Capital formation

Unit: NT\$1,000; 1,000 shares

Year/Month	Par Value (NT\$/share)	Authorized Capital		Paid-In Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
2020/08	ESOP NT\$21.8	300,000	3,000,000	151,260	1,512,597	ESOP execution \$1,050	No	ZSSJ No. 10901162960
2020/12	ESOP NT\$21.8	300,000	3,000,000	152,485	1,524,847	ESOP execution \$12,250	No	ZSSJ No. 10901225500
2021/02	ESOP NT\$21.8/NT\$10	300,000	3,000,000	154,081	1,540,805	ESOP execution \$15,958	No	ZSSJ No. 11001018930
Note 6	ESOP NT\$21.8/NT\$10 The conversion price of Convertible Bond NT\$35	300,000	3,000,000	154,553	1,545,534	ESOP execution \$4,700 Convertible Bond Conversion \$29	No	Note 6

Note 1: Information for the year as of the date of publication should be completed.

Note 2: The effective (approved) date and document number of the capital increase shall be noted.

Note 3: The shares issued under par value shall be marked in a prominent manner.

Note 4: If the monetary claims or technology are used as paid-in capital, it shall be stated clearly, and the types and amounts of such assets shall be noted.

Note 5: In the case of a private placement, it shall be marked in a prominent manner.

Note 6: From January 1, 2021, on March 31, 2021, the total execution of employee stock option is 470,000 shares, the total conversion of convertible bonds is 2,857 shares, and the actual number of shares circulating as of March 31, 2021, is 154,553 thousand shares; it is expected to apply for the registration of change of capital after the end of the first quarter of 2021.

#### 2. Type of Stock

Unit: share      As of March 31, 2021

Stock Type	Authorized Capital				Remark
	Outstanding Shares		Unissued shares	Total	
	Listed	Unlisted			
Registered Common Stock	154,553,366	0	145,446,634	300,000,000	None

Note: The common stock includes the executed converted employee stock options that have not yet been registered for change of 470,000 shares and total conversion of convertible bonds of 2,857 shares; it is expected to apply for the registration of change of capital after the end of the first quarter of 2021.

#### 3. Information of Self Registration: None.



## 1.2 Shareholder structure

Unit: share; person As of March 31, 2021

Shareholder structure Qty.	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Domestic Natural Persons	Total
Number of Shareholders	1	5	127	27	30,474	30,634
Shareholding (shares)	21	1,332,785	9,004,381	17,076,051	127,140,128	154,553,366
Shareholding (%)	0.00%	0.86%	5.83%	11.05%	82.26%	100.00%

## 1.3 Shareholding distribution status

As of March 31, 2021

Class of Shareholding (shares)	Number of shareholders	Shareholding (shares)	Shareholding (%)
1 - 999	14,563	1,870,496	1.21%
1,000 - 5000	12,366	26,038,363	16.85%
5,001 - 10,000	1,887	14,940,690	9.67%
10,001 - 15,000	612	7,957,357	5.15%
15,001 - 20,000	366	6,801,730	4.40%
20,001 - 30,000	327	8,414,394	5.44%
30,001 - 40,000	166	6,024,714	3.90%
40,001 - 50,000	97	4,520,466	2.93%
50,001 - 100,000	142	9,929,397	6.43%
100,001 - 200,000	58	7,826,979	5.06%
200,001 - 400,000	28	8,319,428	5.38%
400,001 - 600,000	4	2,088,930	1.35%
600,001 - 800,000	7	4,702,892	3.04%
800,001 - 1,000,000	2	1,721,000	1.11%
More than 1,000,000	9	43,396,530	28.08%
Total	30,634	154,553,366	100.00%

## 1.4 List of major shareholders

Unit: share As of March 31, 2021

Name of Shareholder	Shares	Shareholding	
		shares	%
Li, Yi-Ren		12,961,210	8.39%
Investment account of Nomura International Co., Ltd. in Citibank custody		8,459,000	5.47%
Danren Investment Co., Ltd.		6,804,673	4.40%
Investment account of Morgan Stanley in HSBC custody		6,009,660	3.89%
Wu, Cui-Ying		2,782,097	1.80%
Investment account of LGT - Private Banking Singapore in Standard Chartered custody		2,320,000	1.50%
Chan Ta-Ching		1,567,000	1.01%
Yang, Yi-Xuan		1,300,000	0.84%
Chien Shing Investment Co., Ltd.		1,192,890	0.77%
Wang, Hui-Ling		916,000	0.59%

## 1.5 Market price, net worth, earnings, dividend, and related information for the last two years

Unit: NT\$

Item	Year		2019	2020	Current year as of March 31, 2021
	Market Price per Share (Note 1)	Highest		17.85	55.5
Lowest		6.00	9.95	33.0	
Average		10.38	31.80	40.13	
Net Worth per share	Before Distribution		7.24	6.92	-
	After Distribution		7.24	6.92	-
Earnings per Share	Weighted Average Number of Shares		151,154,709	154,080,509	-
	Earnings per Share		(1.88)	(0.64)	-
Dividend per Share	Cash Dividend		0	0	-
	Stock Dividend	Retained Earnings Allotment	0	0	-
		Capital Reserve Allotment	0	0	-
	Accumulated Unpaid Dividend		0	0	-
Return on Investment	Price/Earnings Ratio (Note 2)		(5.52)	(49.69)	-
	Price/Dividend Ratio (Note 3)		N/A	N/A	-
	Cash Dividend Yield Rate (Note 4)		N/A	N/A	-

\* If the retained earnings or capital reserves are distributed as dividends, the market price adjusted retroactively according to the number of shares issued and cash dividend information shall be disclosed.

Note 1: The data source is from the TPEX trading website.

Note 2: It shall list the highest and lowest market prices of each year and calculate the average market price of each

year according to the transaction value and volume of each year.

Note 3: Take the number of shares issued at the end of the year as the denominator and fill in according to the distribution resolution of the shareholders' meeting of the next year.

Note 4: The earnings per share before and after adjustment should be shown in retroactive adjustment if stock dividends were distributed.

Note 5: Accumulated unpaid accrued dividends of the current year shall be disclosed separately.

Note 6: Price/Earnings Ratio = Average Market Price/Earnings per share.

Note 7: Price/Dividends Ratio = Average Market Price/Cash Dividends per Share.

Note 8: Cash Dividend Yield Rate = Cash Dividend per Share/ Average Market Price.

Note 9: The net worth per share and earnings per share should be filled in the latest quarter as of the publication date of the annual report, which has been audited (reviewed) by CPAs.

## 1.6 Dividend policy and implementation status

### 1. Dividend policy stipulated in the Articles of Incorporation:

If there is a surplus in the annual gross final accounts of the Company, the taxes shall be withheld firstly, and previous losses shall be made up. The subsequent deduction of 10% shall be the statutory surplus reserve unless the statutory surplus reserve has reached the Company's paid-up capital. In addition, a special surplus reserve shall be set aside according to the operational needs of the Company and the provisions of laws and regulations. If there is still a surplus and the surplus has not been distributed at the beginning of the period, the Board of Directors shall draw up a surplus distribution plan and submit it to the shareholders' meeting for resolution to distribute or keep the surplus. In order to meet the Company's long-term business development, future capital needs, and long-term business planning, no more than 90% of the distributable earnings shall be allocated annually as the distribution of dividends to shareholders, except that the accumulated distributable earnings are less than 5% of the paid-in capital. The cash dividend shall not be less than 10% of the total dividend, but if the amount of cash dividend allocated is less than NT\$0.5 per share, it may be paid out in share dividend.

### 2. The proposed dividend distribution at this shareholders' meeting: None.

## 1.7 Impact of proposed share dividends at this shareholders' meeting on the Company's operating performance and earnings per share

Not applicable, no share dividend allotment is proposed at this shareholders' meeting.

## 1.8 The remuneration of employees, directors, and supervisors

### 1. The percentage or scope of remuneration for employees, directors, and supervisors as set out in the Articles of Incorporation:

If the Company makes profits in the year, it shall allocate 10% to 15% for the

remuneration of its employees and no more than 3% for the remuneration of its directors. However, if the Company still has accumulated losses, it shall reserve the amount to make up in advance.

The stock or cash payments to employees referred to in the preceding paragraph may include the employees of affiliated companies who meet certain conditions. The Board of Directors shall be authorized to determine the conditions and distribution methods.

2. The basis for estimating the profit-sharing remuneration distribution of employees, directors, and supervisors, and the accounting treatment in the event of any discrepancy between the actual amount allocated and the estimated amount:

The Company did not estimate or allocate any profit-sharing remuneration to its employees, directors, and supervisors in 2020, so there was no discrepancy.

3. Remuneration distribution approved by the Board of Directors:

- A. If there is any difference between the amount of cash or stock allotment as remuneration to employees and remuneration to directors and supervisors, and the annual estimated amount of recognized expenses, the amount of the difference, reasons for the difference, and treatment shall be disclosed:

The Company did not recognize or distribute any profit-sharing remuneration for its employees or directors and supervisors in 2020.

- B. The ratio of employees' profit-sharing stock remuneration to net income of parent company only:

The Company did not distribute any profit-sharing stock remuneration to its employees in 2020.

4. If there is any difference between the actual distribution of remuneration to employees, directors, and supervisors in the previous year (including the number of shares allocated, the number of shares allocated, and the share price), and the recognized remuneration to employees, directors, and supervisors, the number of the difference, reasons for the difference, and treatment shall be stated as follows:

The Company did not allocate any remuneration to its employees, directors, and supervisors in 2020.

#### 1.9 Buy-back of treasury stock

None.

## 2 Corporate bonds

### 2.1 Information related to corporate bonds issued:

The Company applied for the issuance of the fourth domestic secured convertible corporate bonds, which the Financial Supervision Commission approved with Letter Jin-Guan-Zheng-Fa-Zi No. 1090357651 on September 29, 2020, with a total issuance amount of NT\$500 million.

Type of Corporate Bond	The Fourth Domestic Secured Convertible Corporate Bonds
Issue Date	October 20, 2020
Face Value	NT\$100,000 per voucher
Issuing and Trading Location	Domestic TPEX
Issue Price	Issued at 100.2% of par value
Total Issue Amount	NT\$500 million
Coupon Rate	0%
Tenor	Three years. Maturity date: October 20, 2023
Guarantee Agency	Hua Nan Commercial Bank Ltd.
Trustee	The Shanghai Commercial & Savings Bank, Ltd.
Underwriter	Fubon Securities Co., Ltd.
Certified Lawyer	HANDSOME ATTORNEYS-AT-LAW: Lawyer Qiu, Ya-Wen
CPAs	PricewaterhouseCoopers Taiwan: Accountant Chiu, Chao-Hsien, Hsu, Ming-Chuan
Repayment Method	The term is three years; unless converted or redeemed according to the conversion method, the bond shall be repaid in a lump sum in cash at maturity according to the face value of the bond.
Un-Repaid Amount	None.
Redemption or Early Repayment Clause	<ol style="list-style-type: none"> <li>1. From the next day of issuance of the convertible corporate bonds (January 21, 2021) three months after and ending on the 40<sup>th</sup> day before the maturity date (September 11, 2023), if the closing price of the Company's common shares exceeds the then-conversion price by 30% for thirty consecutive business days (included), the Company may, within thirty business days thereafter, send by registered mail to the bondholders a "Notice of Recall" for the expiry of thirty days and request the TPEX for notice.</li> <li>2. From the next day of issuance of the convertible corporate bonds (January 21, 2021) three months after and ending on the 40<sup>th</sup> day before the maturity date (September 11, 2023), if the circulating balance of the converted bonds is less than 10% of the total amount originally issued, the Company may, at any time thereafter, send by registered mail to the bondholders a "Notice of Recall" for the expiry of thirty days and request the TPEX for notice.</li> </ol>
Restrictive Clause	<ol style="list-style-type: none"> <li>1. If the holders of the convertible bonds request the conversion during January 1 of the current year to the 15<sup>th</sup> business days (excluded) prior to the date of the cessation of transfer of cash dividends required by the Company in the current year, they may participate in the cash dividend (stock dividend) distribution of the previous year decided on the shareholders' meeting of the current year.</li> <li>2. From the 15<sup>th</sup> business days before the record date of cash dividends (included) to ex-dividend date (included), the conversion of the convertible corporate bonds shall be stopped.</li> <li>3. If the holders of the convertible corporate bonds who request the conversion during the day following ex-dividend date to December 31 (included) of the current year, shall not be entitled to the cash dividend of the previous year by the resolution of the shareholders' meeting of the current year but may participate in the cash dividend (stock dividend) of the next year.</li> </ol>
Name of Credit Rating Agency, Rating Date, and Corporate Bond Rating Result	None.

Other Rights Attached	Converted Amount as of Publication Date Of the Annual Report	NT\$100,000
	Issuance and Conversion Method	Please refer to the bond issuance data in the bond information area of the Open Information Observatory.
Possible Dilution of shareholding due To Bond Issuance and Conversion, Exchange, Subscription, and Term; and Impact on Existing Shareholders' Equity.		None
Name of Custodian Institution For Exchanged Objective		Not applicable

## 2.2 Data of converted corporate bonds

Type of Corporate Bonds		The 4 <sup>th</sup> Domestic Secured Convertible Corporate Bonds	
Item	Year	2020	Current year ending on March 31, 2021 (Note 4)
	Market price of the convertible corporate bond (Note 1)	Highest	138.80
Lowest		110.20	115.00
Average		120.37	125.71
Conversion price		35.00	35.00
Issue date and conversion price at issuance		October 20, 2020; NT\$35.00	
Conversion methods (Note 2)		Issue of new shares	

Note 1: If the overseas corporate bonds have more than one trading place, they shall list separately by trading places.

Note 2: Delivery of issued shares or issue of new shares.

Note 3: The information for the year ending the publication date of the annual report should be provided.

2.3 Data on exchangeable corporate bonds: None.

2.4 Information on shelf registration of corporate bonds: None.

2.5 Information on corporate bonds with warrants: None.

### 3 Preferred stocks

None.

### 4 Overseas depositary receipts

None.

### 5 Employee stock options

Please refer to Page 85 to Page 87 for details.

### 6 New restricted employee shares

None.

### 7 New shares issuance in connection with merger and acquisition

None.

### 8 Implementation of the financing plan

The Company issued the 4<sup>th</sup> domestic secured convertible corporate bonds in 2020 and its financial plan is described as follows:

#### 8.1 Content of plan

1. Approval date and document number by the competent authority: approved by the Financial Supervisory Commission (FSC) in Letter JGZFY No. 1090357651 on September 29, 2020.
2. Total fund required for this project: NT\$501,000,000.
3. Fund source of this fundraising plan: issue 5,000 coupons of the fourth domestic secured convertible corporate bonds, with face value of NT\$100,000 per coupon; the total amount of issue is NT\$500 million, issue price according to 100.2% of the face value, and the tenor of issue is three years.
4. Fund use: to repay the bank loan of NT\$100,000,000 and enrich the operating working capital of NT\$401,000,000.
5. Schedule

unit: NT\$1,000

Plan Item	Estimated Date of Completion	Total Fund Required	Fund Use Schedule		
			2020Q4	2021Q1	2021Q2
Bank Loan Repayment	2020Q4	100,000	100,000		
Working Capital Injection	2021Q2	401,000	100,000	150,000	151,000
Total		501,000	200,000	150,000	150,000

## 8.2 Implementation status

The Company issued the fourth domestic secured convertible corporate bonds and completed fund raising in October 2020. As of the fourth quarter of 2020, the implementation was as follows:

### 1. Bank loan repayment

Unit: NT\$1,000

Plan item	Implementation		Amount	Causes of the progress advance or lag and the improvement plan
2020Q4	Used amount	Scheduled	100,000	According to the fund use plan, the bank loans have been fully repaid in the fourth quarter of 2020.
		Actual	100,000	

### 2. Working capital Injection

Unit: NT\$1,000

Plan item	Implementation		Amount	Causes of the progress advance or lag and the improvement plan
2020Q4	Used amount	Scheduled	100,000	The Company used NT\$250,000,000 to pay for purchase of goods and operating expenses in the fourth quarter of 2020 and the first quarter of 2021 according to the fund use plan, which is positive for the Company to improve its capital scheduling flexibility and improve its financial structure.
		Actual	100,000	
2021Q1	Used amount	Scheduled	150,000	
		Actual	150,000	

Unit: NT\$1,000

Item	2020Q3	2020Q4
Current assets	1,037,669	1,489,122
Current liabilities	533,649	518,436
Operating income	364,373	407,835
Ratio of current liabilities	33%	24%
Current ratio	194%	287%
Quick ratio	157%	249%

Data source: The Company's Financial Statements audited(review) by CPAs.

The Company issued the fourth domestic secured convertible corporate bonds in 2020, which was expected to increase the long-term financial stability, enhance the Company's operational competitiveness, improve its financial structure and solvency, and reduce its short-term interest expense by about NT\$485 thousand per year. As of the first quarter of 2021, all are on schedule, and the related benefits are in line with expectations.



## Employee stock options

- (1) The Company's unexpired employee stock options shall be disclosed for the status as of the date of the annual report and its impact on shareholders' equity.

### Employee Stock Options

As of March 31, 2021

Type of Employee Stock Option	The 5 <sup>th</sup> Employee Stock Option	The 6 <sup>th</sup> Employee Stock Option	The 7 <sup>th</sup> Employee Stock Option
Approval Date	October 20, 2015	October 26, 2017	December 30, 2019
Grant Date	January 12, 2016	October 15, 2018	August 20, 2020
Shares Granted	5,000,000 shares	4,500,000 shares	4,731,000 shares
The Ratio of Shares to be issued To the Total Outstanding Shares	3.24%	2.91%	3.06%
Duration	Five years.	Five years.	Five years.
Delivery Method	By issuing new shares.	By issuing new shares.	By issuing new shares.
Vesting Condition and Schedule	40% vested after 2 years 70% vested after 3 years 100% vested after 4 years	40% vested after 2 years. 70% vested after 3 years 100% vested after 4 years	40% vested after 2 years. 70% vested after 3 years. 100% vested after 4 years.
Number of Shares Issued for Exercised Option	2,165,000 shares	1,230,800 shares	0 shares
Total Amount of Options been Exercised	NT\$47,197,000	NT\$12,308,000	NT\$0
Outstanding Shares of Option to be Exercised	400 shares	2,025,200 shares	3,812,000 shares
Exercise Price of the Outstanding Shares of Option to be Exercised	NT\$21.80	NT\$10	NT\$33.80
The Ratio of Outstanding Shares of Option to be Exercised to the Total Number of Shares Issued	0.00%	1.31%	2.47%
Impact on Shareholders' Equity	The option grant is a five-year time-base vesting schedule with 2 years cliff, and is expected to have little impact on shareholders' equity	The option grant is a five-year time-base vesting schedule with 2 years cliff, and is expected to have little impact on shareholders' equity	The option grant is a five-year time-base vesting schedule with 2 years cliff, and is expected to have little impact on shareholders' equity

Note 1: The employee stock options include an employee stock option of a public offering and private placement in process. The public offering employee stock option in process refers to those approved to be effective by the Commission; private equity employee stock option in process refer to those approved by the shareholders' meeting.

Note 2: Delivery of issued shares or issue of new shares should be indicated.

Note 3: In the case of a private placement, it shall be marked in a prominent manner.

Note 4: The 5th employee stock option expired on January 12, 2021.

(2) List of executive managers and the Top 10 employees been granted with stock option.

As of March 31, 2021

	Title	Name	Shares Granted (in thousands of shares)	The Ratio of Shares Granted to the Total Number of Shares Issued	Exercised				Unexercised			
					Shares Exercised (in thousands of shares)	Exercise Price (in dollars)	Amount (in thousands of NTD)	The Ratio of Shares exercised of the Total Number of Shares Issued	Shares Exercised (in thousands of shares)	Exercise Price (in dollars)	Amount (in thousands of NTD)	The Ratio of Shares exercised of the Total Number of Shares Issued
Executive Managers	Chairman	Li, Yi-Ren	The fifth 1,070	0.69%	750	NT\$21.80	16,350	0.49%	320	NT\$21.80	6,976	0.20%
	CEO	Hsiao, Teng-Chou (Note 7)										
	President	Hsieh, Tung-Fu										
	V.P.	Yeh, Chia-Fu										
	V.P.	Li, Fang-Mao										
	V.P.	Li, Cheng-Han										
	V.P.	Li, Chen-Hui (Note 7)										
	V.P.	Li, Yi-Chia	The sixth 1,090	0.71%	400	NT\$10.00	4,000	0.26%	690	10.00元	6,900	0.45%
	V.P.	Chang, Ping-Hua (Note 7)										
	V.P.	Chan, Wei-Chen (Note 7)										
	V.P.	Hsing, Chien										
	Director Mgr.	Wang, Hua-Wei	The seventh 1,462	0.95%	0	NT\$33.80	0	0.00%	1,4620	NT\$33.8	49,416	0.95%
	Director Mgr.	Hsu, Shui-Tien (Note 7)										
	Director Mgr.	Chen, Hsin-Hung (Note 7)										
	Director Mgr.	Tsai, Hsiu-Mei										
	Director Mgr.	Huang, Yao-Lun										
	Director Mgr.	Wu, Jeng-Ru										
	Director Mgr.	Wen, Nai-Ruei (Note 7)										
	Director Mgr.	Li, Tsung-Po										
Director Mgr.	Li, Mu-Sen											

	Title	Name	Shares Granted (in thousands of shares)	The Ratio of Shares Granted to the Total Number of Shares Issued	Exercised				Unexercised			
					Shares Exercised (in thousands of shares)	Exercise Price (in dollars)	Amount (in thousands of NTD)	The Ratio of Shares exercised of the Total Number of Shares Issued	Shares Exercised (in thousands of shares)	Exercise Price (in dollars)	Amount (in thousands of NTD)	The Ratio of Shares exercised of the Total Number of Shares Issued
Employees	Division Mgr.	Zhang, Jia-Lin	The fifth 190	0.12%	190	NT\$21.80	4,1420	0.12%	0	NT\$21.80	0	0%
	Division Mgr.	Huang, Bao-Long										
	Division Mgr.	Gu, Rui-Sheng										
	Division Mgr.	Xu, Bo-Wen										
	Division Mgr.	Dai, Yi-Zhen										
	Division Mgr.	Lin, Yi-Cheng										
	Division Mgr.	Li, Pin-Ju										
	Division Mgr.	Huang, Chun-Yong										
	Senior Mgr.	Chen, Shun-De	The sixth 423	0.27%	102	NT\$10.00	1,020	0.06%	321	NT\$10.00	3,210	0.21%
	Senior Mgr.	Li, Cheng-Da										
	Senior Mgr.	Yu, Chih-Wei										
	Manager	Zhuo, Shi-Qin										
	Manager	Yang, Pei-Rong										
	Assistant Manager	Zhang, Jun-Jing	The seventh 509	0.33%	0	NT\$33.80	0	0.00%	509	NT\$33.80	17,204	0.33%
	Special Ass.	Dai, Yi-Ying										
Assistant	Chen, Yan-Ling											

Note 1: Including the executive managers and employees (who have resigned or died should be indicated), individual names and titles should be disclosed, but their acquisition and subscription can be disclosed in a summary manner.

Note 2: The top 10 employees in terms of the number of shares to which the stock option are granted refer to the employees other than executive managers.

Note 3: The total number of shares issued refers to the number of shares listed in the registration change information of the Ministry of Economic Affairs.

Note 4: The exercised employee stock option price shall be the exercise price at the time of execution.

Note 5: The unexercised employee stock option price shall be the exercise price after the calculation and adjustment in accordance with the issuance method.

Note 6: Ms. Li, Jane-Hui retired on 2020/05/07, Mr. Hsu, Shui-Tien resigned on 2021/01/29, Mr. Chen, Hsin-Hung resigned on 2020/06/30, Mr. Wen, Nai-Ruei resigned on 2020/05/29, Mr. Chang, Ping-Hua resigned on 2021/02/28, Mr. Hsiao, Teng-Chou resigned on 2021/03/8, and Mr. Chan, Wei-Chen resigned on 2021/03/15.

## V. Operation

### 1 Business content

#### 1.1 Business scope

1. The main contents of the Company's business:

The Company is committed to providing the best quality products for the IoT related and automotive electronics solutions, and power management solutions with advanced technology. By providing technology integration, we continue to assist customers in technology development, design and manufacturing, quality cost management, and certification of integrated solutions.

2. Product Segmentation

2020	Unit: NT\$1,000	
Product Category	Revenue Amount	Segment Revenue of Total Tevenue %
Automotive electronics products	756,635	57.04%
Power management products	554,749	41.81%
Others	15,307	1.15%
Total	1,326,691	100.00%

3. Current products (services) of the Company:

The Company's main business areas are tire pressure monitoring systems, automotive electronics, green energy and energy storage equipment, and power suppliers.

4. New products (services) planned to be developed:

- (1) Energy, power, and environmental-protection equipment products:

- ① Parallel uninterruptible power supply equipment.
- ② Long-delay uninterruptible power supply device for office & household off-peak energy-storage power supply.
- ③ Office & household off-peak energy-storage power supply.
- ④ Medical standby power supply.
- ⑤ Green building standby power supply.
- ⑥ Battery Backup System (BBS) for OCP Data Center applications.

- (2) Vehicle electronic products:

- ① Embedded onboard computer.

- ② Vehicle GPS-related applications.
  - ③ Traffic safety monitoring and auxiliary systems.
  - ④ Vehicle Android multimedia interactive platform.
  - ⑤ Ruggedized mobile device.
  - ⑥ Device integration and cloud application of the Internet of Vehicles.
- (3) Low-power Bluetooth tire pressure monitoring system for vehicles:
- ① Multi-frequency standalone general replacement tire pressure monitoring system.
  - ② Retrofit low-power Bluetooth BLE tire pressure monitoring system for passenger cars, motorcycles, heavy trucks, and buses.
  - ③ OE tire pressure monitoring system installed in vehicle factories.
  - ④ Big Data analysis and application of tire pressure monitoring system and IoV.
  - ⑤ Cloud APP of tire pressure monitoring system and Internet of Vehicles.
- (4) Power supply products:
- ① Multi-function power supply, power supply modules, and small BBU products.
  - ② Multi-layer stacked power module.

## 1.2 Industry overview

### 1. Current situation and development of the industry

#### (1) Automotive electronics industry market

The automobile industry has developed over more than a hundred years. The complexity of the functional requirements of a car has also increased, and a large proportion of automotive electronics is attributed to sensors. Vehicle sensors must pass rigorous mechanical or physical verifications, including dust, humidity, salt, fuel additives, vibration, and severe impact. Therefore, strict standards are a necessity. Temperature is also an important consideration. Usually, the vehicle sensors need to withstand temperature variations from  $-40^{\circ}\text{C}$  to  $120^{\circ}\text{C}$  and maintain a considerable degree of accuracy. There are few types of automobile components, but they are large in quantity and standardized; with the development and integration of communication, electronics, optoelectronics, and other technologies. The proportion of automotive electronic components and product applications in automobiles is increasing day by day. Most product demands have no common standard and show customization characteristics. To enhance the degree of differentiation, the development of automotive electronic products is a symbol of technical energy. The relative mode of production is based on the

principle of variety and small quantities. The cost of automotive electronic products is high, and the compatibility is low. Reducing the production cost of the products will be a key determining factor in whether they can be introduced into the market in large quantities.

Automotive electronics is different from the general electronics industry. The operating temperature range, power consumption size, and noise resistance of automotive electronic products have specific requirements by each manufacturer, which must meet the stringent standards of each manufacturer. Manufacturers also require a basic technical capability in the field of automotive electronics. As the automobile electronic components usually go through a development time of several years, automobile electronic products have been extended from single-component products to systematic products in the past, combining the mechanical, optical, and electronic control system. The associated technologies are extensive, whose development processes must cooperate with the mechanical systems or control parameters of cars. The automobile electronic products have special properties, with excellent shock resistance, weather resistance, and reliability. Automotive electronic products are closely related to the safety of vehicles, so the development cost is high, and the product verification time is long. Automotive electronics require continuous onboard testing for tens of thousands of kilometers or very long periods to find problems in the ongoing testing process. When problems arise in the testing process, appropriate troubleshooting is required. Repeated testing and a large amount of verification time are the biggest characteristics of automotive electronic products.

(2) Tire pressure monitor systems (TPMS)

A tire pressure monitoring system is a very important safety device for automobiles. In addition to the United States, Europe, China, and other major passenger car sales areas which have fully equipped passenger vehicles, many countries around the world are also proposing that tire pressure monitoring system be listed as regulation standard accessories so that the global TPMS market will flourish, and OE is key for the future market. An important development trend in this market is to create a battery that has a long life but compact in size. On the other hand, with the compulsory and widespread application of TPMS in passenger vehicles, the safety awareness of users should be enhanced. In the future, TPMS will be able to be gradually introduced into the commercial vehicle sector, including logistics vehicles, heavy trucks, tractor-trailers, and buses, etc., and

become a necessary safety component. Due to their much longer bodies and harsher weather conditions, the transmission distance, data acceptability, and reliability under high and low temperatures and humidity will be the fundamental focus of technology development. At the same time, compared to passenger vehicles whose owners are mostly individual car owners, commercial vehicle owners are mostly fleet companies, so this type of TPMS must also meet the needs of various fleet management, provide flexible pairing and big data management, and integrate the logistics services and other added values.

In Asia, South Korea stipulated in 2014 that passenger vehicles under 3.5 tons must have TPMS installed, while Taiwan began to include M1 and N1 types of vehicles in its TPMS installation regulations in the second half of 2016. With increasing international attention to vehicle safety performance, Mainland China also legislated in 2017 that new cars must be equipped with tire pressure monitoring systems, becoming the fifth region in the world after the United States, the European Union, South Korea, and Taiwan to require that new cars be equipped with TPMS. At present, the global shipment of TPMS is about 160 million. We estimate the demand for TPMS is about 100 million based on the annual production of more than 20 million new cars in Mainland China, so the growth potential of the global market is quite amazing! In addition to Mainland China, Japan, India, and other countries have also standardized the installation of TPMS in new cars.

### (3) Energy storage system

With the global spread of energy saving and carbon reduction initiatives, many countries have launched the new green deal. The deal entails promoting energy conservation and carbon reduction measures and using various green energy methods to reduce carbon dioxide emissions, leading to the rapid development of new energy technology. The electric power market demand for electricity storage is continuously expanding. The large-scale development of solar energy, electric vehicles, and new energy is closely related to the support of energy storage technology. Energy storage is seen as the future of the energy industry. The market of energy storage mainly depends on the commercial, household, power policy, smart microgrid, and energy Internet growth.

Energy storage is the hard drive of energy; just as a computer hard drive is used to store data, energy storage is used to store energy. In order to make new energy, such as solar energy and wind energy, green and smart energy initiatives must be deployed as we have realized that smart energy management relies on

energy storage. However, the sustainable development of an energy storage system needs to consider five aspects: safety, economy, reliability, high efficiency, and environmental friendliness. Among them, safety is the most important index, which is the basis for evaluating all energy storage systems. Safety considerations include electrical safety, battery safety, functional safety, transportation safety, electromagnetic compatibility, environmental protection, and grid-connected interface protection. In addition to understanding the different market applications and market subsidy policies in different countries, manufacturers need to ensure the safety and reliability of energy storage products.

The Renewable Energy Development Ordinance was amended in April 2019 to stipulate that large power users should set up a certain proportion of renewable energy, or replace it with energy storage, purchase of renewable energy certificates, and payment of vouchers, i.e., "Administrative Measures on Installation of Renewable Energy Power Generation Equipment for Power Users with a Contracted Capacity or Above." This is commonly known as the "Large Power User Clause" and expired on April 1, 2020; the implementation date has still not yet been determined. As the domestic electric power market grows steadily and domestic battery core capacity increases – leading to battery costs gradually declining – it will continue to improve the private enterprise procurement and construction of energy storage devices. In the future, as the green electricity market grows, the industry of renewable energy power generation and the sale of electric power will be able to sell or transfer green electricity to the user by direct supply or indirect supply. Users can also install green energy equipment and energy storage devices to participate in the auxiliary service system through a bidding mechanism and open up a new revenue source. According to the estimation of Taipower, Taiwan still needs a 590MW energy storage system and 4GW capacity for an auxiliary service before 2025. At present, Taipower has also planned to configure enough various kinds of auxiliary power services. 460MW is expected to be used as energy storage services from this industry.

2. Relevance of upstream, midstream, and downstream products

Upstream	Product	Downstream
PCB factory, electronic parts, metal and plastic components, button batteries	Tire pressure monitoring system for vehicles	Auto factory, vehicle refitting factory, tire factory, wheel frame factory, vehicle accessory channel retailers



Upstream	Product	Downstream
PCB factory, electronic parts, wire, LCD panel, loader	Automobile electronic system	Auto factory, vehicle refitting factory, tire factory, auto parts channel retailers, RV manufacturers
Positive electrode material, negative electrode material, electrolyte, and isolation module	Green energy and energy storage equipment	Battery module system assembly plant and terminal battery module application plant
PCB factory, battery parts, double pressure device, ejection factory, wire, metal shell, metal connection sheet	Power supplier	Computer system manufacturers, retail distributors, general users

### 3. Product development trends and competition

#### (1) Automotive electronics industry

Electronic products for vehicles and vehicle laws and regulations have been complementary to each other. Using advanced technology to reduce traffic accidents is the focus of attention of all countries. However, the government's relevant regulations for vehicle electronic safety systems are becoming increasingly stricter and more complicated. Through the combination of cameras and a variety of sensors, automotive electronic products with both driving safety and comfort meet users' needs in a variety of situations to provide a safer driving experience. According to Gartner, in the automotive electronics market in 2018, the car body market had the largest value of US\$7.37 billion. With the increasing demand for safe driving assistance, it is expected that the market value of Advanced Driver Assistance Systems (ADAS) will surpass the market value of audio-video entertainment multimedia (US\$6.72 billion) to become the second-largest application in 2020, with a market value of US\$7.75 billion. Moreover, in 2021, the market value of ADAS is expected to be US\$10.95 billion, which will surpass the market value of car bodies of US\$9.68 billion and become the largest product application market for automotive semiconductors. The market size of ADAS will also rise to US\$16.69 billion by 2023. In addition, IEK estimates that the global automotive electronics market size will reach US\$355 billion in 2023.

Automotive electronics refers to the electronic products used in automobiles, involving the application of machinery manufacturing, motors and electronics, information, communication, audio and video, sensing, network control, and other technologies. The current application of automotive electronics products is generally the "onboard audio-video navigation host," "backseat entertainment system," "road deviation warning system," "front vehicle collision avoidance

warning system," "head-up display," "landscape detection system," "traffic recorder," "night vision function," "Bluetooth communication module," "digital TV module," "tire pressure monitoring system" and "power management system." In addition to the tire pressure monitor system product line, other major automotive electronic products of the Company are mainly based on the power management system and combined image identification, data collection and analysis, power integration management and Internet of Things (IoT) management, and other requirements. The aim is to integrate the original separate electronic products in the same host, considering the cost and the configuration of an appealing design. Through the process of parts integration, we can also achieve the purpose of greatly reducing the cost and the efficiency of data analysis and convenient management. In addition, the new lifestyle in the post-epidemic era means that consumers buy the campers with suites or trail with cars or pickups to live in the wild and take vacations.

(2) Tire pressure monitoring system for vehicles

The tire pressure monitoring system (TPMS) is an electronic system that mainly monitors the air pressure inside inflatable tires of various types of vehicles and provides tire pressure information to the driver timeously through an instrument diagram or simple low-pressure warning light to avoid the occurrence of traffic accidents caused by an under-inflated tire. Based on the consideration of vehicle safety, various countries have legislated that TPMS should be installed as a necessary device for new cars, and it has become the standard equipment for new cars. The United States is the first country in the world to legislate TPMS as standard equipment. The legislation was passed in 2005, and since September 2007, the four-wheel commercial vehicles and passenger vehicles must be equipped with TPMS. Apart from the US market, tire pressure monitoring systems have been made standard for all vehicle models in the EU since the end of 2014. With 10 million new cars sold in the EU every year, it is estimated that the market demand for Original Equipment Manufacturing (OEM) will be about 40 million. According to Frost & Sullivan's research report, the market size of TPMS in the EU will reach €532 million by 2020 with an annual compound growth rate of 30.40%.

In Asia, South Korea stipulated in 2014 that passenger vehicles under 3.5 tons must be installed with TPMS, while Taiwan began to include the new types of small vehicles (minibuses and pickup trucks) in its TPMS installation regulations in the

second half of 2016. With increased international attention to vehicle safety performance, Mainland China also legislated in 2017 that from 2020, new cars must be equipped with TPMS, becoming the fifth region in the world after the United States, the European Union, South Korea, and Taiwan to require the new cars to be equipped with TPMS. In the future, Japan, India, and other countries will also begin to regulate the installation of TPMS on new cars, which will drive market opportunities. According to QY Research, the global market for tire pressure monitor systems is expected to reach US\$3,630.65 million by 2024.

TPMS batteries are non-replaceable disposable batteries. The ideal design is 10 years of service life, but the actual situation will depend on the owner's driving conditions. Under different driving environments, the general service life falls between 5 and 7 years. After the United States and the European Union made TPMS a standard accessory in 2007 and 2012, respectively, the replacement peak period will be after 2017. The global installation demand for used vehicles and the rising market demand in Mainland China will drive the rapid expansion of TPMS demand. Since each tire pressure monitoring system has a special ID number, the driving computer can identify the installation position and device information such as tire pressure and temperature; however, it needs to readjust after replacement because the ID number is different. The Company develops a universal type TPMS, which can copy the ID number in the driving computer to a new detector, applicable to the specific models, and it has successfully occupied the sales market in the United States.

In recent years, the Company has been committed to the development of tire pressure monitoring systems of vehicle safety components. In addition to actively expanding the RF Replacement market in the United States and Europe, the world's first Bluetooth tire pressure monitoring system (BLE TPMS) with many patents has also successfully entered the automotive OE market (Original Equipment). It has been successively produced in large quantities to the world-famous vehicle manufacturers. Additionally, we will continue to expand the RF Replacement parts market in the US and Europe and continue to expand BLE TPMS application in the OE market in the US, Europe, and Japan, including the fleet management applications of vehicles, motorcycles, pickup trucks, heavy trucks, and buses. Since the Chinese government has made the tire pressure monitoring system a standard part of passenger cars, and the United States is considering the mandatory

installation of tire pressure sensors on trucks and large vehicles, the TPMS market has considerable room for development in the foreseeable future.

According to the statistics of Germany TÜV Rheinland, as of 2017, the cumulative installed scale of energy storage projects in the world had reached 175.4GW, with an annual growth rate of 3.9%. In the future, energy storage has great developmental potential, and the price is key to the commercial application of energy storage. As researched by TÜV Rheinland, the year 2020 was expected to be the first year of large-scale commercialization of energy storage, as subsidies in various countries improved and costs fell. As per the current renewable energy policy of the government, renewable energy occupying at least 20% in the future will be connected to the grid. The battery energy storage system is an important way of stability. In addition to the rise in the full-load output in a few seconds, it can quickly respond to the intermittent power change. The energy storage system can also be set up in renewable energy power generation facilities to reduce output power change and increase the stability of the power supply. According to TrendForce Energy Trend Research, the configuration from centralized energy generation to the intelligent distributed grid has become an inevitable trend in future urban intelligence. The global large energy storage (BESS) capacity would have reached 3.2GWh in 2020. The compound annual growth rate will reach 22% between 2019 and 2024.

The Company's products are different from the current lithium battery industry in consumer electronics, mainly focusing on developing lithium battery module system products with large energy storage and large output power. Its main requirements are to replace the original energy storage or power products which are less environmentally friendly and less efficient (such as lead-acid batteries) and battery products which are dangerous due to the battery material properties (such as a lithium-cobalt battery or tri-element battery). As well as to create products of emergency standby power and the future smart grid system due to the power supply feature limitation, which differs from previous applications. The concept is different from the traditional battery management design, as it promotes the dynamic balance management system and related module application functions of lithium-ion batteries. It also uses lithium-ion battery products to replace the old battery products, especially in large-scale power and energy storage applications, which will open a wider range of applications of lithium-ion batteries.

According to Navigant Research, the global grid energy storage market has a 10-year compound growth rate of 43%. Once the cost of energy storage batteries and systems is reduced in the future, renewable energy and traditional petrochemical energy will have the opportunity to become affordable competition. With the continuous expansion of wind and solar power generation capacities in Taiwan, since renewable energy generation is susceptible to weather and other factors, grid energy storage products have been gradually introduced in Taiwan.

### 1.3 Technology and research overview

#### 1. The technical level and research development of the business

To maintain a high level of competitiveness in the market, the Company has been actively recruiting outstanding R&D personnel. It has also invested in developing new products and breakthroughs in key technologies, thus gradually expanding the R&D organization. At present, the R&D department is divided into the automotive electronics, power management, IoT products, and battery storage management units. The Company also has the layout of links between mobile devices and intelligent devices and even an intelligent network of the Internet of Vehicles, developing the low-power Bluetooth module and low-power WIFI modules.

#### 2. Education background of R&D personnel

As of the end of March 2021, the Company has a total of 80 R&D personnel, including 76 persons with college degrees or above, accounting for 95% of the total number of R&D personnel. Their educational backgrounds are as follows:

As of March 31, 2021

Education background	Master's Degree	College Degree	High School Graduate	Total
Number of people	19	57	4	80
Ratio	23.8%	71.2%	5.0%	100.0%

#### 3. R&D expenditure in the last two years

Unit: NT\$1,000

Year	2019	2020
R&D expenditure	155,444	160,627
Ratio to revenue	14.91%	12.11%

#### 4. Important R&D achievements

The Company's R&D department has many important achievements in new products and technologies, including the research and development of hardware circuits,

software programs, product appearance, mechanism improvement, reliability testing, and design of production and testing equipment. Since the company's establishment, the R&D department has been the key department, and its R&D results include several domestic and foreign patents and inventions, which ensures the Company's competitiveness in the industry. The successfully developed products are as follows:

- (1) Important achievements in the research and development of environmental-protection energy and power equipment:
  - ① Offline 300VA to 1.4KVA uninterrupted power equipment.
  - ② Online 3KV to 6KVA uninterrupted power equipment.
  - ③ High-power redundancy power module.
  - ④ Solar charger.
- (2) Tire pressure monitor system:
  - ① Multi-frequency standalone universal tire pressure monitoring system
  - ② RetroFit low-power Bluetooth BLE tire pressure monitoring system for passenger cars, motorcycles, heavy trucks, and buses.
  - ③ Front-loaded OE tire pressure monitoring system installed in the car factory.
  - ④ Big data analysis and application of tire pressure monitoring system and Internet of Vehicles
- (3) Energy storage system products
  - ① New energy electric vehicles, including passenger cars, buses, logistics vehicles, and other power battery system products.
  - ② Industrial solar and wind energy storage cabinets and lithium battery management system.
  - ③ Power plant frequency and amplitude modulation management system.
  - ④ Battery backup system for Cloud Data Center.

## 1.4 Long-term and short-term business development plans

### 1. Short-term development plan

- (1) Product strategy
  - ① Develop a thin, compact and long-acting electric tire pressure monitoring system and integrate with big data analysis application and APP to expand the depth and breadth of research and development of tire pressure detection products more comprehensively.
  - ② Focus on the battery pack's weight, systematization, and modularization to reduce the cost and shorten the development period by creative or functional integration, improving the product functional quality, and creating product

competitiveness.

(2) Production strategy

- ① Improve the ability of self-made automated test equipment to increase the production yield and quality and effectively control the inventory.
- ② According to the needs of different customers, provide a new vehicle battery pack design, research and development in line with different models and prices, and organize the processing and production, supplemented by the early warning system extending from ERP to KPI, to timeously detect the anomalies, prevent unexpected events, and effectively control the inventory. Expand the leading distance ahead of competitors of the same industry and form an absolute competitive advantage.
- ③ Strengthen the diversified modular production, shorten the production cycle to meet the short lead-time needs of customers, and improve operation turnover.

(3) Marketing strategy

- ① Provide the production process advantages to conform to RoHS and other environmental protection requirements, win cooperation with large factories, and expand the market share. Using technology, quality, innovation, product differences, and patent protection to provide customers with competitive products and maintain a long-term relationship with customers.
- ② Based on the existing product line, actively explore potential customers and develop the third-world markets.
- ③ Provide more value-added services to customers based on the original products and services and actively understand customers' needs and pain points to achieve customer satisfaction.
- ④ Establish the marketing dealer alliance in Europe, America, and China, make full use of the existing distribution channels to create well-known products, strive for cooperation with big factories, and expand the market share.

2. Long-term development plan

(1) Product strategy

- ① Tire pressure monitoring system products for vehicles:
  - (a) Expand the application of tire pressure monitoring systems for vehicles and extend the product application from the current passenger cars and large commercial vehicles to the general locomotive and heavy locomotive groups.

- (b) Move towards lightweight, thin, and long-lasting battery products for wide application to meet the specifications of different vehicle types.
  - (c) Develop multifrequency standalone replacement tire pressure monitoring system products.
  - (d) Reach out to Retrofit and AM markets to improve the awareness and popularity of the Company's products.
  - (e) Retain the excellent R&D personnel, improve the technology and innovation capabilities, and strengthen the depth and breadth of existing product lines, to provide for greater market demands.
- ② New energy battery packs and energy storage products
- (a) Continuously develop the high-density and high-capacity battery pack products and provide customers with high-quality and high-performance products at a reasonable price.
  - (b) Develop energy storage products for both commercial and domestic use by the original power management and battery pack technology.
  - (c) Use the lithium batteries in energy storage products to extend the standby power supply time and effectively manage the high and low peak power and electricity charges.
- ③ Electronic vehicle products
- (a) Use the original technology and add IoT, image recognition, and big data concepts to expand the product application to commodity markets beyond the automotive industry.
  - (b) Improve the water resistance of the product and apply the product to marine products.
- ④ Power management products
- (a) Redesign the product to reduce material costs and provide customers with cost-effective products and services.
  - (b) Enter the supply chain of major international companies to enhance the popularity and awareness of the Company's products.
- (2) Production strategy
- ① Vertically integrate the key raw materials, increase the proportion of automation production in the factory, and shorten the supplier's material delivery time for



comprehensive cost control and quality improvement.

- ② Consider the safety and quality of the product's design, continue to improve the production process, adopt a pipelined production mode, enhance the proportion of automation production in the factory, and shorten the supplier material delivery time for comprehensive cost control and quality improvement.
- (3) Digital media system services
  - ① Continue to open up new sales areas and cultivate the market intensively.
  - ② Provide the high quality and low cost products to achieve a win-win situation for the Company and customers.
  - ③ Seek suitable marketing partners in major overseas marketing regions, make full use of their understanding of local markets and customers, and quickly expand the sales points and areas of products.

## 2 Overview of the market, production, and marketing

### 2.1 Market analysis

#### 1. Sales Region

Unit: NT\$1,000

Sales Regions	2019		2020	
	Amount	%	Amount	%
Taiwan	236,155	22.66%	373,250	28.13%
Asia	138,530	13.29%	114,638	8.64%
North America	638,835	61.29%	815,725	61.49%
Others	28,764	2.76%	23,078	1.74%
Total	1,042,284	100.00%	1,326,691	100.00%

#### 2. Market share and growth of the market

##### (1) Market share

Since the Company is currently engaged in precision OEM product design and manufacturing, such as power supply and UPS products, automotive electronic products, power products, and energy storage system products, the key product component suppliers are scattered. The one-stop processing manufacturers such as PCB factory, wire material, injection molding, and transformers are limited. In addition, there is very complicated processing and assembly of the end products, so there are no complete and objective market share statistics for reference.

##### (2) Future supply and demand and growth of the market

In terms of automotive electronics, IC Insight predicts that the market share of

automotive electronics in global electronic system products will continue to grow slowly over the next few years, with automotive electronics accounting for 9.8% of global electronic system sales by 2021. IC Insights also predicts that industrial electronic systems will be the second-fastest-growing application category through 2021, with an average CAGR of 4.6%.

In terms of tire pressure monitoring system products, the major sales areas of the United States, Mainland China, Europe, Japan, and India have included TPMS in their specifications. In addition to the current TPMS regulations in various countries in the new car market, with the mandatory requirements of TPMS as standard equipment as the market demand, the future replacement demand in the new car market and the existing vehicle additional installation AM market will also be the future growth of TPMS operators, so the future TPMS market has considerable potential.

In terms of new vehicle energy battery packs and energy storage products, the global battery pack market is expected to double from US\$2.02 billion in 2017 to US\$8.73 billion in 2023, with a compound annual growth rate (CAGR) of 27.6%, due to the booming electric vehicle market and the rise of in-place energy storage applications. According to the statistics of Germany TÜV Rheinland, by the end of 2017, the cumulative installation scale of energy storage projects in operation worldwide was 175.4GW, with an annual growth rate of 3.9%. In the future, energy storage has great development space and infinite potential, and the price is key to the commercial application of energy storage. Researched by Germany TÜV Rheinland, with the improvement of subsidy policies in various countries and a cost reduction, once the cost of energy storage batteries and systems is reduced, renewable energy and traditional petrochemical energy will have the opportunity to achieve parity competition. Especially with the rapid development of new energy, Germany, the United States, Japan, Australia, and other countries have introduced preferential subsidy policies to encourage the development and utilization of new energy power generation combined with energy storage technology. With the support of energy storage policies in various countries, the future growth of energy storage products is positive.

In terms of the global industrial computer market, driven by the development of the IoTs and Industry 4.0, the output value of the global industrial computer market has been rising year by year recently. IHS, an industry research institution, points out that the output value of the global industrial computer market would show a compound annual growth rate of 6% and would reach a global output value of US\$4.3 billion in 2019. In addition, according to the MIC, the growth rate of the global intelligent manufacturing industry from 2016 to 2020 is about 8%-12%, which is still a growing trend.

### 3. Competition

- (1) The Company focuses on the field of ODM/OEM and establishes direct contact channels with existing international manufacturers. Through the interaction with customers, we can understand future product development and the market demand trend of customers.
- (2) The Company sets up research and development departments for different product lines. Also, it has research and development engineering teams in Huizhou and Zhenjiang of Mainland China to continuously improve the existing products and reduce design costs, to accelerate product development speed and timeously respond to the diverse needs and changes of the market and customers.
- (3) The Company has manufacturing plants in Taiwan and Mainland China and combined with the special expertise and characteristics of the supply chain manufacturers on the two shores, it can effectively control the cost, quality, and delivery time of products. It can also adjust the place of production according to the location and requirements of customers to enhance the price and service competitiveness of the Company.

### 4. Favorable and unfavorable factors and countermeasures of development prospects

#### (1) Favorable factors

##### ① Vehicle electronics

Auto after-sales service market pays increasingly more attention to the automotive component balance between quality and price, as consumers become more attentive to vehicle driving comfort and security. Additionally, the increasing proportion of automotive electronic components to the whole vehicle cost must be considered because car manufacturers want to reduce the manufacturing costs and increase differentiation. Thus, the global automotive electronic components will continue to grow moderately.

Emerging regions, such as Mainland China and India, are witnessing rapid growth in the auto market, conducive to the company's growth of automotive electronic components. In addition, the industrial structure of domestic electronics and the IC semiconductor industry is complete, with the close coordination of upstream, midstream, and downstream systems, and the industrial supply chain is also complete. Under the complete cluster effect of this industry, the Company will have access to abundant resources and strong support for technological development. Also, the domestic electronics industry has always been world-famous for innovation and cost control. In the highly competitive automobile market, the company's speed of product research and development should be accelerated.

##### ② Power supply products and energy storage systems

In recent years, the awareness of environmental protection has risen. Energy conservation and carbon reduction, development of new energy, and improvements

in energy efficiency have become a global trend. The development of the green energy industry is also born in response, making the battery technology related to the green energy industry the last industry to attract attention. Lithium-ion batteries are the best alternative to lead-acid batteries, which are well known to be dangerous but have few countermeasures.

(2) Unfavorable factors and countermeasures:

- ① The delivery time of some key parts is lengthy.
- ② Mainland China manufacturers are competitive in price.
- ③ The shortage of workers and rising wages of Mainland China.
- ④ The electronic component industry has entered a mature period.
- ⑤ As the component suppliers embrace the Internet of Vehicles, the demand for initial parts exceeds the supply in the short- and medium-term.

Countermeasures:

Actively simplify the design; adopt modular production and mass procurement to reduce costs; improve processes and equipment, and improve the automation and capacity to balance the impact of increased labor costs; strategically make alliances with major suppliers, to create a win-win partnership; facilitate the cost control and development of high value-added products, to improve profit margins.

Expand the overseas marketing base; quickly grasp the customer demand and market development trends; serve customers nearby and cooperate with upstream and downstream manufacturers; and improve efficiency. Focus on reducing the costs, improving R&D capabilities and market share to increase the barriers for competitors to enter the market.

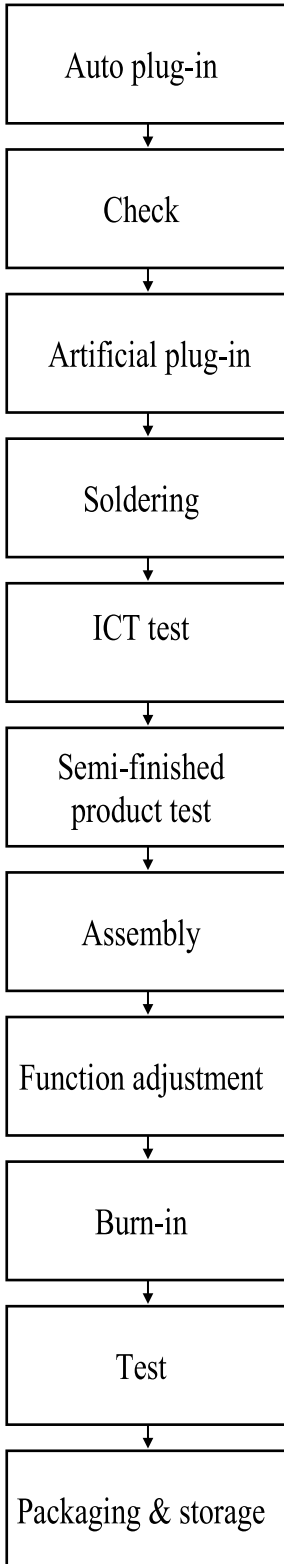
## 2.2 Application and the manufacturing process of main products

### 1. Scope of application of main products

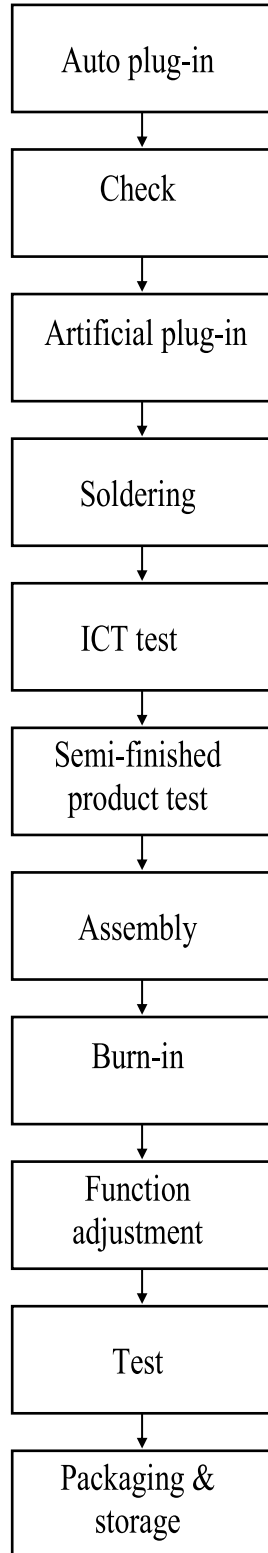
Products	Scope of application	Key function
Electronic vehicle products	RV, automotive	Switch and power monitoring, audio-visual equipment management, and data collection and analysis
Tire pressure monitoring systems	Passenger cars, trucks, trailers, locomotives, etc.	Detection of tire pressure and tire temperature during driving
Energy storage products	Electricity storage for commercial and domestic use	Provide driving power and electricity
Power supply products	Commercial and domestic computer use	Replace the low-stability high-voltage current with stable low-voltage current

## Production process

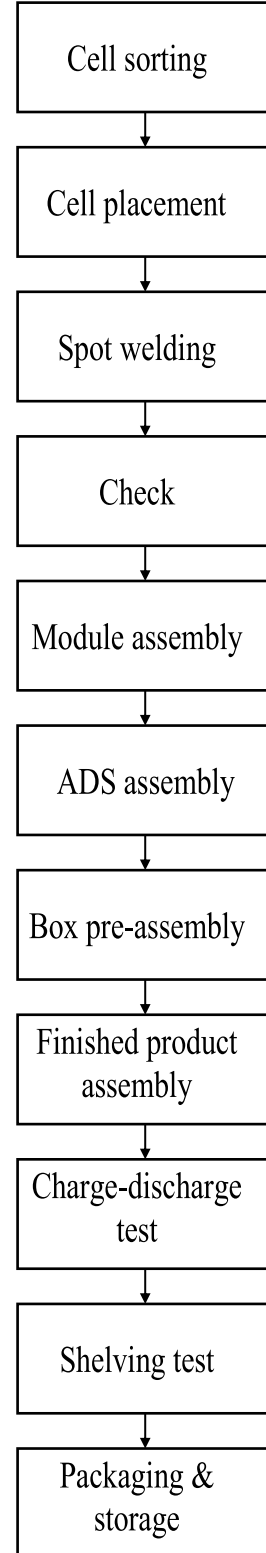
### Power supply product



### Vehicle product



### Energy storage product system



## 2.3 Supply status of main raw materials

The Company's main source of raw materials is mainly obtained from the place of production. Under the policy of abundant sources and maintaining at least 2 suppliers, the Company promotes supplier coordination, quality improvement, and stable and reasonable prices.

## 2.4 Data of suppliers and customers accounting for more than 10% of the total purchases (sales) in the last two years

### 1. Information of main suppliers in the last two years

Unit: NT\$1,000

Item	2019				2020			
	Name	Amount	Ratio to annual net purchases (%)	Relation with issuer	Name	Amount	Ratio to annual net purchases (%)	Relation with issuer
1	No	No	No	No	Supplier A	163,829	18.98	No
2	Others	699,107	100.00	No	Others	699,329	81.02	No
	Net purchases	699,107	100.00	No	Net purchases	863,158	100.00	No

Note 1: List the supplier's name and purchase amount and proportion with more than 10% of the net purchase amount in the last two years, but if the supplier's name shall not be disclosed due to contractual agreement or the transaction object is an individual and is not a related person, it can be the codename.

Note 2: If the most recent financial information of a company listed or whose shares have been traded at the securities exchange as of the date of the publication of the annual report has been audited or reviewed by CPAs, it shall also be disclosed.

### 2. Information of major customers in the last two years

Unit: NT\$1,000

Item	2019				2020			
	Name	Amount	Ratio to annual net sales (%)	Relation with issuer	Name	Amount	Ratio to annual net sales (%)	Relation with issuer
1	Customer A	176,928	16.97	No	Customer A	285,451	21.52	No
2	Customer B	174,958	16.79	No	Customer B	258,290	19.47	No
3	Customer C	170,627	16.37	No	Customer C	214,760	16.19	No
	Others	519,771	49.87	No	Other	568,190	42.82	No
	Net sales	1,042,284	100.00	No	Net sales	1,326,691	100.00	No

Note 1: List the customer's name and sales amount and proportion with more than 10% of the net sales amount in the last two years, but if the customer's name shall not be disclosed due to contractual agreement or the transaction object is an individual and is not a related person, it can be the codename.

Note 2: If the most recent financial information of a company listed or whose shares have been traded at the securities exchange as of the date of the publication of the annual report has been audited or reviewed by CPAs, it shall also be disclosed.

## 2.5 Production in the last two years

Unit: 1,000 pcs, 1,000 sets, NT\$1,000

Production Quantity Main Products	Year	2019			2020		
		capacity	Output Quantity	Output Amount	capacity	Output Quantity	Output Amount
Automotive Electronics Products		2,000	1,188	444,296	4,500	3,852	697,483
Power Management Products		1,700	99	368,341	1,700	185	636,659
Others		50	73	167,680	50	25	10,396
<b>Total</b>		<b>3,750</b>	<b>1,360</b>	<b>980,317</b>	<b>6,250</b>	<b>4,062</b>	<b>1,344,538</b>

Note 1: Some product lines share multiple equipment, the production capacity includes multiple production capacities, and the personnel is also deployed among the lines, so the production capacity is substitutable among the lines. The production capacity cannot be calculated because it contains several products.

## 2.6 Sales in the last two years

Unit: 1,000 pcs, 1,000 sets, NT\$1,000

Sales Main Products	Year	2019				2020			
		Domestic		Export		Domestic		Export	
		Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Automotive Electronics Products		29	28,215	822	427,423	75	24,410	3,109	732,225
Power Management Products		27	205,004	596	230,098	43	348,232	131	206,517
Others		6	2,936	69	148,608	2	608	24	14,699
<b>Total</b>		<b>62</b>	<b>236,155</b>	<b>1,487</b>	<b>806,129</b>	<b>120</b>	<b>373,250</b>	<b>3,264</b>	<b>953,441</b>

### 3 Human Resource

Year		2019	2020	Current year ended at March 31, 2021
Number of Employees	Direct labor	179	196	180
	Indirect labor	165	165	176
	Other staff	173	145	136
	Total	517	506	492
Average age		36.86	36.38	36.57
Average service years		3.70	3.79	3.86
Educational background distribution ratio	PhD	0.2	0.2	0.2
	Master's degree	10.8	8.7	9.4
	College degree	44.5	42.1	42.3
	High school graduate	25.4	26.3	27.4
	Below high school	19.1	22.7	20.7

### 4 Environmental protection expenditure information

In the most recent fiscal year and up to the publication date of the annual report, the losses caused by environmental pollution (including compensation) and total disposal, and explaining its future response strategies (including improvements) and possible expenditures (including the estimated amount of potential losses, penalties, and compensations for failure to take countermeasures; if unable to estimate reasonably, it shall state the fact of unable to estimate reasonably)

No such situation exists.

### 5 Labor Relation

5.1 List the Company's employee welfare, further education, training, and retirement system and their implementation, as well as the agreements between employers and employees and maintenance measures to protect the employees' rights and interests.

The Company has always treated its employees with integrity. Through the welfare system that provides a satisfying and stable life for its employees and regular labor and management meetings, the Company has established a good relationship of mutual trust and mutual reliance with its employees. Therefore, although there is no union organization, the Company's employees can still display a team spirit, coordinate with the Company in making decisions, and cooperate with each other, to impregnate an atmosphere of harmony between labor and management.



### 1. Employee welfare measures and their implementation

The Company has set up an Employee Welfare Committee in accordance with the Employee Welfare Fund Regulations and allocate the welfare fund to handle welfare matters. The current welfare system includes labor insurance and national health insurance, group insurance and employee dependent insurance, birthday gifts or coupons, employee wedding and funeral allowance, travel allowance, employee car parking allowance, birthday celebrations, and year-end party, etc.

### 2. Status of advanced study and training and their implementation

The Company arranges on job training courses from time to time according to the needs of department heads and employees. To improve the quality and development of human resources and the training of new employees, we also carry out education and training activities of different functions according to the employees' personal duties, and work needs to cultivate their professional skills. The implementation situation in recent years is as follows:

Unit: NT\$

Item	Number of shifts	Total person-times	Total hours	Total expenses
New employee training	4	99	198	0
Professional functional training	16	239	1,813	118,913
Total	20	338	2,011	118,913

### 3. Retirement system and its implementation

The Company's pension system is governed by the Labor Standard Act and the Labor Pension Ordinance. The Company shall contribute pension of 6% of employees' monthly wages to their labor pension personal account of the Bureau of Labor Insurance as per the provisions of the Labor Pension Ordinance.

### 4. Agreement between labor and employer and maintenance measures to protect employees' rights and interests:

The Company adheres to the concept of "integration of labor and management," holds regular labor meetings, establishes smooth communication channels, maintains good relations between labor and management, jointly creates productivity, shares profits, and establishes stable and harmonious relations between labor and management. In addition, the Employee Welfare Committee of the Company is responsible for handling various employee welfare issues. It holds various activities from time to time to enhance the harmonious working atmosphere and cohesion between the Company and the employees, as explained below:

- (1) Regularly hold departmental communication meetings to communicate with colleagues about the Company and department's operation plan, business overview, and market conditions.

- (2) Formulate sexual harassment prevention measures, complaints, and disciplinary measures to maintain a good working relationship and interaction between the sexes and avoid gender discrimination or harassment.
- (3) Set up labor and management meetings, hold regular labor and management meetings for communication and consultation, and promote harmonious labor and management relations.
- (4) Set up the staff welfare committee, organize regular league health activities, and handle welfare matters.
- (5) Set up a flexible working hour system to benefit the work-life balance of employees.
- (6) On top of the basic protection of labor health insurance, the Company provides group of insurance for the employees additionally so that the life safety, medical treatment, and family of employees can obtain greater protection.

5. Employees' working environment and protective measures for personal health and safety:

The Company is committed to fulfilling its corporate social responsibility and protecting the safety of its employees, providing a safe, healthy, and comfortable working environment as its primary objective, promoting health and safety management, and enabling employees to develop a correct sense of health – both physically and mentally. The Company is committed to the following matters:

- (1) Smoking is prohibited in the office to ensure a smoke-free working environment for employees.
- (2) Conduct the 5S exercise regularly to keep the environment clean and tidy.
- (3) Establish and regularly maintain relevant fire control facilities and equipment under fire protection laws and regulations.
- (4) Periodically provide health examinations for employees.
- (5) Specially arrange the occupational doctors and nurses to provide on-site services, maintain the employees' occupational safety, and provide medical consultation and assistance.

5.2 List the losses suffered from labor disputes in the most recent year and up to the date of the publication of the annual report, and disclose the current and future estimates of the amount and measures to be taken in response to the disputes. If it cannot be reasonably estimated, it shall state the fact that they cannot be reasonably estimated

No such situation exists.

## 6 Significant contracts

None.

## VI. Financial Overview

### 1 Financial Information

#### 1.1 Five-year financial summary

##### 1.1.1 Condensed balance sheets

##### (1) Consolidated balance sheets – based on IRFSs

Unit: NT\$1,000

Year		Financial information for the last five years				
		2016	2017	2018	2019	2020
Current assets		1,803,723	1,363,930	1,337,340	1,092,713	1,489,122
Property, Plant and Equipment		552,364	453,983	380,267	404,507	418,464
Intangible assets		59,236	40,868	31,114	13,931	12,698
Other assets		492,148	457,823	123,798	212,197	259,117
Total assets		2,907,471	2,316,604	1,872,519	1,723,348	2,179,401
Current liabilities	Before distribution	906,338	634,715	390,461	536,406	518,436
	After distribution	906,338	634,715	390,461	536,406	518,436
Non-current liabilities		7,915	0	0	75,821	594,353
Total liabilities	Before distribution	914,253	634,715	390,461	612,227	1,112,789
	After distribution	914,253	634,715	390,461	612,227	1,112,789
Equity attributable to owner of parent		1,856,294	1,577,166	1,392,246	1,094,560	1,066,612
Share capital	Ordinary share	2,136,381	2,136,381	1,511,547	1,511,547	1,524,847
	Advance receipts for share capital	0	0	0	0	15,958
Capital surplus		107,947	87,148	92,411	96,653	135,896
Retained earnings	Before distribution	(363,516)	(588,881)	(112,954)	(413,949)	(514,164)
	After distribution	(363,516)	(588,881)	(112,954)	(413,949)	(514,164)
Other equity interest		(24,518)	(57,482)	(98,758)	(99,691)	(95,925)
Treasury stock		0	0	0	0	0
Non-controlling interest		136,924	104,723	89,812	16,561	0
Total equity	Before distribution	1,993,218	1,681,889	1,482,058	1,111,121	1,066,612
	After distribution	1,993,218	1,681,889	1,482,058	1,111,121	1,066,612

Note: The financial information of each year has been audited by CPAs.

## (2) Parent company only balance sheets – based on IRFSs

Unit: NT\$1,000

Item	Year	Financial information for the last five years				
		2016	2017	2018	2019	2020
Current assets		1,253,912	902,012	1,005,795	822,364	1,209,276
Property, Plant and Equipment		314,487	288,744	261,318	277,970	288,449
Intangible assets		8,489	23,272	16,837	13,282	9,177
Other assets		1,023,645	960,166	529,674	486,291	581,867
Total assets		2,600,533	2,174,194	1,813,624	1,599,907	2,088,769
Current liabilities	Before distribution	744,139	597,028	421,378	496,968	448,069
	After distribution	744,139	597,028	421,378	496,968	448,069
Non-current liabilities		100	0	0	8,379	574,088
Total liabilities	Before distribution	744,239	597,028	421,378	505,347	1,022,157
	After distribution	744,239	597,028	421,378	505,347	1,022,157
Interests attributable to owner of parent		1,856,294	1,577,166	1,392,246	1,094,560	1,066,612
Share capital	Ordinary share	2,136,381	2,136,381	1,511,547	1,511,547	1,524,847
	Advance receipts for share capital	0	0	0	1,050	15,958
Capital surplus		107,947	87,148	92,411	96,653	135,896
Retained earnings	Before distribution	(363,516)	(588,881)	(112,954)	(413,949)	(514,164)
	After distribution	(363,516)	(588,881)	(112,954)	(413,949)	(514,164)
Other equity interest		(24,518)	(57,482)	(98,758)	(99,691)	(95,925)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	1,856,294	1,577,166	1,392,246	1,094,560	1,066,612
	After distribution	1,856,294	1,577,166	1,392,246	1,094,560	1,066,612

Note: The financial information of each year has been audited by the CPAs.

## 1.1.2 Condensed statements of comprehensive income

### (1) Consolidated statements of comprehensive income – based on IFRSs

Unit: NT\$1,000

Item \ Year	Financial information for the last five years				
	2016	2017	2018	2019	2020
Operating revenue	2,144,531	1,519,795	1,458,640	1,042,284	1,326,691
Gross profit from operations	220,943	164,763	215,827	94,368	262,699
Operating loss	(387,345)	(258,963)	(199,358)	(356,582)	(101,844)
Non-operating income and expenses	(34,081)	(21,163)	23,031	2,286	1,761
Loss before income tax	(421,426)	(280,126)	(176,327)	(354,296)	(100,083)
Net loss from operations of continued segment	(380,338)	(263,041)	(202,537)	(357,779)	(100,083)
Net income(loss) from operations of discontinued segment	0	0	0	0	0
Loss for the year	(380,338)	(263,041)	(202,537)	(357,779)	(100,083)
Other comprehensive income(loss) for the year, net of tax	(79,409)	(41,531)	(2,557)	(17,400)	1,866
Total comprehensive income(loss) for the year, net of tax	(459,747)	(304,572)	(205,094)	(375,179)	(98,217)
Loss attributable to owner of the parent	(302,458)	(255,365)	(184,805)	(284,759)	(98,315)
Loss attributable to non-controlling interest	(77,880)	(7,676)	(17,732)	(73,020)	(1,768)
Total comprehensive loss attributable to owner of the parent	(379,462)	(288,329)	(190,183)	(301,928)	(96,449)
Total comprehensive loss attributable to non-controlling interest	(80,285)	(16,243)	(14,911)	(73,251)	(1,768)
Earnings (Losses) per share (in NT dollars)	(1.42)	(1.69)	(1.22)	(1.88)	(0.64)

Note: The financial information of each year has been audited by the CPAs.

## (2) Parent company only statements of comprehensive income – based on IFRSs

Unit: NT\$1,000

Item	Year	Financial information for the last five years				
		2016	2017	2018	2019	2020
Operating revenue		1,365,742	993,557	1,062,461	799,997	1,298,610
Gross profit from operations		114,838	26,845	181,528	58,391	199,057
Operating loss		(138,546)	(187,588)	(49,817)	(208,780)	(109,539)
Non-operating income and expenses		(205,928)	(86,513)	(109,225)	(72,520)	11,224
Loss before income tax		(344,474)	(274,101)	(159,042)	(281,300)	(98,315)
Net loss from operations of continued segment		(302,458)	(255,365)	(184,805)	(284,759)	(98,315)
Net income(loss) from operations of discontinued segment		0	0	0	0	0
Loss for the year		(302,458)	(255,365)	(184,805)	(284,759)	(98,315)
Other comprehensive income(loss) for the year, net of tax		(77,004)	(32,964)	(5,378)	(17,169)	1,866
Total comprehensive income(loss) for the year, net of tax		(379,462)	(288,329)	(190,183)	(301,928)	(96,449)
Loss attributable to owner of the parent		(302,458)	(255,365)	(184,805)	(284,759)	(98,315)
Loss attributable to non-controlling interest		0	0	0	0	0
Total comprehensive loss attributable to owner of the parent		(379,462)	(288,329)	(190,183)	(301,928)	(96,449)
Total comprehensive loss attributable to non-controlling interest		0	0	0	0	0
Earnings (Losses) per share (in NT dollars)		(1.42)	(1.69)	(1.22)	(1.88)	(0.64)

Note: The financial information of each year has been audited by CPAs.

## 1.2 Auditor's opinions in the last 5 years

Year	Name of accountant	Accounting firm	Audit opinion
2016	Zhi, Bing-Jun Wu, Han-Qi	PricewaterhouseCoopers Taiwan	Unqualified Opinion
2017	Wu, Han-Qi Zhi, Bing-Jun	PricewaterhouseCoopers Taiwan	Unqualified opinion
2018	Chiu, Chao-Hsien, Hsu, Ming-Chuan	PricewaterhouseCoopers Taiwan	Unqualified opinion
2019	Chiu, Chao-Hsien Hsu, Ming-Chuan	PricewaterhouseCoopers Taiwan	Unqualified opinion
2020	Chiu, Chao-Hsien Hsu, Ming-Chuan	PricewaterhouseCoopers Taiwan	Unqualified opinion

## 2 Five-year financial analysis

### 2.1 Consolidated financial analysis – based on IFRSs

Analysis item		Year	Financial information for the last five years				
		2016	2017	2018	2019	2020	
Financial structure	Debt Ratio (%)	31.44	27.40	20.85	35.53	51.06	
	Ratio of long-term capital to property, plant, and equipment (%)	337.50	347.41	366.12	270.59	390.71	
Solvency	Current ratio (%)	199.01	214.89	342.50	203.71	287.23	
	Quick ratio (%)	145.39	164.47	274.67	168.46	249.51	
	Interest coverage ratio (times) (%)	(4,198.63)	(3,698.83)	(7,955.14)	(4,560.56)	(3,026.62)	
Operating performance	Accounts receivable turnover (times)	4.49	3.21	4.48	4.51	4.38	
	Average collection days (days)	81	114	81	81	83	
	Inventory turnover (times)	3.86	3.87	5.30	3.74	6.08	
	Accounts payable turnover (times)	5.61	4.76	5.60	4.46	3.63	
	Average days of sales (days)	95	94	69	98	60	
	Property, plant, and equipment turnover (times)	3.69	3.02	3.50	2.66	3.22	
	Total assets turnover (times)	0.63	0.58	0.70	0.58	0.68	
Profitability	Return on total assets (%)	(8.76)	(9.54)	(8.74)	(15.50)	(4.91)	
	Return on shareholders' equity (%)	(15.58)	(14.88)	(12.45)	(22.90)	(9.10)	
	Operating income to paid-up capital (%)	(18.13)	(12.12)	(13.19)	(23.59)	(6.61)	
	profit before tax to paid-up capital (%)	(20.02)	(13.11)	(11.67)	(23.44)	(6.50)	
	Net profit ratio (%)	(14.25)	(16.80)	(12.67)	(27.32)	(7.41)	
	Earnings (Losses) per share (in NT\$)	(1.42)	(1.69)	(1.22)	(1.88)	(0.64)	
Cash flow	Cash flow ratio (%)	(28.60)	15.03	(7.76)	(13.57)	(0.71)	
	Cash flow adequacy ratio (%)	(92.05)	(59.74)	(95.25)	(112.52)	(78.78)	
	Cash reinvestment ratio (%)	(11.29)	3.41	(1.67)	(4.49)	(0.24)	
Leverage	Operating Leverage	0.65	0.57	0.55	0.70	0.16	
	Financial Leverage	0.97	0.97	0.99	0.98	0.97	
<p>Reasons for the changes in financial ratios in the last two years. (if change ratio over 20%)</p> <ol style="list-style-type: none"> <li>1. The debt ratio (%): The increase in 2020 compared to 2019 is due to increased corporate bonds payable and long-term borrowings.</li> <li>2. The ratio of long-term capital to property, plant, and equipment (%): The increase in 2020 compared to 2019 is due to increased corporate bonds payable and long-term borrowings.</li> </ol>							

3. The current ratio (%): The increase in 2020 compared to 2019 is due to the increase in current assets and the decrease in current liabilities due to short-term borrowings.
4. The quick ratio (%): The increase in 2020 compared to 2019 is due to the increase in current assets and the decrease in current liabilities due to short-term borrowing.
5. The interest coverage ratio (%): The increase in 2020 compared to 2019 is due to the decrease in net loss before tax.
6. Inventory turnover (times): The increase in 2020 compared to 2019 is due to the operation growth and proper inventory control.
7. Average days of sales (days): The decrease in 2020 compared to 2019 is due to increased inventory turnover.
8. Property, plant, and equipment turnover (times): The increase in 2020 compared to 2019 is due to the higher sales revenue.
9. Return on total assets (%): The increase in 2020 compared to 2019 is due to the decrease in the after-tax net loss.
10. Return on shareholders' equity (%): The increase in 2020 compared to 2019 is due to the decrease in the after-tax net loss.
11. The ratio of operating income to paid-in capital (%): The increase in 2020 compared to 2019 is due to the decrease in operating losses.
12. The ratio of profit before tax to paid-in capital (%): The increase in 2020 compared to 2019 is due to the decrease in loss before tax.
13. Net profit ratio (%): The increase in 2020 compared to 2019 is due to the decrease in loss before tax.
14. Earnings (losses) per share (in NT\$): The decrease in the loss per share in 2020 compared to the loss per share in 2019 is due to the decrease in net loss after tax.
15. Cash flow ratio (%): The increase in 2020 compared to 2019 is due to the decrease in net cash outflows from operations.
16. Cash reinvestment ratio (%): The increase in 2020 compared to 2019 is due to the decrease in net cash outflows from operations and increased working capital.
17. The operating leverage: The decrease in 2020 compared to 2019 is due to decreased operating losses.

Note 1: The above financial information of each year has been audited by the CPAs.

Note 2: The calculation formula is as follows:

1. Financial structure

(1) Debt Ratio = total liabilities / total assets.

(2) Ratio of long-term capital to property, plant, and equipment = (total equity + non-current liabilities) / net property, plant, and equipment

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

(3) Interest coverage ratio = net profit before income tax and interest expense / current interest expense.

3. Operating ability

(1) Accounts receivable turnover (including accounts receivable and notes receivable arising from the operation) = net sales / average balance of accounts receivable for each period (including accounts receivable and notes receivable arising from the operation).



- (2) Average collection days =  $365 / \text{receivables turnover}$ .
- (3) Inventory turnover =  $\text{cost of sales} / \text{average inventory}$ .
- (4) Accounts payable turnover (including accounts payable and notes payable for operations) =  $\text{cost of sales} / \text{balance of average accounts payable for each period (including accounts payable and notes payable for operations)}$ .
- (5) Average days of sales =  $365 / \text{inventory turnover}$ .
- (6) Property, plant, and equipment turnover =  $\text{net sales} / \text{average net property, plant, and equipment}$ .
- (7) Total assets turnover =  $\text{net sales} / \text{average total assets}$ .

#### 4. Profitability

- (1) Return on total assets =  $(\text{after-tax profit and loss} + \text{interest expense} \times (1 - \text{tax rate})) / \text{average total assets}$ .
- (2) Return on shareholders' equity =  $\text{after-tax profit and loss} / \text{average total shareholders' equity}$ .
- (3) Net profit ratio =  $\text{after-tax profit and loss} / \text{net sales}$ .
- (4) Earnings (losses) per share =  $(\text{profit and loss attributable to owner of the parent} - \text{dividend of special shares}) / \text{weighted average number of shares issued}$ .

#### 5. Cash flow

- (1) Cash flow ratio =  $\text{net cash flow from operating activities} / \text{current liabilities}$ .
- (2) Cash flow adequacy ratio =  $\text{net cash flow of operating activities in the last five years} / \text{recent five years (capital expenditure} + \text{inventory increase} + \text{cash dividend})$ .
- (3) Cash reinvestment ratio =  $(\text{net cash flow from operating activities} - \text{cash dividends}) / (\text{gross property, plant, and equipment} + \text{long-term investments} + \text{other non-current assets} + \text{working capital})$ .

#### 6. Leverage:

- (1) Operating leverage =  $(\text{net operating income} - \text{variable operating costs and expenses}) / \text{operating profit}$ .
- (2) Financial leverage =  $\text{operating interest} / (\text{operating interest} - \text{interest expense})$ .

## 2.2 Parent company only financial analysis – based on IFRSs

Analysis item		Year	Financial information for the last five years				
		2016	2017	2018	2019	2020	
Financial structure	Debt ratio (%)	28.62	27.46	23.23	31.59	48.94	
	Ratio of long-term capital to property, plant, and equipment (%)	590.26	546.22	532.78	393.77	566.82	
Solvency	Current ratio (%)	168.51	151.08	238.69	165.48	269.89	
	Quick ratio (%)	145.43	134.57	219.85	148.32	252.22	
	Interest coverage ratio (times) (%)	(3,844.06)	(3,951.75)	(7,165.51)	(14,200.97)	(3,485.52)	
Operating performance	Accounts receivable turnover (times)	4.15	3.78	6.14	4.34	4.46	
	Average collection days (days)	88	97	59	84	82	
	Inventory turnover (times)	5.79	7.18	9.90	6.81	10.97	
	Accounts payable turnover (times)	4.67	3.68	3.33	2.93	3.89	
	Average days of sales (days)	63	51	37	54	33	
	Property, plant, and equipment turnover (times)	4.43	3.29	3.86	2.97	4.59	
	Total assets turnover (times)	0.45	0.42	0.53	0.47	0.70	
Profitability	Return on total assets (%)	(9.67)	(10.46)	(9.18)	(16.61)	(5.27)	
	Return on shareholders' equity (%)	(15.42)	(14.88)	(12.45)	(22.90)	(9.10)	
	Operating income to paid-up capital (%)	(6.49)	(8.78)	(3.30)	(13.81)	(7.11)	
	profit before tax to paid-up capital (%)	(16.12)	(12.83)	(10.52)	(18.61)	(6.38)	
	Net profit ratio (%)	(22.15)	(25.70)	(17.39)	(35.60)	(7.57)	
	Earnings (losses) per share (in NT\$)	(1.42)	(1.69)	(1.22)	(1.88)	(0.64)	
Cash flow	Cash flow ratio (%)	(11.12)	20.81	11.32	(37.97)	(2.05)	
	Cash flow adequacy ratio (%)	(48.00)	8.64	6.84	(32.69)	(68.09)	
	Cash reinvestment ratio (%)	(5.08)	5.51	2.85	(14.29)	(0.57)	
Leverage	Operating Leverage	0.80	0.75	0.31	0.79	0.53	
	Financial Leverage	0.94	0.97	0.96	0.99	0.99	
<p>Reasons for the changes in financial ratios in the last two years. (if change ratio over 20%)</p> <ol style="list-style-type: none"> <li>Debt ratio (%): The increase in 2020 compared to 2019 is due to increased corporate bonds payable and long-term borrowings.</li> <li>The ratio of long-term capital to property, plant, and equipment (%): The increase in 2020 compared to 2019 is due to increased corporate bonds payable and long-term borrowings.</li> <li>Current ratio (%): The increase in 2020 compared to 2019 is due to the increase in current assets.</li> </ol>							

4. Quick ratio (%): The increase in 2020 compared to 2019 is due to the increase in current assets and the decrease in current liabilities due to short-term borrowing.
5. Interest coverage ratio(times) (%): The increase in 2020 compared to 2019 is due to the decrease in loss before tax.
6. Inventory turnover (times): The increase in 2020 compared to 2019 is due to increased sales cost for operation growth and proper inventory control.
7. Average days of sales (days): The decrease in 2020 compared to 2019 is due to the increase in inventory turnover.
8. Accounts payable turnover (times): The increase in 2020 compared to 2019 is due to the increase in the cost of sales.
9. Property, plant, and equipment turnover (times): The increase in 2020 compared to 2019 is due to the higher sales.
10. Total assets turnover (times): The increase in 2020 compared to 2019 is due to increased sales.
11. Return on total assets (%): The increase in 2020 compared to 2019 is due to decreased after-tax net loss.
12. Return on shareholders' equity (%): The increase in 2020 compared to 2019 is due to decreased after-tax net loss.
13. The ratio of operating income to paid-in capital (%): The increase in 2020 compared to 2019 is due to the decrease in operating losses.
14. The ratio of profit before tax to paid-in capital (%): The increase in 2020 compared to 2019 is due to the decrease in loss before tax.
15. Net profit ratio (%): The increase in 2020 compared to 2019 is due to the decrease in net loss before tax.
16. Earnings (losses) per share (in NT\$): The decrease in the loss per share in 2020 compared to the loss per share in 2019 is due to the decrease in net loss after tax.
17. Cash flow ratio (%): The increase in 2020 compared to 2019 is due to the decrease in net cash outflows from operations.
18. Cash flow adequacy ratio (%): The decrease in 2020 compared to 2019 is due to increased capital expenditure in the last five years.
19. Cash reinvestment ratio (%): The increase in 2020 compared to 2019 is due to the decrease in net cash outflows from operations and an increase in working capital.
20. Operating leverage: The decrease in 2020 compared to 2019 is due to the decrease in operating losses.

Note 1: The above financial information for each year has been audited and approved by the accountant.

Note 2: The calculation formula is as follows:

1. Financial structure

(1) Debt ratio = total liabilities / total assets.

(2) Ratio of long-term capital to property, plant, and equipment = (total equity + non-current liabilities) / net property, plant, and equipment

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

(3) Interest coverage ratio = profit before income tax and interest expense / current interest expense.

3. Operating ability

(1) Accounts receivable turnover (including accounts receivable and notes receivable arising from the operation) = net sales / average balance of accounts receivable for each period (including accounts

receivable and notes receivable arising from the operation).

(2) Average collection days =  $365 / \text{accounts receivables turnover}$ .

(3) Inventory turnover =  $\text{cost of sales} / \text{average inventory}$ .

(4) Accounts payable turnover (including accounts payable and notes payable for operations) =  $\text{cost of sales} / \text{balance of average accounts payable for each period (including accounts payable and notes payable for operations)}$ .

(5) Average days of sales =  $365 / \text{inventory turnover}$ .

(6) Property, plant, and equipment turnover =  $\text{net sales} / \text{average net property, plant, and equipment}$ .

(7) Total assets turnover =  $\text{net sales} / \text{average total assets}$ .

#### 4. Profitability

(1) Return on total assets =  $(\text{after-tax profit and loss} + \text{interest expense} \times (1 - \text{tax rate})) / \text{average total assets}$ .

(2) Return on shareholders' equity =  $\text{after-tax profit and loss} / \text{average total shareholders' equity}$ .

(3) Net profit ratio =  $\text{after-tax profit and loss} / \text{net sales}$ .

(4) Earnings(losses) per share =  $(\text{profit and loss attributable to owner of the parent} - \text{dividend of special shares}) / \text{weighted average number of shares issued}$ .

#### 5. Cash flow

(1) Cash flow ratio =  $\text{net cash flow from operating activities} / \text{current liabilities}$ .

(2) Cash flow adequacy ratio =  $\text{net cash flow of operating activities in the last five years} / \text{recent five years (capital expenditure} + \text{inventory increase} + \text{cash dividend)}$ .

(3) Cash reinvestment ratio =  $(\text{net cash flow from operating activities} - \text{cash dividends}) / (\text{gross property, plant, and equipment} + \text{long-term investments} + \text{other non-current assets} + \text{working capital})$ .

#### 6. Leverage:

(1) Operating leverage =  $(\text{net operating income} - \text{variable operating costs and expenses}) / \text{operating profit}$ .

(2) Financial leverage =  $\text{operating interest} / (\text{operating interest} - \text{interest expense})$ .

### 3 Audit Committee review report

## Audit Committee's Review Report

The Company's 2020 Business Report, Parent Company Only Financial Statements & Consolidated Financial Statements, and Deficit Compensation Proposal have been prepared by the Board of Directors. Parent Company Only Financial Statements and Consolidated Financial Statements have been audited by PWC Taiwan and issued with an audit report. The Audit Committee reviewed the aforementioned Business Report, Parent Company Only Financial Statements & Consolidated Financial Statements, and Deficit Compensation Proposal and found no inconsistency, which is hereby reported in accordance with relevant provisions of the Securities and Exchange Act and the Company Act.

Sysgration Ltd.

Convenor of the Audit Committee: Lin, Kuan-Chao

March 18, 2021

- 4 Consolidated financial statements for the most recent year  
Including CPA Audit Report, Balance Sheet, Consolidated Income Statement, Statement of Changes in Equity, Statement of Cash Flow and Notes or attached tables for two years  
Please refer Appendix I for details.
  
- 5 Parent company only financial statements for the most recent year which has been audited by CPAs, but does not contain the detailed list of important accounting items  
Please refer Appendix II for details.
  
- 6 If the Company and its affiliated enterprises have financial turnover difficulties in the most recent year and up to the date of the publication of the annual report, the Company shall state its impact on the financial situation of the Company  
No such situation exists.

## VII. Review of the Financial Status and Financial Performance and Risk Management

### 1 Analysis of the financial status

#### 1.1 Comparative analysis of the financial situation

Unit: NT\$1,000

Item \ Year	2019	2020	Variance	
			Amount	%
Current assets	1,092,713	1,489,122	396,409	36.28
Non-current assets	630,635	690,279	59,644	9.46
<b>Total assets</b>	<b>1,723,348</b>	<b>2,179,401</b>	<b>456,053</b>	<b>26.46</b>
Current liabilities	536,406	518,436	(17,970)	(3.35)
Non-current liabilities	75,821	594,353	518,532	683.89
<b>Total liabilities</b>	<b>612,227</b>	<b>1,112,789</b>	<b>500,562</b>	<b>81.76</b>
Share Capital	1,511,547	1,540,805	29,258	1.94
Advance receipts for share capital	0	15,958	15,958	100.00
Capital surplus	96,653	135,896	39,243	40.60
Retained earnings	(413,949)	(514,164)	(100,215)	24.21
Other equity interest	(99,691)	(95,925)	3,766	(3.78)
Interest attributable to owner of the parent	1,094,560	1,066,612	(27,948)	(2.55)
Non-controlling interest	16,561	0	(16,561)	(100.00)
<b>Total equity</b>	<b>1,111,121</b>	<b>1,066,612</b>	<b>(44,509)</b>	<b>(4.01)</b>

Note: If the change ratio is more than 20% and the change amount is more than \$10,000 thousand, the reasons for the change shall be analyzed.

#### 1.2 The main causes of major changes in assets, liabilities, and shareholders' equity in the last two years and their impacts. If the impact is significant, the future response plans should be provided.

1. Increase in current assets: due to the increase in cash and cash equivalents.
2. Increase in non-current liabilities: due to the increase in corporate bonds payable and long-term borrowings
3. Capital surplus: due to the increase of remuneration cost recognized for employees executing the stock option-based payment.
4. Increase in advance receipts for share capital: due to the execution of stock options by employees.
5. Decrease in retained earnings: due to the increase in after-tax losses.
6. Decrease in non-controlling interest: due to the sale of the subsidiary, Leadman Electronics USA, Inc.

## 2 Review of financial performance

### 2.1 Analysis of financial performance

Unit: NT\$1,000

Year Item	2019	2020	Variance	
			Amount	%
Operating revenue	1,042,284	1,326,691	284,407	27.29
Gross profit from operations	94,368	262,699	168,331	178.38
Operating profit (loss)	(356,582)	(101,844)	254,738	71.44
Non-operating income and expenses	2,286	1,761	(525)	(22.97)
Profit (loss) before income tax	(354,296)	(100,083)	254,213	71.75
Profit (loss) attributable to owner of the parent	(284,759)	(98,315)	186,444	65.47
Other comprehensive income(loss) for the year	(17,400)	1,866	19,266	1.11
Total comprehensive profit (loss) attributable to owner of the parent	(301,928)	(96,449)	205,479	68.06

2.2 If the variance is more than 20% and the change amount is more than NTT10,000 thousand the reasons for the change shall be analyzed.

1. Increase in operating revenue: due to t the increase of customers' demand in 2020.
2. Increase in gross profit from operations: due to the increased of revenue in 2020.
3. Increase in operating profit: due to the increase in operating revenue and decrease in operating expenses in 2020.
4. Decrease in loss before tax: due to the growth in revenue and margin in 2020, causing the significant decrease in loss before tax and net loss attributable to owner of the parent.
5. Increase in total comprehensive loss attributable to owner of the parent: mainly due to the decrease of loss before tax and other comprehensive profit for year 2020.

2.3 Expected sales volume and its basis, possible impact on the Company's future financial business, and a response plan

Looking forward to 2021, based on the existing customers of tire pressure monitoring systems, we will actively expand the tire pressure monitoring system replacement market beyond the United States, Europe, and Japan. At the same time, we will develop a standalone dual-frequency tire pressure monitoring system that is compatible with the original manufacturers of American, European, and Japanese cars and further expand to the OE market. In addition, we will accelerate our Retrofit market in Mainland China and the United States, increase our dealer channels in Mainland China, and continue to expand the application of low power Bluetooth (BLE) TPMS in the market for general passenger cars, motorcycles, heavy



trucks, pickup trucks, and buses.

The Chinese government has specified tire pressure monitoring systems as the standard configuration of general passenger vehicles. The Company is actively planning to accelerate the development of tire pressure monitoring systems for special vehicles in Mainland China to seize the opportunity in the front assembly market of car manufacturers in Mainland China. The TPMS will inevitably become standard equipment of automobiles. With 100 million new cars shipped out of the factory every year and 100 million old cars needing to replace the TPMS every year, it is estimated that the global market will have a demand of nearly 800 million TPMS every year. The market size is large, and future revenue growth should be prosperous.

Sysgration Integrates IoT experience and technology and applies it in the automotive electronics industry to successfully develop Recreation Vehicles' internal central control system. This system can assist users in controlling all electrical appliances and equipment in the car through the cloud, mobile phone, and central control panel. At present, the system has been successfully integrated with two major camping vehicle factories in the United States and successfully introduced into mass production. In addition to seeking cooperation with other camping vehicle manufacturers in the United States, we are also actively expanding our market share in Europe, Australia, and Japan. Furthermore, the Company also uses its original energy storage and management technology to develop special solar power storage and an uninterrupted power system for camping vehicles to expand revenue.

In the area of energy management, the Company will continue to develop uninterrupted power systems. Based on the original product, there are upgrades from low-level manufacturing to high-capacity and high-end UPS to meet customer needs in specific markets. In addition, we also assist customers in introducing the lithium-ion battery application technology to replace the original lead-acid battery used in UPS. The Company has developed a battery backup power system for industrial use and has made good progress. The Company also plans to use existing technology to develop solar energy storage systems suitable for use in ordinary homes, buildings, or remote areas. The Company will continue to invest the manpower and resources. In addition to developing various battery modules for industrial or factory use, it will also extend its business scope to the Battery Management System with the marketing of battery packs to enhance the added value and expand the market niche. With the increase of market application, it is expected that it can improve the market space of products.

### 3 Cash flow

Unit: NT\$1,000

Balance of cash and cash Equivalent at beginning of the year	Annual net cash flow from operating activities	Annual cash inflow (outflow)	Cash surplus (deficiency)	Remedy for cash deficiency	
				Investment plan	Financial plan
458,644	(3,697)	445,573	904,217	No	No
<p>(1) Analysis of cash flow changes this year:</p> <ol style="list-style-type: none"> <li>1. Net cash outflow from operating activities of NT\$3,697 thousand: mainly due to the loss before tax for the current period.</li> <li>2. Net cash outflow from investment activities of NT\$ 72,671 thousand for 2020: mainly due to increase of financial assets at amortized cost.</li> <li>3. Net cash inflow from financing activities of NT\$522,691 thousand: mainly due to the issuance of convertible corporate bonds.</li> </ol> <p>(2) Remedy for cash deficiency and liquidity analysis: The Company has sufficient cash in operation and has no shortage of cash.</p> <p>(3) Analysis of cash liquidity in the coming year: It is expected that the operating cash will still be abundant in the next year under a stable operation situation.</p>					

### 4 Impact of significant capital expenditure on financial operations in the most recent year

The Company has no significant capital expenditures in the most recent year.

### 5 Reinvestment policy for the most recent year, main reasons for profit or loss, improvement plan, and investment plan for the next year

Unit: NT\$1,000

Description Item	Profits (losses) recognized in the most recent year	Policy	Main reasons for profit or loss	Improvement plan	Other future investment plans
SYSGRATION TECHNOLOGY (SAMOA) LIMITED	(16,643)	Overseas holding	Mainly recognized the loss of reinvested enterprise Sysgration Technology (Zhenjiang) Limited	In 2020, it actively developed different markets for the products and increased the production of energy storage products by the original technology and capacity. The business has improved significantly.	No
SYSGRATION (SAMOA) LIMITED	23,293	Overseas holding	Mainly recognized the profit of reinvested enterprise Sysgration Technology (Huizhou) Limited	No	No
LEADMAN ELECTRONICS USA, INC.	(1,840)	American market expansion	The Company recognized the investment profit (loss) according to the equity ratio	Considering the continued losses of this subsidiary and the absence of any signs of improvement in its future operations, to reduce the investment losses recognized in the future, the Company has sold all its equity holdings of this subsidiary in January 2020.	No
SYSGRATION USA INC.	225	North America area marketing and after-sales service	The Company recognized reinvestment profit of year 2020.	No	No

## 6 Risk assessment for the most recent year and as of the publication date of the annual report

### 6.1 Impact of interest rate, exchange rate change, and inflation on the Company's profit and loss, and future countermeasures:

Unit: NT\$1,000

Item	2020
Net interest income (expense)	(128)
Net exchange gain (loss)	(11,934)
Ratio of net interest income (expense) to operating revenue	(0.01%)
Ratio of net interest income (expense) to profit (loss) before tax	0.13%
Ratio of net exchange gain (loss) to operating revenue	(0.90%)
Ratio of net exchange gain (loss) to profit (loss) before tax	11.92%

#### 1. Impact of the interest rate change on profit and loss of the Company and future countermeasures:

(1) Impact on profit and loss of the Company: By the end of 2020, the Company's short-term borrowings subject to interest rate changes were NT\$19,697 thousand. If the market interest rate changes, the effective interest rate of such financial commodities will also change. A 1% increase in the market interest rate will increase the Company's annual interest expense by NT\$197 thousand.

(2) Future countermeasures: Since the Company's cash and financial assets minus liabilities are the net part, the increase in interest rates will be more beneficial to the Company's short-term fund application. In the future, the Company will continue to pay attention to the interest rate changes of various currencies and increase the fixed deposits of currencies favorable to the Company.

#### 2. Impact of an exchange rate change:

(1) Impact on profit and loss of the Company: The Company has the capital transactions in foreign currency-denominated import and export business. Exchange rate fluctuations affect the foreign currency-denominated assets and liabilities. At the end of 2020, the financial assets and liabilities of USD to NTD subject to the risk of exchange rate fluctuations are USD11,459 thousand and USD1,050 thousand; the financial assets and liabilities of USD to RMB are USD4,384 thousand and USD3,299 thousand, respectively; the financial assets of HKD to NTD are HKD92 thousand, and the financial liabilities of HKD to RMB are HKD1,880 thousand. The change in the market exchange rate will change the fair value of such financial assets or liabilities. A 1% appreciation in the market exchange rate of the US dollar will increase the Company's profit by approximately NT\$2,227 thousand.

(2) Future countermeasures: The specific measures taken by the Company in response to exchange rate fluctuations are to refer to relevant correspondent banks with information on exchange rate fluctuations and take the hedging pre-sale forward foreign exchange measures for the Company's foreign currency assets and liabilities. When quoting customers, the business units should consider the price adjustment caused by exchange rate fluctuations to reduce the impact of exchange rate fluctuations on the Company.

### 3. Impact of inflation:

(1) Impact on profit and loss of the Company: The Group's main sources of purchase are Taiwan and Mainland China. In recent years, Taiwan's inflation rate is within 2%. According to the statistics of DGBAS, the annual increase rate of Taiwan's consumer price index is about 1%, so the inflation risk has a limited impact on the Company's profit and loss. In addition, since the Company is engaged in the related industries of electronics and automobile power components, the electronic products and raw materials are characterized by long-term price decline. The Company will continue to carry out stricter cost and expense control to reduce the risks caused by possible inflation.

(2) Future countermeasures: In addition to grasping the price changes of the upstream raw materials, we will pay close attention to the cost control and quotation and timeously adjust the product price and raw materials inventory, to reduce the impact of inflation on the rise of raw materials cost.

## 6.2 Policies for engaging in high-risk, highly leveraged investments, lending of funds to others, endorsement guarantees and derivative commodity trading, main causes of profits or losses, and future countermeasures.

1. The Company did not engage in high-risk and highly leveraged investments in the past year, and all investments were executed after careful evaluation.
2. The Company's capital lending to others and endorsement guarantee in this year were subject to the subsidiary of reinvestment and were handled in accordance with the Company's "Operation Procedures for Lending Funds to Others" and "Endorsement Guarantee Operation Procedures."
3. The Company adheres to the principle of the conservative and prudent policy of engaging in derivatives trading, mainly focusing on the forward foreign exchange to avoid the risk of changes in real foreign exchange rates. It handles in accordance with the "Procedures for Handling the Acquisition or Disposal of Assets" and the "Procedures for Handling

Derivatives Trading" set by the Company. And to timely and correctly announce all trading information according to the law and regulations, there is no loss this year.

### 6.3 Future R&D plan and estimated R&D expenditure

Aiming at the current development of the Company's products, the Company will continue to actively cultivate and recruit the R&D talents, to not only commit to improve the product quality to meet international demands and obtain the certification according to the national rules and regulations, and also enhance the ability of product design, including the application of new technology, development of wireless communication software and mobile phone APP, etc., to meet the customer demand, create value for customers, and enhance own competitiveness.

- (1) Continue to optimize the hardware design of universal tire pressure monitoring systems, including thin and compact, long-distance wireless transmission, minimum power consumption, and reduction in the number of parts. Software development focuses on the humanization and intelligence of man-machine interface and seamless system integration with mobile phones, clouds, and big data.
- (2) Cooperate with third parties to establish independent software development tools and strengthen the market competitiveness of replacement.
- (3) Develop the US truck fleet management system by cooperating with customers through wireless transmission of tire pressure monitoring systems via Bluetooth.
- (4) Use solar energy charging technology to develop special energy storage and a power generation system for camping vehicles.
- (5) Continue developing the battery pack management system to improve battery life and reduce the battery's internal temperature to reduce accidents such as battery combustion and explosion.
- (6) Continue to develop energy storage power generation systems to improve the power supply efficiency.

2. The actual R&D expenditure in 2020 was NT\$160,627 thousand, accounting for about 12.11% of the annual revenue. In 2021, according to the new product development plan, it is estimated to invest NT\$180 million - 200 million in research and development.

### 6.4 Impact of major domestic and foreign policy and legal changes on the Company's financial business and countermeasures

The Company's Chairman/President Office and Finance Department operate closely to monitor and survey any policies and decrees that may affect the Company's financial operations. In addition, the internal operating procedures of the Company shall comply with the current relevant laws and regulations to ensure the legality of the execution of the Company's business

and financial work. The Sino-US trade tariff issue in 2019 and the COVID-19 epidemic in 2020 will have a certain impact on all domestic electronics companies that have set up factories in Mainland China. The Company's plant, equipment, and premises in Nangang of Taiwan are sufficient to accommodate the relocation of products manufactured in Mainland China to Taiwan for export to the United States. Therefore, it can solve the impact of Sino-US trade tariffs and the COVID-19 epidemic on the Company.

#### 6.5 Impact of technological change and industrial change on financial business of the Company and countermeasures

To meet the market demand, the Company continuously invests in product research and development, provides customers with a comprehensive range of professional OEM and manufacturing services, and responds to the demands and changes brought about by technological changes at any time to reduce the market risks and pursue the long-term and stable development of the Company's financial business.

#### 6.6 Impact of corporate image change on corporate crisis management and countermeasures

1. The Company has been established for more than 40 years. It has always adhered to regular operation, committed to R&D and innovation, and maintained a good credit relationship and reputation review. In the most recent year, as of the date of publication, there were no incidents in which the Company faced crisis management due to an image change.
2. The Company has a crisis management team organized by the President, Legal Department, and Chairman/President Office to promptly respond to any crisis that may cause a negative image of the Company.

#### 6.7 Expected benefits, possible risks, and countermeasures of a merger and acquisition: None.

#### 6.8 Expected benefits, possible risks, and countermeasures of plant expansion: None.

#### 6.9 Risks and countermeasures faced in purchasing or selling concentratedly: None.

#### 6.10 Impact of large shares transfers or replacements by directors, supervisors, or major shareholders holding more than 10% of the shares on the Company, risks, and countermeasures: None.

#### 6.11 Impact of management change on the Company, risks, and countermeasures: None.

#### 6.12 For the litigation or non-litigation, the Company and its directors, supervisors,

President, substantive persons in charge, major shareholders holding more than 10% of the shares of the Company and its affiliated companies have been determined by judgment or are still under the jurisdiction of major litigation, non-litigation or administrative dispute litigation, shall be listed. Should the outcome be likely to have a material impact on shareholders' equity or securities prices. In that case, it shall disclose the facts of the dispute, the target amount, the commencement date of the lawsuit, the principal parties involved, and the disposition as of the publication date of the annual report:

On August 6, 2018, the Company received a civil lawsuit filed by TSUZUKI MANUFACTURING CO., LTD. in Taipei District Court, Taiwan, claiming that it suffered damages due to quality problems of the tablet computer products purchased from the Company. It required the Company to return the payment for goods and compensation amounting to US\$5,306,000 and JP ¥ 1,225,000. The Company considered that its claim was groundless and had appointed a lawyer to handle the case to safeguard the rights and interests of the Company and its shareholders. In addition, the Company also filed a counterclaim on October 2, 2018, requesting TSUZUKI to pay the payment for goods and rework costs amounting to US\$996,000, since the Company had completed and delivered the work, which should be justified in the law. As of the publication date of the annual report, the Taipei District Court of Taiwan is still in proceedings. The Company has fully recorded the impairment loss for its remaining accounts receivable of \$19,370.

### 6.13 Description of information security risk assessment and analysis

Information security policies:

1. The information asset monitoring and control mechanism shall be established. All personnel shall have the responsibility and obligation to protect relevant information assets for which they are responsible and ensure the confidentiality, correctness, and availability of the important information assets of the Company.
2. The duties of the employees shall be properly segregated, and only the necessary authority and information shall be granted to the employees to complete the work.
3. Necessary assessment should be carried out, and relevant operation specifications should be signed in order to understand that each employee must maintain and ensure information security, which should be implemented in their daily work.
4. It shall establish a business continuity management mechanism to maintain its applicability.
5. The Company's information security measures shall comply with the legal norms and the Company's information security policy requirements. All information security specifications or procedures shall be established and modified following the information security

management system.

Information security objectives:

1. Comply with the requirements of laws and regulations, orders of competent authorities, and customer contracts or professional responsibilities.
2. Safeguard and preserve customer data to prevent improper and illegal events.
3. Ensure the accuracy and completeness of the data provided.
4. When the information security incident causes the rights and interests of relevant parties (interested parties) to be damaged, it shall respond and be dealt with appropriately.

Specific implementation measures:

The Company actively plans and deploys the information security measures, improves the information security environment, reduces the information security risks, and technically deploys the network firewall, email security system, and combines with the risk management system, firewall information security equipment update, internal audit process, and other management measures, to achieve perfect information security protection.

6.14 Other major risks and countermeasures: None.

## 7 Other important matters

None.



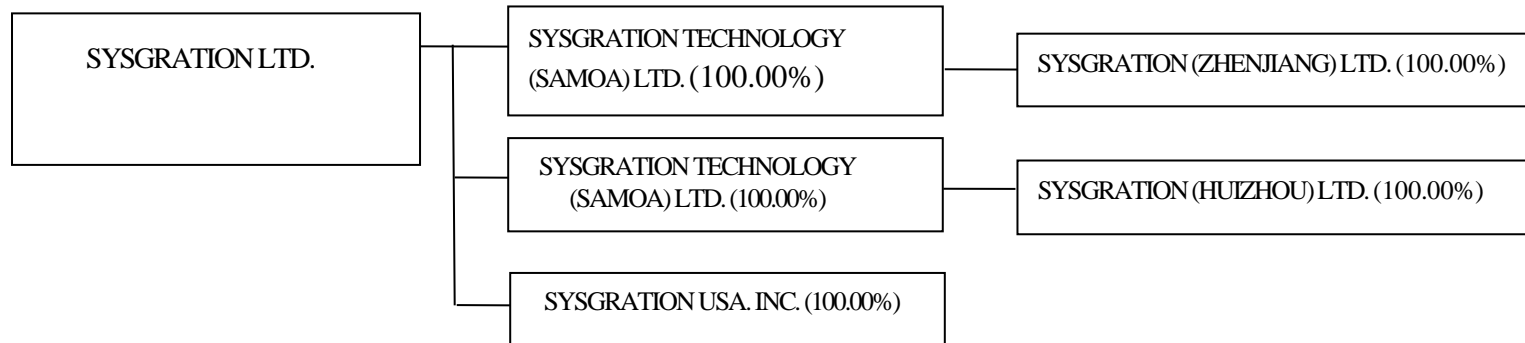
# VIII. Special Disclosure

## Sysgration Ltd. 2020 Consolidated Business Report of Affiliated Enterprises

### 1 Related information of affiliated enterprises

#### 1.1 Organization profile of affiliated enterprises

##### 1. Organization structure of affiliated enterprises:



## 1.2 Basic information of affiliated enterprises

Unit: NT\$1,000 As of December 31, 2020

Name of enterprise	Date of Incorporation	Address	Paid-in capital	Major business or products
Sysgration Ltd.	1977/10/14	5F-1., No. 1, Sec. 1, Tiding Blvd., Neihu Dist., Taipei City	1,540,805	Manufacturing and selling of electronic products
Sysgration Technology (Samoa) Ltd.	2012/10/29	Offshore Chambers, P.O. Box 217, Apia, SAMOA	671,762	Overseas holding company
Sysgration (Samoa) Ltd.	1998/09/29	Offshore Chambers, P.O. Box 217, Apia, SAMOA	505,131	Overseas holding company
Sysgration USA. Inc.	2003/01/15	1043 Segovia Circle, Placentia, CA 92870, USA	10,062	Electronic product trading
Sysgration Technology (Zhenjiang) Ltd.	2013/01/08	Floor 2, No. 5, Aerospace Industrial Park, No. 33, Yangtze Road, Dagang New Area, Zhenjiang	615,168	Electric vehicle battery module product manufacturing
Sysgration Technology (Huizhou) Ltd.	2015/08/01	Floor 3, Yuxin Science and Technology Park, Longshan 7th Road, Xiangshui River Industrial Zone, Daya Bay, Huizhou	105,376	Tire pressure monitoring system and thermostat products manufacturing

1.3 Same shareholder information of presumable control and subordination relation: None.

## 1.4 Industry covered by the business of overall affiliated enterprises

The Company and its affiliated enterprises mainly engage in the manufacturing, processing, and trading of electronic products, automotive electronic battery packs, and energy storage products. A small number of affiliated enterprises also engage in the investment business. As a whole, the Company and its affiliated enterprises achieve mutual benefits and maximize the profits of the Group through the mutual assistance of technology, manufacturing, marketing, and service.

### 1.5 Information of the Director, Supervisor, and General Manager of each affiliated enterprise

Unit: NT\$1,000; share; % As of December 31, 20

Name of enterprise	Title	Name or representative	Shareholding	
			Shares	%
Sysgration Technology (Samoa) Ltd.	Director	Sysgration Ltd. Representative: Li, Yi-Ren	21,800,000	100.00%
Sysgration (Samoa) Ltd.	Director	Sysgration Ltd. Representative: Li, Yi-Ren	15,938,000	100.00%
Sysgration USA. Inc.	Director	Sysgration Ltd. Representative: Li, Yi-Ren	300,000	100.00%
Sysgration Electronics Technology (Zhenjiang) Ltd.	Chairman	Sysgration Ltd. Representative: Li, Yi-Ren	0	100.00%
	Director	Yeh, Chia-Fu	0	0.00%
	Director	Li, Cheng-Han	0	0.00%
	Supervisor	Hsieh, Tung-Fu	0	0.00%
	President	Yeh, Chia-Fu	0	0.00%
Sysgration Electronics Technology (Huizhou) Ltd.	Chairman	Sysgration Ltd. Representative: Hsieh, Tung-Fu	0	100.00%
	Director	Li, Fang-Mao	0	0.00%
	Director	Li, Yi-Ren	0	0.00%
	Supervisor	Li, Cheng-Han	0	0.00%
	President	Li, Fang-Mao	0	0.00%

## 1.6 Operation profile of affiliated enterprises

Unit: NT\$1,000; As of December 31, 2020

Name of enterprise	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Profit (Loss) From Operations	Profit (Loss) After Tax	Earnings Per Share (NT\$)
Sysgration Technology (Samoa) Ltd.	671,762	183,388	0	183,388	0	(40)	(16,643)	N/A
Sysgration (Samoa) Ltd.	505,131	164,476	0	164,476	0	(40)	23,293	N/A
Sysgration USA. Inc.	10,062	4,001	200	3,801	4,493	225	225	N/A
Sysgration Electronics Technology (Zhenjiang) Ltd.	615,168	315,846	133,249	182,597	252,292	(19,111)	(16,602)	N/A
Sysgration Electronics Technology (Huizhou) Ltd.	105,376	415,113	312,196	102,917	436,366	23,061	19,226	N/A

## 1.7 Consolidated financial statements of affiliated enterprises

For the year 2020 (from January 1, 2020, to December 31, 2020), according to the "Affiliated Enterprises' Consolidation Business Report, Consolidated Financial Statements, and Guidelines for Report Preparation of Affiliated Enterprises," the enterprises to which the Consolidated Financial Statement of Affiliated Enterprises are incorporated are the same enterprises to which the Consolidated Financial Statement of the Parent Company and Subsidiaries are incorporated in accordance with IAS 10. Relevant information to be disclosed in the Consolidated Financial Statement of Affiliated Enterprises has been disclosed in the Consolidated Financial Statement of Parent Company and Subsidiaries previously disclosed. Thus, the Consolidated Financial Statement of Affiliated Enterprises shall not be prepared separately. The Company Consolidated Financial Statement is outlined in Appendix 1 of this Annual Report.

## 1.8 Relationship report

The Company is not a subsidiary of the other company stipulated in the affiliated enterprise chapter of Company Law, so it is not required to prepare the relationship report with the controlling company.

2 Private placement Issuance

None.

3 Holding or disposing of the shares of the Company by the subsidiaries in the most recent year and as of the publication date of the Annual Report

None.

4 Other necessary additional notes

None.

5 For the most recent year and up to the date of the publication of the annual report, the occurrence of events that have a material impact on shareholders' equity or securities prices as provided for in Paragraph 2, Item 2, Article 36 of Securities Exchange Act

None.

## **IX. Appendix**

**Appendix I : 2020 Annual CPA Audit Report and Consolidated Financial Statements**

**Appendix II : 2020 Annual CPA Audit Report and Parent Company Only Financial Statements**

**SYSGRATION LTD. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
**DECEMBER 31, 2020 AND 2019**

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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

To the Board of Directors and Shareholders of Sysgration Ltd.

### ***Opinion***

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

In our opinion, based on our audits and the report of other auditors, as described in the Other matter section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***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 Group 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 Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated 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 Group's 2020 consolidated financial statements are stated as follows:

#### **Valuation of allowance for uncollectible accounts**

##### Description

Refer to Note 4(10) for accounting policy on accounts receivable, Note 5(2) for accounting estimates and assumption uncertainty in relation to loss allowance for accounts receivable, and Note 6(5) for detailed information on accounts receivable. As of December 31, 2020, the balances of accounts receivable and loss for allowance were NT\$ 364,502 thousand and NT\$ 28,438 thousand, respectively. The valuation of loss allowance for accounts receivable of the Group 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.

##### 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 forecast ability 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

Please refer to Note 4(14) for accounting policies on inventory, Note 5(2) for the uncertainty of accounting estimates and assumptions in relation to inventory valuation, and Note 6(6) for allowance for inventory valuation losses. As at December 31, 2020, the Group's inventories and allowances for inventory valuation losses were NT\$164,162 thousand and NT\$21,433 thousand, respectively.

The Group is primarily engaged in the manufacture and sale of computer peripheral equipment, uninterruptible power supply equipment and electronic products for cars. Because of the rapid change in development of electronic products, there is a higher risk of incurring inventory valuation losses or having obsolete inventory.

The Group's 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.

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 Group's 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 Group's 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. Total assets of these subsidiaries amounted to NT\$142,332 thousand, constituting 8.26% of the consolidated total assets as at December 31, 2019, and the operating revenue amounted to NT150,081 thousand, constituting 14.40% of the consolidated total operating revenue for the year then ended.

***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion, with an other matter paragraph, on the parent company only financial statements of Sysgration Ltd. as at and for the years ended December 31, 2020 and 2019.

## ***Responsibilities of management and those charged with governance for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

## ***Auditors' responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

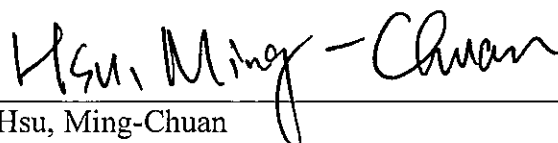
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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



Chiu, Chao-Hsien



Hsu, Ming-Chuan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 18, 2021

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The accompanying consolidated 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 consolidated 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.

**SYSGRATION LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 904,217	41	\$ 458,644	27
1110	Financial assets at fair value through profit or loss - current	6(2)	46,020	2	146,370	8
1136	Current financial assets at amortised cost	6(1)(4) and 8	-	-	20,536	1
1150	Notes receivable, net	6(5)	-	-	629	-
1170	Accounts receivable, net	6(5) and 12(3)	336,064	15	269,333	16
1200	Other receivables		4,975	-	5,671	-
1220	Current income tax assets	6(29)	464	-	553	-
130X	Inventories	6(6)	142,729	7	130,245	8
1470	Other current assets	6(7)	54,653	3	60,732	3
11XX	<b>Current assets</b>		<u>1,489,122</u>	<u>68</u>	<u>1,092,713</u>	<u>63</u>
<b>Non-current assets</b>						
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(1)(4) and 8	119,501	6	-	-
1600	Property, plant and equipment	6(8) and 8	418,464	19	404,507	23
1755	Right-of-use assets	6(9)	38,798	2	95,919	6
1760	Investment property - net	6(10)	4,300	-	4,437	-
1780	Intangible assets	6(11)	12,698	1	13,931	1
1840	Deferred income tax assets	6(29)	32,363	1	47,395	3
1900	Other non-current assets		15,529	1	19,786	1
15XX	<b>Non-current assets</b>		<u>690,279</u>	<u>32</u>	<u>630,635</u>	<u>37</u>
1XXX	<b>Total assets</b>		<u>\$ 2,179,401</u>	<u>100</u>	<u>\$ 1,723,348</u>	<u>100</u>

(Continued)

**SYSGRATION LTD. AND SUBSIDIARIES**  
**CONSOLIDATED 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	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(12) and 8	\$ 19,697	1	\$ 110,000	6
2130	Current contract liabilities	6(22)	3,811	-	2,893	-
2150	Notes payable		715	-	1,297	-
2170	Accounts payable		330,076	15	253,689	15
2200	Other payables	6(15)(31)	93,110	4	95,526	6
2220	Other payables - related parties	7	2,889	-	2,079	-
2280	Current lease liabilities		13,072	1	40,498	2
2300	Other current liabilities	6(14)	55,066	3	30,424	2
21XX	<b>Current liabilities</b>		<u>518,436</u>	<u>24</u>	<u>536,406</u>	<u>31</u>
<b>Non-current liabilities</b>						
2530	Bonds payable	6(13)	487,660	22	-	-
2540	Long-term borrowings	6(14) and 8	80,711	4	-	-
2580	Non-current lease liabilities		25,982	1	75,821	5
25XX	<b>Non-current liabilities</b>		<u>594,353</u>	<u>27</u>	<u>75,821</u>	<u>5</u>
2XXX	<b>Total liabilities</b>		<u>1,112,789</u>	<u>51</u>	<u>612,227</u>	<u>36</u>
<b>Equity attributable to owners of parent</b>						
Share capital 6(18)						
3110	Ordinary share		1,524,847	70	1,511,547	88
3140	Advance receipts for share capital		15,958	1	-	-
Capital surplus 6(19)						
3200	Capital surplus		135,896	6	96,653	5
Retained earnings 6(20)						
3320	Special reserve		35,953	2	35,953	2
3350	Accumulated deficit		( 550,117)	( 25)	( 449,902)	( 26)
Other equity interest 6(21)						
3400	Other equity interest		( 95,925)	( 5)	( 99,691)	( 6)
31XX	<b>Equity attributable to owners of the parent</b>		<u>1,066,612</u>	<u>49</u>	<u>1,094,560</u>	<u>63</u>
36XX	Non-controlling interest	4(3) and 6(21)	-	-	16,561	1
3XXX	<b>Total equity</b>		<u>1,066,612</u>	<u>49</u>	<u>1,111,121</u>	<u>64</u>
3X2X	<b>Total liabilities and equity</b>		<u>\$ 2,179,401</u>	<u>100</u>	<u>\$ 1,723,348</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.



**SYSGRATION LTD. AND SUBSIDIARIES**  
**CONSOLIDATED 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)	\$ 1,326,691	100	\$ 1,042,284	100
5000 Operating costs	6(6)(16)(17)(27)(28) and 7	( 1,063,992)	( 80)	( 947,916)	( 91)
5900 Gross profit from operations		262,699	20	94,368	9
Operating expenses	6(16)(17)(27)(28)				
6100 Selling expenses		( 61,536)	( 5)	( 102,404)	( 10)
6200 Administrative expenses		( 149,637)	( 11)	( 192,219)	( 18)
6300 Research and development expenses		( 160,627)	( 12)	( 155,444)	( 15)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(3)	7,257	1	( 883)	-
6000 Total operating expenses		( 364,543)	( 27)	( 450,950)	( 43)
6900 Operating loss		( 101,844)	( 7)	( 356,582)	( 34)
Non-operating income and expenses					
7100 Interest income	6(4)(23)	1,296	-	5,750	-
7010 Other income	6(10)(24)	14,817	1	38,052	4
7020 Other gains and losses	6(2)(25) and 12(3)	( 11,151)	( 1)	( 33,914)	( 3)
7050 Finance costs	6(9)(12)(13)(14)(26)	( 3,201)	-	( 7,602)	( 1)
7000 Total non-operating income and expenses		1,761	-	2,286	-
7900 Loss before income tax		( 100,083)	( 7)	( 354,296)	( 34)
7950 Income tax expense	6(29)	-	-	( 3,483)	-
8200 Loss for the year		( \$ 100,083)	( 7)	( \$ 357,779)	( 34)

(Continued)

**SYSGRATION LTD. AND SUBSIDIARIES**  
**CONSOLIDATED 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	%
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	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 other comprehensive income (loss) that will not be reclassified to profit or loss, net of tax		2,793	-	( 8,451)	( 1)
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	6(21)(29)				
8361 Exchange differences on translation		( 1,159)	-	( 11,128)	( 1)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss		232	-	2,179	-
8360 Total other comprehensive loss that will be reclassified to profit or loss, net of tax		( 927)	-	( 8,949)	( 1)
8300 <b>Other comprehensive income (loss) for the year, net of tax</b>		\$ 1,866	-	(\$ 17,400)	( 2)
8500 <b>Total comprehensive loss for the year</b>		(\$ 98,217)	( 7)	(\$ 375,179)	( 36)
Loss, attributable to:					
8610 Owners of the parent		(\$ 98,315)	( 7)	(\$ 284,759)	( 27)
8620 Non-controlling interest		( 1,768)	-	( 73,020)	( 7)
		(\$ 100,083)	( 7)	(\$ 357,779)	( 34)
Comprehensive loss attributable to:					
8710 Owners of the parent		(\$ 96,449)	( 7)	(\$ 301,928)	( 29)
8720 Non-controlling interest		( 1,768)	-	( 73,251)	( 7)
		(\$ 98,217)	( 7)	(\$ 375,179)	( 36)
Basic loss per share	6(30)				
9750 Basic loss per share		(\$ 0.64)		(\$ 1.88)	
Diluted loss per share	6(30)				
9850 Diluted loss per share		(\$ 0.64)		(\$ 1.88)	

The accompanying notes are an integral part of these consolidated financial statements.

**SYSGRATION LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Equity attributable to owners of the parent										
	Capital			Retained Earnings			Other equity interest			Non-controlling interest	Total equity
	Notes	Ordinary share	Advance receipts for share capital	Total capital surplus, additional paid-in capital	Special reserve	Accumulated deficit	Exchange differences on translation of foreign financial statements	Total Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total		
<b>2019</b>											
Balance at January 1, 2019		\$1,511,547	\$ -	\$ 92,411	\$ 35,953	(\$ 148,907)	(\$ 51,380)	(\$ 47,378)	\$1,392,246	\$ 89,812	\$1,482,058
Loss for the year		-	-	-	-	( 284,759)	-	-	( 284,759)	( 73,020)	( 357,779)
Other comprehensive loss for the year	6(21)	-	-	-	-	-	( 8,718)	( 8,451)	( 17,169)	( 231)	( 17,400)
Total comprehensive loss		-	-	-	-	( 284,759)	( 8,718)	( 8,451)	( 301,928)	( 73,251)	( 375,179)
Share-based compensation cost	6(17)(19)	-	-	4,242	-	-	-	-	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	\$ 16,561	\$1,111,121
<b>2020</b>											
Balance at January 1, 2020		\$1,511,547	\$ -	\$ 96,653	\$ 35,953	(\$ 449,902)	(\$ 60,098)	(\$ 39,593)	\$1,094,560	\$ 16,561	\$1,111,121
Loss for the year		-	-	-	-	( 98,315)	-	-	( 98,315)	( 1,768)	( 100,083)
Other comprehensive (loss) income for the year	6(21)	-	-	-	-	-	( 927)	2,793	1,866	-	1,866
Total comprehensive (loss) income		-	-	-	-	( 98,315)	( 927)	2,793	( 96,449)	( 1,768)	( 98,217)
Share-based compensation cost	6(17)(19)	-	-	7,049	-	-	-	-	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 bond	6(19)	-	-	11,131	-	-	-	-	11,131	-	11,131
Change in non-controlling interest	6(21)	-	-	-	-	-	-	-	-	( 14,793)	( 14,793)
Exercise of employee stock options	6(18)(19)	13,300	15,958	21,063	-	-	-	-	50,321	-	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	\$ -	\$1,066,612

The accompanying notes are an integral part of these consolidated financial statements.

SYSGRATION LTD. AND SUBSIDIARIES  
CONSOLIDATED 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
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Loss before tax		(\$ 100,083 )	(\$ 354,296 )
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets or liabilities at fair value through profit or loss	6(25)	( 3,702 )	( 2,795 )
Expected credit impairment (profit)loss	12(3)	( 7,257 )	883
Depreciation	6(8)(9)(10)(27)	76,939	98,179
Amortization	6(11)(27)	8,459	8,753
Loss on disposal of property, plant and equipment	6(25)	347	3,475
Interest expense	6(9)(12)(13)(14)	(26)	3,201
Interest income	6(23)	( 1,296 )	( 5,750 )
Dividend income	6(24)	( 842 )	( 1,293 )
Share-based payments	6(17)(19)(28)	7,049	4,242
Impairment loss on intangible assets	6(11)(25)	-	11,423
Impairment loss on non-financial assets	6(25)	-	16,595
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		631	5,114
Accounts receivable		( 59,476 )	( 83,725 )
Other receivables		696	22,939
Inventories		( 12,484 )	( 68,106 )
Other current assets		6,079	7,758
Changes in operating liabilities			
Contract liabilities		918	( 29,377 )
Notes payable		( 582 )	( 703 )
Accounts payable		76,387	85,795
Other payables		( 536 )	( 21,520 )
Other payables - related parties		810	2,079
Other current liabilities		242	12,733
Cash outflow generated from operations		( 4,500 )	( 100,743 )
Interest received		1,296	5,750
Interest paid		( 1,424 )	( 1,526 )
Income tax paid		( 65 )	( 1,221 )
Income tax refund		154	23,678
Dividend received		842	1,293
Net cash flows used in operating activities		( 3,697 )	( 72,769 )

(Continued)

**SYSGRATION LTD. AND SUBSIDIARIES**  
**CONSOLIDATED 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
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of financial assets at fair value through profit or loss	12(4)	(\$ 921,359 )	(\$ 743,245 )
Acquisition of financial assets at fair value through other comprehensive income	12(4)	-	( 15,560 )
Proceeds from disposal of financial assets at fair value through profit or loss	12(4)	1,026,407	639,925
Proceeds from disposal of subsidiaries	6(31)	( 7,057 )	-
Increased in financial assets at amortised cost		( 98,965 )	( 2,721 )
Acquisition of property, plant and equipment	6(31)	( 70,096 )	( 85,445 )
Proceeds from disposal of property, plant and equipment		1,369	5,588
Acquisition of intangible assets	6(11)	( 7,223 )	( 3,018 )
(Increase) decrease in refundable deposits		( 1,938 )	8,844
Decrease (increase) in prepayments for business facilities		5,974	( 9,022 )
Decrease in other current assets		217	13,045
Net cash flows used in investing activities		( 72,671 )	( 191,609 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Decrease) increase in short-term borrowings	6(32)	( 90,303 )	10,000
Proceeds from long-term borrowings	6(32)	110,000	-
Repayment of long-term borrowings	6(32)	( 4,889 )	-
Proceeds from issuance of bonds	6(13)	495,680	-
Exercise of employee share options	6(18)	50,321	-
Payments of lease liabilities	6(9)(31)	( 23,325 )	( 48,366 )
Change in non-controlling interest	6(21)	( 14,793 )	-
Net cash flows from (used in) financing activities		522,691	( 38,366 )
Effect of exchange rate changes on cash and cash equivalents		( 750 )	( 1,496 )
Net increase (decrease) in cash and cash equivalents		445,573	( 304,240 )
Cash and cash equivalents at beginning of year		458,644	762,884
Cash and cash equivalents at end of year		\$ 904,217	\$ 458,644

The accompanying notes are an integral part of these consolidated financial statements.

SYSGRATION LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED 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 and its subsidiaries (the ‘Group’) are primarily engaged in the manufacture and sale of automobile electronics products and power management products.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated 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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 Group’s financial condition and financial performance based on the Group’s assessment.

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

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 Group's financial condition and financial performance based on the Group'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 Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.

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 Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group 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. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) When the Group loses control of a subsidiary, the Group 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 Group 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.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2020	December 31, 2019	
SYSGRATION LTD.	SYSGRATION USA INC.	Sale of electronic products	100	100	
SYSGRATION LTD.	SYSGRATION (SAMOA) LTD.	Investment holding of overseas	100	100	
SYSGRATION LTD.	SYSGRATION TECHNOLOGY (SAMOA) LTD.	Investment holding of overseas	100	100	
SYSGRATION LTD.	LEADMAN ELECTRONICS USA, INC.	Manufacturing and sale of electronic products	-	51	Note 1 Note 2
SYSGRATION TECHNOLOGY (SAMOA) LTD.	SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	Manufacturing and sale of electronic products	100	100	
SYSGRATION (SAMOA) LTD.	SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	Manufacturing and sale of electronic products	100	100	

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%) amounting 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: Of all subsidiaries which were included in the consolidated financial statements, only the financial statements of Leadman Electronics USA, Inc. for the year ended December 31, 2019 were audited by other independent auditors which were appointed by the subsidiary. Total assets of the subsidiary amounted to NT\$142,332 thousand, constituting 8.26% of consolidated total assets as of December 31, 2019, and operating income was NT\$150,081 thousand, constituting 14.40% of consolidated total operating income for the year then ended.

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

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interest that are material to the Group:

As of December 31, 2019, the non-controlling interest amounted to \$16,561. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest	
		December 31, 2019	
		Amount	Ownership (%)
LEADMAN ELECTRONICS USA, INC.	American	\$ 16,561	49%

Summarised financial information of the subsidiaries:

Balance sheets

	LEADMAN ELECTRONICS USA, INC.	
	December 31, 2019	
Current assets	\$	59,003
Non-current assets		83,329
Current liabilities	(	41,092)
Non-current liabilities	(	67,442)
Total net assets	\$	<u>33,798</u>

Statements of comprehensive income

	LEADMAN ELECTRONICS USA, INC.	
	Year ended January 31, 2020	Year ended December 31, 2019
Revenue	\$ 11,194	\$ 150,081
Loss before income tax	( 3,608)	( 148,996)
Income tax expense	-	( 24)
Loss for the year	( 3,608)	( 149,020)
Other comprehensive loss, net of tax	-	( 472)
Total comprehensive loss for the year	(\$ 3,608)	(\$ 149,492)
Comprehensive loss attributable to non-controlling interest	(\$ 1,768)	(\$ 73,251)

## Statements of cash flows

	<u>LEADMAN ELECTRONICS USA, INC.</u>	
	<u>Year ended December 31, 2019</u>	
Net cash used in operating activities	(\$	44,004)
Net cash used in investing activities	(	771)
Net cash used in financing activities	(	26,361)
Effect of exchange rates on cash and cash equivalents	(	269)
Decrease in cash and cash equivalents	(	71,405)
Cash and cash equivalents, beginning of year		100,393
Cash and cash equivalents, end of year	\$	<u>28,988</u>

### (4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group'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

The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) 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.

(6) 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.

(7) 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 Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) 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 Group 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 Group'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 Group measures the financial assets at fair value plus transaction costs. The Group 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 Group 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.

(9) 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 Group'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. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group'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.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group 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.

(11) 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 Group 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 Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

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

(13) 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.

(14) 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.

(15) 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

(16) 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 Group. 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 Group 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.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(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 Group 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 Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group 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) Non-hedging and embedded derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(25) 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.

(26) 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.

(27) 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 consolidated 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 Group 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.

(28) Share capital

Ordinary shares are classified as equity.

(29) Revenue recognition

Sales of goods

- A. The Group manufactures and sells 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 Group 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.

(30) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group'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 consolidated financial statements requires management to make critical judgements in applying the Group'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 Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Valuation of allowance for uncollectible accounts

The Group assesses the provision of allowance for uncollectible accounts by considering accounts receivable that contain a significant financing components, the Group 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 Group 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 Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group 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	\$ 827	\$ 670
Checking accounts and demand deposits	548,390	363,714
Time deposits	355,000	94,260
	<u>\$ 904,217</u>	<u>\$ 458,644</u>

A. The Group 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		
Debt instruments(Capital-guaranteed income-based wealth management products)	\$ 43,770	\$ 146,370
Derivatives	2,250	-
	<u>\$ 46,020</u>	<u>\$ 146,370</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		
Debt instruments	\$ 3,452	\$ 2,622
Derivatives	250	173
	<u>\$ 3,702</u>	<u>\$ 2,795</u>

- B. The Group 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

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

- A. The Group 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:

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

- 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 Group was \$48,626 and \$44,660, respectively.  
 E. The Group 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

Items	December 31, 2020	December 31, 2019
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:

	2020	2019
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 Group was \$119,501 and \$20,536, respectively.

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

(5) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	\$ <u>                  -</u>	\$ <u>                  631</u>
Less: Allowance for uncollectible accounts	<u>                  -</u>	<u>(                  2)</u>
	\$ <u>                  -</u>	\$ <u>                  629</u>
Accounts receivable	\$ <u>          364,502</u>	\$ <u>          304,695</u>
Less: Allowance for uncollectible accounts	<u>(          28,438)</u>	<u>(          35,362)</u>
	\$ <u>          336,064</u>	\$ <u>          269,333</u>

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

	December 31, 2020		December 31, 2019	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 310,032	\$ -	\$ 221,170	\$ 629
Up to 30 days	18,662	-	33,808	-
31 to 120 days	2,867	-	10,247	-
121 to 180 days	-	-	-	-
Over 180 days	4,503	-	4,108	-
	<u>\$ 336,064</u>	<u>\$ -</u>	<u>\$ 269,333</u>	<u>\$ 629</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 \$192,248.
- 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 Group's notes and accounts receivable was \$336,064 and \$269,962, 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	\$ 77,736	(\$ 18,113)	\$ 59,623
Work in progress	21,680	-	21,680
Finished goods	64,746	( 3,320)	61,426
	<u>\$ 164,162</u>	<u>(\$ 21,433)</u>	<u>\$ 142,729</u>

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 88,915	(\$ 49,530)	\$ 39,385
Work in progress	23,218	-	23,218
Finished goods	51,106	( 6,172)	44,934
Inventory in transit	22,708	-	22,708
	<u>\$ 185,947</u>	<u>(\$ 55,702)</u>	<u>\$ 130,245</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	\$ 1,066,785	\$ 945,387
Loss on decline in market value	-	2,529
Gain on reversal of decline in market value	( 2,793)	-
	<u>\$ 1,063,992</u>	<u>\$ 947,916</u>

- A. The Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because of inventory clearance.
- B. The Group had no inventories pledged to others as collateral.

(7) Other current assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Tax credit	\$ 41,990	\$ 37,593
Advance payment	5,673	16,337
Other prepayments	5,205	4,932
Others	1,785	1,870
	<u>\$ 54,653</u>	<u>\$ 60,732</u>



(8) Property, plant and equipment

	2020								Total
	Land	Buildings and structures	Machinery	Maintenance equipment and tools	Office equipment	Transportation equipment	Leasehold improvements	Others	
At January 1									
Cost	\$ 18,807	\$ 355,836	\$ 257,378	\$ 28,007	\$ 104,857	\$ 9,304	\$ 72,744	\$ 10,893	\$ 857,826
Accumulated depreciation and impairment	-	( 165,384)	( 102,206)	( 17,587)	( 85,188)	( 6,793)	( 68,833)	( 7,328)	( 453,319)
	<u>\$ 18,807</u>	<u>\$ 190,452</u>	<u>\$ 155,172</u>	<u>\$ 10,420</u>	<u>\$ 19,669</u>	<u>\$ 2,511</u>	<u>\$ 3,911</u>	<u>\$ 3,565</u>	<u>\$ 404,507</u>
Opening net book amount as at January 1	\$ 18,807	\$ 190,452	\$ 155,172	\$ 10,420	\$ 19,669	\$ 2,511	\$ 3,911	\$ 3,565	\$ 404,507
Additions	-	640	47,447	3,365	8,524	1,352	2,834	4,054	68,216
Disposals	-	-	( 777)	( 357)	( 582)	-	-	-	( 1,716)
Depreciation charge	-	( 6,502)	( 25,944)	( 5,702)	( 9,029)	( 755)	( 3,512)	( 2,610)	( 54,054)
Net exchange differences	-	-	1,335	37	118	33	( 12)	-	1,511
Closing net book amount as at December 31	<u>\$ 18,807</u>	<u>\$ 184,590</u>	<u>\$ 177,233</u>	<u>\$ 7,763</u>	<u>\$ 18,700</u>	<u>\$ 3,141</u>	<u>\$ 3,221</u>	<u>\$ 5,009</u>	<u>\$ 418,464</u>
At December 31									
Cost	\$ 18,807	\$ 307,249	\$ 304,486	\$ 25,350	\$ 84,735	\$ 7,874	\$ 20,507	\$ 14,748	\$ 783,756
Accumulated depreciation and impairment	-	( 122,659)	( 127,253)	( 17,587)	( 66,035)	( 4,733)	( 17,286)	( 9,739)	( 365,292)
	<u>\$ 18,807</u>	<u>\$ 184,590</u>	<u>\$ 177,233</u>	<u>\$ 7,763</u>	<u>\$ 18,700</u>	<u>\$ 3,141</u>	<u>\$ 3,221</u>	<u>\$ 5,009</u>	<u>\$ 418,464</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	\$ 203,462	\$ 39,295	\$ 97,493	\$ 10,283	\$ 143,179	\$ 9,081	\$ 876,292
Accumulated depreciation and impairment	-	( 157,743)	( 90,075)	( 27,817)	( 76,773)	( 6,173)	( 131,650)	( 5,794)	( 496,025)
	<u>\$ 18,807</u>	<u>\$ 196,949</u>	<u>\$ 113,387</u>	<u>\$ 11,478</u>	<u>\$ 20,720</u>	<u>\$ 4,110</u>	<u>\$ 11,529</u>	<u>\$ 3,287</u>	<u>\$ 380,267</u>
Opening net book amount as at January 1	\$ 18,807	\$ 196,949	\$ 113,387	\$ 11,478	\$ 20,720	\$ 4,110	\$ 11,529	\$ 3,287	\$ 380,267
Additions	-	1,168	70,207	4,462	12,014	134	101	1,909	89,995
Disposals	-	-	( 5,054)	-	( 3,701)	( 308)	-	-	( 9,063)
Depreciation charge	-	( 7,665)	( 19,545)	( 5,215)	( 8,766)	( 1,411)	( 7,602)	( 1,631)	( 51,835)
Net exchange differences	-	-	( 3,823)	( 305)	( 598)	( 14)	( 117)	-	( 4,857)
Closing net book amount as at December 31	<u>\$ 18,807</u>	<u>\$ 190,452</u>	<u>\$ 155,172</u>	<u>\$ 10,420</u>	<u>\$ 19,669</u>	<u>\$ 2,511</u>	<u>\$ 3,911</u>	<u>\$ 3,565</u>	<u>\$ 404,507</u>
At December 31									
Cost	\$ 18,807	\$ 355,836	\$ 257,378	\$ 28,007	\$ 104,857	\$ 9,304	\$ 72,744	\$ 10,893	\$ 857,826
Accumulated depreciation and impairment	-	( 165,384)	( 102,206)	( 17,587)	( 85,188)	( 6,793)	( 68,833)	( 7,328)	( 453,319)
	<u>\$ 18,807</u>	<u>\$ 190,452</u>	<u>\$ 155,172</u>	<u>\$ 10,420</u>	<u>\$ 19,669</u>	<u>\$ 2,511</u>	<u>\$ 3,911</u>	<u>\$ 3,565</u>	<u>\$ 404,507</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 Group's property, plant and equipment were for self-use.

(9) Leasing arrangements — lessee

A. The Group 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 \$4,873 and \$3,375, 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	\$ 30,690	\$ 21,134	\$ 91,140	\$ 43,570
Transportation equipment	8,108	1,614	4,414	2,581
Office equipment	-	-	365	56
	<u>\$ 38,798</u>	<u>\$ 22,748</u>	<u>\$ 95,919</u>	<u>\$ 46,207</u>

D. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$43,515 and \$20,051, 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	\$ 666	\$ 6,076
Expense on short-term lease contracts	4,873	3,375
	<u>\$ 5,539</u>	<u>\$ 9,451</u>

F. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were \$23,325 and \$48,366, 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	( 2,563)	Accumulated	( 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	<u>\$ 4,300</u>	Closing net book amount as at December	<u>\$ 4,437</u>
At December 31		At December 31	
Cost	\$ 7,000	Cost	\$ 7,000
Accumulated depreciation and	( 2,700)	Accumulated depreciation and	( 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 Group 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 Group had no investment property pledged to others as collateral.

(11) Intangible assets

	2020			
	<u>Patent right</u>	<u>Software</u>	<u>Special technique</u>	<u>Total</u>
At January 1				
Cost	\$ 17,889	\$ 24,694	\$ 120,260	\$ 162,843
Accumulated amortisation and impairment	( 9,191)	( 19,461)	( 120,260)	( 148,912)
	<u>\$ 8,698</u>	<u>\$ 5,233</u>	<u>\$ -</u>	<u>\$ 13,931</u>
Opening net book amount as at January 1	\$ 8,698	\$ 5,233	\$ -	\$ 13,931
Additions – acquired separately	-	7,223	-	7,223
Amortisation charge	( 4,233)	( 4,226)	-	( 8,459)
Net exchange differences	<u>5</u>	<u>( 2)</u>	<u>-</u>	<u>3</u>
Closing net book amount as at December	<u>\$ 4,470</u>	<u>\$ 8,228</u>	<u>\$ -</u>	<u>\$ 12,698</u>
At December 31				
Cost	\$ 17,897	\$ 31,381	\$ -	\$ 49,278
Accumulated amortisation and impairment	( 13,427)	( 23,153)	-	( 36,580)
	<u>\$ 4,470</u>	<u>\$ 8,228</u>	<u>\$ -</u>	<u>\$ 12,698</u>
	2019			
	<u>Patent right</u>	<u>Software</u>	<u>Special technique</u>	<u>Total</u>
At January 1				
Cost	\$ 17,908	\$ 23,604	\$ 120,260	\$ 161,772
Accumulated amortisation and impairment	( 4,962)	( 17,785)	( 107,911)	( 130,658)
	<u>\$ 12,946</u>	<u>\$ 5,819</u>	<u>\$ 12,349</u>	<u>\$ 31,114</u>
Opening net book amount as at January 1	\$ 12,946	\$ 5,819	\$ 12,349	\$ 31,114
Additions – acquired separately	-	3,018	-	3,018
Amortisation charge	( 4,235)	( 3,592)	( 926)	( 8,753)
Impairment loss	-	-	( 11,423)	( 11,423)
Net exchange differences	<u>( 13)</u>	<u>( 12)</u>	<u>-</u>	<u>( 25)</u>
Closing net book amount as at December	<u>\$ 8,698</u>	<u>\$ 5,233</u>	<u>\$ -</u>	<u>\$ 13,931</u>
At December 31				
Cost	\$ 17,889	\$ 24,694	\$ 120,260	\$ 162,843
Accumulated amortisation and impairment	( 9,191)	( 19,461)	( 120,260)	( 148,912)
	<u>\$ 8,698</u>	<u>\$ 5,233</u>	<u>\$ -</u>	<u>\$ 13,931</u>

Details of amortisation on intangible assets are as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Operating costs	\$ 1,535	\$ 560
Selling expenses	192	162
Administrative expenses	5,358	7,405
Research and development expenses	1,374	626
	<u>\$ 8,459</u>	<u>\$ 8,753</u>

Impairment information about the intangible assets is provided in Note 6(25).

(12) Short-term borrowings

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank unsecured borrowings	<u>\$ 19,697</u>	3.75%	None
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 \$1,236 and \$1,526 for the years ended December 31, 2020 and 2019, respectively.

(13) Bonds payable

	December 31, 2020
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%.

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
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>

- A. For the years ended December 31, 2020 and 2019, interest expense recognised in profit or loss amounted to \$188 and \$0, respectively.
- B. Aforementioned borrowings from financial institutions are guaranteed by related parties as joint guarantor, please refer to Note 7 for details.

(15) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Wages and salaries payable	\$ 56,866	\$ 55,297
Payables for machinery and equipment	4,983	6,863
Others	31,261	33,366
	<u>\$ 93,110</u>	<u>\$ 95,526</u>

(16) Pensions

- A. Effective July 1, 2005, the Company and its domestic subsidiaries have 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 and its domestic subsidiaries contribute 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.
- B. The second-tier subsidiaries, SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD. and SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD. have defined contribution pension plans under local regulations.
- C. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019, were \$14,312 and \$16,477, 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 Group’s share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
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)	average exercise price (in dollars)
Options outstanding at January 1	-	-
Options granted	4,731	\$ 33.80
Options forfeited (Note)	( 262)	-
Options exercised	-	-
Options outstanding at the end of the year	4,469	\$ 33.80
Options exercisable at the end of the year	-	-

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 forfeited (Note)	( 430)	-	( 485)	-
Options exercised	( 1,141)	-	-	-
Options outstanding at the end of the year	2,184	\$ 10.00	3,755	\$ 10.00
Options exercisable at the end of the year	258	-	-	-

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 forfeited (Note)	( 100)	-	( 170)	-
Options exercised	( 1,785)	-	-	-
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 forfeited (Note)	-	-	( 73)	-
Options expired	-	-	( 3,822)	-
Options outstanding at the end of the year	<u>-</u>	\$ -	<u>-</u>	\$ -
Options exercisable at the end of the year	<u>-</u>	-	<u>-</u>	-

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				Difference between consideration and carrying amount of subsidiaries acquired or disposed	Net change in equity of associates
	Share premium	Employee stock options	Share options	Treasury share transactions		
At January 1	\$ 28,350	\$ 49,752	\$ 6,204	\$ 2,654	\$ 9,693	\$ 96,653
Employee stock options exercised	31,923	( 10,860)	-	-	-	21,063
Share-based compensation	-	7,049	-	-	-	7,049
Recognition of share option in issuance of convertible bonds	-	-	11,131	-	-	11,131
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				Difference between consideration and carrying amount of subsidiaries acquired or disposed	Net change in equity of associates
	Share premium	Employee stock options	Share options	Treasury share transactions		
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) 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 cannot 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 and non-controlling interest

	2020			
	Unrealised gains (losses) on valuation	Currency translation	Non- controlling interest	Total
At January 1	(\$ 39,593)	(\$ 60,098)	\$ 16,561	(\$ 83,130)
Revaluation – gross	2,793	-	-	2,793
Proceeds from disposal of equity instruments at fair value through other comprehensive income	1,900	-	-	1,900
Currency translation	-	( 927)	-	( 927)
Loss of non-controlling interest	-	-	( 1,768)	( 1,768)
Disposal of equity interest in a subsidiary that result in a loss of control	-	-	( 14,793)	( 14,793)
At December 31	<u>(\$ 34,900)</u>	<u>(\$ 61,025)</u>	<u>\$ -</u>	<u>(\$ 95,925)</u>
	2019			
	Unrealised gains (losses) on valuation	Currency translation	Non- controlling interest	Total
At January 1	(\$ 47,378)	(\$ 51,380)	\$ 89,812	(\$ 8,946)
Revaluation – gross	( 8,451)	-	-	( 8,451)
Proceeds from disposal of equity instruments at fair value through other comprehensive income	16,236	-	-	16,236
Currency translation	-	( 8,718)	( 231)	( 8,949)
Loss of non-controlling interest	-	-	( 73,020)	( 73,020)
At December 31	<u>(\$ 39,593)</u>	<u>(\$ 60,098)</u>	<u>\$ 16,561</u>	<u>(\$ 83,130)</u>

(22) Operating revenue

	Year ended December 31, 2020	Year ended December 31, 2019
Revenue from contracts with customers	<u>\$ 1,326,691</u>	<u>\$ 1,042,284</u>

A. Disaggregation of revenue from contracts with customers

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

	Automobile Electronics Products	Power management products	All other segments	Total
2020				
Total segment revenue	\$ 1,128,219	\$ 854,938	\$ 19,800	\$ 2,002,957
Inter-segment revenue	( 371,584)	( 300,189)	( 4,493)	( 676,266)
Revenue from external customer contracts	<u>\$ 756,635</u>	<u>\$ 554,749</u>	<u>\$ 15,307</u>	<u>\$ 1,326,691</u>
	Automobile Electronics Products	Power management products	All other segments	Total
2019				
Total segment revenue	\$ 639,798	\$ 660,958	\$ 155,668	\$ 1,456,424
Inter-segment revenue	( 184,160)	( 225,856)	( 4,124)	( 414,140)
Revenue from external customer contracts	<u>\$ 455,638</u>	<u>\$ 435,102</u>	<u>\$ 151,544</u>	<u>\$ 1,042,284</u>

B. Contract assets and liabilities

The Group 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>\$ 3,811</u>	<u>\$ 2,893</u>	<u>\$ 32,270</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>\$ 2,205</u>	<u>\$ 30,353</u>

(23) Interest income

	Year ended December 31, 2020	Year ended December 31, 2019
Interest income from bank deposits	\$ 1,241	\$ 5,448
Interest income from financial assets measured at amortised cost	<u>55</u>	<u>302</u>
	<u>\$ 1,296</u>	<u>\$ 5,750</u>

(24) Other income

	Year ended December 31, 2020	Year ended December 31, 2019
Rent income	\$ 288	\$ 288
Government grant revenues	878	-
Dividend income	842	1,293
Design fees revenue	4,542	-
Other income, others	8,267	36,471
	<u>\$ 14,817</u>	<u>\$ 38,052</u>

(25) Other gains and losses

	Year ended December 31, 2020	Year ended December 31, 2019
Losses on disposals of property, plant and equipment	(\$ 347)	(\$ 3,475)
Foreign exchange losses	( 11,934)	( 5,028)
Gains on financial assets at fair value through profit or loss	3,702	2,795
Impairment loss on intangible assets	-	( 11,423)
Impairment loss on non-financial assets	-	( 16,595)
Other losses	( 2,572)	( 188)
	<u>(\$ 11,151)</u>	<u>(\$ 33,914)</u>

Note 1: In September 2015, the Company acquired the special technique of the subsidiary, Leadman Electronics USA, Inc. at a 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 for the year ended December 31, 2019.

Note 2: In January 2020, the Company disposed 51% equity interest of Leadman Electronics USA, Inc. and remeasured the value based on the carrying amount and fair value less disposal cost whichever is lower. The Company recognised impairment loss in 2019, please refer to Note 4(3) for details.

(26) Finance costs

	Year ended December 31, 2020	Year ended December 31, 2019
Interest expense	\$ 1,424	\$ 1,526
Interest expense on lease liabilities	666	6,076
Interest expense on convertible bonds	1,111	-
	<u>\$ 3,201</u>	<u>\$ 7,602</u>

(27) Expenses by nature

	Year ended December 31, 2020	Year ended December 31, 2019
Employee benefit expense	\$ 373,762	\$ 385,177
Depreciation charges on property, plant and equipment	54,054	51,835
Depreciation charges on right-of-use assets	22,748	46,207
Depreciation charges on investment property	137	137
Amortisation charges on intangible assets	8,459	8,753
	<u>\$ 459,160</u>	<u>\$ 492,109</u>

(28) Employee benefit expense

	Year ended December 31, 2020	Year ended December 31, 2019
Wages and salaries	\$ 311,110	\$ 319,634
Employee stock options	7,049	4,242
Labour and health insurance fees	25,700	29,155
Pension costs	14,312	16,477
Other personnel expenses	15,591	15,669
	<u>\$ 373,762</u>	<u>\$ 385,177</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.



(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	\$ -	\$ 24
Prior year income tax (over) underestimation	-	-
Total current tax	-	24
Deferred tax:		
Origination and reversal of temporary differences	-	3,459
Impact of change in tax rate	-	-
Total deferred tax	-	3,459
Income tax expense	\$ -	\$ 3,483

(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
Currency translation differences	( 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 (note)	(\$ 19,146)	(\$ 50,730)
Expenses disallowed by tax regulation	206	( 259)
Taxable loss not recognised as deferred tax assets	( 39,265)	13,220
Change in assessment of realisation of deferred tax assets	58,205	41,252
Income tax expense	\$ -	\$ 3,483

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group 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:

	2020				December 31
	January 1	Recognised in other comprehensive income	Translation differences	Effect of combined individuals reduction	
Deferred tax assets:					
-Temporary differences:					
Allowance for obsolescence and market value decline unrealised foreign exchange loss	\$ 13,422	\$ -	\$ -	(\$ 8,874)	\$ 4,548
Exchange differences on translation of foreign financial statements	1,079	-	-	-	1,079
Valuation of financial assets measured at fair value through other comprehensive income	15,024	( 1,173)	-	-	13,851
Others	10,914	232	-	-	11,146
	<u>6,956</u>	<u>-</u>	<u>98</u>	<u>( 5,315)</u>	<u>1,739</u>
Income tax expense	<u>\$ 47,395</u>	<u>(\$ 941)</u>	<u>\$ 98</u>	<u>(\$ 14,189)</u>	<u>\$ 32,363</u>

	2019				December 31
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Translation differences	
Deferred tax assets:					
-Temporary differences:					
Allowance for obsolescence and market value decline unrealised foreign exchange loss	\$ 8,693	\$ 4,992	\$ -	(\$ 263)	\$ 13,422
Exchange differences on translation of foreign financial statements	2,626	( 1,547)	-	-	1,079
Valuation of financial assets measured at fair value through other comprehensive income	12,845	-	2,179	-	15,024
Others	12,860	- ( 1,946)	-	-	10,914
	<u>13,942</u>	<u>( 6,904)</u>	<u>-</u>	<u>( 82)</u>	<u>6,956</u>
Income tax expense	<u>\$ 50,966</u>	<u>(\$ 3,459)</u>	<u>\$ 233</u>	<u>(\$ 345)</u>	<u>\$ 47,395</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	<u>\$ 770,378</u>	<u>\$ 963,869</u>

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

(30) Loss per share

	<u>Year ended December 31, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Loss per share (in dollars)</u>
<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)

	<u>Year ended December 31, 2019</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Loss per share (in dollars)</u>
<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

A. Investing activities with partial cash payments

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Purchase of property, plant and equipment	\$ 68,216	\$ 89,995
Add: Opening balance of payable on equipment	6,863	2,313
Less: Ending balance of payable on equipment	(4,983)	(6,863)
Cash paid during the year	<u>\$ 70,096</u>	<u>\$ 85,445</u>

B. The Group sold 51% of shares in the subsidiary – Leadman Electronic USA, Inc. on December 31, 2021 and therefore lost control over the subsidiary (please refer to Note 4(3)B.(b)). The details of the consideration received from the transaction (including cash and cash equivalents) and assets and liabilities relating to the subsidiary are as follows:

	<u>January 31, 2020</u>
Consideration received	
Cash	\$ 15,397
Carrying amount of the assets and liabilities of the subsidiary	
- Leadman Electronic USA, Inc.	
Cash	22,454
Accounts receivable	12,350
Inventories	11,963
Property, plant and equipment	479
Right-of-use assets	85,940
Accumulated impairment loss	( 8,463)
Other current assets	2,308
Deferred tax assets	14,189
Accounts payable	( 8,119)
Other current liabilities	( 5,010)
Lease liabilities- current	( 21,692)
Lease liabilities- non-current	( 67,915)
Total net assets	38,484
Less: non-controlling interest	( 23,087)
Disposal loss	\$ -

(32) Changes in liabilities from financing activities

	<u>2020</u>			
	<u>Short-term</u>	<u>Long-term</u>	<u>Lease</u>	<u>Liabilities from</u>
	<u>borrowings</u>	<u>borrowings</u>	<u>liabilities</u>	<u>financing</u>
				<u>activities-gross</u>
At January 1	\$ 110,000	\$ -	\$ 116,319	\$ 226,319
Changes in cash flow from financing activities	( 90,303)	105,111	( 23,325)	( 8,517)
Changes in other non-cash items	-	-	( 54,471)	( 54,471)
Interest expense on lease liabilities	-	-	666	666
Impact of changes in foreign exchange rate	-	-	( 135)	( 135)
At December 31	<u>\$ 19,697</u>	<u>\$ 105,111</u>	<u>\$ 39,054</u>	<u>\$ 163,862</u>

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>
Oro Technology Co., Ltd.	Other related party (Oro Technology Co., Ltd. was an institutional shareholder of the Company)
Li Yi-Ren	The Company's Chairman

(3) Significant related party transactions

A. 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.

B. Other payables

	December 31, 2020	December 31, 2019
Other related party	\$ 2,889	\$ 2,079

(4) Key management compensation

	Year ended December 31, 2020	Year ended December 31, 2019
Salaries and other short-term employee benefits	\$ 32,641	\$ 27,562
Post-employment benefits	999	872
Share-based payments	1,475	879
	<u>\$ 35,115</u>	<u>\$ 29,313</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. PLEGGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2020	December 31, 2019	
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	168,663	173,720	
	<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 Group'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 Group 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	\$ 1,112,789	\$ 612,227
Total equity	<u>1,066,612</u>	<u>1,111,121</u>
Total capital	<u>\$ 2,179,401</u>	<u>\$ 1,723,348</u>
Gearing ratio	<u>51%</u>	<u>36%</u>

(3) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 46,020	\$ 146,370
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	904,217	458,644
Financial assets at amortised cost	119,501	20,536
Notes receivable	-	629
Accounts receivable	336,064	269,333
Other receivables	4,975	5,671
Refundable deposits	7,795	5,857
	<u>\$ 1,467,198</u>	<u>\$ 951,700</u>

December 31, 2020   December 31, 2019

Financial liabilities

Financial liabilities at amortised cost

Short-term borrowings	\$ 19,697	\$ 110,000
Notes payable	715	1,297
Accounts payable	330,076	253,689
Other accounts payable	93,110	95,526
Other accounts payable-related parties	2,889	2,079
Bonds payable (including current portion)	487,660	-
Long-term borrowings (including current portion)	105,111	-
	<u>\$ 1,039,258</u>	<u>\$ 462,591</u>
Lease liabilities	<u>\$ 39,054</u>	<u>\$ 116,319</u>

B. Financial risk management policies

- (a) The Group'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. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts is used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group 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 group 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 Group 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 Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Group'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:



December 31, 2020					
(Foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Sensitivity analysis Effect on profit or loss
	<u>Financial assets</u>				
<u>Monetary items</u>					
USD:NTD	\$ 11,459	28.48	\$ 326,353	1%	\$ 3,264
USD:RMB	4,384	6.51	28,540	1%	285
HKD:NTD	92	3.67	337	1%	3
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	\$ 1,050	28.48	\$ 29,895	1%	299
USD:RMB	3,299	6.51	93,968	1%	940
HKD:RMB	1,880	0.84	6,906	1%	69
HKD:NTD	450	3.67	1,654		
December 31, 2019					
(Foreign currency: functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Sensitivity analysis Effect on profit or loss
	<u>Financial assets</u>				
<u>Monetary items</u>					
USD:NTD	\$ 9,580	29.98	\$ 287,202	1%	\$ 2,872
USD:RMB	568	6.96	17,028	1%	170
HKD:NTD	886	3.85	3,410	1%	34
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	\$ 723	29.98	\$ 21,668	1%	217
USD:RMB	1,229	6.96	36,831	1%	368
HKD:RMB	231	0.89	888	1%	9

vii. The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019, amounted to (\$11,934) and (\$5,028), respectively.

#### Price risk

- i. The Group'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 Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group'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 Group's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During 2020 and 2019, the Group'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 \$998 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 Group 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 Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions with no recent major defaults are accepted. According to the Group's credit policy, each local entity in the Group 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 Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
  - iv. The Group classifies customer's accounts receivable in accordance with credit rating of customer. The Group 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 Group 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%	\$ 310,970	(\$ 938)
Up to 30 days	1%	18,851	( 189)
31 to 120 days	1%~5%	2,906	( 39)
121 to 180 days	10%	-	-
Over 180 days	40%~100%	31,775	( 27,272)
		<u>\$ 364,502</u>	<u>(\$ 28,438)</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%	\$ 221,800	(\$ 630)
Up to 30 days	1%	34,151	( 343)
31 to 120 days	1%~5%	10,346	( 99)
121 to 180 days	10%	-	-
Over 180 days	40%~100%	38,398	( 34,290)
		<u>\$ 304,695</u>	<u>(\$ 35,362)</u>

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

	<u>2020</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
At January 1	\$ 35,362	\$ 2
Reversal of impairment loss	( 7,255)	( 2)
Effect of foreign exchange	331	-
At December 31	<u>\$ 28,438</u>	<u>\$ -</u>
	<u>2019</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
At January 1	\$ 56,055	\$ 16
Provision for impairment	897	-
Reversal of impairment loss	-	( 14)
Write-offs	( 20,260)	-
Effect of foreign exchange	( 1,330)	-
At December 31	<u>\$ 35,362</u>	<u>\$ 2</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group'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 Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, Capital-guaranteed income-based wealth management products and convertible bonds(classified as current financial assets at fair value through profit or loss), 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 Group held money market position of \$903,390 and \$457,974, respectively, and Capital-guaranteed income-based wealth

management products and derivatives from convertible bonds (classified as current financial assets at fair value through profit or loss) of \$46,020 and \$146,370, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

- iii. As at December 31, 2020 and 2019 the Group has the undrawn borrowing of \$197,497 and \$600,000, respectively.
- iv. The table below analyses the Group'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>				
Short-term borrowings	\$ 19,697	\$ -	\$ -	\$ -
Notes payable	715	-	-	-
Accounts payable	330,076	-	-	-
Other payables (including related parties)	95,999	-	-	-
Lease liability	13,072	6,889	19,093	-
Bonds payable	-	-	500,000	-
Long-term borrowings (including current portion)	24,400	24,650	56,061	-

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	253,689	-	-	-
Other payables (including related parties)	97,605	-	-	-
Lease liability	40,498	56,597	19,224	-

(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 Group'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 Group's investment in convertible bonds is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group'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(10).
- C. The carrying amounts of the Group'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>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss-current				
Debt instruments	\$ -	\$ -	\$ 43,770	\$ 43,770
Derivative instruments	-	2,250	-	2,250
Financial assets at fair value through other comprehensive income-non-current				
Equity instruments	18,636	-	29,990	48,626
	<u>\$ 18,636</u>	<u>\$ 2,250</u>	<u>\$ 73,760</u>	<u>\$ 94,646</u>
<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss-current				
Debt instruments	\$ -	\$ -	\$ 146,370	\$ 146,370
Derivative instruments	-	-	-	-
Financial assets at fair value through other comprehensive income-non-current				
Equity instruments	14,670	-	29,990	44,660
	<u>\$ 14,670</u>	<u>\$ -</u>	<u>\$ 176,360</u>	<u>\$ 191,030</u>

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

- i. The instruments the Group 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 Group 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	\$ 146,370
Gains recognised in profit or loss	-	3,452
Loss recognised in other comprehensive income	-	-
Acquired in the year	-	921,359
Sold in the year	-	( 1,026,407)
Effect of exchange rate changes	-	( 1,004)
At December 31	<u>\$ 29,990</u>	<u>\$ 43,770</u>

	2019	
	Equity instrument	Debt instrument
At January 1	\$ 23,651	\$ 44,720
Gains recognised in profit or loss	-	2,622
Loss recognised in other comprehensive income	( 9,221)	-
Acquired in the year	15,560	743,245
Sold in the year	-	( 639,925)
Effect of exchange rate changes	-	( 4,292)
At December 31	<u>\$ 29,990</u>	<u>\$ 146,370</u>

G. 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.

H. 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
Non-derivative debt instrument:					
Capital- guaranteed income-based wealth management products	\$ 43,770	Discounted cash flow method	Discount rate	0%~4%	The higher the return on investment, the higher 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
Non-derivative debt instrument:					
Capital- guaranteed income-based wealth management products	\$ 146,370	Discounted cash flow method	Discount rate	0%~4%	The higher the return on investment, the higher the fair value

I. External financial instruments entrusted by finance segment 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	Unfavourable	Favourable	Unfavourable
				change	change	change	change
	Input	Change					
Financial assets							
Equity instrument	No open market saleability discount	±1%	\$ -	\$ -	\$ 300	(\$ 300)	
Debt instrument	return on investment	±1%	\$ 438	(\$ 438)	\$ -	\$ -	
				December 31, 2019			
				Recognised in profit or loss		Recognised in other comprehensive income	
				Favourable	Unfavourable	Favourable	Unfavourable
				change	change	change	change
	Input	Change					
Financial assets							
Equity instrument	No open market saleability discount	±1%	\$ -	\$ -	\$ 300	(\$ 300)	
Debt instrument	return on investment	±1%	\$ 1,463	(\$ 1,463)	\$ -	\$ -	

### 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 Note 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

#### (1) General information

The Group is engaged in the manufacturing and sale of automobile electronics products and power management products from a product type perspective. On the manufacturing and sale of products, the Group divided them into two main segments which include automobile electronics business and power management business.

As the nature, production and sales mode of the 2 segments differ from each other, also the Group's management performs the financial management and assesses operating performances separately, these 2 main segments are summarised as the reportable segments in the operating segment information.

#### (2) Measurement of segment information

The Chief Operating Decision-Maker evaluates the performance of the operating segments based on operating revenue and net operating profit (loss) (excluding administration costs). All operating segments apply the same accounting policies. Sales between segments are carried out at arm's length. The revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.

#### (3) Information about segment profit or loss, assets and liabilities

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:



	Automobile electronics products	Power management products	Other products	Eliminated by consolidation	Total
<u>Year ended December 31, 2020</u>					
Revenue from external customers	\$ 756,635	\$ 554,749	\$ 15,307	\$ -	\$ 1,326,691
Inter-segment revenue	371,584	300,189	4,493	( 676,266)	-
Total segment revenue	<u>\$ 1,128,219</u>	<u>\$ 854,938</u>	<u>\$ 19,800</u>	<u>(\$ 676,266)</u>	<u>\$ 1,326,691</u>
Segment income (loss)	<u>\$ 47,704</u>	<u>(\$ 9,676)</u>	<u>\$ 2,635</u>	<u>(\$ 127)</u>	\$ 40,536
Company general income					27,072
Company general expense					( 164,490)
Interest expense					( 3,201)
Loss from continuing operations before tax					<u>(\$ 100,083)</u>
	Automobile electronics products	Power management products	Other products	Eliminated by consolidation	Total
<u>Year ended December 31, 2019</u>					
Revenue from external customers	\$ 455,638	\$ 435,102	\$ 151,544	\$ -	\$ 1,042,284
Inter-segment revenue	184,160	225,856	4,124	( 414,140)	-
Total segment revenue	<u>\$ 639,798</u>	<u>\$ 660,958</u>	<u>\$ 155,668</u>	<u>(\$ 414,140)</u>	<u>\$ 1,042,284</u>
Segment income (loss)	<u>(\$ 29,773)</u>	<u>(\$ 78,522)</u>	<u>(\$ 53,835)</u>	<u>(\$ 1,351)</u>	(\$ 163,481)
Company general income					41,570
Company general expense					( 224,783)
Interest expense					( 7,602)
Loss from continuing operations before tax					<u>(\$ 354,296)</u>

(4) Reconciliation for segment income (loss)

- A. Sales between segments are carried out at arm's length. The revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.
- B. Details of the adjusted consolidated total profit (loss) and reconciliation for (loss) profit before tax of reportable segment for the current period are provided in Note 14(3).

(5) Information on products

Information on products for the years ended December 31, 2020 and 2019 is as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Automobile electronics products	\$ 756,635	\$ 455,638
Power management products	554,749	435,102
Other products	15,307	151,544
	<u>\$ 1,326,691</u>	<u>\$ 1,042,284</u>

(6) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

	<u>Year ended December 31, 2020</u>		<u>Year ended December 31, 2019</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Taiwan	\$ 373,250	\$ 321,518	\$ 236,155	\$ 332,479
Asia regions	114,638	160,476	138,530	131,006
American regions	815,725	-	638,835	69,238
Others	23,078	-	28,764	-
	<u>\$ 1,326,691</u>	<u>\$ 481,994</u>	<u>\$ 1,042,284</u>	<u>\$ 532,723</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2020 and 2019 is as follows:

	<u>Year ended December 31, 2020</u>		<u>Year ended December 31, 2019</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
D	\$ 285,451	Power management products	D \$ 176,928	Power management products
F	258,290	Automobile electronics products	E 174,958	Automobile electronics products
A	214,760	Automobile electronics products	A 170,627	Automobile electronics products

SYSGRATION LTD. AND SUBSIDIARIES

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. AND SUBSIDIARIES  
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. AND SUBSIDIARIES

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. AND SUBSIDIARIES

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. AND SUBSIDIARIES

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. AND SUBSIDIARIES  
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. AND SUBSIDIARIES

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. AND SUBSIDIARIES

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. AND SUBSIDIARIES

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				Interest for the year ended December 31, 2020	Others
	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			
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. AND SUBSIDIARIES

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

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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.

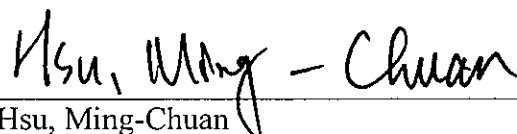
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

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

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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	%	
<b>Current assets</b>						
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	<b>Current assets</b>		<u>1,209,276</u>	<u>58</u>	<u>822,364</u>	<u>51</u>
<b>Non-current assets</b>						
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	<b>Non-current assets</b>		<u>879,493</u>	<u>42</u>	<u>777,543</u>	<u>49</u>
1XXX	<b>Current tax assets</b>		<u>\$ 2,088,769</u>	<u>100</u>	<u>\$ 1,599,907</u>	<u>100</u>

(Continued)

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	%	
<b>Current liabilities</b>						
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	<b>Current liabilities</b>		<u>448,069</u>	<u>21</u>	<u>496,968</u>	<u>31</u>
<b>Non-current liabilities</b>						
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	<b>Non-current liabilities</b>		<u>574,088</u>	<u>28</u>	<u>8,379</u>	<u>1</u>
2XXX	<b>Liabilities</b>		<u>1,022,157</u>	<u>49</u>	<u>505,347</u>	<u>32</u>
<b>Equity</b>						
	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	<b>Equity</b>		<u>1,066,612</u>	<u>51</u>	<u>1,094,560</u>	<u>68</u>
3X2X	<b>Total liabilities and equity</b>		<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		( 308,596)	( 24)	( 267,171)	( 33)
6900	Net operating loss		( 109,539)	( 8)	( 208,780)	( 26)
	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>	-	( 60,075)	( 8)
7000	Total non-operating income and expenses		<u>11,224</u>	<u>1</u>	( 72,520)	( 9)
7900	Loss before income tax		( 98,315)	( 7)	( 281,300)	( 35)
7950	Income tax expense	6(29)	-	-	( 3,459)	( 1)
8200	Loss for the year		<u>( \$ 98,315)</u>	<u>( 7)</u>	<u>( \$ 284,759)</u>	<u>( 36)</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>	-	( 8,451)	( 1)
	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>2,179</u>	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss		( 927)	-	( 8,718)	( 1)
8300	Other comprehensive income (loss) for the year, net of tax		<u>\$ 1,866</u>	-	( \$ 17,169)	( 2)
8500	Total comprehensive loss for the year		<u>( \$ 96,449)</u>	<u>( 7)</u>	<u>( \$ 301,928)</u>	<u>( 38)</u>
	Basic loss per share	6(30)				
9750	Basic loss per share		( \$ 0.64)		( \$ 1.88)	
	Diluted loss per share	6(30)				
9850	Diluted loss per share		( \$ 0.64)		( \$ 1.88)	

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
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
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 )

(Continued)

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	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	-
December 31, 2019						
(Foreign currency: functional currency)	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	
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable 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	
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable 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				Interest for the year ended December 31, 2020	Others
	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			
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	
	<u>\$ 115,603</u>	None of the balances of remaining items is greater than 5% of this account balance.

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.