

# Handbook

for the 2021 Annual Meeting of Shareholders

(Translation)

**Meeting Time: 2021.05.28**

**Place: 5F., No. 1, Sec. 1, Tiding Blvd., Neihu Dist., Taipei City**

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# **Sysgration Ltd.**

## Procedure for the 2021 Annual Meeting of Shareholders

I. Call the Meeting to Order

II. Chairperson Remarks

III. Report Items

IV. Proposals and Discussion

V. Questions and Motions

VI. Adjournment

# **Sysgration Ltd.**

## **Year 2021 Agenda of the Annual Meeting of Shareholders**

Time: 9:00 a.m. on Friday, May 28, 2021

Place: 5F., No. 1, Sec. 1, Tiding Blvd., Neihu Dist., Taipei City (Meeting Room)

- I Call the Meeting to Order (Report on Number of Shares of Participants)
- II Chairperson Remarks
- III Report Items
  - (1) 2020 Business Report
  - (2) Audit Committee's Review Report on the 2020 Financial Statements
  - (3) Report on Implementation of 2020 Business Improvement Plan
  - (4) Status Report of Endorsements/Guarantees for Others
  - (5) Status Report of Fund-lending to Others
  - (6) Status Report of Financial Derivative Product Transaction
  - (7) Report on Private Placement
  - (8) Status Report of Domestic Secured Convertible Bond Issuance
- IV Proposals and Discussion
  - (1) The 2020 Business Report and Financial Statements
  - (2) The 2020 Deficit Compensation Proposal
- V Questions and Motions
- VI Adjournment

## Report Items

I 2020 Business Report

Explanation: The 2020 Business Report is attached as pp. [10-14], Appendix 1.

II Audit Committee's Review Report on the 2020 Financial Statements

Explanation: The Audit Committee's Review Report on the 2020 Financial Statements is attached as pp. [15], Appendix 2.

III Report on Implementation of 2020 Business Improvement Plan

Explanation: The 2020 Implementation of Business Improvement Plan Report is attached as pp. [16-17], Appendix 3.

IV Status Report of Endorsements/Guarantees for Others

Explanation:(1) It shall be handled in accordance with the Company's "Endorsement Guarantee Operation Procedure."

(2) The company and its subsidiaries' annual endorsement guarantee details and balances in 2020 are as follows:

Unit: NT\$ 1,000

Company name of endorser	Party being endorsed/guaranteed		Limit on endorsements / guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount for the year ended December 31, 2020	Outstanding endorsement/ guarantee amount at December 31, 2020	Ceiling on total amount of endorsements/ guarantees provided
	Company name	Relation				
Sysgration Ltd.	Sysgration Electronics Technology (Zhenjiang) Co., Ltd.	Subsidiary of the Company	319,983	43,790	43,770	479,975
Sysgration Ltd.	Sysgration Ltd.	The Company	319,983	3,000	3,000	479,975

## V Status Report of Fund-lending to Others

Explanation: (1) It shall be handled in accordance with the Company's "Operation Procedure of Funds and Loans to Others."

(2) The details and balance of the Company's and its subsidiaries' funds and loans to others in 2020 are as follows:

Unit: NT\$ 1,000

Creditor	Borrower		Limit on loans granted to a single party	Maximum outstanding balance for the year ended December 31,2020	Balance at December 31,2020	Ceiling on total loans granted
	Company name	Relation				
Sysgration Ltd.	Sysgration Electronics Technology (Huizhou) Co., Ltd	Subsidiary of the Company	242,324	71,654	71,557	426,644

## VI Status Report of Financial Derivative Product Transaction

Explanation: (1) It shall be handled in accordance with the Company's "Operation Procedure of Trading in Derivatives."

(2) The Company and its subsidiaries have not traded in derivatives in 2020.

## VII Report on Private Placement

Explanation: (1) The Company was authorized by the Board of Directors on April 30, 2020 at the General Meeting of Shareholders to issue additional common shares by private placement, subject to the market conditions and the needs of the Company, up to an amount of 30,000,000 common shares.

(2) Due to consideration of the capital market situation, the Board of Directors decided on April 16, 2021 not to issue the aforementioned private placement.

## VIII Status Report of Domestic Secured Convertible Bond Issuance

Explanation: (1) By resolution of the Board of Directors on August 14, 2020, the Company would issue the fourth domestic secured convertible corporate bonds, with a total amount of NT\$500,000,000, to repay bank loans and replenish working capital.

(2) The case was approved by the Financial Supervisory Commission on September 29, 2020 (JIN-GUAN-ZHENG-FA-ZI No. 1090357651) and approved by Taiwanese Gretai Securities Market (GTSM) on October 16, 2020 (ZHENG-GUI-ZHAI-ZI No. 10900120421). It would be listed and traded at Taiwanese Gretai Securities Market (GTSM) as of October 20, 2020.

(3) For the fourth secured convertible corporate bonds, the issuance conditions are as follows:

Item	The fourth domestic secured conversion of corporate bonds (bond code: 53094)
Issued face value	NT\$ 100,000 per piece
Issued price	Issued at 100.2% of par value
Total issued amount	NT\$ 500,000,000
Coupon rate	0%
Issuance period	3 years The issuance begins on October 20, 2020 and expires on October 20, 2023.
Conversion price	NT\$ 35.0 per share
Repayment mode	The bond is paid in a lump sum of cash at maturity
Conversion period	January 21, 2021 ~ October 20, 2023
Bond put right condition	The basis date for early sale of Convertible Company Bonds by their holders shall be on October 20, 2022, two years after the date of issuance.
Converted common stock amount	NT\$ 100,000

# Proposals and Discussion

Proposed by the Board

Proposal 1 : The 2020 Business Report and Financial Statements

Explanation:

- (1) The 2020 Parent Company Only Financial Statements and Consolidated Financial Statements of the Company have been approved by the Board of Directors of the Company, as well as verified and approved by Accountant Chiu Zhao-Xian and Accountant Xu Ming-Chuan of PWC Taiwan, and a written audit report has been issued on file.
- (2) The 2020 Business Report is attached as pp. [10-14], Appendix 1.
- (3) The 2020 CPA Audit Report, Parent Company Only Financial Statements and Consolidated Financial Statements are attached as pp. [18-44], Appendices 4 and 5, respectively.
- (4) Please resolve.

Resolution:

Proposed by the Board

Proposal 2 : The 2020 Deficit Compensation Proposal

Explanation:

- (1) At the beginning of 2020, the Company had a balance of loss of NT\$449,901,895 to be covered, less 2020 net loss after tax of NT\$98,315,021, and less disposal of equity instruments at fair value through other comprehensive income of NT\$1,900,000 , the balance of total loss to be covered at the end of the period was NT\$550,116,916.
- (2) The 2020 Deficit Compensation Proposal is attached as pp. [45], Appendix 6.
- (3) Please resolve.

Resolution:



## **Questions and Motions**

### **Adjournment**

## Appendix 1

# Sysgration Ltd. Business Report

### I. 2020 Annual Operating Result Report

#### (I) Operating situation

The Company's annual individual 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.

#### (II) Financial revenue and expenditure and profitability analysis (Individual and Consolidated Financial Statements of the Company):

##### Individual Financial Statements

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	Return on assets (%)		(5.27)	(16.61)	68.27

analysis	Return on shareholders' 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 Statements

Unit: NT\$ 1,000

Item		Year		Growth rate %	
		2020	2019		
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)	68.34
	Return on shareholders' 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

(III) Research and development

Product	Summary description (product specifications or function)
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 inventory and financial pressure.

BLE wireless tire pressure monitoring system	Intelligent TPMS for fleet management applications such as OE front-mounted 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 the camping RV 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.

## II. 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.

### III. Future R&D directions of the Company:

- (I) Enhance the product function of multi-frequency single-machine universal tire pressure detector.
- (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

## **Appendix 2**

### **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

## Appendix 3

### Implementation of Business Improvement Plan Report

I. The Company handled the capital reduction in 2018 to cover the deficit and released the fourth domestic secured corporate bonds in 2020. Declaring to the Financial Supervisory Commission of the Executive Yuan on July 25, 2018 (JIN-GUAN-ZHENG-FA-ZI No. 1070325851) and on September 29, 2020 (JIN-GUAN-ZHENG-FA-ZI No. 1090357651), the Company should submit the sound operation plan executive report to the Shareholders' meeting in accordance with the provisions.

II. Executive condition description:

The executive condition of the Company's 2020 sound operation plan is shown briefly in the following table:

Unit: NT\$ 1,000

Item	2020 Actual number	2020 Estimated number of operation plan	Difference
Operating revenue	1,326,691	1,290,551	36,140
Operating profit (loss)	(101,844)	(129,825)	27,981
Non-operating income and expense	1,761	14,691	(12,930)
Net profit (loss) attributable to parent company for current period	(98,315)	(113,366)	15,051

Data source: The annual consolidated financial report of the Company in 2020 and the operation plan prepared for the issuance of the fourth domestic secured convertible bond in 2020.

#### 1. Operating revenue

The Company's annual revenue in 2020 was NT\$1,326,691 thousand; compared with the estimated amount of NT\$1,290,551 thousand in the operation plan of the fourth domestic secured convertible bonds, the control rate was 102.80%, which shows good achievement. In the future, the Company will not only maintain its existing customers, but also actively develop new customers in order to increase revenue and gain profits.

#### 2. Operating profit (loss)

The Company's annual operating loss in 2020 was NT\$101,844 thousand, better than the



operation plan's estimated operating loss of NT\$129,825 thousand, which is in line with expectations. Furthermore, the Company has continued to focus on niche high-margin products and high-value added business expansion, improved research and development technology, and cut costs; the operating loss was significantly lower than the same period of the previous year.

### 3. Non-operating income and expense

In 2020, the Company's non-operating income decreased compared with the amount in the operation plan, mainly because the foreign currency exchange loss increased.

Over the past few years, the Company has experienced a downturn in operation. Due to the impact of the marketing environment, as well as the large number of products and scattered customer orders, the unit production costs have not been effectively reduced under the condition of insufficient mass production scale and low turnover rate, resulting in losses. According to the operating loss situation, after several reviews and assessments of the management team for current and future business strategies, the Company shall focus on automotive electronics, tire pressure monitoring system (TPMS), power supply products, and energy storage system products by simultaneously providing technical integration, continuing to help customers in the technology development and integrated solutions of design and manufacturing, extending existing product technology, and promoting the value of technology, all in order to enforce cost control and strict expenses, achieve leading technology and cost leadership, avoid the vicious price wars of products in the same configuration, and enhance the competitiveness and stable profitability of the Company.

**Appendix 4** 2020 CPA Audit Report and Parent Company Only Financial Statements  
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.

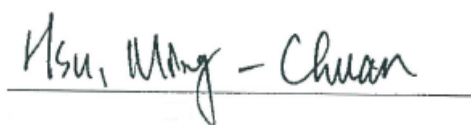
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

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		199,057	16	58,391	7
	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)	5,035	-	( 60,075)	( 8)
7000	Total non-operating income and expenses		11,224	1	( 72,520)	( 9)
7900	<b>Loss before income tax</b>		( 98,315)	( 7)	( 281,300)	( 35)
7950	Income tax expense	6(29)	-	-	( 3,459)	( 1)
8200	<b>Loss for the year</b>		<u>( \$ 98,315)</u>	<u>( 7)</u>	<u>( \$ 284,759)</u>	<u>( 36)</u>
	<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 components of other comprehensive loss that will not be reclassified to profit or loss		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)	-	( 10,897)	( 1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss		232	-	2,179	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss		( 927)	-	( 8,718)	( 1)
8300	<b>Other comprehensive income (loss) for the year, net of tax</b>		<u>\$ 1,866</u>	<u>-</u>	<u>( \$ 17,169)</u>	<u>( 2)</u>
8500	<b>Total comprehensive loss for the year</b>		<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		<u>( \$ 0.64)</u>		<u>( \$ 1.88)</u>	
	Diluted loss per share	6(30)				
9850	Diluted loss per share		<u>( \$ 0.64)</u>		<u>( \$ 1.88)</u>	

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

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

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

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

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

	Notes	Year ended December 31	
		2020	2019
<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)

CASH FLOWS FROM INVESTING ACTIVITIES

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		(	127,226)	(	64,777)

CASH FLOWS FROM FINANCING ACTIVITIES

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			524,227	(	5,725)
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		\$	717,717	\$	329,908

## **Appendix 5** 2020 CPA Audit Report and Consolidated Financial Statements

### 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 NT\$150,081 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.

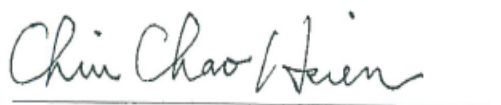
We also:

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.

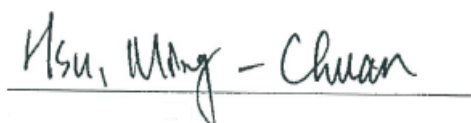
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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						
3110	Ordinary share	6(18)	1,524,847	70	1,511,547	88
3140	Advance receipts for share capital		15,958	1	-	-
Capital surplus						
3200	Capital surplus	6(19)	135,896	6	96,653	5
Retained earnings						
3320	Special reserve	6(20)	35,953	2	35,953	2
3350	Accumulated deficit		( 550,117)	( 25)	( 449,902)	( 26)
Other equity interest						
3400	Other equity interest	6(21)	( 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		<u>262,699</u>	<u>20</u>	<u>94,368</u>	<u>9</u>
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)	<u>7,257</u>	<u>1</u>	( 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		<u>1,761</u>	<u>-</u>	<u>2,286</u>	<u>-</u>
7900 Loss before income tax		( 100,083)	( 7)	( 354,296)	( 34)
7950 Income tax expense	6(29)	-	-	( 3,483)	-
8200 Loss for the year		<u>(\$ 100,083)</u>	<u>( 7)</u>	<u>(\$ 357,779)</u>	<u>( 34)</u>

(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		<u>2,793</u>	-	<u>( 8,451)</u>	<u>( 1)</u>
<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		<u>232</u>	-	<u>2,179</u>	-
8360 Total other comprehensive loss that will be reclassified to profit or loss, net of tax		<u>( 927)</u>	-	<u>( 8,949)</u>	<u>( 1)</u>
8300 <b>Other comprehensive income (loss) for the year, net of tax</b>		<u>\$ 1,866</u>	-	<u>(\$ 17,400)</u>	<u>( 2)</u>
8500 <b>Total comprehensive loss for the year</b>		<u>(\$ 98,217)</u>	<u>( 7)</u>	<u>(\$ 375,179)</u>	<u>( 36)</u>
Loss, attributable to:					
8610 Owners of the parent		(\$ 98,315)	( 7)	(\$ 284,759)	( 27)
8620 Non-controlling interest		( 1,768)	-	( 73,020)	( 7)
		<u>(\$ 100,083)</u>	<u>( 7)</u>	<u>(\$ 357,779)</u>	<u>( 34)</u>
Comprehensive loss attributable to:					
8710 Owners of the parent		(\$ 96,449)	( 7)	(\$ 301,928)	( 29)
8720 Non-controlling interest		( 1,768)	-	( 73,251)	( 7)
		<u>(\$ 98,217)</u>	<u>( 7)</u>	<u>(\$ 375,179)</u>	<u>( 36)</u>
Basic loss per share	6(30)				
9750 Basic loss per share		<u>(\$ 0.64)</u>		<u>(\$ 1.88)</u>	
Diluted loss per share	6(30)				
9850 Diluted loss per share		<u>(\$ 0.64)</u>		<u>(\$ 1.88)</u>	

The accompanying notes are an integral part of these 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				
	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	Non-controlling interest	Total equity
<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)	( 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		<u>\$ 1,511,547</u>	<u>\$ -</u>	<u>\$ 96,653</u>	<u>\$ 35,953</u>	<u>(\$ 449,902)</u>	<u>(\$ 60,098)</u>	<u>(\$ 39,593)</u>	<u>\$ 1,094,560</u>	<u>\$ 16,561</u>	<u>\$ 1,111,121</u>
<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	-	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		<u>\$ 1,524,847</u>	<u>\$ 15,958</u>	<u>\$ 135,896</u>	<u>\$ 35,953</u>	<u>(\$ 550,117)</u>	<u>(\$ 61,025)</u>	<u>(\$ 34,900)</u>	<u>\$ 1,066,612</u>	<u>\$ -</u>	<u>\$ 1,066,612</u>

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
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 100,083 )	(\$ 354,296 )
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets or liabilities at fair value	6(25)		
through profit or loss		( 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	7,602
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)

**CASH FLOWS FROM INVESTING ACTIVITIES**

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		(	<u>72,671</u> )	(	<u>191,609</u> )

**CASH FLOWS FROM FINANCING ACTIVITIES**

(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)	(	<u>14,793</u> )		-
Net cash flows from (used in) financing activities			<u>522,691</u>	(	<u>38,366</u> )
Effect of exchange rate changes on cash and cash equivalents		(	<u>750</u> )	(	<u>1,496</u> )
Net increase (decrease) in cash and cash equivalents			445,573	(	304,240 )
Cash and cash equivalents at beginning of year			<u>458,644</u>		<u>762,884</u>
Cash and cash equivalents at end of year		\$	<u><u>904,217</u></u>	\$	<u><u>458,644</u></u>

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

## Appendix 6

### Sysgration Ltd. Deficit Compensation Proposal 2020

	Unit: NT\$
<u>Item</u>	<u>Amount</u>
Loss balance to be covered at the beginning of the period	(449,901,895)
Less: 2020 net loss after tax	(98,315,021)
Less: Disposal of equity instruments at fair value through other comprehensive income	<u>(1,900,000)</u>
The balance of total loss to be covered at the end of the period	<u>(550,116,916)</u>

Chairman: Li, Yi-Ren

President: Hsieh, Tung-Fu

CFO: Tsai, Hsiu-Mei

## Appendix 7

# Sysgration Ltd. Articles of Incorporation

### Chapter 1 General Provisions

- Article 1. The Corporation shall be incorporated under the Company Act of the Republic of China, and its name shall be Sysgration Ltd. (系統電子工業股份有限公司 in Chinese).
- Article 2. The scope of business operations of the Corporation shall be as follows:
1. CB01020 Office Machines Manufacturing
  2. CC01060 Wired Communication Equipment and Apparatus Manufacturing
  3. CC01070 Telecommunication Equipment and Apparatus Manufacturing
  4. CC01080 Electronics Components Manufacturing
  5. CC01110 Computer and Peripheral Equipment Manufacturing
  6. CE01010 General Instrument Manufacturing
  7. F113030 Wholesale of Precision Instruments
  8. F113050 Wholesale of Computers and Clerical Machinery Equipment
  9. F119010 Wholesale of Electronic Materials
  10. F113070 Wholesale of Telecom Instruments
  11. F401010 International Trade
  12. F401021 Restrained Telecom Radio Frequency Equipment and Materials Import
  13. CC01101 Restrained Telecom Radio Frequency Equipment and Materials Manufacturing
  14. CC01010 Manufacture of Power Generation, Transmission, and Distribution Machinery
  15. CC01090 Manufacture of Batteries and Accumulators
  16. E601020 Electric Appliance Installation
  17. E603040 Fire Fighting Equipment Construction
  18. E603050 Automatic Control Equipment Engineering
  19. E605010 Computer Equipment Installation
  20. F113110 Wholesale of Batteries
  21. F118010 Wholesale of Computer Software
  22. F213030 Retail Sale of Computers and Clerical Machinery Equipment
  23. F213060 Retail Sale of Telecommunication Apparatus
  24. F213110 Retail Sale of Batteries
  25. F218010 Retail Sale of Computer Software
  26. F399040 Retail Sale No Storefront

- 27. IG03010 Energy Technical Services
- 28. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

- Article 3. The Company may, as required by its business, conduct mutual guarantee business with related enterprises or peers.
- Article 4. The Company has its head office located in Taipei and may set up branches or factories at home and abroad upon resolution of the Board of Directors when necessary.
- Article 5. Public announcement of the Corporation shall be made in accordance with Article 28 of the Company Act.

## Chapter 2 Shares

- Article 6. The rated capital of the Company is NT\$3 billion, divided into 300 million shares, and issued in installments.  
NT\$200 million of the total amount of rated capital mentioned in the preceding paragraph is reserved for issuing employee stock warrants, a total of 20 million shares, which may be issued in installments according to the resolution of the Board of Directors.
- Article 7. For the purposes of its business, the Company may guarantee for and invest in other businesses. The total amount of investment is not subject to the limit of 40% of the capital in Article 13 of the Company Law.
- Article 8. Where the Company issues new shares with limited employees' rights, the provisions of Article 6 (1) shall not apply. The shareholders' meeting shall be held with attendants on behalf of more than two-thirds of the shareholders of the total number of issued shares, and the approval of more than half of the shareholders who attend the meeting shall be taken. Where the total number of shares of the shareholders present is less than the aforementioned quota, shareholders representing more than half of the total number of shares issued shall attend the meeting, and it shall be approved by more than two-thirds of the voting rights of the shareholders present.
- Article 9. The transfer object of purchased shares by the Company shall include the employees of the affiliated company who meet certain conditions, and the terms and manner of transfer shall be authorized to be determined by the Board of Directors.  
The Company's employee stock warrants shall be issued to employees of the affiliated company who meet certain conditions, and the terms and methods of issuance shall be authorized to be determined by the Board of Directors.  
The Company shall issue new shares with restricted employee rights to employees who meet certain conditions, and the Board of Directors shall be authorized to determine the conditions and distribution.  
The Company reserves new shares issued by cash capital increase for employees to undertake the shares, including employees of the affiliated

company who meet certain conditions, and the terms and manner of purchase shall be authorized and determined by the Board of Directors.

Article 10. The shares issued by the Company shall be registered, signed, or sealed by the directors representing the Company and shall be numbered and issued upon approval by the Competent Authority or its approved issue-registration authority.

The Company may not print the shares issued by the Company and shall register with the securities centralized depository institution.

Article 11. Unless otherwise provided by laws and securities regulations, the Company's share affairs and shareholders' handling of share transfer, pledge of rights, loss reporting, inheritance, gift and seal loss reporting, change of address, and other share affairs shall be handled in accordance with the "Standards for Share Affairs Handling of Public Offering Companies."

### Chapter 3 Shareholders' Meetings

Article 12. Two types of shareholders' meeting can be held, the general meeting and the temporary meeting; the general meeting is held once a year, within six months after the end of each fiscal year in accordance with the law, and the temporary meeting is held whenever necessary.

Article 13. If a shareholder is unable to attend a shareholders' meeting for some reason, he/she may entrust an agent to attend the meeting with the scope of authorization set forth in the Power of Attorney issued by the Company. In addition to the provisions of Article 177 of the Company Law, shareholders to attend by proxy shall be handled according to the Rules on Proxy Letter by Public Offering Companies to Attend Shareholders' Meetings promulgated by the competent authority.

Article 14. Unless otherwise provided by the law, a shareholder of the Company shall have one vote per share.

### Chapter 4 Directors and Supervisors

Article 15. The Company shall have seven to nine directors, who shall be nominated by the shareholders according to Article 192 (1) of the Company Law. The shareholders' meeting shall elect the directors from the list of candidates for a term of three years.

The aggregate shareholding ratio of all directors shall be subject to the regulations of the security regulatory authority.

Article 16. The number of independent directors shall be no less than three and no less than one-fifth of the seats of directors. The shareholders' meeting shall elect and appoint the independent directors from the list of candidates. The professional qualifications, shareholding, part-time employment restrictions, nomination and selection methods of independent directors, and other matters that should be complied with shall be subject to relevant provisions of the security regulatory authority.



- Article 17. The Board of Directors of the Company may establish various functional committees, whose membership, exercise of functions and powers, and related matters shall be governed by relevant laws and regulations and shall be determined separately by the Board of Directors.  
The Company shall set up an Audit Committee to replace the supervisor. The Audit Committee shall be composed of all independent directors, no less than three persons, one of whom shall be the convenor. The exercise of functions and powers and related matters shall be governed by relevant laws and regulations and shall be determined separately by the Board of Directors.
- Article 18. The Board of Directors shall be organized by the directors, with the presence of at least two-thirds of the directors and the consent of more than half of the directors present to elect a Chairman, who shall represent the Company externally. If a meeting of the Board of Directors is held by video conference, the directors who participate in the meeting by video conference shall be deemed to be present in person.  
The meeting of the Board of Directors shall state the reasons for the meeting and notify the directors seven days in advance. However, in case of emergency, a meeting may be convened at any time.  
The meeting of the Board of Directors referred to in the preceding paragraph may be notified in writing, by e-mail, or by fax.
- Article 19. The functions and powers of the Board of Directors are as follows:
1. Compiling important rules and amendments to the Articles of Incorporation of the Company.
  2. Formulating the plan of business policy.
  3. Preparing the budgets and final accounts.
  4. Proposing the proposals for surplus allocation or loss compensation.
  5. Preparing the proposals for reinvestment and loan and asset mortgages to other companies.
  6. Preparing the purchase and disposal of important property and immovable property.
  7. Important personnel decisions.
  8. If the endorsement, guarantee, and acceptance for an affiliated enterprise exceed the total amount set by the Board of Directors, it shall be submitted to the Board of Directors for approval.
  9. The establishment, adjustment, and cancellation of important organizations of the Company and the preparation of other important issues.
  10. Other functions and powers assigned by laws and regulations and the shareholders' meeting.
- Article 20. If the Chairman takes a leave of absence or is unable to exercise his or her functions for any reason, his or her agent shall act in accordance with Article 208 of the Company Law.

Article 21. The Company may purchase liability insurance for the directors with regard to their legal liability for compensation in the area of business carried out during their term of office.

Article 22. All the directors may, regardless of business profits and losses, receive travel expenses and remuneration when performing their Company duties, and the remuneration is authorized to be paid by the Board of Directors within the usual range of the same industry.

#### Chapter 5 Managers

Article 23. The Company may have a certain number of managers. Their employment, discharge, and compensation shall comply with Article 29 of the Company Act.

#### Chapter 6 Accounting

Article 24. At the end of each business year and in accordance with the provisions of the Company Act, the Company shall prepare the following lists by the Board of Directors and submit them to the general shareholders' meeting for recognition in accordance with the law:

I Business Report;

II Financial Statements;

III Proposal for Surplus Distribution or Deficit Compensation.

Article 25. The Company shall allocate 10% to 15% of its annual profits 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 for them 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, and the Board of Directors shall be authorized to determine the conditions and distribution methods.

Article 26. If the Company's annual gross final accounts show a surplus, the Company shall first pay taxes and make up for previous losses. The subsequent deduction shall be 10% as the statutory surplus reserves, except when the statutory surplus reserves have reached the paid-in capital of the Company. Furthermore, the special surplus reserve shall be set aside according to the operation needs of the Company and the provisions of laws and regulations. If a surplus still remains and has not been distributed at the beginning of the same period, the Board of Directors shall draw up a surplus distribution plan and submit it to the shareholders' meeting for resolution to distribute or retain.

In order to meet the Company's long-term business development, future capital needs, and long-term business planning, no more than 90% of distributable earnings shall be allocated to shareholders each year, except when the accumulated distributable earnings are less than 5% of paid-in

capital stock, in which case it shall not be distributed. The cash dividend shall be no 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 all in shares dividend.

Article 27. In regard to all matters not provided for in these Articles of Incorporation, the Company Act shall govern.

#### Chapter 7 Supplementary Provisions

Article 28. These Articles of Incorporation were established on August 13, 1977; the first amendment was made on September 3, 1977; the second amendment was made on September 23, 1977; the third amendment was made on March 17, 1979; the fourth amendment was made on November 1, 1980; the fifth amendment was made on April 28, 1983; the sixth amendment was made on June 25, 1983; the seventh amendment was made on November 25, 1985; the eighth amendment was made on January 5, 1987; the ninth amendment was made on October 17, 1987; the tenth amendment was made on February 3, 1989; the 11th amendment was made on February 14, 1989; the 12th amendment was made on July 27, 1989; the 13th amendment was made on December 8, 1989; the 14th amendment was made on February 1, 1990; the 15th amendment was made on December 30, 1991; the 16th amendment was made on May 1, 1992 and implemented upon approval of the shareholders' meeting; the 17th amendment was made on April 24, 1993; the 18th amendment was made on April 24, 1994; the 19th amendment was made on April 9, 1995; the 20th amendment was made on November 18, 1995; the 21st amendment was made on April 27, 1996; the 22nd amendment was made on July 31, 1997; the 23rd amendment was made on January 20, 1998; the 24th amendment was made on May 15, 1998; the 25th amendment was made on May 22, 2000; the 26th amendment was made on June 17, 2002; the 27th amendment was made on July 31, 2003; the 28th amendment was made on April 29, 2005; the 29th amendment was made on June 15, 2006; the 30th amendment was made on June 13th, 2007; the 31st amendment was made on June 13th, 2008; the 32nd amendment was made on June 19, 2009; the 33rd amendment was made on June 25, 2010; the 34th amendment was made on May 10, 2011; the 35th amendment was made on June 19, 2012; the 36th amendment was made on June 4, 2013; the 37th amendment was made on June 10, 2015; the 38th amendment was made on June 17, 2016; the 39th amendment was made on June 19, 2017; the 40th amendment was made on June 14, 2019; and the 41st amendment was made on April 30, 2020 and implemented upon approval of the shareholders' meeting.

Sysgration Ltd.

Chairman: Li, Yi-Ren

## Appendix 8

### Sysgration Ltd. Rules of Procedure of Shareholders' Meeting

Approved at the General Meeting of Shareholders dated January 30, 1989

Amended at the General Meeting of Shareholders dated June 15, 2006

Amended at the General Meeting of Shareholders dated June 4, 2013

- I. The shareholders' meeting of the Company shall be implemented in accordance with the Rules of Procedure for the Shareholders' Meeting of Public Offering Companies promulgated by the Securities and Futures Regulatory Commission of the Ministry of Finance in its Letter TCZ (3) No. 04109 on August 4, 1997.
- II. The attending shareholders (or agents) shall bring their attendance cards and sign in the signature book or hand in the signature card instead of signing in. The number of shares in attendance shall be calculated according to the signature book or attendance cards submitted.
- III. Attendance and voting at the shareholders' meeting shall be calculated based on shares. The number of shares present shall be calculated based on the signature book or the attendance cards submitted, plus the number of shares voting in written or electronic form.
- IV. A shareholders' meeting shall be held in the place where the Company is located or at such place as is convenient for shareholders to attend and suitable for the meeting to be held. The meeting shall commence no earlier than 9:00 a.m. or later than 3:00 p.m. The place and time of the meeting shall take full account of the opinions of the independent directors.
- V. If a meeting of shareholders is convened by the Board of Directors, the Chairman shall serve as the chairperson. If the Chairman takes a leave of absence or is unable to exercise his or her functions for any reason, the Chairman shall appoint one director to act as the chairperson. If the Chairman does not appoint an agent, the directors shall appoint one to act as the chairperson.  
If the shareholders' meeting is convened by a person other than the Board of Directors who has convening authority, the chairperson of the meeting shall be the convening person, and if there are more than two convening persons, one shall be elected as the chairperson.
- VI. The Company may appoint any lawyer, accountant, or relevant person to attend the shareholders' meeting.  
Staff attending the shareholders' meeting shall wear identification cards or armbands.
- VII. The Company shall record or videotape all shareholders' meetings and shall keep them for at least one year. However, provided that an action is brought by a

shareholder in accordance with Article 189 of the Company Law, it shall be retained until the conclusion of the action.

- VIII. The chairperson shall immediately call to order at the declared meeting holding time, but if a representative of more than half of the shares in issue is not present, the chairperson may declare an adjourn of the meeting not to be more than two adjourns, for a time not exceeding one hour in total. If the amount is still insufficient after two adjourns and more than one-third of the shareholders of the total number of shares issued attend the meeting, the shareholders may make a tentative resolution in accordance with Paragraph 1 of Article 175 of the Company Law, notify other shareholders of the tentative resolution, and convene the shareholders' meeting again within one month.

Before the conclusion of the meeting, if more than half of the shares in issue have been represented by the shareholders present, the chairperson may submit the tentative resolution to the shareholders' meeting for a new vote in accordance with Article 174 of the Company Law.

- IX. If a meeting of shareholders is convened by the Board of Directors and the agenda is set by the Board of Directors, the meeting shall be held in accordance with the scheduled agenda and no change shall be made without a resolution of the shareholders' meeting.

If the shareholders' meeting is convened by a person other than the Board of Directors who has convening authority, the provisions in the preceding paragraph shall apply *mutatis mutandis*.

The chairperson shall not, without a resolution, adjourn the meeting before the conclusion of the proceedings (including provisional motions) scheduled in the preceding two paragraphs; if the chairperson violates the rules of procedure and announces the dissolution of the meeting, the other members of the Board of Directors shall promptly assist the shareholders to elect one person to serve as the chairperson according to the rules of procedure, and the meeting shall continue with the consent of more than half of voting right of the shareholders present.

After the meeting is adjourned, the shareholders shall not elect another chairperson to resume the meeting at the same address or at another place.

- X. Before a speech of a present shareholder, he/she shall fill in a speech note stating the purpose of the speech, the shareholder's account number (or the number of the attendance card) and the name of the shareholder's account. The chairperson shall determine the order of his/her speech.

If the present shareholder only fills in the speech note without making any speech, it shall be deemed that he/she has not made a speech. If the content of the speech is inconsistent with the note, the content of the speech shall prevail.

- When a present shareholder makes a speech, other shareholders shall not interfere with the speech except with the consent of the chairperson and the speaking shareholder, and the chairperson shall stop the violator.
- XI. Without the consent of the chairperson, each shareholder shall make no more than two speeches on the same motion, each of which shall not exceed five minutes. Where a shareholder's speech violates the provisions of the preceding paragraph or goes beyond the scope of the agenda, the chairperson may stop the shareholder's speech.
- XII. When an institutional shareholder designate to attend a shareholders' meeting, such institutional shareholder may appoint only one agent to attend the meeting. When the institutional shareholder appoints two or more agents to attend the shareholders' meeting, only one person may speak on the same motion.
- XIII. After the speech of a present shareholder, the chairperson may respond in person or appoint a relevant person to respond.
- XIV. When the chairperson considers that the discussion of a motion has reached the point where a vote can be taken, he/she may call a halt to the discussion and call for a vote.
- XV. Supervisors and vote counting staff shall be appointed by the chairperson, provided that the supervisors shall be shareholders. The counting of votes shall be conducted publicly in the meeting room, and the result of voting shall be reported in the meeting room and recorded.
- XVI. While the meeting is in progress, the chairperson may declare a break at such time as may be appropriate.
- XVII. Unless otherwise provided for in the Company Law and the Articles of Incorporation, the voting on a motion shall be approved by more than half of the voting rights of the shareholders present. When voting, if there is no objection after the consultation of the chairperson, it shall be deemed to be passed, and it shall have the same effect as voting.
- XVIII. Where amendments or substitutions are made to the same motion, the chairperson shall decide on the order of voting with the original motion. If one of the motions has been passed, the other motions shall be considered vetoed and shall not be voted on again.
- XIX. The chairperson may direct the picket (or security guard) to assist in maintaining order at the venue. When a picket (or security guard) is present to assist in maintaining order, he/she shall wear an armband with the word "Picket".

## Appendix 9

### Sysgration Ltd. Shareholding of Directors

- I. The paid-up capital of the Company is NT\$1,545,533,660, and the issued number of shares is 154,553,366.
- II. In accordance with Article 26 of the Securities and Exchange Act, the minimum number of shares held by all directors shall be 9,273,201 shares.
- III. The shareholding status of all directors as recorded in the register of shareholders as of the closing date of this shareholders' meeting (March 30, 2021) is as follows:

Position	Name	Current shareholding (in shares)
Chairman	Li, Yi-Ren	12,961,210
Director	Hsieh, Tung-Fu	661,892
Director	Li, Cheng-Han	534,126
Director	Chen, Chih-Pin	3,537
Independent director	Lin, Kuan-Chao	0
Independent director	He, Ju-Hsiang	0
Independent director	Wei, Che-Chen	0
Total shareholding of all directors		14,160,765