

Systemx Corporation and Subsidiaries

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2021 and 2020 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Systex Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Systex Corporation and its subsidiaries (collectively referred to as the "Group") as of September 30, 2021 and 2020, the related consolidated statements of comprehensive income for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, the consolidated statements of changes in equity and of cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as 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 International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Note 13 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of September 30, 2021 and 2020, combined total assets of these subsidiaries were \$6,016,533 thousand and \$3,897,295 thousand, respectively, representing 22.70% and 18.57%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were \$3,603,375 thousand and \$1,811,546 thousand, respectively, representing 28.20% and 23.69%, respectively, of the consolidated total liabilities. For the three months ended September 30, 2021 and 2020, and for the nine months ended September 30, 2021 and 2020, the amounts of combined total comprehensive income of these subsidiaries were \$194 thousand, \$26,852 thousand, \$128,261 thousand and \$116,289 thousand, respectively, representing 0.09%, 8.15%, 10.90% and 10.82%, respectively, of the consolidated total comprehensive income. In addition, as disclosed in Note 14 to the consolidated financial statements, as of September 30, 2021 and 2020, investments accounted for using the equity method of the Group were \$1,614,496

thousand and \$608,963 thousand, respectively; for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, the amounts of the share in total comprehensive (loss) income recognized were \$(69,761) thousand, \$22,914 thousand, \$4,833 thousand and \$42,655 thousand, respectively; such amounts were based on the investees' unreviewed financial statements for the same reporting periods.

Qualified Conclusion

Based on our reviews, except for adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and investments accounted for using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2021 and 2020, its consolidated financial performance for the three months ended September 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Shu-Wan Lin and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 2, 2021

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2021 (Reviewed)		December 31, 2020 (Audited)		September 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 3,834,287	15	\$ 3,590,004	16	\$ 2,782,715	13
Financial assets at fair value through profit or loss - current (Note 7)	4,589,092	17	3,243,392	15	2,517,857	12
Notes receivable, net (Notes 11 and 21)	122,307	-	53,295	-	71,080	-
Accounts receivable, net (Notes 11, 21 and 29)	4,980,145	19	3,741,776	17	3,948,385	19
Other receivables	102,758	-	24,651	-	32,272	-
Inventories (Note 12)	3,303,466	13	3,166,140	14	3,372,464	16
Prepayments	1,667,617	6	1,237,222	6	1,158,346	6
Non-current assets held for sale (Note 15)	298	-	15,254	-	-	-
Other financial assets - current (Note 30)	203,389	1	187,493	1	255,717	1
Refundable deposits - current	311,015	1	308,912	2	318,629	2
Other current assets	94,586	-	58,329	-	81,829	-
Total current assets	<u>19,208,960</u>	<u>72</u>	<u>15,626,468</u>	<u>71</u>	<u>14,539,294</u>	<u>69</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Note 7)	1,764,536	7	1,575,388	7	1,591,012	8
Financial assets at fair value through other comprehensive income - non-current (Note 8)	277,301	1	682,527	3	915,008	4
Financial assets at amortized cost - non-current (Notes 9 and 10)	500,000	2	500,000	2	500,000	3
Investments accounted for using equity method (Note 14)	1,614,496	6	655,557	3	608,963	3
Property, plant and equipment (Notes 15 and 30)	2,096,640	8	2,098,670	10	2,070,557	10
Right-of-use assets (Note 16)	300,924	1	259,789	1	278,528	1
Intangible assets	222,916	1	131,440	1	100,459	1
Deferred tax assets	81,839	-	76,082	-	57,263	-
Refundable deposits - non-current	240,859	1	214,817	1	197,379	1
Long-term receivables (Note 11)	13,993	-	7,964	-	7,880	-
Other financial assets - non-current (Note 30)	138,670	1	141,083	1	52,022	-
Other non-current assets	39,312	-	59,450	-	69,368	-
Total non-current assets	<u>7,291,486</u>	<u>28</u>	<u>6,402,767</u>	<u>29</u>	<u>6,448,439</u>	<u>31</u>
TOTAL	<u>\$ 26,500,446</u>	<u>100</u>	<u>\$ 22,029,235</u>	<u>100</u>	<u>\$ 20,987,733</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term loans (Notes 17 and 30)	\$ 2,162,581	8	\$ 790,247	4	\$ 1,237,337	6
Contract liabilities (Note 21)	1,453,830	5	1,476,379	7	1,183,897	6
Notes and accounts payable	4,007,365	15	3,553,699	16	3,099,529	15
Accounts payable to related parties (Note 29)	18,017	-	85,374	-	66,479	-
Other payables (Note 29)	1,022,846	4	1,426,467	6	978,953	5
Current tax liabilities (Note 4)	154,871	1	140,545	1	101,487	-
Lease liabilities - current (Note 16)	138,651	1	127,513	1	131,429	1
Current portion of long-term borrowings (Notes 17 and 30)	5,872	-	6,980	-	6,358	-
Other current liabilities	334,615	1	235,783	1	299,180	1
Total current liabilities	<u>9,298,648</u>	<u>35</u>	<u>7,842,987</u>	<u>36</u>	<u>7,104,649</u>	<u>34</u>
NON-CURRENT LIABILITIES						
Bonds payable (Note 18)	2,994,218	11	-	-	-	-
Long-term borrowings (Notes 17 and 30)	89,059	-	100,209	-	93,684	-
Deferred tax liabilities	6,422	-	34,073	-	60,140	-
Lease liabilities - non-current (Note 16)	165,999	1	135,323	1	150,007	1
Net defined benefit liabilities - non-current (Note 4)	219,259	1	258,644	1	230,309	1
Other non-current liabilities	6,372	-	8,552	-	8,659	-
Total non-current liabilities	<u>3,481,329</u>	<u>13</u>	<u>536,801</u>	<u>2</u>	<u>542,799</u>	<u>2</u>
Total liabilities	<u>12,779,977</u>	<u>48</u>	<u>8,379,788</u>	<u>38</u>	<u>7,647,448</u>	<u>36</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 20)						
Share capital	<u>2,693,933</u>	<u>10</u>	<u>2,693,933</u>	<u>12</u>	<u>2,693,933</u>	<u>13</u>
Capital surplus	<u>6,605,046</u>	<u>25</u>	<u>6,493,756</u>	<u>29</u>	<u>6,514,309</u>	<u>31</u>
Retained earnings						
Legal reserve	1,457,250	6	1,300,634	6	1,300,634	6
Special reserve	768,711	3	579,466	2	579,466	3
Unappropriated earnings	3,522,714	13	4,138,488	19	3,842,726	18
Total retained earnings	<u>5,748,675</u>	<u>22</u>	<u>6,018,588</u>	<u>27</u>	<u>5,722,826</u>	<u>27</u>
Other equity	(686,851)	(3)	(768,711)	(3)	(777,571)	(4)
Treasury shares	(928,443)	(3)	(928,443)	(4)	(928,443)	(4)
Total equity attributable to owners of the Corporation	13,432,360	51	13,509,123	61	13,225,054	63
NON-CONTROLLING INTERESTS (Note 20)	<u>288,109</u>	<u>1</u>	<u>140,324</u>	<u>1</u>	<u>115,231</u>	<u>1</u>
Total equity	<u>13,720,469</u>	<u>52</u>	<u>13,649,447</u>	<u>62</u>	<u>13,340,285</u>	<u>64</u>
TOTAL	<u>\$ 26,500,446</u>	<u>100</u>	<u>\$ 22,029,235</u>	<u>100</u>	<u>\$ 20,987,733</u>	<u>100</u>

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

(With Deloitte & Touche auditors' review report dated November 2, 2021)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
(Notes 21 and 29)								
Sales	\$ 6,201,110	80	\$ 4,205,642	75	\$ 17,156,248	78	\$ 12,839,836	75
Less: Sales returns and allowances	<u>26,097</u>	<u>1</u>	<u>20,597</u>	<u>1</u>	<u>83,771</u>	<u>-</u>	<u>63,513</u>	<u>1</u>
Net sales	6,175,013	79	4,185,045	74	17,072,477	78	12,776,323	74
Service revenue	1,591,334	21	1,370,137	26	4,829,548	22	4,370,617	26
Other operating revenue	<u>15,413</u>	<u>-</u>	<u>13,478</u>	<u>-</u>	<u>49,769</u>	<u>-</u>	<u>45,659</u>	<u>-</u>
Total operating revenue	<u>7,781,760</u>	<u>100</u>	<u>5,568,660</u>	<u>100</u>	<u>21,951,794</u>	<u>100</u>	<u>17,192,599</u>	<u>100</u>
OPERATING COSTS								
(Notes 12, 22 and 29)								
Cost of goods sold	5,441,264	70	3,636,242	64	14,844,078	68	10,971,296	64
Service cost	755,004	10	581,090	12	2,322,222	10	2,060,556	12
Other operating cost	<u>2,337</u>	<u>-</u>	<u>2,047</u>	<u>-</u>	<u>12,451</u>	<u>-</u>	<u>5,466</u>	<u>-</u>
Total operating costs	<u>6,198,605</u>	<u>80</u>	<u>4,219,379</u>	<u>76</u>	<u>17,178,751</u>	<u>78</u>	<u>13,037,318</u>	<u>76</u>
GROSS PROFIT	<u>1,583,155</u>	<u>20</u>	<u>1,349,281</u>	<u>24</u>	<u>4,773,043</u>	<u>22</u>	<u>4,155,281</u>	<u>24</u>
OPERATING EXPENSES								
(Notes 19, 22 and 29)								
Selling expenses	1,051,854	13	928,822	16	3,073,948	14	2,670,824	16
General and administrative expenses	148,488	2	122,479	2	437,617	2	362,857	2
Research and development expenses	125,172	2	133,459	2	366,210	2	388,260	2
Expected credit loss (gain)	<u>5,275</u>	<u>-</u>	<u>(8,180)</u>	<u>-</u>	<u>12,248</u>	<u>-</u>	<u>13,958</u>	<u>-</u>
Total operating expenses	<u>1,330,789</u>	<u>17</u>	<u>1,176,580</u>	<u>20</u>	<u>3,890,023</u>	<u>18</u>	<u>3,435,899</u>	<u>20</u>
PROFIT FROM OPERATIONS	<u>252,366</u>	<u>3</u>	<u>172,701</u>	<u>4</u>	<u>883,020</u>	<u>4</u>	<u>719,382</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES								
Share of (loss) profit of associates (Note 14)	(39,448)	-	10,862	-	34,832	-	33,219	-
Interest income	5,765	-	6,227	-	20,949	-	21,426	-
Dividend income	47,331	1	13,292	1	47,776	1	47,626	1
Other income, net (Note 29)	23,929	-	10,221	-	43,969	-	37,371	-
Gain on sale of investments, net (Note 22)	798	-	154,461	2	13,985	-	248,665	2
Gain on sale of non-current assets held for sale	62	-	-	-	909	-	-	-
Foreign exchange gain, net	3,405	-	26,380	-	13,493	-	22,625	-
Gain on financial assets at fair value through profit or loss, net	15,874	-	155,415	2	247,221	1	375,039	2
Interest expense	(13,524)	-	(8,959)	-	(27,573)	-	(23,583)	-
Other expenses	(2,717)	-	(1,982)	-	(6,367)	-	(6,468)	-
Gain (loss) on disposal of property, plant and equipment, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26</u>	<u>-</u>	<u>(28)</u>	<u>-</u>
Total non-operating income and expenses	<u>41,475</u>	<u>1</u>	<u>365,917</u>	<u>5</u>	<u>389,220</u>	<u>2</u>	<u>755,892</u>	<u>5</u>

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SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	293,841	4	538,618	9	1,272,240	6	1,475,274	9
INCOME TAX EXPENSE (Notes 4 and 23)	59,971	1	35,350	1	197,059	1	146,777	1
NET INCOME	233,870	3	503,268	8	1,075,181	5	1,328,497	8
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF INCOME TAX (Note 20)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on equity instruments at fair value through other comprehensive income	12,061	-	(128,531)	(1)	226,028	1	(160,535)	(1)
Share of the other comprehensive (loss) income of associates accounted for using the equity method	(29,638)	-	11,617	-	(29,063)	-	9,845	-
	(17,577)	-	(116,914)	(1)	196,965	1	(150,690)	(1)
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of foreign operations	(9,305)	-	(57,273)	(1)	(94,222)	(1)	(102,540)	(1)
Share of the other comprehensive (loss) income of associates accounted for using the equity method	(675)	-	435	-	(936)	-	(409)	-
	(9,980)	-	(56,838)	(1)	(95,158)	(1)	(102,949)	(1)
Other comprehensive (loss) income for the period, net of income tax	(27,557)	-	(173,752)	(2)	101,807	-	(253,639)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 206,313	3	\$ 329,516	6	\$ 1,176,988	5	\$ 1,074,858	6
NET INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Corporation	\$ 230,487	3	\$ 504,487	8	\$ 1,070,589	5	\$ 1,326,012	8
Non-controlling interests	3,383	-	(1,219)	-	4,592	-	2,485	-
	\$ 233,870	3	\$ 503,268	8	\$ 1,075,181	5	\$ 1,328,497	8
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Corporation	\$ 204,107	3	\$ 330,735	6	\$ 1,173,573	5	\$ 1,072,373	6
Non-controlling interests	2,206	-	(1,219)	-	3,415	-	2,485	-
	\$ 206,313	3	\$ 329,516	6	\$ 1,176,988	5	\$ 1,074,858	6

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SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
EARNINGS PER SHARE								
(Note 24)								
Basic	<u>\$ 0.93</u>		<u>\$ 2.03</u>		<u>\$ 4.32</u>		<u>\$ 5.35</u>	
Diluted	<u>\$ 0.93</u>		<u>\$ 2.03</u>		<u>\$ 4.31</u>		<u>\$ 5.33</u>	

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

(With Deloitte & Touche auditors' review report dated November 2, 2021)

(Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Corporation (Note 20)											
	Share Capital	Capital Surplus	Retained Earnings				Other Equity		Treasury Shares	Total	Non-controlling Interests (Note 20)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of Foreign Operations	Unrealized (Loss) Gain on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2020	\$ 2,693,933	\$ 6,407,221	\$ 1,119,831	\$ 383,842	\$ 4,295,725	\$ 5,799,398	\$ (435,908)	\$ (143,558)	\$ (928,443)	\$ 13,392,643	\$ 89,490	\$ 13,482,133
Appropriation of 2019 earnings	-	-	180,803	-	(180,803)	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	(195,624)	-	-	-	-	-	-	-
Special reserve	-	-	-	195,624	(195,624)	-	-	-	-	-	-	-
Cash dividends - NT\$5 per share	-	-	-	-	(1,346,967)	(1,346,967)	-	-	-	(1,346,967)	-	(1,346,967)
Share of changes in associates accounted for using the equity method	-	(152)	-	-	(83)	(83)	-	-	-	(235)	-	(235)
Net profit for the nine months ended September 30, 2020	-	-	-	-	1,326,012	1,326,012	-	-	-	1,326,012	2,485	1,328,497
Other comprehensive loss for the nine months ended September 30, 2020	-	-	-	-	-	-	(102,949)	(150,690)	-	(253,639)	-	(253,639)
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	1,326,012	1,326,012	(102,949)	(150,690)	-	1,072,373	2,485	1,074,858
Cash dividends received by subsidiaries from the Corporation	-	107,049	-	-	-	-	-	-	-	107,049	-	107,049
Disposal of investments accounted for using the equity method	-	152	-	-	8,255	8,255	-	(8,255)	-	152	-	152
Differences between equity purchase price and carrying amount arising from actual acquisition of subsidiaries	-	39	-	-	-	-	-	-	-	39	(2,055)	(2,016)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	25,311	25,311
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(63,789)	(63,789)	-	63,789	-	-	-	-
BALANCE AT SEPTEMBER 30, 2020	\$ 2,693,933	\$ 6,514,309	\$ 1,300,634	\$ 579,466	\$ 3,842,726	\$ 5,722,826	\$ (538,857)	\$ (238,714)	\$ (928,443)	\$ 13,225,054	\$ 115,231	\$ 13,340,285
BALANCE AT JANUARY 1, 2021	\$ 2,693,933	\$ 6,493,756	\$ 1,300,634	\$ 579,466	\$ 4,138,488	\$ 6,018,588	\$ (581,485)	\$ (187,226)	\$ (928,443)	\$ 13,509,123	\$ 140,324	\$ 13,649,447
Appropriation of 2020 earnings	-	-	156,616	-	(156,616)	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	(189,245)	-	-	-	-	-	-	-
Special reserve	-	-	-	189,245	(189,245)	-	-	-	-	-	-	-
Cash dividends - NT\$5 per share	-	-	-	-	(1,346,967)	(1,346,967)	-	-	-	(1,346,967)	-	(1,346,967)
Share of changes in associates accounted for using the equity method	-	4,728	-	-	-	-	-	-	-	4,728	1,191	5,919
Net profit for the nine months ended September 30, 2021	-	-	-	-	1,070,589	1,070,589	-	-	-	1,070,589	4,592	1,075,181
Other comprehensive (loss) income for the nine months ended September 30, 2021	-	-	-	-	-	-	(93,981)	196,965	-	102,984	(1,177)	101,807
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	1,070,589	1,070,589	(93,981)	196,965	-	1,173,573	3,415	1,176,988
Cash dividends received by subsidiaries from the Corporation	-	107,049	-	-	-	-	-	-	-	107,049	-	107,049
Differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	1,831	-	-	(14,659)	(14,659)	-	-	-	(12,828)	14,477	1,649
From share of changes in equities of subsidiaries	-	(2,318)	-	-	-	-	-	-	-	(2,318)	2,318	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	126,384	126,384
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	21,124	21,124	-	(21,124)	-	-	-	-
BALANCE AT SEPTEMBER 30, 2021	\$ 2,693,933	\$ 6,605,046	\$ 1,457,250	\$ 768,711	\$ 3,522,714	\$ 5,748,675	\$ (675,466)	\$ (11,385)	\$ (928,443)	\$ 13,432,360	\$ 288,109	\$ 13,720,469

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

(With Deloitte & Touche auditors' review report dated November 2, 2021)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,272,240	\$ 1,475,274
Adjustments for:		
Depreciation expense	221,621	195,845
Amortization expense	36,446	21,455
Expected credit loss recognized	12,248	13,958
Gain on financial assets at fair value through profit or loss, net	(247,221)	(375,039)
Interest expense	27,573	23,583
Interest income	(20,949)	(21,426)
Dividend income	(47,776)	(47,626)
Share of profit of associates	(34,832)	(33,219)
(Gain) loss on disposal of property, plant and equipment, net	(26)	28
Gain on sale of non-current assets held for sale	(909)	-
Gain on sale of investments accounted for using the equity method	-	(146,550)
(Reversal of) write-down of inventories	(3,691)	135,608
Unrealized loss on foreign currency exchange, net	411	275
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(1,307,260)	1,081,957
Notes receivable	(69,237)	(34,866)
Accounts receivable	(854,334)	(251,100)
Other receivables	(52,420)	5,641
Inventories	37,951	(448,017)
Prepayments	(432,301)	(266,452)
Other current assets	(29,371)	(38,864)
Contract liabilities	(30,406)	(113,760)
Notes and accounts payable	239,057	(624,354)
Accounts payable to related parties	(67,357)	(18,262)
Other payables	(452,220)	(402,759)
Other current liabilities	98,428	88,068
Net defined benefit liabilities	(39,385)	(52,547)
Cash (used in) generated from operations	(1,743,720)	166,851
Interest paid	(26,660)	(22,192)
Income tax paid	(237,318)	(225,194)
Net cash used in operating activities	(2,007,698)	(80,535)

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ (251,281)	\$ (45,131)
Disposal of financial assets at fair value through other comprehensive income	212,449	844,050
Acquisition of investments accounted for using the equity method	(527,849)	(119,250)
Proceeds from disposal of investments accounted for using the equity method	-	38,003
Net cash (outflow) inflow on acquisition of subsidiaries (Note 25)	(58,890)	57
Proceeds from disposal of non-current assets held for sale	15,865	-
Payments for property, plant and equipment	(90,885)	(74,076)
Proceeds from disposal of property, plant and equipment	12,977	232
(Increase) decrease in refundable deposits	(28,836)	7,274
Payments for intangible assets	(58,419)	(27,760)
Proceeds from disposal of intangible assets	5	5
(Increase) decrease in long-term receivables	(6,029)	3,694
(Increase) decrease in pledged time deposits	(13,483)	72,927
Decrease (increase) in other non-current assets	23,118	(16,397)
Interest received	25,075	26,736
Dividends received	47,776	40,503
Dividends received from associates	<u>36,286</u>	<u>70,121</u>
Net cash (used in) generated from investing activities	<u>(662,121)</u>	<u>820,988</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	1,338,017	678,279
Proceeds from issuance of corporate bonds	2,994,218	-
Repayment of long-term borrowings	(12,258)	(4,678)
Decrease in guarantee deposits received	(2,157)	(2,951)
Repayment of the principal portion of lease liabilities	(123,771)	(104,671)
Dividends paid	(1,346,967)	(1,346,967)
Acquisition of interests in subsidiaries	(44,800)	(2,016)
Partial disposal of interests in subsidiaries without a loss of control	46,449	-
Increase (decrease) in non-controlling interests	21,873	(315)
Cash dividends received by subsidiaries from the Corporation	<u>107,049</u>	<u>107,049</u>
Net cash generated from (used in) financing activities	<u>2,977,653</u>	<u>(676,270)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(63,551)</u>	<u>(56,811)</u>

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 244,283	\$ 7,372
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>3,590,004</u>	<u>2,775,343</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 3,834,287</u>	<u>\$ 2,782,715</u>

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

(With Deloitte & Touche auditors' review report dated November 2, 2021)

(Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Systex Corporation (the “Corporation”) was incorporated on January 7, 1997 under the provision of the Company Act of the Republic of China and other laws and regulations. The Corporation is mainly engaged in sales and leases of computer software and related equipment, transmission and security of value-added network, maintenance of database, and consultation.

The Corporation’s shares had been traded on Emerging Stock Market since April 10, 2002 and Taipei Exchange since January 6, 2003. On December 30, 2010, the Corporation has changed the listing and trading of its shares to the Taiwan Stock Exchange.

The consolidated financial statements of the Corporation and its subsidiaries (collectively referred to as the “Group”) are presented in the Corporation’s functional currency, the New Taiwan dollar.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on November 2, 2021.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

See Note 13 for the detailed information of subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2020.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and this is recognized in profit or loss or other comprehensive income in full in the period in which the change in tax rate occurs.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

For the critical accounting judgments and key sources of estimation uncertainty, refer to the consolidated financial statements for the year ended December 31, 2020.

The Group considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand	\$ 541	\$ 428	\$ 570
Checking accounts and demand deposits	3,833,746	3,386,117	2,574,727
Cash equivalents			
Time deposits with original maturities of less than 3 months	-	203,459	207,418
	<u>\$ 3,834,287</u>	<u>\$ 3,590,004</u>	<u>\$ 2,782,715</u>
Market interest rate interval			
Time deposits with original maturities of less than 3 months	-	0.23%-0.35%	0.22%-0.35%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Current</u>			
Financial assets mandatorily classified as at FVTPL			
Mutual funds	\$ 4,409,535	\$ 3,104,918	\$ 2,399,546
Listed shares	<u>179,557</u>	<u>138,474</u>	<u>118,311</u>
	<u>\$ 4,589,092</u>	<u>\$ 3,243,392</u>	<u>\$ 2,517,857</u>
<u>Non-current</u>			
Financial assets mandatorily classified as at FVTPL			
Unlisted shares	\$ 1,569,356	\$ 1,448,432	\$ 1,463,152
Unlisted preferred shares	92,744	93,977	94,571
Others	<u>102,436</u>	<u>32,979</u>	<u>33,289</u>
	<u>\$ 1,764,536</u>	<u>\$ 1,575,388</u>	<u>\$ 1,591,012</u>

8. FINANCIAL ASSETS AT FVTOCI - NON-CURRENT

Investments in Equity Instruments

	September 30, 2021	December 31, 2020	September 30, 2020
Listed shares	\$ -	\$ 512,962	\$ 760,643
Unlisted shares	267,275	169,565	154,365
Unlisted preferred shares	<u>10,026</u>	<u>-</u>	<u>-</u>
	<u>\$ 277,301</u>	<u>\$ 682,527</u>	<u>\$ 915,008</u>

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

For the nine months ended September 30, 2021 and 2020, the Group sold part of investment at fair value because of investment strategy and its related unrealized valuation loss of \$41,319 thousand and \$63,789 thousand, respectively, were transferred from other equity to retained earnings.

In first quarter of 2021, the Group increased its interests in Genesis Technology Inc. (Genesis) and achieved significant influence over Genesis; therefore, investment in Genesis was reclassified from financial assets at FVTOCI to investments accounted for using the equity method in the amount of \$664,687 thousand, and its related unrealized valuation gain of \$62,443 thousand was transferred from other equity to retained earnings.

9. FINANCIAL ASSETS AT AMORTIZED COST - NON-CURRENT

	September 30, 2021	December 31, 2020	September 30, 2020
Domestic corporate bonds	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Interest rate	3.5%	3.5%	3.5%

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at amortized cost.

	September 30, 2021	December 31, 2020	September 30, 2020
Gross carrying amount	\$ 500,000	\$ 500,000	\$ 500,000
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>

The Group's exposure and the external credit ratings are continuously monitored. The Group reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate	Gross Carrying Amount at		
				September 30, 2021	December 31, 2020	September 30, 2020
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECL	0%	\$ 500,000	\$ 500,000	\$ 500,000

11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND LONG-TERM RECEIVABLES, NET

	September 30, 2021	December 31, 2020	September 30, 2020
Notes receivable	\$ 122,538	\$ 53,526	\$ 71,311
Less: Allowance for doubtful accounts	<u>(231)</u>	<u>(231)</u>	<u>(231)</u>
	<u>\$ 122,307</u>	<u>\$ 53,295</u>	<u>\$ 71,080</u>
Accounts receivable	\$ 5,172,576	\$ 3,924,186	\$ 4,101,027
Less: Allowance for doubtful accounts	<u>(192,431)</u>	<u>(182,410)</u>	<u>(152,642)</u>
	<u>\$ 4,980,145</u>	<u>\$ 3,741,776</u>	<u>\$ 3,948,385</u>
Long-term receivables	\$ 14,797	\$ 7,993	\$ 7,909
Less: Unrealized interest income	<u>(804)</u>	<u>(29)</u>	<u>(29)</u>
	<u>\$ 13,993</u>	<u>\$ 7,964</u>	<u>\$ 7,880</u>

The average credit period of receivables was 60 to 90 days. The Group delegated a department responsible for managing receivables, establishing credit limits, credit approvals and other monitoring procedures to ensure the profitability of the Group.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all receivables. The expected credit losses on receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of receivables based on the Group's provision matrix.

September 30, 2021

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 270 Days	Over 271 Days	Total
Gross carrying amount	\$ 4,041,735	\$ 811,965	\$ 140,017	\$ 67,639	\$ 233,758	\$ 5,295,114
Loss allowance (Lifetime ECL)	<u>(422)</u>	<u>(671)</u>	<u>(615)</u>	<u>(303)</u>	<u>(190,651)</u>	<u>(192,662)</u>
Amortized cost	<u>\$ 4,041,313</u>	<u>\$ 811,294</u>	<u>\$ 139,402</u>	<u>\$ 67,336</u>	<u>\$ 43,107</u>	<u>\$ 5,102,452</u>

December 31, 2020

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 270 Days	Over 271 Days	Total
Gross carrying amount	\$ 3,269,968	\$ 296,638	\$ 181,528	\$ 42,072	\$ 187,506	\$ 3,977,712
Loss allowance (Lifetime ECL)	<u>(592)</u>	<u>(1,411)</u>	<u>(993)</u>	<u>(12,030)</u>	<u>(167,615)</u>	<u>(182,641)</u>
Amortized cost	<u>\$ 3,269,376</u>	<u>\$ 295,227</u>	<u>\$ 180,535</u>	<u>\$ 30,042</u>	<u>\$ 19,891</u>	<u>\$ 3,795,071</u>

September 30, 2020

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 270 Days	Over 271 Days	Total
Gross carrying amount	\$ 3,254,110	\$ 513,135	\$ 107,961	\$ 65,568	\$ 231,564	\$ 4,172,338
Loss allowance (Lifetime ECL)	<u>-</u>	<u>(519)</u>	<u>(1,597)</u>	<u>(328)</u>	<u>(150,429)</u>	<u>(152,873)</u>
Amortized cost	<u>\$ 3,254,110</u>	<u>\$ 512,616</u>	<u>\$ 106,364</u>	<u>\$ 65,240</u>	<u>\$ 81,135</u>	<u>\$ 4,019,465</u>

The movements of the loss allowance of receivable were as follows:

	For the Nine Months Ended September 30	
	2021	2020
Balance at January 1	\$ 182,641	\$ 155,686
Add: Net remeasurement of loss allowance	12,248	13,958
Add: Acquisition of subsidiaries	871	207
Less: Amount written off	(226)	(16,258)
Effect of exchange rate changes	<u>(2,872)</u>	<u>(720)</u>
Balance at September 30	<u>\$ 192,662</u>	<u>\$ 152,873</u>

12. INVENTORIES

	September 30, 2021	December 31, 2020	September 30, 2020
Merchandise	\$ 3,275,898	\$ 3,137,003	\$ 3,342,974
Maintenance parts	<u>27,568</u>	<u>29,137</u>	<u>29,490</u>
	<u>\$ 3,303,466</u>	<u>\$ 3,166,140</u>	<u>\$ 3,372,464</u>

The cost of goods sold for the three months and nine months ended September 30, 2021 and 2020 included inventory (reversal of) write-downs of \$(1,765) thousand, \$48,601 thousand, \$(3,691) thousand and \$135,608 thousand, respectively.

13. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Main Business	% of Ownership			Remark
			September 30, 2021	December 31, 2020	September 30, 2020	
The Corporation	Concord System Management Corporation (CSMC)	Design, assessment and planning of computer system and application software and data-processing system, sale and lease of computer hardware, peripheral equipment and spare parts, and repairs and maintenance services.	100.00	100.00	100.00	
The Corporation	Systex Capital Group, Inc. (SCGI)	Investment activities including financial trust and holding.	100.00	100.00	100.00	
The Corporation	Hanmore Investment Corporation (Hanmore)	General investment activities.	48.92	48.92	48.92	a
The Corporation	Systex Software & Service Corporation (SSSC)	Sale and development of computer software, data-processing services.	100.00	100.00	100.00	
The Corporation	Golden Bridge Corporation (GBC)	General investment activities.	100.00	100.00	100.00	
The Corporation	Taifon Computer Co., Ltd. (Taifon)	Design of computer hardware and software equipment system, computer room installation, and maintenance, sale, lease and consultation.	100.00	100.00	100.00	
The Corporation	Ching Pu Investment Corporation (Ching Pu)	General investment activities.	100.00	100.00	100.00	
The Corporation	Kimo.com (BVI) Corporation (Kimo BVI)	Investment activities including financial trust and holding.	100.00	100.00	100.00	
The Corporation, Ching Pu and GBC	Syspower Corporation (Syspower)	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software.	84.07	84.07	84.07	
The Corporation	Nexsys Corporation (Nexsys)	Manufacturing of wire communication equipment and apparatus, electronic parts and components, and computers and peripheral equipment, installation of computer, and wholesale and retailing of computer and business machinery equipment.	100.00	100.00	100.00	
The Corporation	Systex Solutions Corporation (Sytex Solutions)	Design, construction and sale of telecom instrument, electronic calculator and computer.	100.00	100.00	100.00	
The Corporation	Etu Corporation (Etu)	Software design and data processing, retailing and service of software.	84.19	84.19	84.19	b
The Corporation	Naturint Corporation (Naturint)	Installation, sale, information software, data processing and other consultation on computer software and related equipment, network certification and software publication.	100.00	100.00	100.00	
The Corporation	E-Service Information Corporation (E-Service)	Information software service, intellectual property rights, printing and data storage media manufacturing and copying	100.00	58.75	58.75	c
The Corporation	Taiwan Information Service (TIST)	Installation, sale, information software, data processing and other consultation on computer software and related equipment	67.38	62.87	-	d
GBC	SoftMobile Technology Corporation (SoftMobile)	Manufacturing of wire communication equipment and apparatus, electronic parts and components, and computers and peripheral equipment, installation of computer, and wholesale and retailing of computer and business machinery equipment.	100.00	100.00	100.00	
Ching Pu	Taiwan Electronic Data Processing Corporation (TEDP)	Design, installation, maintenance, lease and consultation on computer software and hardware equipment system, computer room engineering, network equipment system integration, and wholesale and retailing of medical appliances.	69.59	69.59	69.59	b
Syspower	Palsys Digital Technology Corporation (Palsys)	Sale of computer peripheral equipment and office machines, design of computer system and professional repairs services.	100.00	-	-	e
CSMC	Condong Co., Ltd. (Condong)	Installation, sale, information software, data processing and other consultation on computer software and related equipment	-	-	-	f
CSMC	Top Information Technologies Co., Ltd. (Top Information)	Sale of computer peripheral equipment and office machines, design of computer system and professional repairs services.	100.00	100.00	100.00	f

(Continued)

Investor	Investee	Main Business	% of Ownership			Remark
			September 30, 2021	December 31, 2020	September 30, 2020	
Kimo BVI	Sysware Singapore Pte. Ltd. (Sysware Singapore)	Computer system integration service and software.	-	-	-	g
Kimo BVI	System Information (H.K.) Limited (Systex HK)	Sale of computer and peripheral equipment, retailing and processing of information of software.	100.00	100.00	100.00	
Kimo BVI	Sysware Shenglong Information Systems Co., Ltd. (Sysware Shenglong)	Design of computer system, information processing service provider, retailing of computer and peripheral equipment.	100.00	100.00	100.00	
Kimo BVI	Ucom Information Ltd. (Shanghai) (Ucom Shanghai)	Service, wholesale and retailing of information software.	-	-	-	h
Kimo BVI	System Information (Shanghai) Ltd. (Systek)	Sale of computer and peripheral equipment, retailing and processing of information software.	100.00	100.00	100.00	h
Kimo BVI	Rainbow Tech Information (HK) Limited (RTHK)	Sale of computer and peripheral equipment, retailing and processing of information software.	49.00	100.00	100.00	i
Kimo BVI	Systex Solutions (HK) Limited (SSHK)	Investment activities including financial trust and holding.	100.00	100.00	100.00	
Kimo BVI and SCGI	Syscore Corporation (Syscore)	General investment activities.	100.00	100.00	100.00	
Syscore	Syslink Corporation (Syslink)	General Investment activities	100.00	100.00	100.00	
Syslink	Syswiser Technology Corporation (Syswiser)	Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software	100.00	100.00	100.00	
Syslink	Dawning Technology Inc. (Dawning)	Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software	74.43	46.67	41.67	j
Syslink and SSSC	Smartsys Technology Corporation (Smartsys)	Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software	100.00	100.00	100.00	
Systex HK	System Group (China) Ltd. (Systex China)	Management consultation, marketing and sale, and capital and operation financial management.	100.00	100.00	100.00	
Systek	System Rainbow Tech Inc. (Systex Rainbow)	Research, development, installation and wholesale of software and hardware technique and internet system.	100.00	100.00	100.00	
Systex China	System Ucom (Shanghai) Information Ltd. Co. (Systex Ucom)	Software design and data processing, retailing and service of software.	100.00	100.00	100.00	
Systex Rainbow and Systex Ucom	System Rainbow (Guangzhou) Tech Inc. (Rainbow Guangzhou)	Research, development, installation and wholesale of software and hardware technique and internet system.	100.00	100.00	100.00	

(Concluded)

- a. The Group holds a 48.92% interest in Hanmore. The directors of the Corporation considered that the Group has the practical ability to direct the relevant activities of Hanmore and, therefore, has control over Hanmore.
- b. Etu and TEDP have been under dissolution and liquidation processes since the approval of shareholders in the shareholders' meeting in December 2020.
- c. The Corporation acquired a 58.75% interest of E-service in January 2020 and included the accounts in the consolidated financial statements since the acquisition date. In addition, the Corporation purchased a 41.25% interest of E-service from non-controlling interests in February 2021 and increased its interest in E-service to 100%.
- d. The Corporation acquired a 62.87% interest of TIST in December 2020 and included the accounts in the consolidated financial statements since the acquisition date. In addition, the Corporation subscribed to new shares of TIST at a percentage different from its original ownership in January 2021 and increased its interest in TIST to 67.38%.
- e. Palsys was incorporated in January 2021.
- f. Condong was incorporated in May 2020. The board of directors of Condong approved to issue new shares in exchange of all Top Information's shares owned by the original shareholders at an agreed rate in June 2020. The effect of the proceeding transaction decreased CSMC's interest in Condong from 100% to 98.99%. After the completion of the proceeding transaction, CSMC acquired a 1.01% interest of Condong from non-controlling interests and Condong was merged into CSMC in September 2020. After the merger, CSMC has been the surviving company and Condong was the dissolved company.
- g. Sysware Singapore completed liquidation and dissolution in July 2020.

- h. The Corporation's board of directors approved the merger of Systek and Ucom Shanghai on March 22, 2018. The merger process was completed in January 2020. After the merger, Systek has been the surviving company and Ucom Shanghai was the dissolved company.
- i. The board of directors of RTIHK approved to issue new shares in August 2021. Kimo BVI subscribed to new shares of RTIHK at a percentage different from its original ownership and decreased its interest in RTIHK to 85%. Kimo BVI then disposed of a 36% interest in RTIHK and decreased its interest in RTIHK to 49%. The directors of the Corporation considered that the Group has the practical ability to direct the relevant activities of RTIHK and, therefore, has control over RTIHK.
- j. Syslink held a 46.67% interest in Dawning in December 2020. Syslink purchased a 27.76% interest of Dawning in January 2021 and increased its interest in Dawning to 74.43%; Dawning is included in the consolidated financial statements since the acquisition date.

All accounts of subsidiaries were included in the consolidated financial statements for the nine months ended September 30, 2021 and 2020.

The financial statements of subsidiaries included in the consolidated financial statements mentioned above were not reviewed except for those of the Corporation, SSSC, Ching Pu, SCGI, Kimo BVI and its subsidiaries (Dawning excluded) for the nine months ended September 30, 2021 and the Corporation, SSSC, SCGI, Kimo BVI and its subsidiaries for the nine months ended September 30, 2020. As of September 30, 2021 and 2020, combined total assets of these unreviewed subsidiaries were \$6,016,533 thousand and \$3,897,295 thousand, respectively, representing 22.70% and 18.57%, respectively, of the consolidated total assets, and combined total liabilities of these unreviewed subsidiaries were \$3,603,375 thousand and \$1,811,546 thousand, respectively, representing 28.20% and 23.69%, respectively, of the consolidated total liabilities. For the three months and nine months ended September 30, 2021 and 2020, the amounts of combined total comprehensive income of these unreviewed subsidiaries were \$194 thousand, \$26,852 thousand, \$128,261 thousand and \$116,289 thousand, respectively, representing 0.09%, 8.15%, 10.90% and 10.82%, respectively, of the consolidated total comprehensive income.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	September 30, 2021	December 31, 2020	September 30, 2020	
Associates that are not individually material	<u>\$ 1,614,496</u>	<u>\$ 655,557</u>	<u>\$ 608,963</u>	
Aggregate information of associates:				
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
The Group's share of:				
Net (loss) profit for the period	\$ (39,448)	\$ 10,862	\$ 34,832	\$ 33,219
Other comprehensive (loss) income for the period	<u>(30,313)</u>	<u>12,052</u>	<u>(29,999)</u>	<u>9,436</u>
Total comprehensive (loss) income for the period	<u>\$ (69,761)</u>	<u>\$ 22,914</u>	<u>\$ 4,833</u>	<u>\$ 42,655</u>

Investments accounted for using the equity method and the Group's share of profit or loss and other comprehensive income or loss were calculated based on the financial statements that have not been reviewed.

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Computer Equipment	Transportation Equipment	Lease Equipment	Leasehold Improvements	Other Equipment	Total
Cost								
Balance at January 1, 2020	\$ 812,812	\$ 1,433,654	\$ 219,207	\$ 12,754	\$ 50,387	\$ 67,456	\$ 75,680	\$ 2,671,950
Additions	-	-	45,283	-	2,628	9,539	16,626	74,076
Disposals	-	-	(25,563)	(486)	(3,758)	(13,333)	(5,008)	(48,148)
Acquisitions through business combinations	139,076	20,713	1,728	-	-	-	1,160	162,677
Reclassification	-	-	(993)	-	1,220	-	-	227
Effect of foreign currency exchange differences	-	(1,485)	(546)	(8)	(1,200)	(157)	(212)	(3,608)
Balance at September 30, 2020	<u>\$ 951,888</u>	<u>\$ 1,452,882</u>	<u>\$ 239,116</u>	<u>\$ 12,260</u>	<u>\$ 49,277</u>	<u>\$ 63,505</u>	<u>\$ 88,246</u>	<u>\$ 2,857,174</u>
Accumulated depreciation and impairment								
Balance at January 1, 2020	\$ 7,694	\$ 529,834	\$ 109,088	\$ 6,491	\$ 19,927	\$ 28,357	\$ 40,910	\$ 742,301
Depreciation expense	-	17,065	39,576	1,582	14,168	8,837	9,098	90,326
Disposals	-	-	(25,314)	(486)	(3,758)	(13,333)	(4,997)	(47,888)
Acquisitions through business combinations	-	1,880	906	-	-	-	629	3,415
Reclassification	-	-	(115)	-	402	-	-	287
Effect of foreign currency exchange differences	-	(349)	(424)	(2)	(817)	(65)	(167)	(1,824)
Balance at September 30, 2020	<u>\$ 7,694</u>	<u>\$ 548,430</u>	<u>\$ 123,717</u>	<u>\$ 7,585</u>	<u>\$ 29,922</u>	<u>\$ 23,796</u>	<u>\$ 45,473</u>	<u>\$ 786,617</u>
Carrying amount at January 1, 2020	<u>\$ 805,118</u>	<u>\$ 903,820</u>	<u>\$ 110,119</u>	<u>\$ 6,263</u>	<u>\$ 30,460</u>	<u>\$ 39,099</u>	<u>\$ 34,770</u>	<u>\$ 1,929,649</u>
Carrying amount at September 30, 2020	<u>\$ 944,194</u>	<u>\$ 904,452</u>	<u>\$ 115,399</u>	<u>\$ 4,675</u>	<u>\$ 19,355</u>	<u>\$ 39,709</u>	<u>\$ 42,773</u>	<u>\$ 2,070,557</u>
Cost								
Balance at January 1, 2021	\$ 955,504	\$ 1,460,338	\$ 255,084	\$ 14,555	\$ 49,045	\$ 63,503	\$ 85,667	\$ 2,883,696
Additions	-	-	55,392	462	2,362	29,073	16,567	103,856
Disposals	-	-	(38,810)	(5,338)	(1,303)	(1,859)	(1,405)	(48,715)
Acquisitions through business combinations	-	-	13,574	-	-	-	-	13,574
Reclassification	-	-	18	-	442	-	-	460
Effect of foreign currency exchange differences	-	(4,192)	(810)	(27)	(35)	(148)	(105)	(5,317)
Balance at September 30, 2021	<u>\$ 955,504</u>	<u>\$ 1,456,146</u>	<u>\$ 284,448</u>	<u>\$ 9,652</u>	<u>\$ 50,511</u>	<u>\$ 90,569</u>	<u>\$ 100,724</u>	<u>\$ 2,947,554</u>
Accumulated depreciation and impairment								
Balance at January 1, 2021	\$ 7,694	\$ 554,953	\$ 124,979	\$ 9,438	\$ 32,193	\$ 25,089	\$ 30,680	\$ 785,026
Depreciation expense	-	17,185	45,665	1,397	8,422	14,073	12,521	99,263
Disposals	-	-	(27,426)	(3,781)	(1,303)	(1,859)	(1,395)	(35,764)
Acquisitions through business combination	-	-	4,260	-	-	-	-	4,260
Reclassification	-	-	15	-	(15)	-	-	-
Effect of foreign currency exchange differences	-	(1,055)	(636)	(15)	(34)	(66)	(65)	(1,871)
Balance at September 30, 2021	<u>\$ 7,694</u>	<u>\$ 571,083</u>	<u>\$ 146,857</u>	<u>\$ 7,039</u>	<u>\$ 39,263</u>	<u>\$ 37,237</u>	<u>\$ 41,741</u>	<u>\$ 850,914</u>
Carrying amounts at January 1, 2021	<u>\$ 947,810</u>	<u>\$ 905,385</u>	<u>\$ 130,105</u>	<u>\$ 5,117</u>	<u>\$ 16,852</u>	<u>\$ 38,414</u>	<u>\$ 54,987</u>	<u>\$ 2,098,670</u>
Carrying amount at September 30, 2021	<u>\$ 947,810</u>	<u>\$ 885,063</u>	<u>\$ 137,591</u>	<u>\$ 2,613</u>	<u>\$ 11,248</u>	<u>\$ 53,332</u>	<u>\$ 58,983</u>	<u>\$ 2,096,640</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	19-60 years
Computer equipment and other equipment	3-7 years
Transportation equipment	5-6 years
Lease equipment	2-5 years
Leasehold improvements	2-5 years

As described in Note 13, TEDP, subsidiary of the Group, was dissolved in December 2020 by the resolution of the shareholders' meeting. Since TEDP intends to dispose of its land and buildings, those land and buildings were reclassified as non-current assets held for sale, and were presented separately in the Group's consolidated balance sheets. The proceeds from disposal were expected to exceed the carrying amount of the related net assets and, accordingly, no impairment losses was recognized in the Group's consolidated statements of comprehensive income.

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 30.

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2021	December 31, 2020	September 30, 2020	
<u>Carrying amounts</u>				
Buildings	\$ 240,954	\$ 174,159	\$ 183,826	
Machinery	57,961	85,198	94,702	
Transportation equipment	<u>2,009</u>	<u>432</u>	<u>-</u>	
	<u>\$ 300,924</u>	<u>\$ 259,789</u>	<u>\$ 278,528</u>	
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Additions to right-of-use assets	<u>\$ 37,768</u>	<u>\$ 19,488</u>	<u>\$ 133,075</u>	<u>\$ 64,301</u>
Depreciation charge for right-of-use assets				
Buildings	\$ 33,541	\$ 24,960	\$ 94,239	\$ 74,752
Machinery	8,537	10,098	27,526	30,767
Transportation equipment	<u>208</u>	<u>-</u>	<u>593</u>	<u>-</u>
	<u>\$ 42,286</u>	<u>\$ 35,058</u>	<u>\$ 122,358</u>	<u>\$ 105,519</u>

Except for the additions and depreciation expenses disclosed above, the right-of-use assets of the Group had no material sublease agreement or impairment for the nine months ended September 30, 2021 and 2020.

b. Lease liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Carrying amounts</u>			
Current	<u>\$ 138,651</u>	<u>\$ 127,513</u>	<u>\$ 131,429</u>
Non-current	<u>\$ 165,999</u>	<u>\$ 135,323</u>	<u>\$ 150,007</u>

Range of discount rate for lease liabilities was as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Buildings	1.00%-5.00%	1.00%-5.00%	1.25%-5.00%
Machinery	1.00%-1.25%	1.25%	1.25%
Transportation equipment	1.00%-1.25%	1.25%	-

c. Material leasing activities and terms

The Group leases buildings for the use of offices and machinery and transportation equipment for the use of operation with lease terms of 1 to 7 years. The Group does not have bargain purchase options to acquire the leasehold buildings and equipment at the end of the lease terms.

d. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Expenses relating to short-term leases and low-value asset leases	<u>\$ 13,311</u>	<u>\$ 18,547</u>	<u>\$ 41,563</u>	<u>\$ 53,369</u>
Total cash outflow for leases	<u>\$ 56,541</u>	<u>\$ 54,466</u>	<u>\$ 168,736</u>	<u>\$ 161,403</u>

The Group's leases of certain office equipment qualify as short-term leases and low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

The amounts of lease commitments for short-term leases for which the recognition exemption was applied were \$6,928 thousand and \$8,266 thousand, respectively, for the nine months ended September 30, 2021 and 2020.

17. BANK LOANS

a. Short-term loans

	September 30, 2021	December 31, 2020	September 30, 2020
Unsecured loans	\$ 1,779,400	\$ 404,800	\$ 765,650
Secured loans	<u>383,181</u>	<u>385,447</u>	<u>471,687</u>
	<u>\$ 2,162,581</u>	<u>\$ 790,247</u>	<u>\$ 1,237,337</u>
Annual interest rate			
Unsecured loans	0.86%-1.50%	1.05%-2.35%	0.88%-2.35%
Secured loans	4.00%-4.15%	1.65%-4.20%	1.85%-4.35%

Refer to Note 30 for the carrying amounts of property, plant and equipment - land and buildings and the Corporation's shares provided as collaterals for the above secured bank loans.

b. Long-term loans

	September 30, 2021	December 31, 2020	September 30, 2020
Secured loans	\$ 94,931	\$ 107,189	\$ 100,042
Less: Current portion	<u>(5,872)</u>	<u>(6,980)</u>	<u>(6,358)</u>
	<u>\$ 89,059</u>	<u>\$ 100,209</u>	<u>\$ 93,684</u>
Annual interest rate			
Secured loans	1.40%-1.68%	1.41%-1.47%	1.47%

Refer to Note 30 for the carrying amounts of property, plant and equipment - land and buildings provided as collaterals for the above secured bank loans.

18. BONDS PAYABLE

	September 30, 2021	December 31, 2020	September 30, 2020
Unsecured domestic bonds	\$ 3,000,000	\$ -	\$ -
Less: Discount on bonds payable	<u>(5,782)</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,994,218</u>	<u>\$ -</u>	<u>\$ -</u>

In September 2021, the Corporation issued 3,000 units (each unit at par value of \$1,000 thousand), 0.82% NTD-denominated unsecured bonds, in an aggregate principal amount of \$3,000,000 thousand. The five-year bonds will mature in September 2026. Interest is paid annually and the principal will be repaid in full on the maturity date. The funds raised by the issuance of bonds will be used to repay the bank loan and replenish the working capital.

19. RETIREMENT BENEFIT PLANS

For the three months and nine months ended September 30, 2021 and 2020, the pension expenses of defined benefit plans were \$542 thousand, \$911 thousand, \$1,632 thousand and \$2,790 thousand, respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2020 and 2019, respectively.

20. EQUITY

a. Share capital

	September 30, 2021	December 31, 2020	September 30, 2020
Number of shares authorized (in thousands)	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>
Share capital authorized	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
Number of shares issued (in thousands)	<u>269,393</u>	<u>269,393</u>	<u>269,393</u>
Share capital issued	<u>\$ 2,693,933</u>	<u>\$ 2,693,933</u>	<u>\$ 2,693,933</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

b. Capital surplus

	September 30, 2021	December 31, 2020	September 30, 2020
May be used to offset a deficit, distribute as cash dividends, or transfer to share capital (1)			
Issuance of shares	\$ 4,641,487	\$ 4,641,487	\$ 4,641,487
The difference between the consideration paid and the carrying amount of the subsidiaries' net assets during actual acquisition	1,869	39	39
Donations	544	544	544
Treasury share transactions	1,945,013	1,837,963	1,837,963
<u>May only be used to offset a deficit</u>			
Changes in percentage of ownership interest in subsidiaries (2)	6,259	8,576	8,576
Share of changes in associates accounted for using the equity method (2)	5,381	654	21,207
Gain on sale of property, plant and equipment	<u>4,493</u>	<u>4,493</u>	<u>4,493</u>
	<u>\$ 6,605,046</u>	<u>\$ 6,493,756</u>	<u>\$ 6,514,309</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in subsidiary resulted from equity transactions other than actual disposal on acquisition, or from changes in capital surplus of investees accounted for using the equity method.

c. Retained earnings and dividends policy

The shareholders of the Corporation held their regular meeting on June 18, 2020 and in that meeting, resolved the amendments to the Corporation's Articles of Incorporation (the "Articles"). Under the dividends policy as set forth in the amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders, except that the board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting.

Under the dividend policy as set forth in the Articles before the amendments, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends to shareholders.

For the policies on distribution of compensation of employees and remuneration of directors, please refer to Note 22 c. for details.

For the goal of sustainable operation and development, the Corporation considers the overall environment and the nature of industry growth along with the long-term financial planning, and applies the dividend policy for residual earnings. The Corporation evaluates the annual funding requirements according to its future capital budget and retains the required fund from the earnings, and distributes the residual earnings as follows:

- 1) Determine the optimal capital budget.
- 2) Determine the funding requirements to meet the optimal capital budget.
- 3) Determine the funding requirements to be met by unappropriated earnings (the remaining may be met through capital increase by cash or issuance of bonds).
- 4) The residual earnings, less an appropriate portion for the operation requirements, may be distributed to shareholders.

The Corporation's dividends may be distributed in cash or shares. The distribution of profits shall be made preferably by way of cash dividends. The distribution could also be made by way of stock dividends, which should not exceed 50% of the total distributed earnings in principle. In addition, dividend policy depends on criteria such as the Corporation's current and future investment environment, cash requirements, domestic and international competition, capital budget, etc. Further, the Corporation also takes into consideration shareholders' interests, balances of dividends and its long-term financial goals. Annually, the board of directors prepares a proposal on earnings appropriation for approval at the shareholders' meeting.

For the distribution of dividends, if the distribution is in cash, the board of directors shall be authorized to resolve the proposal by the vote of at least half of the directors present, provided the number of directors present shall be at least two-thirds of the entire board of directors, and report the distribution to the shareholders' meeting. The Corporation may distribute all or part of the reserve in accordance with laws or the regulations of the competent authority. If it is distributed in cash, the Company authorizes the board of directors to make resolutions in accordance with Article 241 of the Company Act and report to the shareholders' meeting.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under the local regulations, an amount equals to the net debit balance of total other equity items shall be appropriated as a special reserve. The special reserve may be reversed to the extent of the decrease in the net debit balance.

If the Corporation's shares are held by its subsidiaries at the end of the year and the market value of the shares held are lower than their carrying amounts, the Corporation should appropriate a special reserve equal to the difference between the carrying amounts and market value multiplied by its percentages of ownership in the subsidiaries. The special reserve can be reversed in proportion to the percentages of ownership in the subsidiaries when the market value of the shares increased.

The appropriations of earnings for 2020 and 2019 that had been resolved by the shareholders in their meetings on August 27, 2021 and June 18, 2020, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Legal reserve	\$ 156,616	\$ 180,803	\$ -	\$ -
Special reserve	189,245	195,624	-	-
Cash dividends	1,346,967	1,346,967	5.0	5.0

Information about the appropriations of earnings and distribution of capital surplus are available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity items

1) Exchange differences on translation of foreign operations

	For the Nine Months Ended	
	2021	2020
Balance at January 1	\$ (581,485)	\$ (435,908)
Exchange differences arising on translation of the net asset of foreign operations	(93,045)	(102,540)
Share of associates accounted for using the equity method	<u>(936)</u>	<u>(409)</u>
Balance at September 30	<u>\$ (675,466)</u>	<u>\$ (538,857)</u>

2) Unrealized (loss) gain on financial assets at FVTOCI

	For the Nine Months Ended	
	2021	2020
Balance at January 1	\$ (187,226)	\$ (143,558)
Recognized for the period		
Unrealized gain (loss) on equity investments	226,028	(160,535)
Share of associates accounted for using the equity method	(29,063)	9,845
Unrealized loss of associates accounted for using the equity method due to disposal	-	(8,255)
Cumulative unrealized (loss) gain of equity instruments transferred to retained earnings due to disposal	<u>(21,124)</u>	<u>63,789</u>
Balance at September 30	<u>\$ (11,385)</u>	<u>\$ (238,714)</u>

e. Treasury shares (in thousands)

Purpose of Treasury Share	Number of Shares at January 1	Increase During the Period	Decrease During the Period	Number of Shares at September 30
<u>2021</u>				
Reclassification of the Corporation's shares held by subsidiaries from equity-method investments into treasury shares	<u>21,410</u>	<u>-</u>	<u>-</u>	<u>21,410</u>
<u>2020</u>				
Reclassification of the Corporation's shares held by subsidiaries from equity-method investments into treasury shares	<u>21,410</u>	<u>-</u>	<u>-</u>	<u>21,410</u>

The Corporation's shares held by subsidiaries at end of reporting period were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Hanmore</u>			
Share (in thousands)	<u>21,317</u>	<u>21,317</u>	<u>21,317</u>
Investments cost	<u>\$ 755,480</u>	<u>\$ 755,480</u>	<u>\$ 755,480</u>
Market value	<u>\$ 1,865,209</u>	<u>\$ 1,869,473</u>	<u>\$ 1,754,363</u>
<u>Ching Pu</u>			
Share (in thousands)	<u>10,982</u>	<u>10,982</u>	<u>10,982</u>
Investments cost	<u>\$ 246,093</u>	<u>\$ 246,093</u>	<u>\$ 246,093</u>
Market value	<u>\$ 960,879</u>	<u>\$ 963,075</u>	<u>\$ 903,775</u>

For the Corporation's shares held by Hanmore, the investment cost at 48.92% (the ownership percentage owned by the Corporation) was transferred from investment accounted for using the equity method to treasury shares, amounting to \$515,618 thousand (10,428 thousand shares) as of September 30, 2021, December 31, 2020 and September 30, 2020. The remaining was treated as recoveries from Hanmore's non-controlling interests, accounted for deduction to non-controlling interests in balance sheets.

The Corporation's shares held by its subsidiaries are recorded as treasury shares, with the subsidiaries having the same rights as other common shareholders on these shares, except that the subsidiaries which are owned by the parent company for over 50% will not have the right to participate in any share issuance for cash or to vote.

f. Non-controlling interests

	For the Nine Months Ended September 30	
	2021	2020
Balance at January 1	\$ 140,324	\$ 89,490
Attributable to non-controlling interests:		
Share of profit for the period	4,592	2,485
Exchange differences on translating the financial statements of foreign entities	(1,177)	-
Non-controlling interests arising from acquisition of subsidiaries (Note 25)	104,511	25,626
Equity transactions with non-controlling interests (Note 26)	35,015	(2,055)
Cash dividends received from subsidiaries	(53,106)	(54,756)
Non-controlling interests arising from cash dividends received by subsidiary (Hanmore) from the Corporation	54,441	54,441
Changes in percentage of ownership interests in subsidiaries	2,318	-
Adjustments relating to changes in capital surplus of associates accounted for using the equity method	<u>1,191</u>	<u>-</u>
Balance at September 30	<u>\$ 288,109</u>	<u>\$ 115,231</u>

21. REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Revenue from contracts with customers				
Revenue from the sale of goods	\$ 6,175,013	\$ 4,185,045	\$ 17,072,477	\$ 12,776,323
Revenue from the rendering of services	1,591,334	1,370,137	4,829,548	4,370,617
Other operating revenue	<u>15,413</u>	<u>13,478</u>	<u>49,769</u>	<u>45,659</u>
	<u>\$ 7,781,760</u>	<u>\$ 5,568,660</u>	<u>\$ 21,951,794</u>	<u>\$ 17,192,599</u>

Contract Balances

	September 30, 2021	December 31, 2020	September 30, 2020
Notes and accounts receivable	<u>\$ 5,102,452</u>	<u>\$ 3,795,071</u>	<u>\$ 4,019,465</u>
Contract liabilities	<u>\$ 1,453,830</u>	<u>\$ 1,476,379</u>	<u>\$ 1,183,897</u>

Please refer to Note 11 for information about notes and accounts receivable. The changes in the balance of contract liabilities primarily result from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment.

22. NET PROFIT

a. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Property, plant and equipment	\$ 33,514	\$ 28,341	\$ 99,263	\$ 90,326
Right-of-use assets	42,286	35,058	122,358	105,519
Intangible assets	<u>12,640</u>	<u>7,948</u>	<u>36,446</u>	<u>21,455</u>
	<u>\$ 88,440</u>	<u>\$ 71,347</u>	<u>\$ 258,067</u>	<u>\$ 217,300</u>
An analysis of depreciation by function				
Operating costs	\$ 21,739	\$ 23,292	\$ 67,487	\$ 76,152
Operating expenses	<u>54,061</u>	<u>40,107</u>	<u>154,134</u>	<u>119,693</u>
	<u>\$ 75,800</u>	<u>\$ 63,399</u>	<u>\$ 221,621</u>	<u>\$ 195,845</u>
An analysis of amortization by function				
Operating costs	\$ 236	\$ 262	\$ 714	\$ 665
Operating expenses	<u>12,404</u>	<u>7,686</u>	<u>35,732</u>	<u>20,790</u>
	<u>\$ 12,640</u>	<u>\$ 7,948</u>	<u>\$ 36,446</u>	<u>\$ 21,455</u>

b. Employee benefits expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Post-employment benefits				
Defined contribution plans	\$ 49,477	\$ 36,339	\$ 144,550	\$ 110,049
Defined benefits plans (Note 19)	<u>542</u>	<u>911</u>	<u>1,632</u>	<u>2,790</u>
	50,019	37,250	146,182	112,839
Payroll	917,974	864,130	2,716,265	2,468,663
Labor and health insurance	76,892	64,470	236,917	194,823
Other employee benefits	<u>36,249</u>	<u>15,334</u>	<u>116,816</u>	<u>84,918</u>
	<u>\$ 1,081,134</u>	<u>\$ 981,184</u>	<u>\$ 3,216,180</u>	<u>\$ 2,861,243</u>
An analysis of employee benefits expenses by function				
Operating costs	\$ 47,377	\$ 36,169	\$ 144,927	\$ 94,451
Operating expenses	<u>1,033,757</u>	<u>945,015</u>	<u>3,071,253</u>	<u>2,766,792</u>
	<u>\$ 1,081,134</u>	<u>\$ 981,184</u>	<u>\$ 3,216,180</u>	<u>\$ 2,861,243</u>

As of September 30, 2021 and 2020, the Group had 4,109 and 3,728 employees, respectively.

c. Compensation of employees and remuneration of directors

The Corporation accrued compensation of employees and remuneration of directors at the rates no less than 0.1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees and remuneration of directors. The estimated amount of compensation of employees and remuneration of directors for the three months and nine months ended September 30, 2021 and 2020 were as follows:

	For the Three Months Ended		For the Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
	Cash	Cash	Cash	Cash
Compensation of employees	\$ 7,264	\$ 15,813	\$ 34,522	\$ 42,505
Remuneration of directors	4,843	10,542	23,015	28,337

The compensation of employees and remuneration of directors for the years ended December 31, 2020 and 2019 which have been approved by the Corporation's board of directors on February 24, 2021 and March 19, 2020, respectively, were as follows:

	For the Year Ended December 31	
	2020	2019
	Cash	Cash
Compensation of employees	\$ 53,241	\$ 58,883
Remuneration of directors	35,494	39,255

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Gain on sale of investments, net

	For the Three Months Ended		For the Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Disposal of financial assets at FVTPL	\$ 798	\$ 7,911	\$ 13,985	\$ 102,115
Disposal of investments accounted for using the equity method	<u>-</u>	<u>146,550</u>	<u>-</u>	<u>146,550</u>
	<u>\$ 798</u>	<u>\$ 154,461</u>	<u>\$ 13,985</u>	<u>\$ 248,665</u>

23. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expenses are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Current tax				
In respect of the current period	\$ 62,538	\$ 29,006	\$ 199,203	\$ 127,040
Additional income tax on unappropriated earnings	(3,681)	-	593	6,271
Additional income tax under the Alternative Minimum Tax Act	-	2,666	-	15,352
Enterprise income tax on securities	-	26,606	19,201	77,937
Adjustments for prior years' tax	<u>1,195</u>	<u>-</u>	<u>4,541</u>	<u>(2,219)</u>
	60,052	58,278	223,538	224,381
Deferred tax				
In respect of the current period	(120)	(22,928)	(18,159)	(71,843)
Adjustments for prior years' tax	<u>39</u>	<u>-</u>	<u>(8,320)</u>	<u>(5,761)</u>
Income tax expense recognized in profit or loss	<u>\$ 59,971</u>	<u>\$ 35,350</u>	<u>\$ 197,059</u>	<u>\$ 146,777</u>

The applicable tax rate used by subsidiaries in China is 25%. SCGI and KIMO are exempt from income tax under their local government regulations. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

In addition, in accordance with Rule No. 10904558730 issued by the Ministry of Finance of Taiwan, the Group has deducted the amount of dividends distributed in 2020 attributable to the increase in the beginning retained earnings for 2018 as a result of initial adoption of IFRS 9 when calculating the tax on unappropriated earnings for 2018.

b. Income tax assessments

Income tax returns through 2018 and undistributed earnings through 2017 of the Corporation, Ching Pu, Syspower, Syscore and Dawning; income tax returns through 2019 and undistributed earnings through 2018 of SSSC, Taifon, Nexsys, Hanmore, Soft Mobile, CSMC, Systex Solution, Top Information, GBC, Naturint, E-service, TIST, Syswiser, Syslink and Smartsys; income tax returns through 2020 and undistributed earnings through 2019 of TEDP and Etu have been assessed by the tax authorities.

24. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
<u>Net income for the period</u>				
Net income for the period attributable to owners of the Corporation	<u>\$ 230,487</u>	<u>\$ 504,487</u>	<u>\$ 1,070,589</u>	<u>\$ 1,326,012</u>
<u>Number of shares (in thousands)</u>				
Weighted average number of ordinary shares in the computation of basic earnings per share	247,983	247,983	247,983	247,983
Effect of potentially dilutive ordinary shares:				
Compensation of employees	<u>395</u>	<u>516</u>	<u>519</u>	<u>754</u>
Weighted average number of ordinary shares in the computation of diluted earnings per share	<u>248,378</u>	<u>248,499</u>	<u>248,502</u>	<u>248,737</u>
<u>Earnings per share (NT\$)</u>				
Basic earnings per share	<u>\$0.93</u>	<u>\$2.03</u>	<u>\$4.32</u>	<u>\$5.35</u>
Diluted earnings per share	<u>\$0.93</u>	<u>\$2.03</u>	<u>\$4.31</u>	<u>\$5.33</u>

If the Corporation can settle bonus to employees in cash or shares, the Corporation should assume the entire amount of the bonus will be settled in shares and the resulting potential shares, if dilutive, should be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The pro-forma net income and earnings per share, assuming the Corporation's share held by subsidiaries were treated as investment instead of treasury shares, were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
<u>Net income for the period</u>				
Net income for the period attributable to owners of the Corporation	<u>\$ 337,536</u>	<u>\$ 611,536</u>	<u>\$ 1,177,638</u>	<u>\$ 1,433,061</u>
<u>Number of shares (in thousands)</u>				
Weighted average number of ordinary shares in the computation of pro forma basic earnings per shares	269,393	269,393	269,393	269,393
Effect of potentially dilutive ordinary shares:				
Compensation of employees	<u>395</u>	<u>516</u>	<u>519</u>	<u>754</u>
Weighted average number of ordinary shares in the computation of pro forma diluted earnings per shares	<u>269,788</u>	<u>269,909</u>	<u>269,912</u>	<u>270,147</u>
<u>Earnings per share (NT\$)</u>				
Basic earnings per share	<u>\$1.25</u>	<u>\$2.27</u>	<u>\$4.37</u>	<u>\$5.32</u>
Diluted earnings per share	<u>\$1.25</u>	<u>\$2.27</u>	<u>\$4.36</u>	<u>\$5.30</u>

25. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)
E-Service	Information software service, intellectual property rights, printing and data storage media manufacturing and copying	January 2020	58.75
TIST	Installation, sale, information software, data processing and other consultation on computer software and related equipment	December 2020	62.87
Dawning	Computer system integration service and computer software industry	January 2021	74.43

E-Service, TIST and Dawning were acquired in 2021 and 2020 in order to continue the expansion of the Group's operations.

b. Consideration transferred

	E-Service	TIST	Dawning
Cash	\$ <u>44,700</u>	\$ <u>74,965</u>	\$ <u>166,594</u>

c. Assets acquired and liabilities assumed at the date of acquisition

	E-Service	TIST	Dawning
Current assets			
Cash and cash equivalents	\$ 44,757	\$ 15,735	\$ 107,704
Accounts receivable	20,448	42,553	430,469
Other receivables	1,622	35	-
Inventories	-	-	177,319
Prepayments	135	456	-
Other current assets	746	64	7,319
Non-current assets			
Property, plant and equipment	159,262	24,630	9,314
Right-of-use assets	-	-	46,750
Other intangible assets	8,202	34,272	44,403
Refundable deposits	6,099	9,282	-
Deferred tax assets	-	-	8,683
Other non-current assets	-	-	3,044
Current liabilities			
Short-term loans	45,630	7,500	43,022
Financial liabilities at FVTPL	-	-	330
Contract liabilities	-	-	3,050
Notes and accounts payable	7,103	2,755	239,643
Other payables	9,486	13,805	52,354
Lease liabilities - current	-	-	14,697
Advance receipts	-	-	6,907
Other current liabilities	1,286	1,814	582
Non-current liabilities			
Long-term borrowings	104,720	8,728	-
Lease liabilities - non-current	-	-	21,120
Guarantee deposits	300	76	-
Other non-current liabilities	<u>2,420</u>	<u>9,402</u>	<u>133</u>
	<u>\$ 70,326</u>	<u>\$ 82,947</u>	<u>\$ 453,167</u>

d. Goodwill recognized on acquisitions

	E-Service	TIST	Dawning
Consideration transferred	\$ 44,700	\$ 74,965	\$ 166,594
Add: Fair value of the interest originally held by the Group at the date of acquisition	-	-	208,064
Add: Non-controlling interests	25,626	18,074	104,511
Less: Fair value of identifiable net assets acquired	<u>(70,326)</u>	<u>(82,947)</u>	<u>(453,167)</u>
Goodwill recognized on acquisitions	<u>\$ -</u>	<u>\$ 10,092</u>	<u>\$ 26,002</u>

e. Net cash inflow (outflow) on the acquisition of subsidiaries

	E-Service	TIST	Dawning
Cash and cash equivalent acquired	\$ 44,757	\$ 15,735	\$ 107,704
Less: Consideration paid in cash	<u>44,700</u>	<u>74,965</u>	<u>166,594</u>
	<u>\$ 57</u>	<u>\$ (59,230)</u>	<u>\$ (58,890)</u>

f. Impact of acquisitions on the results of the Group

As of the date the consolidated financial statements were authorized for issue, the financial results of the acquirees since the acquisition dates have no significant impact on the results of the Group.

26. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

- a. As described in Note 13f, the Group acquired a 1.01% interest in Conding from the non-controlling shareholders in the third quarter of 2020.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over the subsidiary.

	Amount
Consideration paid in cash	\$ (2,016)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>2,055</u>
Differences recognized from equity transaction (recognized as capital surplus)	<u>\$ 39</u>

- b. In February 2021, the Group purchased shares of E-Service from the non-controlling shareholders and increased its interest in E-Service from 58.75% to 100.00%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over the subsidiary.

	Amount
Consideration paid in cash	\$ (44,800)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>30,102</u>
Differences recognized from equity transaction	(14,698)
Carrying amount of capital surplus deducted	<u>39</u>
Adjustment to retained earnings	<u>\$ (14,659)</u>

- c. As described in Note 13i, the Group subscribed to new shares issued by RTIHK at a percentage different from its original ownership in August 2021 and decreased its interest in RTIHK from 100% to 85%; therefore, the Group recognized a \$378 thousand increase in capital surplus-changes in percentage of ownership interest in subsidiaries.

The Group then disposed of a 36% interest in RTIHK and decreased its interest in RTIHK from 85% to 49%. The above transactions were accounted for as equity transactions, since the Group did not cease to have control over the subsidiary.

	Amount
Consideration received in cash	\$ 46,449
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>(44,579)</u>
Differences recognized from equity transaction (recognized as capital surplus)	<u>\$ 1,870</u>

27. CAPITAL MANAGEMENT

The capital structure of the Group consists of debt and equity of the Group (comprising issued capital, legal reserve, retained earnings and other equity).

Key management personnel of the Corporation review the capital structure on a periodic basis. As part of this review, the Corporation considers the cost of capital and the risks associated with each class of capital. In order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

September 30, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Listed shares	\$ 179,557	\$ -	\$ -	\$ 179,557
Unlisted shares	-	-	1,569,356	1,569,356
Unlisted preferred shares	-	-	92,744	92,744
Mutual funds	4,409,535	-	-	4,409,535
Others	<u>-</u>	<u>-</u>	<u>102,436</u>	<u>102,436</u>
	<u>\$ 4,589,092</u>	<u>\$ -</u>	<u>\$ 1,764,536</u>	<u>\$ 6,353,628</u>
Financial assets at FVTOCI				
Unlisted shares	\$ -	\$ -	\$ 267,275	\$ 267,275
Unlisted preferred shares	<u>-</u>	<u>-</u>	<u>10,026</u>	<u>10,026</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 277,301</u>	<u>\$ 277,301</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Listed shares	\$ 138,474	\$ -	\$ -	\$ 138,474
Unlisted shares	-	-	1,448,432	1,448,432
Unlisted preferred shares	-	-	93,977	93,977
Mutual funds	3,104,918	-	-	3,104,918
Others	<u>-</u>	<u>-</u>	<u>32,979</u>	<u>32,979</u>
	<u>\$ 3,243,392</u>	<u>\$ -</u>	<u>\$ 1,575,388</u>	<u>\$ 4,818,780</u>
Financial assets at FVTOCI				
Listed shares	\$ 512,962	\$ -	\$ -	\$ 512,962
Unlisted shares	<u>-</u>	<u>-</u>	<u>169,565</u>	<u>169,565</u>
	<u>\$ 512,962</u>	<u>\$ -</u>	<u>\$ 169,565</u>	<u>\$ 682,527</u>

September 30, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Listed shares	\$ 118,311	\$ -	\$ -	\$ 118,311
Unlisted shares	-	-	1,463,152	1,463,152
Unlisted preferred shares	-	-	94,571	94,571
Mutual funds	2,399,546	-	-	2,399,546
Others	<u>-</u>	<u>-</u>	<u>33,289</u>	<u>33,289</u>
	<u>\$ 2,517,857</u>	<u>\$ -</u>	<u>\$ 1,591,012</u>	<u>\$ 4,108,869</u>
Financial assets at FVTOCI				
Listed shares	\$ 760,643	\$ -	\$ -	\$ 760,643
Unlisted shares	<u>-</u>	<u>-</u>	<u>154,365</u>	<u>154,365</u>
	<u>\$ 760,643</u>	<u>\$ -</u>	<u>\$ 154,365</u>	<u>\$ 915,008</u>

There were no transfers between Levels 1 and 2 for the nine months ended September 30, 2021 and 2020.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the nine months ended September 30, 2021

Financial Assets	Financial Assets at FVTPL	Financial Assets at FVTOCI	Total
	Equity Instruments	Equity Instruments	
Balance at January 1	\$ 1,575,388	\$ 169,565	\$ 1,744,953
Recognized in profit or loss	122,290	-	122,290
Recognized in other comprehensive income (loss)	-	86,831	86,831
Purchases	71,134	25,104	96,238
Disposals and others	(3,842)	-	(3,842)
Net exchange differences	<u>(434)</u>	<u>(4,199)</u>	<u>(4,633)</u>
Balance at September 30	<u>\$ 1,764,536</u>	<u>\$ 277,301</u>	<u>\$ 2,041,837</u>
Unrealized gain (loss) for the current period recognized in profit or loss relating to assets held at the end of the period	<u>\$ 122,290</u>		<u>\$ 122,290</u>

For the nine months ended September 30, 2020

Financial Assets	Financial Assets at FVTPL	Financial Assets at FVTOCI	Total
	Equity Instruments	Equity Instruments	
Balance at January 1	\$ 1,498,961	\$ 113,272	\$ 1,612,233
Recognized in profit or loss	304,234	-	304,234
Recognized in other comprehensive income (loss)	-	149	149
Purchases	10,000	44,871	54,871
Disposals and others	(222,183)	-	(222,183)
Net exchange differences	<u>-</u>	<u>(3,927)</u>	<u>(3,927)</u>
Balance at September 30	<u>\$ 1,591,012</u>	<u>\$ 154,365</u>	<u>\$ 1,745,377</u>
Unrealized gain (loss) for the current period recognized in profit or loss relating to assets held at the end of the period	<u>\$ 227,041</u>		<u>\$ 227,041</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Taiwan Futures Exchange	The market approach is used to arrive at their fair values for which the recent financial activities of investees, the market transaction prices of the similar companies and market conditions are considered. Significant unobservable inputs are discounted considering marketability.
Unlisted stock and others	The assets approach is used to the individual assets and individual liabilities to reflect the overall value of the investment target. Significant unobservable inputs are discounted considering marketability.

c. Categories of financial instruments

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 6,353,628	\$ 4,818,780	\$ 4,108,869
Financial assets at amortized cost (1)	10,461,633	8,821,253	8,195,685
Financial assets at FVTOCI	277,301	682,527	915,008
<u>Financial liabilities</u>			
Amortized cost (2)	10,305,453	5,970,654	5,488,748

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, refundable deposits, other receivables, lease receivables - current (included in other current assets), long-term receivables, other financial assets, lease receivables - non-current (included in other non-current assets) and debt investment (included in financial assets at amortized cost - non-current).

2) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, notes and accounts payable, accounts payable to related parties, other payables, guarantee deposits received (included in other non-current liabilities), bonds payable, current portion of long-term borrowings and long-term borrowings.

d. Financial risk management objectives and policies

The Group's main target of financial risk management is to manage the market risk related to operating activity (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. To reduce the potential and detrimental influence of the fluctuations in market on the Group's financial performance, the Group endeavors to identify, estimate and hedge the uncertainties of the market.

The Group's significant financial activity is reviewed and approved by the board of directors and audit committee in compliance with related regulations and internal control policy, and the authority and responsibility are delegated according to the operating procedures.

1) Market risk

a) Foreign currency risk

The Group has foreign currency sales, purchases and borrowings, which were exposed to foreign currency risk. The Group designated a department to monitor exchange rate fluctuations in timely manner and change foreign currency position to control and mitigate such risks as soon as possible.

The sensitivity analysis focused on outstanding foreign currency denominated monetary assets and monetary liabilities (mainly USD and RMB) at the end of the reporting period. A positive number below indicates an increase/decrease in pre-tax net income associated with New Taiwan dollars strengthening/weakening 5% against the relevant currency.

	For the Nine Months Ended September 30	
	2021	2020
Increase/decrease	\$ 106,937	\$ 76,436

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	September 30, 2021	December 31, 2020	September 30, 2020
Fair value interest rate risk			
Financial assets	\$ 842,059	\$ 1,032,035	\$ 1,015,157
Financial liabilities	5,461,449	1,053,083	1,237,337
Cash flow interest rate risk			
Financial assets	3,833,746	3,386,117	2,574,727
Financial liabilities	94,931	107,189	100,042

The Group acquires better interest rate through long-term cooperation with banks; therefore, the effect of interest rate fluctuations is immaterial.

The sensitivity analyses below were determined based on financial assets and financial liabilities with floating interest rates at the end of reporting period. If interest rates had been 10 basis points (0.1%) higher/lower, the Group's pre-tax net income effect would have been as follows:

	For the Nine Months Ended September 30	
	2021	2020
Increase/decrease	\$ 2,804	\$ 1,856

c) Other price risk

The Group was exposed to price risk through its investments in listed shares, corporate bonds and mutual funds. The Group established a real-time control system for the price risk, and management does not anticipate any material loss due to this risk.

The sensitivity analyses of the above investment were determined based on financial assets which were measured at fair value at the end of reporting period. If market prices had been 5% higher/lower, the effects on the Group's pre-tax net income and other comprehensive income would have been as follows:

	For the Nine Months Ended September 30	
	2021	2020
Pre-tax net income		
Increase/decrease	\$ 317,681	\$ 205,443
Other comprehensive income		
Increase/decrease	13,865	45,750

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Group if the counterparties breached contracts. Generally, the maximum exposures to credit risk for financial assets at the balance sheet date are their carrying amounts.

Since the counterparties are creditworthy financial institutions and enterprises and the concentration of credit risk is not significant, the credit risk is anticipated to be immaterial.

3) Liquidity risk

The Group puts in place inventory management system, procedures for collections and payments, and develops cash flow forecast to ensure the liquidity of operating capital. In addition, the Group invests idle funds in short-term investments under consideration of liquidity, security and profitability. The Group also maintains banking facilities to ensure the liquidity of cash.

The Group has sufficient working capital to meet the cash needs for their operations. Thus, no material liquidity risk is anticipated.

In addition, the Group's investments in mutual funds and listed shares are traded in active markets and can readily be sold in the market at their approximate fair values. However, the Group also invested in unlisted stocks, subordinate debenture bonds and convertible bonds with significant liquidity risks because these assets do not have quoted market prices in an active market.

29. TRANSACTIONS WITH RELATED PARTIES

Balances, transactions, revenue and expense between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related parties and their relationship with the Group

<u>Related Parties</u>	<u>Relationship with the Group</u>
Systemweb Technologies Co., Ltd.	Associate
Sanfran Technologies Inc.	Associate
Investment Media Ltd.	Associate
Mohist Web Technology Co., Ltd.	Associate
FinRobo Advisor Securities Investment Consulting Co., Ltd.	Associate

(Continued)

<u>Related Parties</u>	<u>Relationship with the Group</u>
Shengsen Cloud Technology	Associate
Frog-jump Information Co., Ltd.	Associate
Dawning Technology Inc.	Associate (1)
Neweb Information Co., Ltd.	Associate
Retail System Co., Ltd.	Associate
Gensys Technology International. Ltd.	Associate
Fuco Technology Co., Ltd.	Associate
AIWin Technology Co., Ltd.	Associate
Genesis Technology Inc.	Associate
Bao Ruh Electronic Co., Ltd.	Associate
CKmates International Co., Ltd.	Associate
Asiavest Capital Co., Ltd.	Other related parties
Ms. Luo	Director of subsidiary (2)
Mr. Hsieh	Director of subsidiary

(Concluded)

Note 1: Dawning Technology Inc. has become a subsidiary to the Group since January 2021.

Note 2: Ms. Luo was no longer a related party to the Group since February 2021.

b. Operating revenue

Line Items	Related Party Categories	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
		2021	2020	2021	2020
Sales	Associates	<u>\$ 28,902</u>	<u>\$ 37,090</u>	<u>\$ 99,300</u>	<u>\$ 43,733</u>
Service revenue	Associates	<u>\$ 2,207</u>	<u>\$ 2,608</u>	<u>\$ 4,862</u>	<u>\$ 6,283</u>
Other operating revenue	Associates	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 91</u>	<u>\$ 1</u>

c. Purchases of goods

Related Party Categories	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2021	2020	2021	2020
Associates	<u>\$ 9,980</u>	<u>\$ 67,941</u>	<u>\$ 35,894</u>	<u>\$ 138,021</u>

d. Receivables from related parties

Line Items	Related Party Categories	September 30, 2021	December 31, 2020	September 30, 2020
Accounts receivable	Associates	<u>\$ 65,708</u>	<u>\$ 26,824</u>	<u>\$ 39,700</u>

e. Payables to related parties

Line Items	Related Party Categories	September 30, 2021	December 31, 2020	September 30, 2020
Accounts payable	Associates	<u>\$ 18,017</u>	<u>\$ 85,374</u>	<u>\$ 66,479</u>
Other payables	Director of subsidiary	<u>\$ 9,402</u>	<u>\$ 11,822</u>	<u>\$ 2,420</u>

The product/service sales and purchase transactions with related parties were conducted under pricing terms similar to those with third parties, i.e., for purchases or sales of similar products/services, except those transactions on products/services with special specifications. Settlement terms for related-party transactions were similar to those for third parties.

f. Disposal of property, plant and equipment

Line Items	Disposal Consideration		Gain (Loss) on Disposal	
	September 30		September 30	
	2021	2020	2021	2020
Other related parties	<u>\$ 1,619</u>	<u>\$ -</u>	<u>\$ 62</u>	<u>\$ -</u>

g. Other transactions with related parties

Line Items	Related Party Categories	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2021	2020	2021	2020
Service cost	Associates	<u>\$ 5,386</u>	<u>\$ 6,184</u>	<u>\$ 16,120</u>	<u>\$ 16,631</u>
Operating expenses	Associates	<u>\$ 592</u>	<u>\$ 501</u>	<u>\$ 853</u>	<u>\$ 1,222</u>
Rent revenue (recognized as other income, net)	Associates	<u>\$ 56</u>	<u>\$ 56</u>	<u>\$ 167</u>	<u>\$ 167</u>

h. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Short-term employee benefits	<u>\$ 24,719</u>	<u>\$ 23,830</u>	<u>\$ 88,451</u>	<u>\$ 79,264</u>
Post-employment benefits	<u>1,006</u>	<u>987</u>	<u>3,223</u>	<u>3,263</u>
	<u>\$ 25,725</u>	<u>\$ 24,817</u>	<u>\$ 91,674</u>	<u>\$ 82,527</u>

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

30. PLEDGED ASSETS

The following assets were pledged as the Group's collateral for bank loans, contract guarantees and import duty guarantee, and etc.:

	September 30, 2021	December 31, 2020	September 30, 2020
Property, plant and equipment - land and buildings, net	\$ 346,312	\$ 375,332	\$ 351,328
Pledged time deposits - current (included in other financial assets - current)	203,389	187,493	255,717
Pledged time deposits - non-current (included in other financial assets - non-current)	138,670	141,083	52,022
The shares of the Corporation (Note)	<u>437,500</u>	<u>438,500</u>	<u>411,500</u>
	<u>\$ 1,125,871</u>	<u>\$ 1,142,408</u>	<u>\$ 1,070,567</u>

Note: Hanmore pledged 5,000 thousand shares of the Corporation as of September 30, 2021, December 31, 2020 and September 30, 2020, and it was eliminated on consolidation.

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of September 30, 2021, December 31, 2020 and September 30, 2020 were as follows:

a. Unused letters of credit of the Group in aggregate amount were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
	<u>\$ 678</u>	<u>\$ 707</u>	<u>\$ 703</u>

b. Outstanding sales contracts of the Group in the amount were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
	<u>\$ 14,434,315</u>	<u>\$ 10,154,802</u>	<u>\$ 11,165,259</u>

c. The Group provided endorsements for others in Table 2.

d. The Group issues gift certificates and gift cards. For the handling of advance receipts from customers for sold gift certificates and gift cards, the Group entered into a trust agreement with E.SUN Commercial Bank according to the "Provision to be Included in Standard Form Contract of All Sorts of Gift Certificates of Retail Companies" issued by the Ministry of Economic Affairs. According to the trust agreement, the Group opened a trust account in E.SUN Commercial Bank. Advance receipts from customers for sold gift certificates are deposited in the trust account and amounts for services already provided to customers are paid to the Group on a monthly basis. The balance in the trust account should be not lower than the amount of outstanding gift certificates and gift cards. As of September 30, 2021, the Group's assets in the trust account amounted to \$42,921 thousand (included in other financial assets).

32. OTHER ITEMS

Due to the impact of the COVID-19 pandemic which has evolved globally and currently in Taiwan, some of the Group's subsidiaries, clients and suppliers in certain locations are subject to quarantine and traveling restriction policies. The Group has considered the overall operating and financial impacts to be immaterial. There is no doubt on the Group's ability to continue as a going concern, and there is no impairment of assets or financing risk recognized.

33. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The consolidated entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

September 30, 2021

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 11,183	4.29	\$ 48,023
USD	79,588	27.85	2,216,526
Non-monetary item			
Financial assets at FVTPL			
HKD	14,114	3.58	50,473
<u>Financial liabilities</u>			
Monetary item			
USD	4,516	27.85	125,771

December 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 108,676	4.36	\$ 474,349
USD	51,809	28.48	1,475,520
Non-monetary item			
Financial assets at FVTOCI			
RMB	52,683	4.36	229,950
<u>Financial liabilities</u>			
Monetary items			
USD	10,749	28.48	306,132
RMB	4,716	4.36	20,584

September 30, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 33,053	29.10	\$ 961,838
RMB	169,836	4.27	725,725
Non-monetary items			
Financial assets at FVTOCI			
RMB	115,899	4.27	495,259
Investment accounted for using equity method			
USD	257	29.10	7,481
<u>Financial liabilities</u>			
Monetary items			
USD	4,157	29.10	120,960
RMB	8,867	4.27	37,891

For the three months and nine months ended September 30, 2021 and 2020, realized and unrealized net foreign exchange gains were \$3,405 thousand, \$26,380 thousand, \$13,493 thousand and \$22,625 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group entities.

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on financial information. The Group's reportable segments were as follows:

Financial business integration provides financial technologies and develops smart finance, centered on FinTech, to assist financial customers (mainly engaged in large-scale financial customers) in digital transformation, including transformation services in mobile applications, integration services for investor and wealth management upgrade services.

Customer market integration mainly focus on new retail, provides full-channel and full payment services, and assists customers, especially digital e-commerce customer, in operating O2O business to realize digital transformation.

Data Technology integration provides comprehensive Data Technology product portfolio and solution to drive business intelligence growth of customers, acts as the Data Enabler for customers and actively introduces domestic and foreign leading digital technology to provide solution to customer in digital transformation.

The business software integration service mainly provides sales of various domestic and foreign original software and hardware, learning cloud-related technologies and applications, and provides a variety of IT integration services and comprehensive IT ecosystem information services.

China Group, in the way of alliance with local suppliers, expands self-employed business, develops independent products, provides system integration and value-added services, and provides commercial software and cloud platform tools in China.

Investment department engages in investment activities.

The chief operating decision-maker of the Group divided the domestic information service business into four operating segments according to industry level and customer's service requirements and has taken China Group as a reportable segment due to regional specialties. In addition, the financial investment business is considered as an investment department that should be reported separately. Financial business integration included domestic departments which provide a cross-border financial transaction cloud, APP and customized development, community services for investors, and ITDM services of securities or futures trading in Greater China. Customer market integration included domestic departments which provide mobile payments, O2O integration services, data processing services, precision marketing solution, government official website, service platform, and e-commerce platform. Digital ecosystem integration included domestic departments which provide big data platform and value-added innovation, commercial software, cloud value-added services, Cyber-security, IT development training courses, and book publishing into a reportable department. The commercial software service integration mainly categorizes the domestic departments which provide commercial software, technology value-added services of Microsoft product, cloud construction and application, and Mobile APP development into a reportable department.

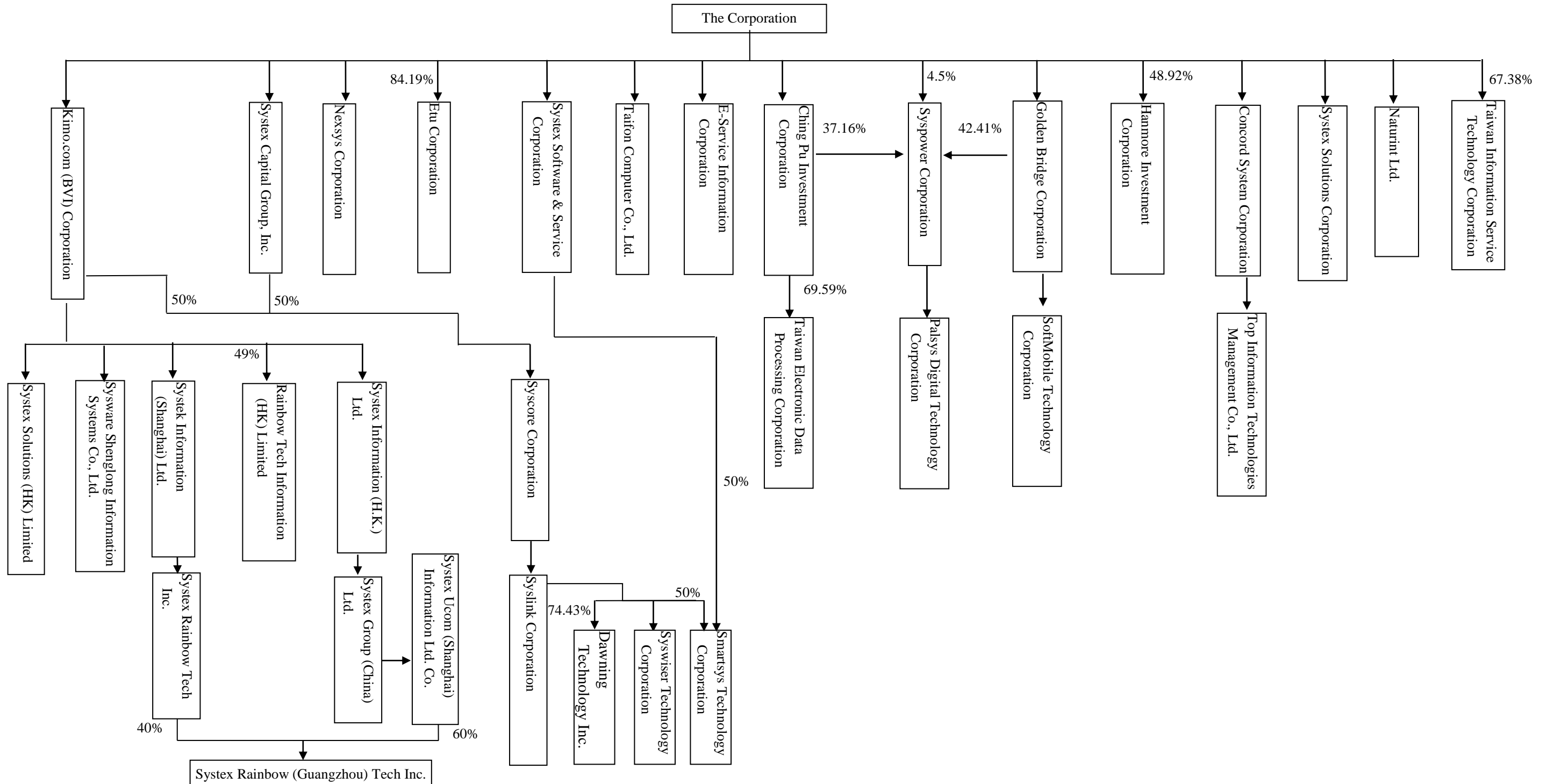
	Financial Business Integration	Consumer Market Integration	Digital Ecosystem Integration	Commercial Software Service Integration	China Group	Investment Department	Adjustment and Elimination	Total
For the nine months ended <u>September 30, 2021</u>								
Sales to customers	\$ 3,118,357	\$ 2,976,357	\$ 4,979,282	\$ 6,775,642	\$ 4,102,156	\$ -	\$ -	\$ 21,951,794
Sales to other segments	<u>359,371</u>	<u>84,739</u>	<u>260,713</u>	<u>1,106,613</u>	<u>514,952</u>	<u>-</u>	<u>(2,326,388)</u>	<u>-</u>
Total sales	<u>\$ 3,477,728</u>	<u>\$ 3,061,096</u>	<u>\$ 5,239,995</u>	<u>\$ 7,882,255</u>	<u>\$ 4,617,108</u>	<u>\$ -</u>	<u>\$ (2,326,388)</u>	<u>\$ 21,951,794</u>
Segment income	<u>\$ 280,788</u>	<u>\$ 218,695</u>	<u>\$ 173,856</u>	<u>\$ 514,687</u>	<u>\$ 70,349</u>	<u>\$ 332,085</u>	<u>\$ -</u>	\$ 1,590,460
Corporate general expenses								<u>(318,220)</u>
Income before income tax								<u>\$ 1,272,240</u>
Segment depreciation and amortization expenses	<u>\$ 38,993</u>	<u>\$ 26,419</u>	<u>\$ 58,001</u>	<u>\$ 7,009</u>	<u>\$ 32,103</u>	<u>\$ -</u>		\$ 162,525
Non-segment depreciation and amortization expenses								<u>95,542</u>
Total depreciation and amortization expenses								<u>\$ 258,067</u>
Segment assets	<u>\$ 3,705,817</u>	<u>\$ 2,532,248</u>	<u>\$ 2,801,248</u>	<u>\$ 3,362,300</u>	<u>\$ 2,483,923</u>	<u>\$ 9,953,844</u>		\$ 24,839,380
General assets								<u>1,661,066</u>
Total assets								<u>\$ 26,500,446</u>
For the nine months ended <u>September 30, 2020</u>								
Sales to customers	\$ 2,564,502	\$ 2,662,502	\$ 3,608,330	\$ 4,910,097	\$ 3,447,168	\$ -	\$ -	\$ 17,192,599
Sales to other segments	<u>374,164</u>	<u>117,757</u>	<u>117,989</u>	<u>500,811</u>	<u>404,245</u>	<u>-</u>	<u>(1,514,966)</u>	<u>-</u>
Total sales	<u>\$ 2,938,666</u>	<u>\$ 2,780,259</u>	<u>\$ 3,726,319</u>	<u>\$ 5,410,908</u>	<u>\$ 3,851,413</u>	<u>\$ -</u>	<u>\$ (1,514,966)</u>	<u>\$ 17,192,599</u>
Segment income	<u>\$ 219,710</u>	<u>\$ 230,196</u>	<u>\$ 153,342</u>	<u>\$ 453,958</u>	<u>\$ 41,103</u>	<u>\$ 682,613</u>	<u>\$ -</u>	\$ 1,780,922
Corporate general expenses								<u>(305,648)</u>
Income before income tax								<u>\$ 1,475,274</u>
Segment depreciation and amortization expenses	<u>\$ 44,164</u>	<u>\$ 26,152</u>	<u>\$ 20,728</u>	<u>\$ 2,505</u>	<u>\$ 30,275</u>	<u>\$ -</u>		\$ 123,824
Non-segment depreciation and amortization expenses								<u>93,476</u>
Total depreciation and amortization expenses								<u>\$ 217,300</u>
Segment assets	<u>\$ 2,988,759</u>	<u>\$ 2,658,397</u>	<u>\$ 1,985,989</u>	<u>\$ 2,383,754</u>	<u>\$ 2,623,402</u>	<u>\$ 7,303,183</u>		\$ 19,943,484
General assets								<u>1,044,249</u>
Total assets								<u>\$ 20,987,733</u>

Segment (loss) income refers to the profits and losses incurred by each segment, excluding headquarter management cost, remuneration of directors, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, foreign exchange gain, interest expense and income tax expense.

TABLE 1

SYSTEX CORPORATION AND SUBSIDIARIES

THE RELATIONSHIP AND PERCENTAGE OF OWNERSHIP OF COMPANIES IN THE GROUP
 SEPTEMBER 30, 2021



Note: Percentage of ownership is 100% unless noted on the chart.

SYSTEX CORPORATION AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Systex Corporation	Systex Information (H.K.) Limited	Direct/indirect subsidiary	\$ 3,358,090	\$ 228,280	\$ 222,800	\$ 57,650	\$ -	1.66	\$ 6,716,180	Y	N	N	(Notes a and b)
		Rainbow Tech. Information (H.K.) Limited	Direct/indirect subsidiary	3,358,090	128,408	125,325	41,079	-	0.93	6,716,180	Y	N	N	(Notes a and b)
		Systex Group (China) Limited	Direct/indirect subsidiary	3,358,090	1,685,287	1,651,417	345,912	-	12.29	6,716,180	Y	N	Y	(Notes a and b)
		Systek Information (Shanghai) Ltd.	Direct/indirect subsidiary	3,358,090	14,268	13,925	-	-	0.10	6,716,180	Y	N	Y	(Notes a and b)
		Systex Rainbow Tech Inc.	Direct/indirect subsidiary	3,358,090	42,803	41,775	-	-	0.31	6,716,180	Y	N	Y	(Notes a and b)
		Systex Ucom (Shanghai) Information Ltd. Co.	Direct/indirect subsidiary	3,358,090	131,619	128,829	49,145	-	0.96	6,716,180	Y	N	Y	(Notes a and b)
		Systex Software & Service Corporation	Direct/indirect subsidiary	3,358,090	1,000,000	1,000,000	250,926	-	7.44	6,716,180	Y	N	N	(Notes a and b)
1	Systek Information (Shanghai) Ltd.	Systex Group (China) Limited	Affiliate	848,455	219,365	214,715	161,294	214,715	50.61	848,455	N	N	Y	(Notes c and d)

Note a: Limits on endorsements/guarantees amount shall not exceed 25% of the net worth of the provider.

Note b: The maximum balance for the period shall not exceed 50% of the net worth of the provider.

Note c: Limits on endorsements/guarantees amount shall not exceed 200% of the net worth in previous year end of the provider.

Note d: The maximum balance for the period shall not exceed 200% of the net worth in previous year end of the provider.