Systex Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Systex Corporation

Opinion

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

In our opinion, based on our audits and the reports of other independent auditors (refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2020 is stated as follows:

Valuation of Receivables

As of December 31, 2020, notes receivable and accounts receivable amounted to $3,795,071 thousand. When assessing the impairment of receivables, the management of the Group uses the expected credit loss model based on the lifetime expected credit loss. The valuation of receivables involves significant accounting estimates and judgements of the management. Therefore, we considered the valuation of receivables as a key audit matter. For the disclosures related to receivables, refer to Notes 5 and 11 to the consolidated financial statements.

Our audit procedures performed in respect of the abovementioned key audit matter included the following:

1. We obtained the reports of impairment of receivables and assessed the reasonableness of the expected credit loss model and data used in the reports.

2. We tested the aging schedule of receivables and reviewed the calculation of expected credit loss to confirm the accuracy of the expected credit loss recognized on receivables.

3. We tested the recoverability of receivables by analyzing overdue accounts and verifying cash receipts in the subsequent period. For a receivable that was past due but not yet received, we assessed the reasonableness of the expected credit loss based on the customer's payment history, customer credit control and tracking of overdue receivables.

Other Matter

We did not audit the financial statements as of and for the year ended December 31, 2020 of Rainbow Tech Information (HK) Limited and Systex Information (H.K.) Ltd. and as of and for the year ended December 31, 2019 of SoftMobile Technology Corporation, Rainbow Tech Information (HK) Limited and Systex Information (H.K.) Ltd., which were all subsidiaries of the Group included in the consolidated financial statements. The aggregate assets of these subsidiaries as of December 31, 2020 and 2019 amounted to $869,551 thousand and $846,991 thousand, respectively, or 3.95% and 3.92%, respectively, of the consolidated assets. The aggregate net operating revenues of these subsidiaries in 2020 and 2019 were $1,248,204 thousand and $1,558,408 thousand, respectively, or 5.26% and 7.07%, respectively, of the consolidated net operating revenues. We also did not audit the financial statements as of and for the year ended December 31, 2020 of Dawning Technology Inc. and Fuco Technology Co., Ltd. and as of and for the year ended December 31, 2019 of Genesis Technology Inc. and Fuco Technology Co., Ltd., which investments were accounted for using the equity method in the accompanying consolidated financial statements. The aggregate carrying amounts of which investments accounted for using the equity method were $249,997 thousand and $313,467 thousand, respectively, or 1.13% and 1.45%, respectively, of the consolidated assets as of December 31, 2020 and 2019. The aggregate amounts of the share in their profit and other comprehensive income in 2020 and 2019 were $10,158 thousand and $1,837 thousand, respectively, or 0.73% and 0.12%, respectively, of the consolidated comprehensive income. The financial statements of the abovementioned subsidiaries and investees were audited by other auditors whose reports have been provided to us and, our opinion, insofar as it relates to the amounts included for these subsidiaries and investees, is based solely on the reports of the other auditors.

We have also audited the parent corporation only financial statements of Systex Corporation as of and for the years ended December 31, 2020 and 2019 on which we have both issued an unqualified report with other matter paragraph.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 15, 2021

<u>*Notice to Readers*</u>

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 audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' 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' report and consolidated financial statements shall prevail.

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020		2019	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 3,590,004	16	$ 2,775,343	13
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	3,243,392	15	3,342,025	16
Notes receivable, net (Notes 4, 11 and 20)	53,295	-	36,214	-
Accounts receivable, net (Notes 4, 5, 11, 20 and 28)	3,741,776	17	3,737,980	17
Other receivables (Notes 29 and 30)	212,144	1	353,521	2
Inventories (Notes 4 and 12)	3,166,140	14	3,064,087	14
Prepayments	1,237,222	6	893,884	4
Non-current assets held for sale (Notes 4 and 15)	15,254	-	-	-
Refundable deposits - current	308,912	2	336,545	2
Other current assets	58,329	-	43,369	-
Total current assets	15,626,468	71	14,582,968	68
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	1,575,388	7	1,498,961	7
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	682,527	3	1,486,829	7
Financial assets at amortized cost - non-current (Notes 4, 9 and 10)	500,000	2	500,000	2
Investments accounted for using equity method (Notes 4 and 14)	655,557	3	826,251	4
Property, plant and equipment (Notes 4, 15 and 29)	2,098,670	10	1,929,649	9
Right-of-use assets (Note 16)	259,789	1	320,023	1
Intangible assets (Notes 4 and 21)	131,440	1	86,279	-
Deferred tax assets (Notes 4 and 22)	76,082	-	57,264	-
Refundable deposits - non-current	214,817	1	181,562	1
Long-term receivables (Notes 4 and 11)	7,964	-	11,574	-
Other non-current assets (Notes 29 and 30)	200,533	1	105,194	1
Total non-current assets	6,402,767	29	7,003,586	32
TOTAL	$ 22,029,235	100	$ 21,586,554	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 17 and 29)	$ 790,247	4	$ 527,301	3
Contract liabilities (Notes 4 and 20)	1,476,379	7	1,300,693	6
Notes and accounts payable	3,553,699	16	3,744,163	17
Payable to related parties (Note 28)	85,374	-	84,741	-
Other payables (Note 28)	1,426,467	6	1,376,637	6
Current tax liabilities (Notes 4 and 22)	140,545	1	103,738	1
Lease liabilities - current (Note 16)	127,513	1	124,295	1
Current portion of long-term borrowings payable (Note 17)	6,980	-	-	-
Other current liabilities	235,783	1	211,424	1
Total current liabilities	7,842,987	36	7,472,992	35
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 17 and 29)	100,209	-	-	-
Deferred tax liabilities (Notes 4 and 22)	34,073	-	139,438	1
Lease liabilities - non-current (Note 16)	135,323	1	197,816	1
Net defined benefit liabilities - non-current (Notes 4 and 18)	258,644	1	282,856	1
Other non-current liabilities	8,552	-	11,319	-
Total non-current liabilities	536,801	2	631,429	3
Total liabilities	8,379,788	38	8,104,421	38
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 19)				
Share capital	2,693,933	12	2,693,933	12
Capital surplus	6,493,756	29	6,407,221	30
Retained earnings				
Legal reserve	1,300,634	6	1,119,831	5
Special reserve	579,466	2	383,842	2
Unappropriated earnings	4,138,488	19	4,295,725	20
Total retained earnings	6,018,588	27	5,799,398	27
Other equity	(768,711)	(3)	(579,466)	(3)
Treasury shares	(928,443)	(4)	(928,443)	(4)
Total equity attributable to owners of the Corporation	13,509,123	61	13,392,643	62
NON-CONTROLLING INTERESTS (Notes 19 and 25)	140,324	1	89,490	-
Total equity	13,649,447	62	13,482,133	62
TOTAL	$ 22,029,235	100	$ 21,586,554	100

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

(With Deloitte & Touche audit report dated March 15, 2021)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 4, 20 and 28)				
Sales	$ 17,610,513	74	$ 16,445,449	74
Less: Sales returns and allowances	100,872	-	73,915	-
Net sales	17,509,641	74	16,371,534	74
Service revenue	6,162,401	26	5,619,929	26
Other operating revenue	63,048	-	59,560	-
Total operating revenues	23,735,090	100	22,051,023	100
OPERATING COSTS (Notes 4, 12, 21 and 28)				
Cost of goods sold	15,013,181	63	13,998,053	64
Service cost	2,909,324	13	2,493,196	11
Other operating cost	10,787	-	10,482	-
Total operating costs	17,933,292	76	16,501,731	75
GROSS PROFIT	5,801,798	24	5,549,292	25
OPERATING EXPENSES (Notes 18, 21 and 28)				
Selling expenses	3,869,120	16	3,962,440	18
General and administrative expenses	429,409	2	406,474	2
Research and development expenses	528,886	2	453,910	2
Expected credit loss	49,510	-	119,451	-
Total operating expenses	4,876,925	20	4,942,275	22
PROFIT FROM OPERATIONS	924,873	4	607,017	3
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates (Notes 4 and 14)	98,093	1	68,296	-
Interest income (Note 4)	27,538	-	43,114	-
Dividend income (Note 4)	48,561	-	69,109	-
Other income, net (Note 28)	49,724	-	47,370	-
Gain on sale of investments, net (Notes 14 and 21)	261,728	1	1,720,272	8
Foreign exchange gain, net (Notes 4 and 32)	49,495	-	2,750	-
Gain on financial assets at fair value through profit or loss, net (Note 4)	480,140	2	81,113	1
Interest expense	(31,868)	-	(33,500)	-
Other expenses	(10,280)	-	(30,712)	-
Loss on disposal of property, plant and equipment, net (Note 4)	(56)	-	(435)	-
Impairment loss on assets (Notes 4 and 14)	(46,769)	-	(370,887)	(2)
Total non-operating income and expenses	926,306	4	1,596,490	7

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SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	**%**	**Amount**	**%**
INCOME BEFORE INCOME TAX	$ 1,851,179	8	$ 2,203,507	10
INCOME TAX EXPENSE (Notes 4 and 22)	175,457	1	392,204	2
NET INCOME	1,675,722	7	1,811,303	8
OTHER COMPREHENSIVE LOSS, NET OF INCOME TAX				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 18)	(27,384)	-	(41,866)	-
Unrealized loss on equity instruments at fair value through other comprehensive income	(126,221)	-	(177,121)	(1)
Share of the other comprehensive income of associates accounted for using the equity method	9,844	-	24	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 22)	115	-	(20)	-
	(143,646)	-	(218,983)	(1)
Items that may be reclassified subsequently to profit:				
Exchange differences on translating foreign operations	(144,949)	(1)	(94,111)	-
Share of the other comprehensive (loss) income of associates accounted for using the equity method	(628)	-	65,520	-
	(145,577)	(1)	(28,591)	-
Other comprehensive loss for the year, net of income tax	(289,223)	(1)	(247,574)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,386,499	6	$ 1,563,729	7
NET INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 1,666,345	7	$ 1,808,042	8
Non-controlling interests	9,377	-	3,261	-
	$ 1,675,722	7	$ 1,811,303	8

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	**%**	**Amount**	**%**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 1,376,995	6	$ 1,560,779	7
Non-controlling interests	9,504	-	2,950	-
	$ 1,386,499	6	$ 1,563,729	7
EARNINGS PER SHARE (Note 23)				
Basic	$ 6.72		$ 7.31	
Diluted	$ 6.70		$ 7.28	

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

(With Deloitte & Touche audit report dated March 15, 2021) (Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Dividends Per Share in New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation (Notes 4 and 19)											
			Retained Earnings				Other Equity					
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total	Non-controlling Interests (Note 19)	Total Equity
BALANCE AT JANUARY 1, 2019	$ 2,693,933	$ 6,729,035	$ 1,014,689	$ 453,327	$ 3,622,248	$ 5,090,264	$ (407,326)	$ 23,484	$ (1,003,629)	$ 13,125,761	$ 69,190	$ 13,194,951
Appropriation of 2018 earnings												
Legal reserve	-	-	105,142	-	(105,142)	-	-	-	-	-	-	-
Cash dividends - NT$3.8 per share	-	-	-	-	(1,023,695)	(1,023,695)	-	-	-	(1,023,695)	-	(1,023,695)
Special reserve reversed	-	-	-	(69,485)	69,485	-	-	-	-	-	-	-
Change in capital surplus and unappropriated earnings from investments in associates accounted for using equity method	-	(24,447)	-	-	(23,574)	(23,574)	-	-	-	(48,021)	-	(48,021)
Distribution in cash of the capital surplus - NT$1.2 per share	-	(323,272)	-	-	-	-	-	-	-	(323,272)	-	(323,272)
Net income for 2019	-	-	-	-	1,808,042	1,808,042	-	-	-	1,808,042	3,261	1,811,303
Other comprehensive income (loss) for 2019	-	-	-	-	(41,584)	(41,584)	(28,582)	(177,097)	-	(247,263)	(311)	(247,574)
Total comprehensive income (loss) for 2019	-	-	-	-	1,766,458	1,766,458	(28,582)	(177,097)	-	1,560,779	2,950	1,563,729
Disposal of the Corporation's share by subsidiaries regarded as treasury share transaction	-	66,274	-	-	-	-	-	-	75,186	141,460	-	141,460
Cash dividends received by subsidiaries from the Corporation	-	107,049	-	-	-	-	-	-	-	107,049	-	107,049
Disposal of investments accounted for using equity method	-	(147,418)	-	-	-	-	-	-	-	(147,418)	-	(147,418)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(10,055)	(10,055)	-	10,055	-	-	-	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	17,350	17,350
BALANCE AT DECEMBER 31, 2019	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												
Legal reserve	-	-	180,803	-	(180,803)	-	-	-	-	-	-	-
Special reserve	-	-	-	195,624	(195,624)	-	-	-	-	-	-	-
Cash dividends - NT$5 per share	-	-	-	-	(1,346,967)	(1,346,967)	-	-	-	(1,346,967)	-	(1,346,967)
Change in capital surplus and unappropriated earnings from investments in associates accounted for using equity method	-	(20,705)	-	-	(83)	(83)	-	-	-	(20,788)	-	(20,788)
Net income (loss) for 2020	-	-	-	-	1,666,345	1,666,345	-	-	-	1,666,345	9,377	1,675,722
Other comprehensive income (loss) for 2020	-	-	-	-	(27,396)	(27,396)	(145,577)	(116,377)	-	(289,350)	127	(289,223)
Total comprehensive income (loss) for 2020	-	-	-	-	1,638,949	1,638,949	(145,577)	(116,377)	-	1,376,995	9,504	1,386,499
Cash dividends received by subsidiaries from the Corporation	-	107,049	-	-	-	-	-	-	-	107,049	-	107,049
Disposal of investments accounted for using 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	-	-	-	-	-	-	-	-	-	-	43,385	43,385
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(80,964)	(80,964)	-	80,964	-	-	-	-
BALANCE AT DECEMBER 31, 2020	$ 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

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

(With Deloitte & Touche audit report dated March 15, 2021)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,851,179	$ 2,203,507
Adjustments for :		
Depreciation expenses	260,740	256,240
Amortization expenses	29,658	32,651
Expected credit loss recognized	49,510	119,451
Gain on financial assets at fair value through profit or loss, net	(480,140)	(81,113)
Interest expense	31,868	33,500
Interest income	(27,538)	(43,114)
Dividend income	(48,561)	(69,109)
Share of profit of associates	(98,093)	(68,296)
Loss on disposal of property, plant and equipment, net	56	435
Gain on sale of investments accounted for using equity method	(157,037)	(1,574,851)
Impairment loss on financial assets	36,077	344,184
Impairment loss on non-financial assets	10,692	26,703
Write-down of inventories	139,932	102,146
Unrealized loss on foreign currency exchange, net	13	1,988
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	460,562	(22,489)
Notes receivable	(17,081)	34,667
Accounts receivable	(70,449)	(273,394)
Other receivables	1,727	(88,908)
Inventories	(255,410)	(275,841)
Prepayments	(345,952)	(67,934)
Other current assets	(15,606)	7,367
Contract liabilities	181,159	232,592
Notes and accounts payable	(150,244)	632,816
Payables to related parties	9,410	37,445
Other payables	31,683	196,557
Other current liabilities	24,558	21,821
Net defined benefit liabilities	(51,596)	(32,662)
Cash generated from operations	1,401,117	1,686,359
Interest paid	(34,291)	(31,214)
Income tax paid	(261,734)	(260,111)
Net cash generated from operating activities	1,105,092	1,395,034
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(56,290)	(7,799)
Disposal of financial assets at fair value through other comprehensive income	1,109,119	29,745
Return of capital from capital reduction of financial assets at fair value through other comprehensive income	902	730

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
Acquisition of investments accounted for using equity method	$ (170,022)	$ (427,226)
Proceeds from disposal of investments accounted for using equity method	61,642	546,308
Payments for property, plant and equipment	(123,327)	(136,191)
Proceeds from disposal of property, plant and equipment	5,631	221
Decrease (increase) in refundable deposits	8,140	(9,589)
Payments for intangible assets	(32,286)	(45,429)
Proceeds from disposal of intangible assets	12	12,354
Decrease (increase) in long-term receivables	3,610	(10,974)
Decrease in pledged time deposits	52,090	2,338
Increase in other non-current assets	(6,538)	(17,710)
Interest received	28,519	43,288
Dividends received	48,561	69,586
Dividends received from associates	101,901	45,974
Net cash outflow from acquisition of subsidiary (Note 24)	(59,173)	-
Net cash generated from investing activities	972,491	95,626
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	232,201	(275,154)
Repayment of long-term bank loans	(6,259)	-
Decrease in guarantee deposits received	(3,060)	(1,194)
Repayment of the principal portion of lease liabilities	(140,058)	(144,487)
Dividends paid	(1,346,967)	(1,023,695)
Acquisition of interests in subsidiaries	(2,016)	(592)
(Decrease) increase in noncontrolling interests	(315)	17,942
Proceeds on disposal of the Corporation's share by subsidiaries	-	141,460
Cash dividends received by subsidiaries from the Corporation	107,049	107,049
Distribution in cash from the capital surplus	-	(323,272)
Net cash used in financing activities	(1,159,425)	(1,501,943)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(103,497)	(28,683)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	814,661	(39,966)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,775,343	2,815,309
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 3,590,004	$ 2,775,343

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

(With Deloitte & Touche audit report dated March 15, 2021) (Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 are presented in the Corporation's functional currency, the New Taiwan dollars.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors on February 24, 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 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021

   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 issue by IASB but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
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 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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 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 3: 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 4: 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 5: 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

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. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

1) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

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

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

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

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer’s previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognized amounts of the acquirer’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group’s foreign operations (including subsidiaries and associates in other countries that use currency different from the currency of the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income attributed to the owners of the Corporation and non-controlling interests as appropriate.

On the disposal of a foreign operation (i.e., a disposal of the Corporation’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

Inventories are stated at the lower of cost (monthly weighted average) or net realizable value. Net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale.

h. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of equity of associates. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which it ceases to have significant influence. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

i. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Freehold land is not depreciated.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Such assets classified as held for sale are not depreciated.

k. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

l. Intangible assets

1) Intangible assets acquired separately

Intangible assets (computer software) with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2) Intangible assets acquired in a business combination

Intangible assets (technological expertise and client relationship) acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

m. Impairment of property, plant and equipment, right-of-use asset and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual or smallest group of cash-generating units on a reasonable and consistent allocation basis.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

n. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at fair value through other comprehensive income (“FVTOCI”).

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses ("ECLs") on financial assets at amortized cost (including accounts receivable) and lease receivables.

The Group always recognizes lifetime ECLs for accounts receivable and lease receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

ECLs reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debts or equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

o. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Sales revenue comes from sales of computer hardware and software. Sales of computer hardware and software are recognized as revenue when the goods are delivered to the customers and the customers have full discretion over the price to sell the goods, rights to use the goods, and bears the risks of obsolescence. Accounts receivable are recognized concurrently. The transaction price received under the conditions of a contract is recognized as a contract liability until the goods have been delivered to the customer.

Service revenue comes from maintenance of computer software and hardware, value-added network services and related consultation. As the Group provides services, customers simultaneously receive and consume the benefits provided by the Group's performance. Consequently, the related revenue is recognized when services are rendered. Service revenue other than stated above is recognized when services have been completed.

Other operating revenue is mainly comprised of rental revenue on leases of computer equipment, which is recognized over the term of the lease.

p. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor plus (b) initial direct costs and is presented as a lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost (the initial measurement of lease liabilities), and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments (fixed payments). The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Group remeasures the lease liability with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of a right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur, or when the plan amendment or curtailment occurs/when the settlement occurs. Remeasurement (including actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets excluding interest) is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable is based on taxable profit for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and the corresponding tax bases used in the computation of taxable profit. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for investments to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred tax are also recognized in other comprehensive income.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. 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.

Valuation of Receivables

The valuation of receivables is based on assumptions about rates of default and expected loss. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment valuation, based on the Group’s historical experience, existing market conditions and forward looking estimates. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	$ 428	$ 522
Checking accounts and demand deposits	3,386,117	2,426,030
Cash equivalents		
Time deposits with original maturities of less than 3 months	203,459	348,791
	$ 3,590,004	$ 2,775,343
Market interest rate interval		
Time deposits with original maturities of less than 3 months	0.23%-0.35%	0.60%-2.10%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
Current		
Financial assets mandatorily classified as at FVTPL		
Mutual funds	$ 3,104,918	$ 3,227,288
Corporation bonds	-	11,427
Listed shares	138,474	103,310
	$ 3,243,392	$ 3,342,025
Non-current		
Financial assets mandatorily classified as at FVTPL		
Unlisted shares	$ 1,448,432	$ 1,381,630
Unlisted preferred shares	93,977	95,590
Others	32,979	21,741
	$ 1,575,388	$ 1,498,961

8. FINANCIAL ASSETS AT FVTOCI - NON-CURRENT

Investments in Equity Instruments

	December 31	
	2020	2019
Listed shares (Note 14)	$ 512,962	$ 1,373,557
Unlisted shares	169,565	113,272
	$ 682,527	$ 1,486,829

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.

In 2020 and 2019, the Group sold part of shares at fair value and its related unrealized valuation loss of $80,964 thousand and $10,055 thousand, respectively, were transferred from other equity to retained earnings.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	**2019**
Non-current		
Domestic corporate bonds	$ 500,000	$ 500,000
Interest rate	3.5%	3.5%

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at amortized cost.

	December 31	
	2020	**2019**
Gross carrying amount	$ 500,000	$ 500,000
Less: Allowance for impairment loss	-	-
Amortized cost	$ 500,000	$ 500,000

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 December 31**	
				2020	**2019**
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

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

	December 31	
	2020	2019
Notes receivable	$ 53,526	$ 36,445
Less: Allowance for doubtful accounts	(231)	(231)
	$ 53,295	$ 36,214
Accounts receivable	$ 3,924,186	$ 3,893,435
Less: Allowance for doubtful accounts	(182,410)	(155,455)
	$ 3,741,776	$ 3,737,980
Long-term receivables	$ 7,993	$ 11,649
Less: Unrealized interest income	(29)	(75)
	$ 7,964	$ 11,574

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.

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)	(592)	(1,411)	(993)	(12,030)	(167,615)	(182,641)
Amortized cost	$ 3,269,376	$ 295,227	$ 180,535	$ 30,042	$ 19,891	$ 3,795,071

December 31, 2019

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 270 Days	Over 271 Days	Total
Gross carrying amount	$ 3,087,772	$ 409,377	$ 253,403	$ 111,302	$ 68,026	$ 3,929,880
Loss allowance (Lifetime ECL)	-	(893)	(58,778)	(51,723)	(44,292)	(155,686)
Amortized cost	$ 3,087,772	$ 408,484	$ 194,625	$ 59,579	$ 23,734	$ 3,774,194

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

	2020	2019
Balance at January 1	$ 155,686	$ 45,477
Add: Net remeasurement of loss allowance	49,510	119,451
Add: Acquisition of subsidiaries	207	-
Less: Amount written off	(25,826)	(4,412)
Effect of exchange rate changes	3,064	(4,830)
Balance at December 31	$ 182,641	$ 155,686

12. INVENTORIES

	December 31	
	2020	2019
Merchandise	$ 3,137,003	$ 3,033,649
Maintenance parts	29,137	30,438
	$ 3,166,140	$ 3,064,087

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 were $15,013,181 thousand and $13,998,053 thousand, respectively. The cost of goods sold included inventory write-downs of $139,932 thousand and $102,146 thousand, respectively.

13. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

			% of Ownership December 31		
Investor	**Investee**	**Main Business**	**2020**	**2019**	**Remark**
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	
The Corporation	Systex Capital Group, Inc. (SCGI)	Investment activities including financial trust and holding.	100.00	100.00	
The Corporation	Hanmore Investment Corporation (Hanmore)	General investment activities.	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	
The Corporation	Golden Bridge Corporation (GBC)	General investment activities.	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	
The Corporation	Ching Pu Investment Corporation (Ching Pu)	General investment activities.	100.00	100.00	
The Corporation	Kimo.com (BVI) Corporation (Kimo BVI)	Investment activities including financial trust and holding.	100.00	100.00	

(Continued)

Investor	Investee	Main Business	% of Ownership December 31 2020	2019	Remark
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	
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	
The Corporation	Systex Solutions Corporation (Syxtex Solutions)	Design, construction and sale of telecom instrument, electronic calculator and computer.	100.00	100.00	
The Corporation	Etu Corporation (Etu)	Software design and data processing, retailing and service of software.	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	
The Corporation	E-Service Information Corporation (E-Service)	Information software service, intellectual property rights, printing and data storage media manufacturing and copying	58.75	-	c)
The Corporation	Taiwan Information Service (TIST)	Installation, sale, information software, data processing and other consultation on computer software and related equipment	62.87	-	d)
GBC	SoftMobile Technology Corporation (Soft Mobile)	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	
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	b)
Syspower	Medincom Technology Corporation (Medincom)	Installation, sale and consultation on computer software and related equipment, and wholesale and retailing of medical appliances.	-	-	e)
CSMC	Conding Co., Ltd. (Conding)	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	98.98	f), g)
Top Information	Top International Holdings Ltd. (Top International)	General Investment activities	-	-	g)
Kimo BVI	Sysware Singapore Pte. Ltd. (Sysware Singapore)	Computer system integration service and software.	-	100.00	h)
Kimo BVI	Systex Information (H.K.) Limited (Systex HK)	Sale of computer and peripheral equipment, retailing and processing of information of software.	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	
Kimo BVI	Ucom Information Ltd. (Shanghai) (Ucom Shanghai)	Service, wholesale and retailing of information software.	-	100.00	i)
Kimo BVI	Systek Information (Shanghai) Ltd. (Systek)	Sale of computer and peripheral equipment, retailing and processing of information software.	100.00	100.00	i)
Kimo BVI	Rainbow Tech Information (HK) Limited (RTIHK)	Sale of computer and peripheral equipment, retailing and processing of information software.	100.00	100.00	
Kimo BVI	Systex Solutions (HK) Limited (SSHK)	Investment activities including financial trust and holding.	100.00	100.00	

(Continued)

Investor	Investee	Main Business	% of Ownership December 31 2020	2019	Remark
Kimo BVI and SCGI	Syscore Corporation (Syscore)	General investment activities.	100.00	100.00	
Syscore	Syslink Corporation (Syslink)	General Investment activities	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	
Syslink	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	
Systex Info	Systex Group (China) Ltd. (Systex China)	Management consultation, marketing and sale, and capital and operation financial management.	100.00	100.00	
Systek and Ucom Shanghai	Systex Rainbow Tech Inc. (Systex Rainbow)	Research, development, installation and wholesale of software and hardware technique and internet system.	100.00	100.00	
Systex China	Systex Ucom (Shanghai) Information Ltd. Co. (Systex Ucom)	Software design and data processing, retailing and service of software.	100.00	100.00	
Systex Rainbow and Systex Ucom	Systex Rainbow (Guangzhou) Tech Inc. (Rainbow Guangzhou)	Research, development, installation and wholesale of software and hardware technique and internet system.	100.00	100.00	j)

(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; all accounts of which were included in the consolidated financial statements since the acquisition date.

d. The Corporation acquired a 62.87% interest of TIST in December 2020; all accounts of which were included in the consolidated financial statements since the acquisition date.

e. On December 26, 2018, the board of directors of Syspower and Medincom approved the merger of Syspower and Medincom, with base date of consolidation on January 31, 2019. After the merger, Syspower has been the surviving company and Medincom was the dissolved company.

f. Conding was incorporated in May 2020. The board of directors of Conding 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 Conding from 100% to 98.99%. After the completion of the proceeding transaction, CSMC acquired a 1.01% interest of Conding from non-controlling interests and Conding was merged into CSMC in September 2020. After the merger, CSMC has been the surviving company and Conding was the dissolved company.

g. In April 2019, CSMC purchased a 0.39% interest of Top Information from non-controlling interests and increased its interest in Top Information to 98.98%. In addition, Top International completed liquidation and dissolution in January 2019.

h. Sysware Singapore completed liquidation and dissolution in July 2020.

i. 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.

j. Rainbow Guangzhou was incorporated in January 2019.

All accounts of subsidiaries were included in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Among all subsidiaries included in consolidated financial statements, the financial statements of TIST were not audited. Management believes that the financial statements of the subsidiary that have not been audited would not have material impact on the consolidated financial statements.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	**2019**
Investments in associates		
Associates that are not individually material	$ 655,557	$ 826,251

a. Material associates

Although the Group owned less than 20% interest of Forms Syntron Information (Shenzhen) Limited, the Group had significant influence over the investee; therefore, the investment was accounted for using the equity method.

In 2019, the Group sold partial investments in Forms Syntron Information (Shenzhen) Limited and recognized gain on disposal of investments amounted to $427,952 thousand, which was calculated by proceeds from disposal of $548,308 thousand less book amount of $158,106 thousand and the disposal in proportion to previously recognized capital surplus and other comprehensive income related to the investee $39,750 thousand.

Moreover, the Group lost significant influence on Forms Syntron Information (Shenzhen) Limited in December 2019 and recognized financial assets at FVTOCI of $1,390,694 thousand in the amount of fair value of shares owned by the Group on the date of losing significant influence. The Group recognized gain on disposal of investment $1,146,899 thousand, which was calculated by the difference between fair value and book value of shares owned by the Group $1,088,447 thousand and previously recognized capital surplus and other comprehensive income related to the investee of $58,452 thousand.

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2020	**2019**
The Group's share of:		
Net profit for the year	$ 98,093	$ 45,680
Other comprehensive income	9,216	16,704
Total comprehensive income for the year	$ 107,309	$ 62,384

In 2020 and 2019, the impairment loss was $36,077 thousand and $344,184 thousand, respectively by associates that are not individually material.

Except for Systex Infopro Co., Ltd., Sunlight-tech Inc., GenSys Technology (International) Ltd., Sanfran Technologies Inc., Mohist Wet Technology Co., Ltd., Retail System Co., Ltd., Shengsen Cloud Technology, Frog-jump Information Co., Ltd., AIWin Technology Co., Ltd. and Shanghai Mudao Financial Information Service Co., Ltd. for the year ended December 31, 2020, E-Customer Capital Limited, Systex Infopro Co., Ltd., Sunlight-tech Inc., GenSys Technology (International) Ltd., Sanfran Technologies Inc., Mohist Wet Technology Co., Ltd., Retail System Co., Ltd., Shengsen Cloud Technology, Frog-jump Information Co., Ltd., Dawning Technology Inc. and AIWin Technology Co., Ltd. for the year ended December 31, 2019, investments accounted for using the equity method and the share of profit or loss and other comprehensive income were calculated based on the financial statements that have been audited. Management believes the financial statements that have not been audited would not have material impact on the investments under the equity method or the share of profit or loss and other comprehensive income in the consolidated financial statements.

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Computer Equipment	Transportation Equipment	Lease Equipment	Leasehold Improvements	Other Equipment	Total
Cost								
Balance at January 1, 2019	$ 812,812	$ 1,444,468	$ 232,754	$ 14,116	$ 54,500	$ 55,692	$ 78,505	$ 2,692,847
Additions	-	-	58,082	-	34,590	24,828	18,691	136,191
Disposals	-	-	(69,830)	(1,297)	(38,203)	(12,846)	(20,358)	(142,534)
Reclassification	-	-	(641)	-	(419)	-	146	(914)
Effect of foreign currency exchange differences	-	(10,814)	(1,158)	(65)	(81)	(218)	(1,304)	(13,640)
Balance at December 31, 2019	$ 812,812	$ 1,433,654	$ 219,207	$ 12,754	$ 50,387	$ 67,456	$ 75,680	$ 2,671,950
Accumulated depreciation and impairment								
Balance at January 1, 2019	$ 7,694	$ 510,162	$ 130,633	$ 5,648	$ 44,338	$ 29,124	$ 51,918	$ 779,517
Depreciation expenses	-	22,262	48,942	2,159	14,334	11,790	10,477	109,964
Disposals	-	-	(69,607)	(1,297)	(38,203)	(12,414)	(20,357)	(141,878)
Reclassification	-	-	(167)	-	(459)	-	-	(626)
Effect of foreign currency exchange differences	-	(2,590)	(713)	(19)	(83)	(143)	(1,128)	(4,676)
Balance at December 31, 2019	$ 7,694	$ 529,834	$ 109,088	$ 6,491	$ 19,927	$ 28,357	$ 40,910	$ 742,301
Carrying amounts at December 31, 2019	$ 805,118	$ 903,820	$ 110,119	$ 6,263	$ 30,460	$ 39,099	$ 34,770	$ 1,929,649
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	-	-	74,263	-	3,133	15,887	30,044	123,327
Disposals	-	-	(38,675)	(485)	(4,563)	(19,341)	(19,085)	(82,149)
Acquisitions through business combinations	154,804	28,599	1,729	2,261	-	-	11,698	199,091
Reclassified as held for sale	(12,112)	(6,011)	-	-	-	-	-	(18,123)
Reclassification	-	-	(993)	-	55	(235)	(12,584)	(13,757)
Effect of foreign currency exchange differences	-	4,096	(447)	25	33	(264)	(86)	3,357
Balance at December 31, 2020	$ 955,504	$ 1,460,338	$ 255,084	$ 14,555	$ 49,045	$ 63,503	$ 85,667	$ 2,883,696
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 expenses	-	22,774	53,268	2,098	17,198	11,754	12,609	119,701
Disposals	-	-	(37,704)	(486)	(4,563)	(14,694)	(19,015)	(76,462)
Acquisitions through business combination	-	4,137	906	1,322	-	-	8,834	15,199
Reclassified as held for sale	-	(2,869)	-	-	-	-	-	(2,869)
Reclassification	-	-	(115)	-	(402)	(235)	(12,584)	(13,336)
Effect of foreign currency exchange differences	-	1,077	(464)	13	33	(93)	(74)	492
Balance at December 31, 2020	$ 7,694	$ 554,953	$ 124,979	$ 9,438	$ 32,193	$ 25,089	$ 30,680	$ 785,026
Carrying amounts at December 31, 2020	$ 947,810	$ 905,385	$ 130,105	$ 5,117	$ 16,852	$ 38,414	$ 54,987	$ 2,098,670

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 comprehensive income statement.

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 29.

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	**2019**
Carrying amounts		
Buildings	$ 174,159	$ 208,410
Machinery	85,198	111,613
Transportation equipment	432	-
	$ 259,789	$ 320,023

	For the Year Ended December 31	
	2020	**2019**
Additions to right-of-use assets	$ 88,278	$ 129,706
Depreciation charge for right-of-use assets		
Buildings	$ 100,309	$ 101,874
Machinery	40,417	44,402
Transportation equipment	313	-
	$ 141,039	$ 146,276

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 years ended December 31, 2020 and 2019.

b. Lease liabilities

	December 31	
	2020	2019
Carrying amounts		
Current	$ 127,513	$ 124,295
Non-current	$ 135,323	$ 197,816

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Buildings	1.00%-5.00%	1.25%-5.00%
Machinery	1.25%	1.25%
Transportation equipment	1.25%	-

c. Material lease on activities and terms

The Group leases buildings for the use of offices and 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 Year Ended December 31	
	2020	2019
Expenses relating to short-term leases and low-value asset leases	$ 64,711	$ 69,949
Total cash outflow for leases	$ 209,175	$ 219,157

The Group leases certain office equipment which 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 amount of lease commitments for short-term leases for which the recognition exemption was applied were $13,445 thousand and $19,437 thousand, respectively, as of December 31, 2020 and 2019.

17. BANK LOANS

a. Short-term loans

	December 31	
	2020	2019
Unsecured loans	$ 404,800	$ 435,054
Secured loans	385,447	92,247
	$ 790,247	$ 527,301
Annual interest rate		
Unsecured loans	1.05%-2.35%	4.57%-4.60%
Secured loans	1.65%-4.20%	4.57%

Refer to Note 29 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

	December 31	
	2020	**2019**
Secured loans	$ 107,189	$ -
Less: Current portion	(6,980)	-
	$ 100,209	$ -
Annual interest rate		
Secured loans	1.41%-1.47%	-

Refer to Note 29 for the carrying amounts of property, plant and equipment - land and buildings provided as collaterals for the above secured bank loans.

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation and its domestic subsidiaries adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of Systex Info, RTIHK, Systek, Ucom Shanghai, Sysware Shenglong, Systex Rainbow, Systex China, Systex Ucom, Rainbow Guangzhou and Sysware Singapore are members of state-managed retirement benefit plans operated by the governments of their respective jurisdictions. The subsidiaries are required to contribute specific percentages of payroll costs to the retirement benefit schemes to funds the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by the Corporation and several of its domestic subsidiaries in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. These entities contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2020	**2019**
Present value of defined benefit obligation	$ 678,430	$ 648,286
Fair value of plan assets	(419,786)	(365,430)
Net defined benefit liability	$ 258,644	$ 282,856

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability**
Balance at January 1, 2019	$ 615,763	$ (342,111)	$ 273,652
Service cost			
Current service cost	2,413	-	2,413
Net interest expense (income)	6,798	(3,924)	2,874
Recognized in profit or loss	9,211	(3,924)	5,287
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(10,083)	(10,083)
Actuarial loss - changes in demographic assumptions	668	-	668
Actuarial loss - changes in financial assumptions	25,322	-	25,322
Actuarial loss - experience adjustments	25,959	-	25,959
Recognized in other comprehensive income	51,949	(10,083)	41,866
Contributions from the employer	-	(39,825)	(39,825)
Benefits paid	(30,513)	30,513	-
Others	1,876	-	1,876
Balance at December 31, 2019	648,286	(365,430)	282,856
Service cost			
Current service cost	1,686	-	1,686
Net interest expense (income)	4,885	(2,776)	2,109
Recognized in profit or loss	6,571	(2,776)	3,795
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(11,814)	(11,814)
Actuarial loss - changes in demographic assumptions	1,051	-	1,051
Actuarial loss - changes in financial assumptions	27,567	-	27,567
Actuarial loss - experience adjustments	10,580	-	10,580
Recognized in other comprehensive income	39,198	(11,814)	27,384
Contributions from the employer	-	(53,915)	(53,915)
Benefits paid	(14,149)	14,149	-
Others	(1,476)	-	(1,476)
Balance at December 31, 2020	$ 678,430	$ (419,786)	$ 258,644

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2020	**2019**
Discount rates	0.35%	0.75%-1.75%
Expected rates of salary increase	1.10%-2.00%	1.10%-2.50%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2020	**2019**
Discount rates		
0.25%-0.5% increase	$ (31,624)	$ (30,957)
0.25%-0.5% decrease	$ 33,890	$ 33,263
Expected rates of salary increase		
0.25%-0.5% increase	$ 33,348	$ 32,859
0.25%-0.5% decrease	$ (31,421)	$ (30,872)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	**2019**
The expected contributions to the plan for the next year	$ 44,369	$ 42,667
The average duration of the defined benefit obligation	11 years	12 years

19. EQUITY

a. Share capital

	December 31	
	2020	2019
Number of shares authorized (in thousands)	400,000	400,000
Share capital authorized	$ 4,000,000	$ 4,000,000
Number of shares issued (in thousands)	269,393	269,393
Share capital issued	$ 2,693,933	$ 2,693,933

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

	December 31	
	2020	2019
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
The difference between the consideration paid and the carrying amount of the subsidiaries' net assets during actual acquisition	39	-
Donations	544	544
Treasury share transactions	1,837,963	1,730,914
May only be used to offset a deficit		
Changes in percentage of ownership interest in subsidiaries (2)	8,576	8,576
Share of changes in associates accounted for by using equity method	654	21,207
Gain on sale of property and equipment	4,493	4,493
	$ 6,493,756	$ 6,407,221

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 subsidiaries accounted for by using the equity method.

c. Retained earnings and dividends policy

Under the dividend policy as set forth in the Corporation's Articles ("Articles"), 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 and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors, please refer to Note 21 c. for employees' compensation and remuneration of directors in.

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.

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 2019 and 2018 had been approved in the shareholders' meetings held on June 18, 2020 and June 13, 2019, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2019	2018	2019	2018
Legal reserve	$ 180,803	$ 105,142	$ -	$ -
Special reserve	195,624	(69,485)	-	-
Cash dividends	1,346,967	1,023,695	5.0	3.8

The shareholders resolved the distribution in cash of the capital surplus arising from issuance of shares in the shareholders' meeting held on June 13, 2019. The distribution amounted to $323,272 thousand (at NT$1.2 per share).

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.

e. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ (435,908)	$ (407,326)
Exchange differences arising on translating the net asset of foreign operations	(144,949)	(94,102)
Share of exchange difference of associates accounted for using the equity method	(628)	65,520
Balance at December 31	$ (581,485)	$ (435,908)

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ (143,558)	$ 23,484
Recognized for the year		
Unrealized loss on equity investments	(126,221)	(177,121)
Share from associates accounted for using the equity method	9,844	24
Disposal of associates accounted for using the equity method	(8,255)	-
Cumulative unrealized gain of equity instruments transferred to retained earnings	80,964	10,055
Balance at December 31	$ (187,226)	$ (143,558)

f. Treasury shares (in thousand)

Purpose of Treasury Share	Number of Shares at January 1	Increase During the Year	Decrease During the Year	Number of Shares at December 31
2020				
Reclassification of the Corporation's shares held by subsidiaries from equity-method investments into treasury share	21,410	-	-	21,410
2019				
Reclassification of the Corporation's shares held by subsidiaries from equity-method investments into treasury share	23,410	-	2,000	21,410

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

	December 31	
	2020	2019
Hanmore		
Share (in thousand)	21,317	21,317
Investments cost	$ 755,480	$ 755,480
Market value	$ 1,869,473	$ 1,609,409
Ching Pu		
Share (in thousand)	10,982	10,982
Investments cost	$ 246,093	$ 246,093
Market value	$ 963,075	$ 829,101

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 equity method to treasury shares, both amounting to $515,618 thousand (10,428 thousand shares) as of December 31, 2020 and 2019. 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.

g. Non-controlling interests

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ 89,490	$ 69,190
Attributable to non-controlling interests:		
Share of profit for the year	9,377	3,261
Remeasurement on defined benefit plans	127	(302)
Exchange difference on translating the net assets of foreign operations	-	(9)
Non-controlling interests arising from acquisition of subsidiaries (Note 24)	43,700	-
Non-controlling interests arising from cash dividends received by subsidiary (Hanmore) from the Corporation	54,441	54,441
Acquisition of non-controlling interests in subsidiaries (Note 25)	(2,055)	(592)
Non-controlling interests arising from capital reduction of subsidiary	-	(4,745)
Cash dividends received from subsidiaries	(54,756)	(31,754)
Balance at December 31	$ 140,324	$ 89,490

20. REVENUE

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers		
Revenue from the sale of goods	$ 17,509,641	$ 16,371,534
Revenue from the rendering of services	6,162,401	5,619,929
Other operating revenue	63,048	59,560
	$ 23,735,090	$ 22,051,023

Contract Balances

	December 31	
	2020	2019
Notes receivable and accounts receivable	$ 3,795,071	$ 3,774,194
Contract liabilities	$ 1,476,379	$ 1,300,693

Please refer to Note 11 for information about notes receivable 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.

21. NET PROFIT

a. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	$ 119,701	$ 109,964
Right-of-use assets	141,039	146,276
Intangible assets	29,658	32,651
	$ 290,398	$ 288,891
An analysis of depreciation by function		
Operating costs	$ 99,310	$ 95,962
Operating expenses	161,430	160,278
	$ 260,740	$ 256,240
An analysis of amortization by function		
Operating costs	$ 892	$ 2,929
Operating expenses	28,766	29,722
	$ 29,658	$ 32,651

b. Employee benefits expenses

	For the Year Ended December 31	
	2020	2019
Post-employment benefits		
Defined contribution plans	$ 247,220	$ 162,833
Defined benefits plans (Note 18)	3,795	5,287
	251,015	168,120
Payroll	3,347,389	3,214,903
Labor and health insurance	275,488	262,000
Other employee benefits	128,820	134,095
	$ 4,002,712	$ 3,779,118
An analysis of employee benefits expenses by function		
Operating costs	$ 134,474	$ 63,734
Operating expenses	3,868,238	3,715,384
	$ 4,002,712	$ 3,779,118

As of December 31, 2020 and 2019, the Group had 3,761 and 3,457 employees, respectively.

c. Employees’ compensation and remuneration of directors

The Corporation accrued employees’ compensation and remuneration of directors at the rates no less than 0.1% and no higher than 2%, respectively, of net profit before income tax, employees’ compensation and remuneration of directors. The employees’ compensation 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**
Employees’ compensation	$ 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 employees’ compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2019.

Information on the employees’ compensation and remuneration of directors resolved by the Corporation’s board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Gain on sale of investments, net

	For the Year Ended December 31	
	2020	**2019**
Disposal of financial assets at FVTPL	$ 177,419	$ 145,421
Disposal of investments accounted for using the equity method	84,309	1,574,851
	$ 261,728	$ 1,720,272

e. Impairment losses recognized

	For the Year Ended December 31	
	2020	**2019**
Investments accounted for using the equity method	$ 36,077	$ 344,184
Intangible assets	10,692	26,703
	$ 46,769	$ 370,887

22. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expenses are as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	$ 179,070	$ 146,014
Additional income tax on unappropriated earnings	4,521	51,391
Additional income tax under the Alternative Minimum Tax Act	16,340	11,499
Investment tax credit deduction	(1,650)	(24,285)
Enterprise income tax on securities	103,075	55,209
Adjustments for prior years' tax	(4,243)	(2,762)
	297,113	237,066
Deferred tax		
In respected of the current year	(113,586)	154,265
Adjustments for prior years' tax	(8,070)	873
	(121,656)	155,138
Income tax expense recognized in profit or loss	$ 175,457	$ 392,204

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax	$ 1,851,179	$ 2,203,507
Income tax expense calculated at the statutory rate (20%)	$ 370,236	$ 440,701
Permanent difference	(100,768)	89,907
Additional income tax on unappropriated earnings	4,521	51,391
Unrecognized investment credits	-	(22)
(Loss carryforwards used) Unrecognized loss carryforwards	(10,137)	24,570
Effect of different tax rate of group entities operating in other jurisdictions	(195,497)	(279,162)
Adjustments for prior years' tax	(12,313)	(1,889)
Enterprise Income Tax on securities	103,075	55,209
Additional income tax under the Alternative Minimum Tax Act	16,340	11,499
Income tax expense recognized in profit or loss	$ 175,457	$ 392,204

Systex Solution (HK) Limited sold investments accounted for using equity method and financial assets at FVTOCI in 2020 and 2019 and incurred Enterprise Income Tax of $103,075 thousand and $55,209 thousand, respectively, according to the related tax laws in its jurisdiction.

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 recognized in other comprehensive income

	For the Year Ended December 31	
	2020	**2019**
Deferred tax		
Remeasurement on defined benefit plan	$ 115	$ (20)

c. Current tax assets and liabilities

	December 31	
	2020	**2019**
Current tax assets (included in other receivables)		
Tax refund receivable	$ 5,885	$ 5,083
Current tax liabilities		
Income tax payable	$ 140,545	$ 103,738

d. The movements of deferred tax assets and liabilities

For the year ended December 31, 2020

	Opening Balance	**Recognized in Profit or Loss**	**Recognized in Other Com-prehensive Income**	**Exchange Differences**	**Closing Balance**
Deferred tax assets					
Temporary differences					
Allowance for loss on inventories	$ 38,530	$ 21,070	$ -	$ -	$ 59,600
Payable for annual leave	2,089	692	-	-	2,781
Others	15,290	(2,537)	115	-	12,868
	55,909	19,225	115	-	75,249
Loss carryforwards	1,164	(331)	-	-	833
Investment credits	191	(191)	-	-	-
	$ 57,264	$ 18,703	$ 115	$ -	$ 76,082

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com-prehensive Income	Exchange Differences	Closing Balance
Deferred tax liabilities					
Temporary differences					
Exchange differences on foreign operations	$ 5,846	$ -	$ -	$ -	$ 5,846
Gain on the disposal of investments	133,229	(103,075)	-	(2,412)	27,742
Others	363	122	-	-	485
	$ 139,438	$(102,953)	$ -	$ (2,412)	$ 34,073

(Concluded)

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com-prehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Allowance for loss on inventories	$ 17,757	$ 20,773	$ -	$ -	$ 38,530
Payable for annual leave	2,394	(305)	-	-	2,089
Others	31,090	(15,780)	(20)	-	15,290
	51,241	4,688	(20)	-	55,909
Loss carryforwards	3,143	(1,979)	-	-	1,164
Investment credits	21,216	(21,025)	-	-	191
	$ 75,600	$ (18,316)	$ (20)	$ -	$ 57,264
Deferred tax liabilities					
Temporary differences					
Exchange differences on foreign operations	$ 5,846	$ -	$ -	$ -	$ 5,846
Gain on the disposal of investments	-	136,551	-	(3,322)	133,229
Others	92	271	-	-	363
	$ 5,938	$ 136,822	$ -	$ (3,322)	$ 139,438

e. Unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2020	2019
Loss carryforwards		
Expiry in 2020	$ -	18,923
Expiry in 2021	4,316	4,316
Expiry in 2022	40,064	40,064
Expiry in 2023	324	324
Expiry in 2024	1,143	14,071
Expiry in 2025	65,906	92,084
Expiry in 2026	88,929	103,322
Expiry in 2027	6,476	6,476
Expiry in 2028	8,175	8,175
Expiry in 2029	101,404	165,249
Expiry in 2030	831	-
	$ 317,568	$ 453,004

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2020 comprised:

Expiry Year	Total Credit
2021	$ 4,316
2022	40,064
2023	324
2024	1,143
2025	65,906
2026	88,929
2027	6,476
2028	8,175
2029	105,369
2030	1,035
	$ 321,737

g. Income tax assessments

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

23. 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 Year Ended December 31	
	2020	2019
Net income for the year		
Net income for the year attributable to owners of the Corporation	$ 1,666,345	$ 1,808,042
Number of shares (thousand)		
Weighted average number of ordinary shares in the computation of basic earnings per share	247,983	247,296
Effect of potentially dilutive ordinary shares:		
Employees' compensation	785	892
Weighted average number of ordinary shares in the computation of diluted earnings per share	248,768	248,188
Earnings per share (NT$)		
Basic earnings per share	$6.72	$7.31
Diluted earnings per share	$6.70	$7.28

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 Year Ended December 31	
	2020	2019
Net income for the year		
Net income for the year attributable to owners of the Corporation	$ 1,773,394	$ 1,889,399
Number of shares (thousand)		
Weighted average number of ordinary shares in the computation of pro forma basic earnings per shares	269,393	269,393
Effect of potentially dilutive ordinary shares:		
Employees' compensation	785	892
Weighted average number of ordinary shares in the computation of pro forma diluted earnings per shares	270,178	270,285
Earnings per share (NT$)		
Basic earnings per share	$6.58	$7.01
Diluted earnings per share	$6.56	$6.99

24. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
E-Service	Information software service, intellectual property rights, printing and data storage media manufacturing and copying	January 2020	58.75	$ 44,700
TIST	Installation, sale, information software, data processing and other consultation on computer software and related equipment	December 2020	62.87	$ 74,965

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

b. Consideration transferred

	E-Service	TIST
Cash	$ 44,700	$ 74,965

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

	E-Service	TIST
Current assets		
Cash and cash equivalents	$ 44,757	$ 15,735
Accounts receivable	20,448	42,553
Other receivables	1,622	35
Prepayments	135	456
Other current assets	746	64
Non-current assets		
Property, plant and equipment	159,262	24,630
Other intangible assets	8,202	34,272
Refundable deposits	6,099	9,282
Current liabilities		
Short-term loans	45,630	7,500
Accounts payable	7,103	2,755
Other payables	9,486	13,805
Other current liabilities	1,286	1,814
Non-current liabilities		
Long-term loans	104,720	8,728
Guarantee deposits	300	76
Other non-current liabilities	2,420	9,402
	$ 70,326	$ 82,947

d. Goodwill recognized on acquisitions

	E-Service	TIST
Consideration transferred	$ 44,700	$ 74,965
Add: Non-controlling interests	25,626	18,074
Less: Fair value of identifiable net assets acquired	(70,326)	(82,947)
Goodwill recognized on acquisitions	$ -	$ 10,092

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

	E-Service	TIST
Cash and cash equivalent acquired	$ 44,757	$ 15,735
Less: Consideration paid in cash	44,700	74,965
	$ 57	$ (59,230)

f. Impact of acquisitions on the results of the Group

The financial results of the acquirees since the acquisition dates, which are included in the consolidated financial statements, do not have significant impact on the results of the Group.

25. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

a. In April 2019, the Group purchased shares of Top Information from the non-controlling shareholders; therefore, the Group's interests increased from 98.59% to 98.98%.

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

	Top Information
Consideration paid in cash	$ (592)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	592
Differences recognized from equity transaction	$ -

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

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

	Conding
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	2,055
Differences recognized from equity transaction (recognized as capital surplus)	$ 39

26. 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.

27. 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

	Level 1	Level 2	Level 3	Total
December 31, 2020				
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	-	-	32,979	32,979
	$ 3,243,392	$ -	$ 1,575,388	$ 4,818,780
Financial assets at FVTOCI				
Listed shares	$ 512,962	$ -	$ -	$ 512,962
Unlisted shares	-	-	169,565	169,565
	$ 512,962	$ -	$ 169,565	$ 682,527
December 31, 2019				
Financial assets at FVTPL				
Listed shares	$ 103,310	$ -	$ -	$ 103,310
Unlisted shares	-	-	1,381,630	1,381,630
Unlisted preferred shares	-	-	95,590	95,590
Corporate bonds	-	11,427	-	11,427
Mutual funds	3,227,288	-	-	3,227,288
Others	-	-	21,741	21,741
	$ 3,330,598	$ 11,427	$ 1,498,961	$ 4,840,986

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Listed shares	$ 1,373,557	$ -	$ -	$ 1,373,557
Unlisted shares	-	-	113,272	113,272
	$ 1,373,557	$ -	$ 113,272	$ 1,486,829

(Concluded)

There were no transfers between Levels 1 and 2 in 2020 and 2019.

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

For the year ended December 31, 2020

Financial Assets	Financial Assets at FVTPL Equity Instruments	Financial Assets at FVTOCI Equity Instruments	Total
Balance at January 1	$ 1,498,961	$ 113,272	$ 1,612,233
Recognized in profit or loss	288,610	-	288,610
Recognized in other comprehensive income	-	8,167	8,167
Purchases	10,000	56,290	66,290
Disposals	(222,183)	-	(222,183)
Net exchange differences	-	(7,262)	(7,262)
Capital reduction	-	(902)	(902)
Balance at December 31	$ 1,575,388	$ 169,565	$ 1,744,953
Unrealized gain/(loss) for the current year included in profit or loss relating to assets held at the end of the year	$ 211,416		$ 211,416

For the year ended December 31, 2019

Financial Assets	Financial Assets at FVTPL Equity Instruments	Financial Assets at FVTOCI Equity Instruments	Total
Balance at January 1	$ 1,679,823	$ 111,870	$ 1,791,693
Recognized in profit or loss	(263,285)	-	(263,285)
Recognized in other comprehensive income	-	(108,442)	(108,442)
Purchases	93,533	115,701	209,234
Disposals	(11,122)	(2,656)	(13,778)
Net exchange differences	12	(2,471)	(2,459)
Capital reduction	-	(730)	(730)
Balance at December 31	$ 1,498,961	$ 113,272	$ 1,612,233
Unrealized gain/(loss) for the current year included in profit or loss relating to assets held at the end of the year	$ (252,053)		$ (252,053)

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

Financial Instruments	Valuation Techniques and Inputs
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

	December 31	
	2020	**2019**
Financial assets		
FVTPL		
Mandatorily classified as at FVTPL	$ 4,818,780	$ 4,840,986
Financial assets at amortized cost (1)	8,821,253	8,001,958
Financial assets at FVTOCI	682,527	1,486,829
Financial liabilities		
Amortized cost (2)	5,970,654	5,741,239

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, pledged time deposits - non-current (included in other non-current 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 included 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), 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 a increase/decrease in pre-tax net income associated with New Taiwan dollars strengthening/weakening 5% against the relevant currency.

	For the Year Ended December 31	
	2020	**2019**
USD		
Increase/decrease	$ 58,469	$ 8,835
RMB		
Increase/decrease	22,688	23,187

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.

	December 31	
	2020	**2019**
Fair value interest rate risk		
Financial assets	$ 1,032,035	$ 1,229,457
Financial liabilities	790,247	527,301
Cash flow interest rate risk		
Financial assets	3,386,117	2,426,030
Financial liabilities	107,189	-

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 Year Ended December 31	
	2020	**2019**
Increase/decrease	$ 3,279	$ 2,426

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 Year Ended December 31	
	2020	**2019**
Pre-tax net income		
Increase/decrease	$ 240,939	$ 242,049
Other comprehensive income		
Increase/decrease	34,126	74,341

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.

28. 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

Related Parties	Relationship with the Group
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
Shengsen Cloud Technology	Associate
Frog-jump Information Co., Ltd.	Associate
Dawning Technology Inc.	Associate
Neweb Information Co., Ltd.	Associate
Retail System Co., Ltd.	Associate
Gensys Technology International. Ltd.	Associate
Forms Syntron Information (Shenzhen) Limited	Associate (Note 1)
Fuco Technology Co., Ltd.	Associate
AIWin Technology Co., Ltd.	Associate
Genesis Technology Inc.	Associate (Note 2)
Bao Ruh Electronic Co., Ltd.	Associate
Mrs. Luo	Director of subsidiary
Mr. Hsieh	Director of subsidiary

Note 1: Forms Syntron Information (Shenzhen) Limited was no longer a related party to the Group since December 2019.

Note 2: Genesis Technology Inc. was no longer a related party to the Group since July 2020.

b. Operating revenue

Line Items	Related Party Categories	For the Year Ended December 31 2020	2019
Sales	Associates	$ 49,430	$ 10,184
Service revenue	Associates	$ 7,013	$ 4,201
Other operating revenue	Associates	$ 800	$ 12

c. Purchases of goods

Related Party Categories	For the Year Ended December 31 2020	2019
Associates	$ 219,401	$ 188,719

d. Receivables from related parties

Line Items	Related Party Categories	December 31 2020	December 31 2019
Notes and accounts receivable	Associates	$ 26,824	$ 10,787

e. Payables to related parties

Line Items	Related Party Categories	December 31 2020	December 31 2019
Accounts payable	Associates	$ 85,374	$ 84,741
Other payables	Director of subsidiary	$ 11,822	$ -

The product/service sales and purchase transactions with related parties were conducted underpricing 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. Acquisition of property, plant and equipment

Related Party Categories	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Associates	$ 4,878	$ -

g. Other transactions with related parties

Line Items	Related Party Categories	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Service cost	Associates	$ 22,057	$ 20,571
Operating expenses	Associates	$ 1,251	$ 1,553
Rent revenue (recognized as other income, net)	Associates	$ 222	$ 222

h. Compensation of key management personnel

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Short-term employee benefits	$ 175,713	$ 176,468
Post-employment benefits	4,113	3,798
	$ 179,826	$ 180,266

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

29. PLEDGED ASSETS

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

	December 31	
	2020	2019
Property, plant and equipment - land and buildings, net	$ 375,332	$ 204,243
Pledged time deposits - current (included in other receivables)	187,493	328,517
Pledged time deposits - non-current (included in other non-current assets)	141,083	52,149
The shares of the Corporation (Note)	438,500	755,000
	$ 1,142,408	$ 1,339,909

Note: Hanmore pledged 5,000 thousand and 10,000 thousand shares of the Corporation as of December 31, 2020 and 2019, respectively, and it was eliminated on consolidation.

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of December 31, 2020 and 2019 were as follows:

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

December 31	
2020	2019
$ 707	$ 726

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

December 31	
2020	2019
$ 10,154,802	$ 8,675,495

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 December 31, 2020, the Group's assets in the trust account amounted to $13,273 thousand (included in other receivables and other non-current assets).

31. OTHER ITEMS

Due to the impact of the COVID-19 pandemic, 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.

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

The Group's 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:

December 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
RMB	$ 108,676	4.36	$ 474,349
USD	51,809	28.48	1,475,520
Non-monetary items			
Financial assets at fair value through other comprehensive income			
RMB	52,683	4.36	229,950
Financial liabilities			
Monetary item			
USD	10,749	28.48	306,132
RMB	4,716	4.36	20,584

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
RMB	$ 127,428	4.30	$ 547,623
USD	15,534	29.98	465,721
Non-monetary items			
Financial assets at fair value through other comprehensive income			
RMB	319,618	4.30	1,373,557
Investment accounted for using equity method			
USD	1,497	29.98	44,865
Financial liabilities			
Monetary item			
USD	9,641	29.98	289,029
RMB	19,521	4.30	83,891

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange gains were $49,495 thousand and $2,750 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.

33. 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 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.

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 three 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. Data Technology 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.

a. Consolidated revenues and results

	Financial Business Integration	Consumer Market Integration	Data Technology Integration	China Group	Investment Department	Adjustment and Elimination	Total
2019							
Sales to customers	$ 3,791,197	$ 3,984,488	$ 11,220,793	$ 4,738,612	$ -	$ -	$ 23,735,090
Sales to other segments	552,611	163,082	779,836	567,004	-	(2,062,533)	-
Total sales	$ 4,343,808	$ 4,147,570	$ 12,000,629	$ 5,305,616	$ -	$ (2,062,533)	$ 23,735,090
Segment (loss) income	$ 360,291	$ 367,971	$ 689,591	$ 30,553	$ 816,501	$ -	$ 2,264,907
Corporate general expenses							(413,728)
Income before income tax							$ 1,851,179
Segment depreciation and amortization expenses	$ 57,285	$ 35,495	$ 32,543	$ 41,087	$ -		$ 166,410
Non-segment depreciation and amortization expenses							123,988
Total depreciation and amortization expenses							$ 290,398
Segment assets	$ 3,029,400	$ 2,572,481	$ 4,692,206	$ 2,847,279	$ 7,713,473		$ 20,854,839
General assets							1,174,396
Total assets							$ 22,029,235
2019							
Sales to customers	$ 3,133,332	$ 3,284,680	$ 10,129,970	$ 5,503,041	$ -	$ -	$ 22,051,023
Sales to other segments	272,046	163,297	903,813	616,303	-	(1,955,459)	-
Total sales	$ 3,405,378	$ 3,447,977	$ 11,033,783	$ 6,119,344	$ -	$ (1,955,459)	$ 22,051,023
Segment (loss) income	$ 358,865	$ 342,307	$ 425,424	$ 74,133	$ 1,444,968	$ -	$ 2,645,697
Corporate general expenses							(442,190)
Income before income tax							$ 2,203,507
Segment depreciation and amortization expenses	$ 54,578	$ 32,999	$ 25,208	$ 40,247	$ -		$ 153,032
Non-segment depreciation and amortization expenses							135,859
Total depreciation and amortization expenses							$ 288,891
Segment assets	$ 2,981,578	$ 2,268,573	$ 4,342,988	$ 3,281,554	$ 7,639,107		$ 20,513,800
General assets							1,072,754
Total assets							$ 21,586,554

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.

b. Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets is detailed below.

	Revenue from External Customers	
	2020	2019
Domestic	$ 19,040,428	$ 16,628,906
Asia	4,694,662	5,422,117
	$ 23,735,090	$ 22,051,023

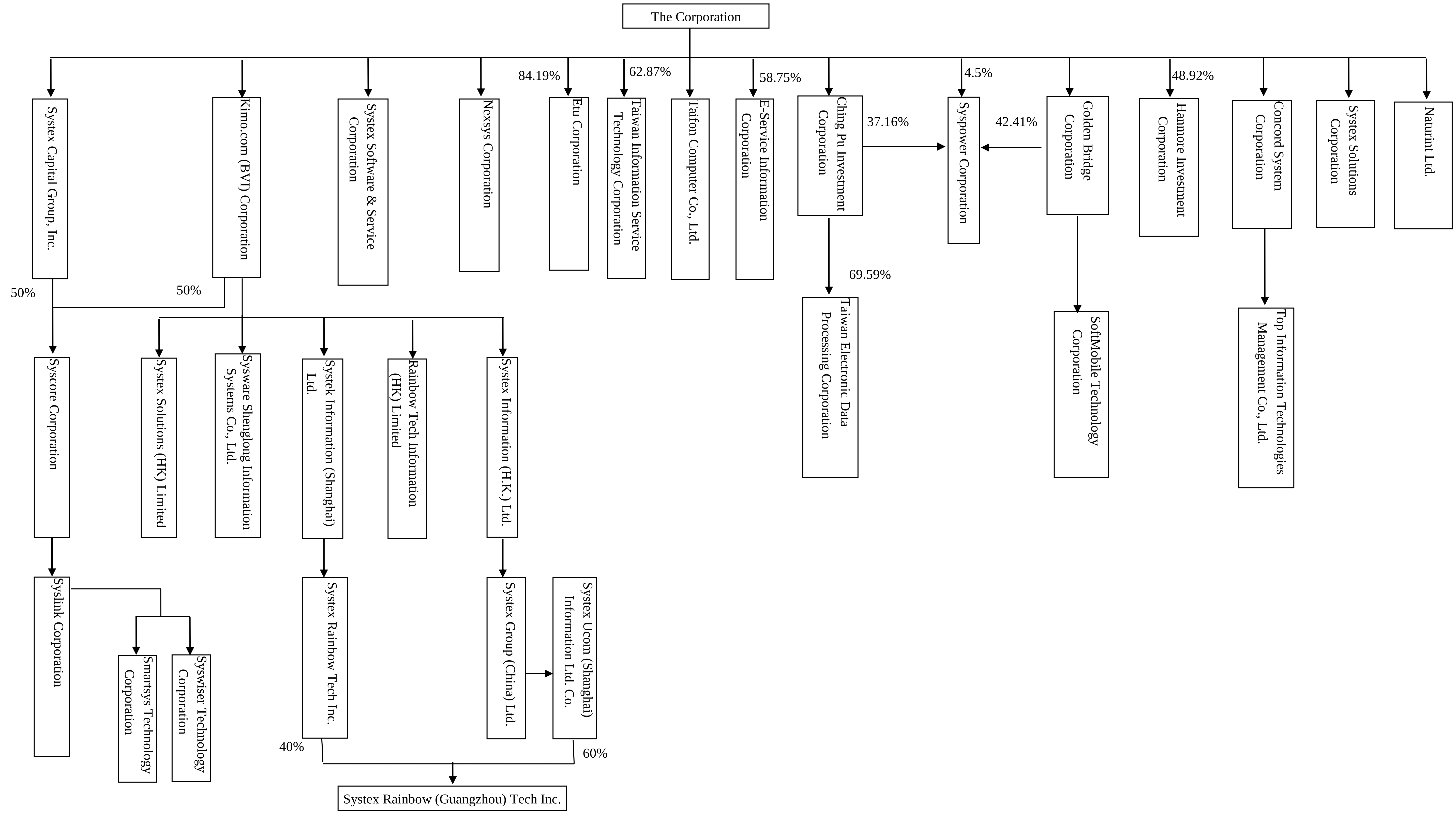
	Non-current Assets	
	December 31	
	2020	2019
Domestic	$ 5,705,899	$ 5,170,037
Asia	546,304	1,617,167
Others	150,564	216,382
	$ 6,402,767	$ 7,003,586

c. Major customers

No revenue from any individual customer exceeded 10% of the Group's total operating revenue for the years ended December 31, 2020 and 2019.

SYSTEX CORPORATION AND SUBSIDIARIES

THE RELATIONSHIP AND PERCENTAGE OF OWNERSHIP OF COMPANIES IN THE GROUP
DECEMBER 31, 2020



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

TABLE 2

SYSTEX CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(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	$ 3,377,281	$ 235,920	$ 227,840	$ 107,318	$ -	1.69	$ 6,754,562	Y	N	N	(Notes a and b)
		Rainbow Tech. Information (H.K.) Limited	Direct/indirect subsidiary	3,377,281	136,125	128,160	2,592	-	0.95	6,754,562	Y	N	N	(Notes a and b)
		Systex Group (China) Limited	Direct/indirect subsidiary	3,377,281	1,738,508	1,683,712	590,729	-	12.46	6,754,562	Y	N	Y	(Notes a and b)
		Systek Information (Shanghai) Ltd.	Direct/indirect subsidiary	3,377,281	15,125	14,240	-	-	0.11	6,754,562	Y	N	Y	(Notes a and b)
		Systex Rainbow Tech Inc.	Direct/indirect subsidiary	3,377,281	45,375	42,720	-	-	0.32	6,754,562	Y	N	Y	(Notes a and b)
		Systex Ucom (Shanghai) Information Ltd. Co.	Direct/indirect subsidiary	3,377,281	131,496	130,944	58,723	-	0.97	6,754,562	Y	N	Y	(Notes a and b)
		Systex Software & Service Corporation	Direct/indirect subsidiary	3,377,281	1,000,000	1,000,000	478,115	-	7.40	6,754,562	Y	N	N	(Notes a and b)
1	Ucom Information Ltd. (Shanghai)	Systex Group (China) Limited	Affiliate	288,023	109,580	-	-	-	-	288,023	N	N	Y	(Notes c and d)
2	Systek Information (Shanghai) Ltd.	Systex Group (China) Limited	Affiliate	537,895	218,980	218,240	194,386	218,240	81.15	537,895	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.