

Systemx Corporation

**Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Systex Corporation

Opinion

We have audited the accompanying financial statements of Systex Corporation (the "Corporation"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, based on our audits and the reports of other independent auditors (refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our 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 Financial Statements section of our report. We are independent of the Corporation 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. 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 financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the 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 Corporation's financial statements for the year ended December 31, 2021 is stated as follows:

Valuation of Receivables

As of December 31, 2021, notes receivable and accounts receivable amounted to \$1,349,769 thousand. When assessing the impairment of receivables, the management of the Corporation 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 9 to the 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 of Collaboration Co., Ltd., which is investee of the Corporation and is accounted for using the equity method, Genesis Technology Inc., which is investee of the Corporation and Syscore Corporation and is accounted for using the equity method, Systex Information (H.K.) Limited and Rainbow Tech Information (HK) Limited, which are investees of Kimo.com (BVI) Corporation and are accounted for using the equity method, Dawning Technology Inc. and CKmates International Co., Ltd, which are investees of Syslink Corporation and are accounted for using the equity method for the year ended December 31, 2021, the financial statements of Systex Information (H.K.) Limited and Rainbow Tech Information (HK) Limited, which are investees of Kimo.com (BVI) Corporation and are accounted for using the equity method, Fuco Technology Co., Ltd., which is investee of Syscore Corporation and is accounted for using the equity method, and Dawning Technology Inc., which is investee of Syslink Corporation and is accounted for using the equity method for the year ended December 31, 2020, but such financial statements were audited by other auditors. Our opinion, insofar as it related to the amounts included in the Corporation's financial statements for these investees, was based solely on the reports of other auditors. The aggregate amounts of aforementioned investments accounted for using the equity method were \$2,246,244 thousand and \$880,396 thousand, respectively, representing 11.15% and 5.32%, respectively, of the Corporation's total assets as of December 31, 2021 and 2020. The aggregate comprehensive (loss) income of these investees were \$(7,243) thousand and \$18,276 thousand, respectively, representing (0.58%) and 1.33%, respectively, of the Corporation's comprehensive income for the years ended December 31, 2021 and 2020.

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

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

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation 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 Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Corporation'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 Corporation'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 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 Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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 financial statements for the year ended December 31, 2021 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

February 23, 2022

Notice to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 financial statements shall prevail.

SYSTEX CORPORATION

BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 338,114	2	\$ 286,173	2
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,372,250	7	232,701	1
Notes receivable, net (Notes 4, 5, 9 and 17)	18,964	-	18,485	-
Accounts receivable, net (Notes 4, 5, 9 and 17)	1,330,805	7	993,271	6
Receivables from related parties (Note 23)	413,757	2	134,947	1
Other receivables (Notes 24 and 25)	125,458	1	88,621	1
Inventories (Notes 4 and 10)	890,281	4	797,236	5
Prepayments	603,874	3	540,680	3
Refundable deposits - current	89,608	-	78,153	-
Other current assets	28,904	-	27,284	-
Total current assets	<u>5,212,015</u>	<u>26</u>	<u>3,197,551</u>	<u>19</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	1,397,540	7	1,352,228	8
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	25,549	-	194,709	1
Investments accounted for using equity method (Notes 4 and 11)	11,524,464	57	9,809,289	59
Property, plant and equipment (Notes 4 and 12)	1,612,071	8	1,636,293	10
Right-of-use assets (Notes 4 and 13)	129,062	1	196,964	1
Computer software (Note 4)	62,347	-	28,203	-
Deferred tax assets (Notes 4 and 19)	16,916	-	11,045	-
Refundable deposits - non-current	88,390	1	67,032	1
Long-term receivables (Notes 4 and 9)	9,150	-	971	-
Other non-current assets (Notes 24 and 25)	71,142	-	61,849	1
Total non-current assets	<u>14,936,631</u>	<u>74</u>	<u>13,358,583</u>	<u>81</u>
TOTAL	<u>\$ 20,148,646</u>	<u>100</u>	<u>\$ 16,556,134</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities (Notes 4 and 17)	\$ 656,142	3	\$ 646,718	4
Notes and accounts payable	1,306,461	7	848,152	5
Payables to related parties (Note 23)	417,286	2	246,371	1
Other payables	734,774	4	735,290	4
Lease liabilities - current (Notes 4 and 13)	79,975	-	95,208	1
Current tax liabilities (Notes 4 and 19)	14,219	-	22,970	-
Other current liabilities	180,737	1	124,592	1
Total current liabilities	<u>3,389,594</u>	<u>17</u>	<u>2,719,301</u>	<u>16</u>
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 14)	2,994,442	15	-	-
Deferred tax liabilities (Notes 4 and 19)	5,931	-	6,088	-
Lease liabilities - non-current (Notes 4 and 13)	50,871	-	103,751	1
Net defined benefit liabilities - non-current (Notes 4 and 15)	199,283	1	212,364	1
Other non-current liabilities	5,186	-	5,507	-
Total non-current liabilities	<u>3,255,713</u>	<u>16</u>	<u>327,710</u>	<u>2</u>
Total liabilities	<u>6,645,307</u>	<u>33</u>	<u>3,047,011</u>	<u>18</u>
EQUITY (Notes 4 and 16)				
Share capital	2,693,933	13	2,693,933	16
Capital surplus	6,606,321	33	6,493,756	39
Retained earnings				
Legal reserve	1,457,250	7	1,300,634	8
Special reserve	768,711	4	579,466	3
Unappropriated earnings	3,634,691	18	4,138,488	25
Total retained earnings	<u>5,860,652</u>	<u>29</u>	<u>6,018,588</u>	<u>36</u>
Other equity	(729,124)	(4)	(768,711)	(4)
Treasury shares	(928,443)	(4)	(928,443)	(5)
Total equity	<u>13,503,339</u>	<u>67</u>	<u>13,509,123</u>	<u>82</u>
TOTAL	<u>\$ 20,148,646</u>	<u>100</u>	<u>\$ 16,556,134</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated February 23, 2022)

SYSTEX CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 17 and 23)				
Sales	\$ 5,061,725	61	\$ 3,884,724	55
Less: Sales returns and allowances	<u>13,567</u>	-	<u>12,250</u>	-
Net sales	5,048,158	61	3,872,474	55
Service revenue	3,199,837	39	3,105,044	44
Other operating revenue	<u>37,392</u>	-	<u>40,019</u>	1
Total operating revenue	<u>8,285,387</u>	<u>100</u>	<u>7,017,537</u>	<u>100</u>
OPERATING COSTS (Notes 4, 10, 18 and 23)				
Cost of goods sold	4,312,140	52	3,240,873	46
Service cost	1,414,674	17	1,376,494	20
Other operating cost	<u>3,915</u>	-	<u>3,969</u>	-
Total operating costs	<u>5,730,729</u>	<u>69</u>	<u>4,621,336</u>	<u>66</u>
GROSS PROFIT	<u>2,554,658</u>	<u>31</u>	<u>2,396,201</u>	<u>34</u>
OPERATING EXPENSES (Notes 18 and 23)				
Selling expenses	1,817,343	22	1,682,786	24
General and administrative expenses	302,188	4	295,209	4
Research and development expenses	<u>339,824</u>	<u>4</u>	<u>319,715</u>	<u>5</u>
Total operating expenses	<u>2,459,355</u>	<u>30</u>	<u>2,297,710</u>	<u>33</u>
PROFIT FROM OPERATIONS	<u>95,303</u>	<u>1</u>	<u>98,491</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiaries and associates (Notes 4 and 11)	1,144,248	14	1,086,059	16
Interest income (Notes 4 and 23)	795	-	703	-
Dividend income (Note 4)	43,412	-	37,551	1
Other income, net (Note 23)	17,758	-	20,704	-
Gain on sale of property, plant and equipment	5,737	-	-	-
Gain on sale of investments, net (Note 18)	592	-	163,829	2
Foreign exchange gain, net (Note 4)	2,596	-	1,855	-
Gain on financial assets at fair value through profit or loss, net (Note 4)	45,780	1	306,579	4
Interest expense	(12,467)	-	(3,795)	-
Other expenses	(19,176)	-	(6,592)	-
Loss on sale of intangible assets	(2,116)	-	-	-
Impairment loss on assets (Notes 4 and 11)	<u>(99,034)</u>	<u>(1)</u>	<u>(19,421)</u>	-
Total non-operating income and expenses	<u>1,128,125</u>	<u>14</u>	<u>1,587,472</u>	<u>23</u>

(Continued)

SYSTEX CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 1,223,428	15	\$ 1,685,963	24
INCOME TAX EXPENSE (Notes 4 and 19)	<u>9,512</u>	<u>-</u>	<u>19,618</u>	<u>-</u>
NET INCOME	<u>1,213,916</u>	<u>15</u>	<u>1,666,345</u>	<u>24</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 15)	(20,813)	-	(25,950)	-
Unrealized gain (loss) on equity instruments at fair value through other comprehensive income	113,958	1	(62,970)	(1)
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	<u>46,747</u>	<u>1</u>	<u>(54,853)</u>	<u>(1)</u>
	<u>139,892</u>	<u>2</u>	<u>(143,773)</u>	<u>(2)</u>
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive loss of subsidiaries and associates accounted for using the equity method	<u>(110,531)</u>	<u>(2)</u>	<u>(145,577)</u>	<u>(2)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>29,361</u>	<u>-</u>	<u>(289,350)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,243,277</u>	<u>15</u>	<u>\$ 1,376,995</u>	<u>20</u>
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 4.90</u>		<u>\$ 6.72</u>	
Diluted	<u>\$ 4.88</u>		<u>\$ 6.70</u>	

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

(With Deloitte & Touche audit report dated February 23, 2022)

(Concluded)

SYSTEX CORPORATION

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	Retained Earnings						Other Equity		Treasury Shares	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized (Loss) Gain on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2020	\$ 2,693,933	\$ 6,407,221	\$ 1,119,831	\$ 383,842	\$ 4,295,725	\$ 5,799,398	\$ (435,908)	\$ (143,558)	\$ (928,443)	\$ 13,392,643
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)
Changes in investments in subsidiaries and associates accounted for using equity method	-	(20,666)	-	-	(83)	(83)	-	-	-	(20,749)
Net income for 2020	-	-	-	-	1,666,345	1,666,345	-	-	-	1,666,345
Other comprehensive loss for 2020	-	-	-	-	(27,396)	(27,396)	(145,577)	(116,377)	-	(289,350)
Total comprehensive income (loss) for 2020	-	-	-	-	1,638,949	1,638,949	(145,577)	(116,377)	-	1,376,995
Cash dividends received by subsidiaries from the Corporation	-	107,049	-	-	-	-	-	-	-	107,049
Disposal of investments accounted for using equity method	-	152	-	-	8,255	8,255	-	(8,255)	-	152
Disposal of investments by subsidiaries 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
Appropriation of 2020 earnings										
Legal reserve	-	-	156,616	-	(156,616)	-	-	-	-	-
Special reserve	-	-	-	189,245	(189,245)	-	-	-	-	-
Cash dividends - NT\$5 per share	-	-	-	-	(1,346,967)	(1,346,967)	-	-	-	(1,346,967)
Changes in investments in subsidiaries and associates accounted for using equity method	-	5,516	-	-	(14,659)	(14,659)	-	-	-	(9,143)
Net income for 2021	-	-	-	-	1,213,916	1,213,916	-	-	-	1,213,916
Other comprehensive loss for 2021	-	-	-	-	(32,075)	(32,075)	(110,531)	171,967	-	29,361
Total comprehensive (loss) income for 2021	-	-	-	-	1,181,841	1,181,841	(110,531)	171,967	-	1,243,277
Cash dividends received by subsidiaries from the Corporation	-	107,049	-	-	-	-	-	-	-	107,049
Disposal of investments by subsidiaries in equity instruments at fair value through other comprehensive income	-	-	-	-	21,849	21,849	-	(21,849)	-	-
BALANCE AT DECEMBER 31, 2021	\$ 2,693,933	\$ 6,606,321	\$ 1,457,250	\$ 768,711	\$ 3,634,691	\$ 5,860,652	\$ (692,016)	\$ (37,108)	\$ (928,443)	\$ 13,503,339

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

(With Deloitte & Touche audit report dated February 23, 2022)

SYSTEX CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,223,428	\$ 1,685,963
Adjustments for :		
Depreciation expenses	185,389	173,890
Amortization expenses	18,344	14,467
Expected credit loss recognized	7,828	29,697
Gain on financial assets at fair value through profit or loss, net	(45,780)	(306,579)
Interest expense	12,467	3,795
Interest income	(795)	(703)
Dividend income	(43,412)	(37,551)
Share of profit of subsidiaries and associates accounted for using equity method	(1,144,248)	(1,086,059)
Gain on sale of property, plant and equipment	(5,737)	-
Loss on sale of intangible assets	2,116	-
Gain on sale of investments	-	(84,308)
Impairment loss on financial assets	99,034	19,421
Write-down of inventories	21,445	3,363
Unrealized gain on foreign currency exchange, net	(568)	(125)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(1,139,081)	581,807
Notes receivable	(479)	1,393
Accounts receivable	(345,725)	(194,204)
Receivables from related parties	(278,905)	15,910
Other receivables	(38,810)	3,187
Inventories	(114,490)	63,458
Prepayments	(63,194)	(78,034)
Other current assets	(1,620)	(5,065)
Notes and accounts payable	459,339	(59,141)
Payables to related parties	170,911	119,656
Other payables	(516)	6,017
Contract liabilities	9,424	169,051
Other current liabilities	56,369	40,155
Net defined benefit liabilities	(33,894)	(47,302)
Cash (used in) generated from operations	(991,160)	1,032,159
Interest paid	(12,535)	(3,840)
Income tax paid	(24,291)	(12,153)
Net cash (used in) generated from operating activities	<u>(1,027,986)</u>	<u>1,016,166</u> (Continued)

SYSTEX CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (250,777)	\$ -
Return of capital from capital reduction of financial assets at fair value through other comprehensive income	889	902
Acquisition of investments accounted for using equity method	(757,663)	(240,415)
Return of capital from capital reduction of investments accounted for using equity method	-	294,500
Payments for property, plant and equipment	(66,692)	(96,031)
Proceeds on disposal of property, plant and equipment	14,055	239
Increase in refundable deposits	(32,813)	(4,893)
Payments for intangible assets	(54,604)	(22,926)
(Increase) decrease in long-term receivables	(8,179)	507
Decrease in pledged time deposits	2,007	2,432
Increase in other non-current assets	(9,293)	(5,811)
Interest received	761	785
Dividends received	43,412	37,551
Dividends received from subsidiaries and associates	<u>654,830</u>	<u>513,125</u>
Net cash (used in) generated from investing activities	<u>(464,067)</u>	<u>479,965</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of corporate bonds	2,994,218	-
Decrease in guarantee deposits received	(321)	(354)
Repayment of the principal portion of lease liabilities	(102,936)	(102,476)
Dividends paid	<u>(1,346,967)</u>	<u>(1,346,967)</u>
Net cash generated from (used in) financing activities	<u>1,543,994</u>	<u>(1,449,797)</u>
NET INCREASE IN CASH	51,941	46,334
CASH AT THE BEGINNING OF THE YEAR	<u>286,173</u>	<u>239,839</u>
CASH AT THE END OF THE YEAR	<u>\$ 338,114</u>	<u>\$ 286,173</u>

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

(With Deloitte & Touche audit report dated February 23, 2022)

(Concluded)

SYSTEX CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

System 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 financial statements are presented in the Corporation’s functional currency, the New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on February 23, 2022.

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 Corporation’s accounting policies.

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

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

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

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

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

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

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of above standards and interpretations will have on the Corporation'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 financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The 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.

When preparing the financial statements, the Corporation accounts for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the financial statements.

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 financial statements are authorized for issue; and
- 2) Liabilities for which the Corporation 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. Foreign currencies

In preparing the Corporation's financial statements, transactions in currencies other than the Corporation'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 financial statements, the assets and liabilities of the Corporation'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.

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 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 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.

e. 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.

f. Investments in subsidiaries

The Corporation uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries.

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are accounted for as equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Corporation's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the subsidiary), the Corporation continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business 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 Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss. When the Corporation acquires a subsidiary that does not constitute a business, the Corporation appropriately allocates the cost of acquisition to the Corporation's share of the amounts of the identifiable assets acquired (including intangible assets) and liabilities assumed, and the transaction does not give rise to goodwill nor gains.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Corporation directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the financial statements and only to the extent of interests in the subsidiaries that are not related to the Corporation.

g. Investment in associates

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

The Corporation 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 Corporation's share of the profit or loss and other comprehensive income of the associate. The Corporation also recognizes the changes in the Corporation's share of equity of associates.

Any excess of the cost of acquisition over the Corporation'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 Corporation'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 Corporation 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 Corporation's proportionate interest in the associate. The Corporation records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Corporation's share of equity of associates. If the Corporation'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 Corporation'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 Corporation's net investment in the associate), the Corporation discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Corporation 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 Corporation 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 Corporation 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 the Corporation transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the financial statements only to the extent of interests in the associate that are not related to the Corporation.

h. Property, plant and equipment

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

Except for freehold land is not depreciated, the depreciation of 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.

i. 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) 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.

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

At the end of each reporting period, the Corporation 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 Corporation 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.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Corporation 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.

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.

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.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Corporation 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 Corporation'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 Corporation recognizes a loss allowance for expected credit losses ("ECLs") on financial assets at amortized cost (including accounts receivable) and lease receivables.

The Corporation always recognizes lifetime ECLs for accounts receivable and lease receivables. For all other financial instruments, the Corporation 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 Corporation 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 Corporation 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 Corporation 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

Debt or equity instruments issued by the Corporation 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 the Corporation 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.

1. Revenue recognition

The Corporation 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 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 services. As the Corporation provides services, customers simultaneously receive and consume the benefits provided by the Corporation's performance. Consequently, the related revenue is recognized when services are rendered. Service revenue other than conditions 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.

m. Leases

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

For a contract that contains a lease component and non-lease components, the Corporation allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

1) The Corporation 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 Corporation's net investment outstanding in respect of leases.

Lease payments from operating leases (less any lease incentives payable) 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 Corporation as lessee

The Corporation 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). 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 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 Corporation 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 Corporation 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 balance sheets.

The Corporation 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 Corporation 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 Corporation 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.

n. 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. 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 Corporation'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.

o. Taxation

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

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) 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 Corporation 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 Corporation 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 Corporation'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 Corporation considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Valuation of Receivables

The valuation of receivables is based on assumptions on probability of default and loss given default. The Corporation uses judgment in making these assumptions and in selecting the inputs to the impairment valuation, based on the Corporation'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

	<u>December 31</u>	
	2021	2020
Cash on hand	\$ 224	\$ 224
Checking accounts and demand deposits	<u>337,890</u>	<u>285,949</u>
	<u>\$ 338,114</u>	<u>\$ 286,173</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2021	2020
<u>Current</u>		
Financial assets mandatorily classified as at FVTPL		
Mutual funds	<u>\$ 1,372,250</u>	<u>\$ 232,701</u>
<u>Non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Unlisted shares	<u>\$ 1,397,540</u>	<u>\$ 1,352,228</u>

8. FINANCIAL ASSETS AT FVTOCI – NON-CURRENT

Investments in Equity Instruments

	<u>December 31</u>	
	2021	2020
Unlisted shares	\$ 25,549	\$ 1,001
Listed shares	<u>-</u>	<u>193,708</u>
	<u>\$ 25,549</u>	<u>\$ 194,709</u>

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments 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 Corporation's strategy of holding these investments for long-term purposes.

In first quarter of 2021, the Corporation increased its interests in Genesis Technology Inc. (Genesis) and achieved significant influence over Genesis; therefore, investment in Genesis was reclassified from financial assets at FVTOCI to investments accounted for using the equity method in the amount of \$533,006 thousand, and its related unrealized valuation gain of \$49,429 thousand was transferred from other equity to retained earnings.

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Notes receivable	\$ 19,136	\$ 18,657
Less: Allowance for doubtful accounts	<u>(172)</u>	<u>(172)</u>
	<u>\$ 18,964</u>	<u>\$ 18,485</u>
Accounts receivable	\$ 1,348,462	\$ 1,003,100
Less: Allowance for doubtful accounts	<u>(17,657)</u>	<u>(9,829)</u>
	<u>\$ 1,330,805</u>	<u>\$ 993,271</u>
Long-term receivables	\$ 9,827	\$ 1,004
Less: Unrealized interest income	<u>(677)</u>	<u>(33)</u>
	<u>\$ 9,150</u>	<u>\$ 971</u>

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

The Corporation 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 the debtor's current financial position, economic conditions of the industry in which the debtors operate as well as the GDP forecasts and industry outlook. As the Corporation'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 Corporation's different customer base.

The Corporation 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 Corporation 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 Corporation's provision matrix.

December 31, 2021

	Not Past Due	Less than 91 Days	91 to 180 Days	181 to 270 Days	Over 270 Days	Total
Gross carrying amount	\$ 1,290,748	\$ 39,641	\$ 26,727	\$ 2,639	\$ 7,843	\$ 1,367,598
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>(7,347)</u>	<u>(2,639)</u>	<u>(7,843)</u>	<u>(17,829)</u>
Amortized cost	<u>\$ 1,290,748</u>	<u>\$ 39,641</u>	<u>\$ 19,380</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,349,769</u>

December 31, 2020

	Not Past Due	Less than 91 Days	91 to 180 Days	181 to 270 Days	Over 270 Days	Total
Gross carrying amount	\$ 973,966	\$ 32,978	\$ 5,460	\$ 4,039	\$ 5,314	\$ 1,021,757
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>(648)</u>	<u>(4,039)</u>	<u>(5,314)</u>	<u>(10,001)</u>
Amortized cost	<u>\$ 973,966</u>	<u>\$ 32,978</u>	<u>\$ 4,812</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,011,756</u>

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 10,001	\$ 18,766
Add: Net remeasurement of loss allowance	7,828	29,697
Less: Amount written off	<u>-</u>	<u>(38,462)</u>
Balance at December 31	<u>\$ 17,829</u>	<u>\$ 10,001</u>

10. INVENTORIES

	December 31	
	2021	2020
Merchandise	\$ 883,279	\$ 788,334
Maintenance parts	<u>7,002</u>	<u>8,902</u>
	<u>\$ 890,281</u>	<u>\$ 797,236</u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$4,312,140 thousand and \$3,240,873 thousand, respectively. The cost of goods sold included inventory write-downs of \$21,445 thousand and \$3,363 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Investments in subsidiaries	\$ 10,153,103	\$ 9,555,296
Investments in associates	<u>1,371,361</u>	<u>253,993</u>
	<u>\$ 11,524,464</u>	<u>\$ 9,809,289</u>

a. Investments in subsidiaries

	December 31	
	2021	2020
Unlisted Corporation		
Kimo.com (BVI) Corporation (Kimo BVI)	\$ 3,958,167	\$ 3,914,331
System Capital Group, Inc. (SCGI)	2,521,909	2,369,571
System Software & Service Corporation (SSSC)	1,161,042	1,021,321
Ching Pu Investment Corporation (Ching Pu) (Notes 4 and 16)	583,088	465,995
Concord System Management Corporation (CSMC)	439,296	390,208
Nexsys Corporation (Nexsys)	343,685	360,139
System Solutions Corporation (System Solutions)	320,382	310,743
Taifon Computer Co., Ltd. (Taifon)	297,290	264,415
Golden Bridge Corporation (GBC)	285,928	273,935
E-service Information Corporation (E-service)	87,017	48,682
uniXecure Corporation (uniXecure)	49,915	-
Taiwan Information Service Technology Corporation (TIST)	40,356	74,965
Naturint Corporation (Naturint)	21,234	21,347
Syspower Corporation (Syspower)	20,028	18,083
Hanmore Investment Corporation (Hanmore) (Notes 4 and 16)	19,574	17,289
Etu Corporation (Etu)	<u>4,192</u>	<u>4,272</u>
	<u>\$ 10,153,103</u>	<u>\$ 9,555,296</u>

The Corporation's proportion of ownership and voting rights of its subsidiaries as of the balance sheet date were 100%, except for:

Name of Associate	Proportion of Ownership and Voting Rights	
	December 31	
	2021	2020
Syspower	4.50%	4.50%
Etu	84.19%	84.19%
Hanmore	48.92%	48.92%
E-service	100.00%	58.75%
TIST	67.38%	62.87%

Refer to Note 26 to the consolidated financial statements for the information on the Corporation's acquisition of E-service.

The Corporation holds 48.92% of the ownership and voting rights of Hanmore. However, the Corporation considers that it has the practical ability to direct the relevant activities of Hanmore; thus, Hanmore is accounted for as subsidiary.

The Corporation and its subsidiaries, collectively, hold more than 50% of the ownership and voting rights of Syspower; therefore, the Corporation has control over Syspower, which is accounted for as subsidiary.

The impairment losses on the investments accounted for using the equity method amounted to \$37,509 thousand for the years ended December 31, 2021.

Except for TIST for the year ended December 31, 2020, the Corporation's share of profit (loss) and other comprehensive income (loss) from subsidiaries using the equity method was recognized based on each subsidiary's audited financial statements for the years ended December 31, 2021 and 2020.

b. Investments in associates

All the associates owned by the Corporation were not individually material. Aggregate information of associates were as follows:

	For the Year Ended December 31	
	2021	2020
The Corporation's share of:		
Profit for the year	\$ 39,189	\$ 38,307
Other comprehensive (loss) income	<u>(24,788)</u>	<u>6,416</u>
Total comprehensive income for the year	<u>\$ 14,401</u>	<u>\$ 44,723</u>

The impairment losses on the associates that are not individually material amounted to \$61,525 thousand and \$19,421 thousand, respectively, for the years ended December 31, 2021 and 2020.

Except for Systemweb Technologies Co., Sanfran Technologies Inc., Retail System Co., Mohist Web Technology Co., Frog-jump Information Co., Ltd., Shengesen Cloud Technology, FinRobo Advisor Securities Investment Consulting Co., Ltd., GenSys Technology (International) Ltd. and Systex Infopro Co., Ltd. for the year ended December 31, 2021, Sanfran Technologies Inc., Retail System Co., Mohist Web Technology Co., Frog-jump Information Co., Ltd., Shengesen Cloud Technology, GenSys Technology (International) Ltd. and Systex Infopro Co., Ltd. for the year ended December 31, 2020, the Corporation's share of profit and other comprehensive income (loss) from associates using the equity method were recognized based on each associate's audited financial statements. Management believes the financial statements that have not been audited would not have material impact on the investments accounted for using the equity method or the Corporation's share of profit and other comprehensive income (loss) in the financial statements.

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Computer Equipment	Transportation Equipment	Lease Equipment	Leasehold Improvements	Other Equipment	Total
<u>Cost</u>								
Balance at January 1, 2020	\$ 795,378	\$ 1,161,115	\$ 129,019	\$ 11,162	\$ 15,157	\$ 33,106	\$ 40,270	\$ 2,185,207
Additions	-	-	56,909	-	2,954	6,724	29,444	96,031
Disposals	-	-	(27,782)	(485)	(3,493)	(13,118)	(4,331)	(49,209)
Reclassifications	-	-	(35)	-	(558)	-	-	(593)
Balance at December 31, 2020	<u>\$ 795,378</u>	<u>\$ 1,161,115</u>	<u>\$ 158,111</u>	<u>\$ 10,677</u>	<u>\$ 14,060</u>	<u>\$ 26,712</u>	<u>\$ 65,383</u>	<u>\$ 2,231,436</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2020	\$ 7,693	\$ 462,355	\$ 58,556	\$ 6,013	\$ 7,554	\$ 18,988	\$ 12,677	\$ 573,836
Depreciation expenses	-	16,600	34,225	1,813	3,958	5,093	8,990	70,679
Disposals	-	-	(27,543)	(485)	(3,493)	(13,118)	(4,331)	(48,970)
Reclassifications	-	-	-	-	(402)	-	-	(402)
Balance at December 31, 2020	<u>\$ 7,693</u>	<u>\$ 478,955</u>	<u>\$ 65,238</u>	<u>\$ 7,341</u>	<u>\$ 7,617</u>	<u>\$ 10,963</u>	<u>\$ 17,336</u>	<u>\$ 595,143</u>
Carrying amounts at December 31, 2020	<u>\$ 787,685</u>	<u>\$ 682,160</u>	<u>\$ 92,873</u>	<u>\$ 3,336</u>	<u>\$ 6,443</u>	<u>\$ 15,749</u>	<u>\$ 48,047</u>	<u>\$ 1,636,293</u>
<u>Cost</u>								
Balance at January 1, 2021	\$ 795,378	\$ 1,161,115	\$ 158,111	\$ 10,677	\$ 14,060	\$ 26,712	\$ 65,383	\$ 2,231,436
Additions	-	-	41,784	-	2,729	5,463	16,716	66,692
Disposals	(4,585)	(2,973)	(21,599)	(10,677)	(2,930)	(1,581)	(3,536)	(47,881)
Reclassifications	-	-	18	-	(18)	-	-	-
Balance at December 31, 2021	<u>\$ 790,793</u>	<u>\$ 1,158,142</u>	<u>\$ 178,314</u>	<u>\$ -</u>	<u>\$ 13,841</u>	<u>\$ 30,594</u>	<u>\$ 78,563</u>	<u>\$ 2,250,247</u>

(Continued)

	Land	Buildings	Computer Equipment	Transportation Equipment	Lease Equipment	Leasehold Improvements	Other Equipment	Total
Accumulated depreciation and impairment								
Balance at January 1, 2021	\$ 7,693	\$ 478,955	\$ 65,238	\$ 7,341	\$ 7,617	\$ 10,963	\$ 17,336	\$ 595,143
Depreciation expenses	-	16,594	42,202	890	3,654	5,626	13,630	82,596
Disposals	-	(1,926)	(21,520)	(8,231)	(2,930)	(1,581)	(3,375)	(39,563)
Reclassifications	-	-	15	-	(15)	-	-	-
Balance at December 31, 2021	<u>\$ 7,693</u>	<u>\$ 493,623</u>	<u>\$ 85,935</u>	<u>\$ -</u>	<u>\$ 8,326</u>	<u>\$ 15,008</u>	<u>\$ 27,591</u>	<u>\$ 638,176</u>
Carrying amounts at December 31, 2021	<u>\$ 783,100</u>	<u>\$ 664,519</u>	<u>\$ 92,379</u>	<u>\$ -</u>	<u>\$ 5,515</u>	<u>\$ 15,586</u>	<u>\$ 50,972</u>	<u>\$ 1,612,071</u>

(Concluded)

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

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

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amounts</u>		
Buildings	\$ 73,365	\$ 111,766
Machinery	53,592	85,198
Transportation equipment	<u>2,105</u>	<u>-</u>
	<u>\$ 129,062</u>	<u>\$ 196,964</u>
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets	<u>\$ 34,891</u>	<u>\$ 53,478</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 66,659	\$ 62,794
Machinery	36,042	40,417
Transportation equipment	<u>92</u>	<u>-</u>
	<u>\$ 102,793</u>	<u>\$ 103,211</u>

Except for the additions and depreciation charge listed above, there is no subleasing or impairment loss of right-of-use assets for the years ended December 31, 2021 and 2020.

b. Lease liabilities

	<u>December 31</u>	
	2021	2020
<u>Carrying amounts</u>		
Current	<u>\$ 79,975</u>	<u>\$ 95,208</u>
Non-current	<u>\$ 50,871</u>	<u>\$ 103,751</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	2021	2020
Buildings	1.00%-1.25%	1.00%-1.25%
Machinery	1.00%-1.25%	1.25%
Transportation equipment	1.00%	-

c. Material leasing on activities and terms

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

d. Other lease information

	<u>For the Year Ended December 31</u>	
	2021	2020
Expenses relating to short-term leases and low-value asset leases	<u>\$ 40,721</u>	<u>\$ 41,170</u>
Total cash outflow for leases	<u>\$ 145,652</u>	<u>\$ 146,900</u>

The Corporation leases certain office equipment which qualify as short-term leases and low-value asset leases. The Corporation 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 was \$14,904 thousand and \$14,067 thousand, respectively, as of December 31, 2021 and 2020.

14. BONDS PAYABLE

	<u>December 31</u>	
	2021	2020
Unsecured domestic bonds	\$ 3,000,000	\$ -
Less: Discount on bonds payable	<u>(5,558)</u>	<u>-</u>
	<u>\$ 2,994,442</u>	<u>\$ -</u>

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

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation 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.

b. Defined benefit plans

The defined benefit plan adopted by the Corporation 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 Corporation 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 Corporation 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 Corporation has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Corporation’s defined benefit plans were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 519,970	\$ 519,107
Fair value of plan assets	<u>(320,687)</u>	<u>(306,743)</u>
Net defined benefit liability	<u>\$ 199,283</u>	<u>\$ 212,364</u>

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, 2020	\$ 492,134	\$ (258,418)	\$ 233,716
Service cost			
Current service cost	927	-	927
Net interest expense (income)	<u>3,640</u>	<u>(2,076)</u>	<u>1,564</u>
Recognized in profit or loss	<u>4,567</u>	<u>(2,076)</u>	<u>2,491</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(8,453)	(8,453)
Actuarial loss - changes in financial assumptions	22,315	-	22,315
Actuarial loss - experience adjustments	<u>12,088</u>	<u>-</u>	<u>12,088</u>
Recognized in other comprehensive income	<u>34,403</u>	<u>(8,453)</u>	<u>25,950</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Contributions from the employer	\$ -	\$ (49,793)	\$ (49,793)
Benefits paid	<u>(11,997)</u>	<u>11,997</u>	<u>-</u>
Balance at December 31, 2020	<u>519,107</u>	<u>(306,743)</u>	<u>212,364</u>
Service cost			
Current service cost	763	-	763
Net interest expense (income)	<u>1,801</u>	<u>(1,122)</u>	<u>679</u>
Recognized in profit or loss	<u>2,564</u>	<u>(1,122)</u>	<u>1,442</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,258)	(4,258)
Actuarial gain - changes in financial assumptions	(5,368)	-	(5,368)
Actuarial loss - experience adjustments	17,812	-	17,812
Actuarial loss - changes in demographic assumptions	<u>12,627</u>	<u>-</u>	<u>12,627</u>
Recognized in other comprehensive income	<u>25,071</u>	<u>(4,258)</u>	<u>20,813</u>
Contributions from the employer	-	(35,336)	(35,336)
Benefits paid	<u>(26,772)</u>	<u>26,772</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 519,970</u>	<u>\$ (320,687)</u>	<u>\$ 199,283</u> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Corporation 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	
	2021	2020
Discount rates	0.55%	0.35%
Expected rates of salary increase	1.20%	1.10%

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	
	2021	2020
Discount rates		
0.5% increase	<u>\$ (26,349)</u>	<u>\$ (27,693)</u>
0.5% decrease	<u>\$ 28,286</u>	<u>\$ 29,814</u>
Expected rates of salary increase		
0.5% increase	<u>\$ 27,955</u>	<u>\$ 29,433</u>
0.5% decrease	<u>\$ (26,311)</u>	<u>\$ (27,626)</u>

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	
	2021	2020
The expected contributions to the plan for the next year	<u>\$ 44,959</u>	<u>\$ 36,408</u>
The average duration of the defined benefit obligation	10 years	11 years

16. EQUITY

a. Share capital

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

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

b. Capital surplus

	December 31	
	2021	2020
May be used to offset a deficit, distribute as cash dividends, or <u>transfer to share capital (1)</u>		
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	1,869	39
Donations	544	544
Treasury share transactions	1,945,013	1,837,963

(Continued)

	December 31	
	2021	2020
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interest in subsidiaries (2)	\$ 10,655	\$ 8,576
Share of changes in associates accounted for by using equity method	2,260	654
Gain on sale of property and equipment	<u>4,493</u>	<u>4,493</u>
	<u>\$ 6,606,321</u>	<u>\$ 6,493,756</u>
		(Concluded)

- 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

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

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

For the policies on distribution of compensation of employees and remuneration of directors, please refer to Note 18 c. for details.

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

- 1) Determine the optimal capital budget.
- 2) Determine the funding requirements to meet the optimal capital budget.

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

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

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

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

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

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

The appropriations of earnings for 2020 and 2019 had been approved in the shareholders' meetings held on August 27, 2021 and June 18, 2020, respectively, were as follows:

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

The appropriation of earnings for 2021 will be resolved by the shareholders in their meeting in May 2022.

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. Others equity items

1) Exchange differences on translating foreign operations

	<u>For the Year Ended December 31</u>	
	2021	2020
Balance at January 1	\$ (581,485)	\$ (435,908)
Share of exchange difference of subsidiaries and associates accounted for using the equity method	<u>(110,531)</u>	<u>(145,577)</u>
Balance at December 31	<u>\$ (692,016)</u>	<u>\$ (581,485)</u>

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

	<u>For the Year Ended December 31</u>	
	2021	2020
Balance at January 1	\$ (187,226)	\$ (143,558)
Recognized for the year		
Unrealized gain (loss) on equity investments	113,958	(62,970)
Share from subsidiaries and associates accounted for using the equity method	58,009	(53,407)
Disposal of associates accounted for using the equity method	-	(8,255)
Cumulative unrealized (loss) gain of equity instruments transferred to retained earnings by subsidiaries	<u>(21,849)</u>	<u>80,964</u>
Balance at December 31	<u>\$ (37,108)</u>	<u>\$ (187,226)</u>

f. Treasury shares (in thousands)

Purpose of Treasury Share	Number of Shares at January 1	Increase During the Year	Decrease During the Year	Number of Shares at December 31
<u>2021</u>				
Reclassification of the Corporation's shares held by subsidiaries from equity-method investments into treasury share	<u>21,410</u>	<u>-</u>	<u>-</u>	<u>21,410</u>
<u>2020</u>				
Reclassification of the Corporation's shares held by subsidiaries from equity-method investments into treasury share	<u>21,410</u>	<u>-</u>	<u>-</u>	<u>21,410</u>

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Hanmore</u>		
Share (in thousands)	<u>21,317</u>	<u>21,317</u>
Investments cost	<u>\$ 755,480</u>	<u>\$ 755,480</u>
Market value	<u>\$ 1,807,654</u>	<u>\$ 1,869,473</u>
<u>Ching Pu</u>		
Share (in thousands)	<u>10,982</u>	<u>10,982</u>
Investments cost	<u>\$ 246,093</u>	<u>\$ 246,093</u>
Market value	<u>\$ 931,229</u>	<u>\$ 963,075</u>

For the Corporation's shares held by Hanmore, the investment cost at 48.92% (the ownership percentage owned by the Corporation) was transferred from investment accounted for using equity method to treasury shares, amounting to both \$515,617 (10,428 thousand shares) as of December 31, 2021 and 2020.

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.

17. OPERATING REVENUE

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 5,048,158	\$ 3,872,474
Revenue from the rendering of services	3,199,837	3,105,044
Other operating revenue	<u>37,392</u>	<u>40,019</u>
	<u>\$ 8,285,387</u>	<u>\$ 7,017,537</u>

Contract Balances

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Notes and accounts receivable	<u>\$ 1,349,769</u>	<u>\$ 1,011,756</u>
Contract liabilities	<u>\$ 656,142</u>	<u>\$ 646,718</u>

Please refer to Note 9 for the information on notes and accounts receivable. The changes in the balance of contract liabilities primarily result from the timing difference between the Corporation's satisfaction of performance obligations and the respective customer's payment.

18. NET PROFIT

a. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	\$ 82,596	\$ 70,679
Right-of-use assets	102,793	103,211
Intangible assets	<u>18,344</u>	<u>14,467</u>
	<u>\$ 203,733</u>	<u>\$ 188,357</u>
An analysis of depreciation by function		
Operating costs	\$ 80,973	\$ 85,527
Operating expenses	<u>104,416</u>	<u>88,363</u>
	<u>\$ 185,389</u>	<u>\$ 173,890</u>
An analysis of amortization by function		
Operating costs	\$ 938	\$ 892
Operating expenses	<u>17,406</u>	<u>13,575</u>
	<u>\$ 18,344</u>	<u>\$ 14,467</u>

b. Employee benefits expenses (recognized as operating expenses)

	For the Year Ended December 31	
	2021	2020
Post-employment benefits		
Defined contribution plans	\$ 86,326	\$ 80,352
Defined benefits plans (Note 15)	<u>1,442</u>	<u>2,491</u>
	87,768	82,843
Payroll	1,833,104	1,752,547
Labor and health insurance	165,958	142,597
Remuneration of directors	25,756	35,494
Other employee benefits	<u>73,786</u>	<u>47,425</u>
	<u>\$ 2,186,372</u>	<u>\$ 2,060,906</u>

For the years ended December 31, 2021 and 2020, the Corporation had 1,962 and 1,847 employees on average, respectively; the number of board of directors who did not serve concurrently as employees amounted to 11 for both years.

For the years ended December 31, 2021 and 2020, the average employee benefits expenses amounted to \$1,107 thousand and \$1,103 thousand, respectively, and the average payroll expenses amounted to \$940 thousand and \$955 thousand, respectively. The average payroll expenses decreased by 1.57%.

The Corporation's policies for employee benefits expenses are as follows.

The directors are remunerated in accordance with the Corporation's current Articles. The Corporation has also established the "Regulations on Directors' Remuneration" to calculate their remuneration based on the base numbers established by directors' contribution to the Corporation and whether they are independent directors.

Directors' remuneration includes remuneration, salary, travel expenses, etc. Independent directors are paid in fixed amounts of remuneration every quarter in accordance with the resolutions in the board of directors' meetings. Travel expenses are paid each time directors attend board of directors or functional committee meetings in person.

Managerial officers' remuneration is paid in accordance with the Corporation's human resources policies. Their remuneration mainly includes basic salary, rewards, and employee remuneration. Rewards and bonuses are distributed based on the overall operating performance of the Corporation and shall be in accordance with the "Regulations on the Distribution of Year-End Bonuses".

The Corporation has established a remuneration committee to be in charge of the performance evaluation of directors and managerial officers, set and reviewing the remuneration policies, system standards and structure, and conduct periodic reviews on the accomplishment of performance targets in order to build a comprehensive remuneration system for the Corporation's directors and managerial officers.

The Corporation has set up a well-established performance management and remuneration system which connected the target of organization with personal performance. The Corporation ensures performance examination, feedback, and assessment are completed regularly. Bonuses are paid based on the overall performance of the Corporation, department performance, personal performance and contribution in order to achieve the Corporation's goal of high performance, high contribution, and high reward.

c. Compensation of employees and remuneration of directors

The Corporation accrued compensation of employees and remuneration of directors at the rates no less than 0.1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020 which have been approved by the Corporation's board of directors on February 23, 2022 and February 24, 2021, respectively, were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
	Cash	Cash
Compensation of employees	\$ 38,635	\$ 53,241
Remuneration of directors	25,756	35,494

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

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

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Gain on sale of investments, net

	<u>For the Year Ended December 31</u>	
	2021	2020
Disposals of financial assets at FVTPL	\$ 592	\$ 79,521
Disposals of investments accounted for using the equity method	<u>-</u>	<u>84,308</u>
	<u>\$ 592</u>	<u>\$ 163,829</u>

19. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of income tax expenses are as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Current tax		
In respect of the current year	\$ 17,436	\$ 5,290
Additional income tax on unappropriated earnings	-	1,650
Additional income tax under the Alternative Minimum Tax Act	-	14,197
Investment tax credit deduction	-	(1,650)
Adjustments for prior years' tax	<u>(1,896)</u>	<u>(1,591)</u>
	<u>15,540</u>	<u>17,896</u>
Deferred tax		
In respected of the current year	(6,028)	7,483
Adjustments for prior years' tax	<u>-</u>	<u>(5,761)</u>
	<u>(6,028)</u>	<u>1,722</u>
Income tax expense recognized in profit or loss	<u>\$ 9,512</u>	<u>\$ 19,618</u>

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

	<u>For the Year Ended December 31</u>	
	2021	2020
Profit before tax	<u>\$ 1,223,428</u>	<u>\$ 1,685,963</u>
Income tax expense calculated at the statutory rate	\$ 244,686	\$ 337,193
Additional income tax on unappropriated earnings	-	1,650
Permanent difference	(233,810)	(326,070)
Additional income tax under the Alternative Minimum Tax Act	-	14,197
Land value incremental tax	532	-
Adjustments for prior years' tax	<u>(1,896)</u>	<u>(7,352)</u>
Income tax expense recognized in profit or loss	<u>\$ 9,512</u>	<u>\$ 19,618</u>

b. Current tax assets and liabilities

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Current tax liabilities		
Income tax payable	\$ <u>14,219</u>	\$ <u>22,970</u>

Prepaid income tax of \$2,685 thousand and \$1,137 thousand have been deducted, respectively, from income tax payable as of December 31, 2021 and 2020.

c. The movements of deferred tax assets and liabilities

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Payable for annual leave	\$ 1,651	\$ 297	\$ 1,948
Allowance for loss on inventories	3,767	3,735	7,502
Others	<u>5,627</u>	<u>1,839</u>	<u>7,466</u>
	<u>\$ 11,045</u>	<u>\$ 5,871</u>	<u>\$ 16,916</u>

Deferred tax liabilities

Temporary differences			
Exchange differences on foreign operations	\$ 5,846	\$ -	\$ 5,846
Others	<u>242</u>	<u>(157)</u>	<u>85</u>
	<u>\$ 6,088</u>	<u>\$ (157)</u>	<u>\$ 5,931</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Payable for annual leave	\$ 1,269	\$ 382	\$ 1,651
Allowance for loss on inventories	3,733	34	3,767
Others	<u>7,332</u>	<u>(1,705)</u>	<u>5,627</u>
	12,334	(1,289)	11,045
Investment credits	<u>191</u>	<u>(191)</u>	<u>-</u>
	<u>\$ 12,525</u>	<u>\$ (1,480)</u>	<u>\$ 11,045</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax liabilities</u>			
Temporary differences			
Exchange differences on foreign operations	\$ 5,846	\$ -	\$ 5,846
Others	<u>-</u>	<u>242</u>	<u>242</u>
	<u>\$ 5,846</u>	<u>\$ 242</u>	<u>\$ 6,088</u> (Concluded)

d. Income tax assessments

Income tax returns through 2019 and undistributed earnings through 2018 of the Corporation has been assessed by the tax authorities.

20. 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	
	2021	2020
Net income for the year	<u>\$ 1,213,916</u>	<u>\$ 1,666,345</u>
<u>Number of shares (in thousands)</u>		
Weighted average number of ordinary shares in the computation of basic earnings per share	247,983	247,983
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>549</u>	<u>785</u>
Weighted average number of ordinary shares in the computation of diluted earnings per share	<u>248,532</u>	<u>248,768</u>
<u>Earnings per share (NT\$)</u>		
Basic earnings per share	<u>\$4.90</u>	<u>\$6.72</u>
Diluted earnings per share	<u>\$4.88</u>	<u>\$6.70</u>

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

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

	For the Year Ended December 31	
	2021	2020
Net income for the year	<u>\$ 1,320,965</u>	<u>\$ 1,773,394</u>
<u>Number of shares (in thousands)</u>		
Weighted average number of ordinary shares in the computation of pro forma basic earnings per shares	269,393	269,393
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>549</u>	<u>785</u>
Weighted average number of ordinary shares in the computation of pro forma diluted earnings per shares	<u>269,942</u>	<u>270,178</u>
<u>Earnings per share (NT\$)</u>		
Basic earnings per share	<u>\$4.90</u>	<u>\$6.58</u>
Diluted earnings per share	<u>\$4.89</u>	<u>\$6.56</u>

21. CAPITAL MANAGEMENT

The capital structure of the Corporation consists of debt and equity of the Corporation (comprising issued capital, capital surplus, 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.

22. 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 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
<u>December 31, 2021</u>				
Financial assets at FVTPL				
Unlisted shares	\$ -	\$ -	\$ 1,397,540	\$ 1,397,540
Mutual funds	<u>1,372,250</u>	<u>-</u>	<u>-</u>	<u>1,372,250</u>
	<u>\$ 1,372,250</u>	<u>\$ -</u>	<u>\$ 1,397,540</u>	<u>\$ 2,769,790</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Unlisted shares	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 25,549</u>	\$ <u> 25,549</u>
<u>December 31, 2020</u>				
Financial assets at FVTPL				
Unlisted shares	\$ -	\$ -	\$ 1,352,228	\$ 1,352,228
Mutual funds	<u> 232,701</u>	<u> -</u>	<u> -</u>	<u> 232,701</u>
	<u>\$ 232,701</u>	<u>\$ -</u>	<u>\$ 1,352,228</u>	<u>\$ 1,584,929</u>
Financial assets at FVTOCI				
Listed shares	\$ 193,708	\$ -	\$ -	\$ 193,708
Unlisted shares	<u> -</u>	<u> -</u>	<u> 1,001</u>	<u> 1,001</u>
	<u>\$ 193,708</u>	<u>\$ -</u>	<u>\$ 1,001</u>	<u>\$ 194,709</u>
				(Concluded)

There were no transfers between Levels 1 and 2 in 2021 and 2020.

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

For the year ended December 31, 2021

Financial Assets	Financial Assets at FVTPL Equity Instruments	Financial Assets at FVTOCI Equity Instruments	Total
Balance at January 1	\$ 1,352,228	\$ 1,001	\$ 1,353,229
Recognized in profit or loss	45,534	-	45,534
Recognized in other comprehensive income	-	837	837
Purchases	-	24,600	24,600
Capital reduction	-	(889)	(889)
Capital surplus distributed as cash dividends	<u>(222)</u>	<u> -</u>	<u>(222)</u>
Balance at December 31	<u>\$ 1,397,540</u>	<u>\$ 25,549</u>	<u>\$ 1,423,089</u>
Unrealized gain/(loss) for the current year included in profit or loss relating to assets held at the end of the year	<u>\$ 45,534</u>		<u>\$ 45,534</u>

For the year ended December 31, 2020

Financial Assets	Financial Assets at FVTPL	Financial Assets at FVTOCI	Total
	Equity Instruments	Equity Instruments	
Balance at January 1	\$ 1,267,686	\$ 1,181	\$ 1,268,867
Recognized in profit or loss	306,342	-	306,342
Recognized in other comprehensive income	-	722	722
Capital reduction	-	(902)	(902)
Capital surplus distributed as cash dividends	(333)	-	(333)
Disposals	<u>(221,467)</u>	<u>-</u>	<u>(221,467)</u>
Balance at December 31	<u>\$ 1,352,228</u>	<u>\$ 1,001</u>	<u>\$ 1,353,229</u>
Unrealized gain/(loss) for the current year included in profit or loss relating to assets held at the end of the year	<u>\$ 229,149</u>		<u>\$ 229,149</u>

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 shares 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	
	2021	2020
<u>Financial assets</u>		
<u>FVTPL</u>		
Mandatorily classified as at FVTPL	\$ 2,769,790	\$ 1,584,929
Financial assets at amortized cost (1)	2,490,219	1,721,969
Financial assets at FVTOCI	25,549	194,709
<u>Financial liabilities</u>		
Amortized cost (2)	5,458,149	1,835,319

- 1) The balances include financial assets at amortized cost, which comprise cash, notes receivable, accounts receivable, receivables from related parties, 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) and lease receivables - non-current (included in other non-current assets).
- 2) The balances included financial liabilities measured at amortized cost, which comprise notes and accounts payable, payables to related parties, other payables, guarantee deposits received (included in other non-current liabilities) and bonds payable.

d. Financial risk management objectives and policies

The Corporation'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 Corporation's financial performance, the Corporation endeavors to identify, estimate and hedge the uncertainties of the market.

The Corporation'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 Corporation has foreign currency sales, purchases and borrowings, which were exposed to foreign currency risk. The Corporation designated a person 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) at the end of the reporting period. A positive number below indicates an increase/decrease in pre-tax gain associated with New Taiwan dollars strengthening/weakening 5% against the relevant currency.

	For the Year Ended December 31	
	2021	2020
Increase/decrease	\$ 1,649	\$ 2,222

b) Interest rate risk

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

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 137,063	\$ 111,449
Financial liabilities	3,125,288	198,959
Cash flow interest rate risk		
Financial assets	337,890	285,949

The Corporation 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 Corporation's pre-tax net income effect would have been as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Increase/decrease	\$ 338	\$ 286

c) Other price risk

The Corporation was exposed to price risk through its investments in shares, corporate bonds and mutual funds. The Corporation 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 Corporation's pre-tax net income and other comprehensive income would have been as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Pre-tax net income		
Increase/decrease	\$ 138,490	\$ 79,246
Other comprehensive income		
Increase/decrease	1,277	9,735

2) Credit risk

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

The Corporation designated a department to manage accounts receivable, establish management policies and develop credit limit management procedures to ensure its benefit. The corporation also choose creditworthy financial institutions with good credit rating as counterparties to reduce credit risk.

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 Corporation 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 Corporation invests idle funds in short-term investments under consideration of liquidity, security and profitability. The Corporation also maintains banking facilities to ensure the liquidity of cash.

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

In addition, the Corporation'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 Corporation 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.

23. TRANSACTIONS WITH RELATED PARTIES

Except for those disclosed in other notes, transactions between the Corporation and related parties are disclosed below.

a. Related parties and their relationship with the Corporation

<u>Related Parties</u>	<u>Relationship with the Corporation</u>
Taifon Computer Co., Ltd. (Taifon)	Subsidiary
System Solutions Corporation (System Solutions)	Subsidiary
Syspower Corporation (Syspower)	Subsidiary
Concord System Management Corporation (CSMC)	Subsidiary
Nexsys Corporation (Nexsys)	Subsidiary
Ching Pu Investment Corporation (Ching Pu)	Subsidiary
Golden Bridge Corporation (GBC)	Subsidiary
Hanmore Investment Corporation (Hanmore)	Subsidiary
Kimo.com (BVI) Corporation (Kimo BVI)	Subsidiary
Naturint Corporation (Naturint)	Subsidiary
System Software & Service Corporation (SSSC)	Subsidiary
Softmobile Technology Corporation (Softmobile)	Subsidiary
Syscore Corporation (Syscore)	Subsidiary
Syslink Corporation (Syslink)	Subsidiary
Syswiser Technology Corporation (Syswiser)	Subsidiary
Smartsys Technology Corporation (Smartsys)	Subsidiary
Top Information Technologies Co., Ltd. (Top Information)	Subsidiary
E-service Information Corporation (E-service)	Subsidiary
Taiwan Information Service Technology Corporation (TIST)	Subsidiary
Palsys Digital Technology Corporation (Palsys)	Subsidiary
Syslong Corporation (Syslong)	Subsidiary
uniXecure Corporation (uniXecure)	Subsidiary
System Information (HK) Ltd. (System HK)	Subsidiary
Rainbow Tech Information (HK) Ltd. (Rainbow HK)	Subsidiary
System Information (Shanghai) Ltd. (System)	Subsidiary
Sysware Shenglong Information Systems Co., Ltd. (Sysware Shenglong)	Subsidiary
System Ucom (Shanghai) Information Ltd. Co. (System Ucom)	Subsidiary
System Solutions (HK) Limited (SSHK)	Subsidiary
System Rainbow Tech Inc. (System Rainbow)	Subsidiary
System Rainbow (Guangzhou) Tech Inc. (Rainbow Guangzhou)	Subsidiary
System Group (China) Limited (System China)	Subsidiary
Dawning Technology Inc. (Dawning)	Associate (subsidiary of the Corporation since January 2021)
Investment Media Ltd. (IM)	Associate

(Continued)

<u>Related Parties</u>	<u>Relationship with the Corporation</u>
Sanfran Technologies Inc. (Sanfran)	Associate
Systemweb Technologies Co., Ltd. (Systemweb)	Associate
Shengsen Cloud Technology (Shengsen)	Associate
Frog-jump Information Co., Ltd. (Frog-jump)	Associate
Retail System Co., Ltd. (Retail System)	Associate
Neweb Information Co., Ltd. (Neweb)	Associate
Gensys Technology International. Ltd. (Gensys)	Associate
Fuco Technology Co., Ltd. (Fuco)	Associate
AIWin Technology Co., Ltd. (AIWin)	Associate
Genesis Technology Inc. (Genesis)	Associate
Mohist Web Technology Co., Ltd. (Mohist)	Associate
FinRobo Advisor Securities Investment Consulting Co., Ltd. (FinRobo)	Associate
Bao Ruh Electronic Co., Ltd. (Bao Ruh)	Associate
CKmates International Co., Ltd. (CKmates)	Associate
Collaboration Co., Ltd. (Collaboration)	Associate
Teamplus Technology Inc. (Teamplus)	Associate

(Concluded)

b. Operating revenue

Line Items	Related Party Categories	<u>For the Year Ended December 31</u>	
		2021	2020
Sales	Subsidiary	\$ 104,456	\$ 92,827
	Associate	<u>27,506</u>	<u>13,840</u>
		<u>\$ 131,962</u>	<u>\$ 106,667</u>
Service revenue	Subsidiary	\$ 137,847	\$ 188,613
	Associate	<u>5,560</u>	<u>6,400</u>
		<u>\$ 143,407</u>	<u>\$ 195,013</u>

c. Purchases of goods

Related Party Categories	<u>For the Year Ended December 31</u>	
	2021	2020
Subsidiary		
SSSC	\$ 1,252,017	\$ 487,954
Others	344,636	331,508
Associate	<u>44,000</u>	<u>94,628</u>
	<u>\$ 1,640,653</u>	<u>\$ 914,090</u>

d. Receivables from related parties

Line Items	Related Party Categories	December 31	
		2021	2020
Receivables from related parties	Subsidiary		
	SSSC	\$ 41,343	\$ 45,315
	CSMC	23,664	37,452
	System Solutions	14,796	10,027
	Syspower	12,295	22,450
	Others	17,819	18,114
	Associate	<u>3,686</u>	<u>1,589</u>
		<u>113,603</u>	<u>134,947</u>
Loans and interest receivables from related parties	Subsidiary		
	CSMC	140,072	-
	SSSC	80,041	-
	System Solutions	<u>80,041</u>	<u>-</u>
		<u>300,154</u>	<u>-</u>
		<u>\$ 413,757</u>	<u>\$ 134,947</u>

The Corporation provided short-term loans to CSMC, SSSC and System Solutions. Such loans are due in December 2022, with a fixed interest rate of 1.25%, and the principal and interest will be repaid in full on the maturity date.

e. Payables to related parties

Line Items	Related Party Categories	December 31	
		2021	2020
Payables to related parties	Subsidiary		
	SSSC	\$ 222,466	\$ 103,180
	Syspower	127,200	94,256
	Others	48,867	18,958
	Associate		
	Others	<u>18,753</u>	<u>29,977</u>
		<u>\$ 417,286</u>	<u>\$ 246,371</u>

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

f. Acquisition of property, plant and equipment and computer software

Related Party Categories	Purchase Price	
	For the Year Ended December 31	
	2021	2020
Subsidiary		
SSSC	\$ 3,746	\$ 13,898
Others	5,437	4,356
Associate	<u>-</u>	<u>3,330</u>
	<u>\$ 9,183</u>	<u>\$ 21,584</u>

g. Disposal of property, plant and equipment and computer software

Related Party Categories	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020
Subsidiary				
Systex Solutions	\$ -	\$ 20	\$ -	\$ -
Syspower	-	209	-	-
CSMC	59	-	-	-
SSSC	2	10	-	-
Palsys	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 79</u>	<u>\$ 239</u>	<u>\$ -</u>	<u>\$ -</u>

h. Other transactions with related parties

Line Items	Related Party Categories	For the Year Ended December 31	
		2021	2020
Service cost	Subsidiary	\$ 63,006	\$ 63,234
	Associate	<u>19,813</u>	<u>20,343</u>
		<u>\$ 82,819</u>	<u>\$ 83,577</u>
Operating expenses	Subsidiary	\$ 14,439	\$ 2,850
	Associate	<u>1,265</u>	<u>1,251</u>
		<u>\$ 15,704</u>	<u>\$ 4,101</u>
Revenue of management fee (recognized as deduction of operating expenses)	Subsidiary	<u>\$ 104,402</u>	<u>\$ 115,195</u>
Other income	Subsidiary		
	Nexsys	\$ 3,484	\$ 3,484
	Others	1,751	2,157
	Associate	<u>204</u>	<u>222</u>
		<u>\$ 5,439</u>	<u>\$ 5,863</u>
Interest revenue	Subsidiary	<u>\$ 154</u>	<u>\$ -</u>

i. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 132,274	\$ 119,312
Post-employment benefits	<u>2,782</u>	<u>2,879</u>
	<u>\$ 135,056</u>	<u>\$ 122,191</u>

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

24. PLEDGED ASSETS

The following assets were pledged as the Corporation's collateral for contract guarantees, guarantees for gift certificates and gift cards issued and import duty guarantee:

	December 31	
	2021	2020
Pledged time deposits - current (included in other receivables)	\$ 87,411	\$ 88,198
Pledged time deposits - non-current (included in other non-current assets)	<u>49,652</u>	<u>22,032</u>
	<u>\$ 137,063</u>	<u>\$ 110,230</u>

25. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Corporation as of December 31, 2021 and 2020 were as follows:

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

	December 31	
	2021	2020
	<u>\$ 695</u>	<u>\$ 707</u>

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

	December 31	
	2021	2020
	<u>\$ 3,586,874</u>	<u>\$ 2,946,127</u>

c. Please refer to Table 1 for information that the Corporation provided endorsements for others.

- d. The Corporation issues gift certificates and gift cards. For the handling of advance receipts from customers for sold gift certificates and gift cards, the Corporation 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 Corporation 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 Corporation 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, 2021, the Corporation’s assets in the trust account amounted to \$47,866 thousand (included in other receivables and other non-current assets).

26. OTHER ITEMS

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

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

The Corporation’s 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, 2021

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary item			
USD	\$ 3,376	27.68	\$ 93,456
Non-monetary item			
Investment accounted for using equity method			
USD	234,107	27.68	6,480,076
<u>Financial liabilities</u>			
Monetary item			
USD	2,185	27.68	60,471

December 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary item			
USD	\$ 3,546	28.48	\$ 100,988
Non-monetary item			
Investment accounted for using equity method			
USD	220,643	28.48	6,283,902

Financial liabilities

Monetary item			
USD	1,985	28.48	56,546

The significant unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2021		2020	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
Foreign Currency				
USD	27.68	\$ (38)	28.48	\$ (186)

SYSTEMX CORPORATION

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 2)	Note
													Item	Value			
0	Systex Corporation	Systex Software & Service Corporation	Receivables from related parties	Y	\$ 800,000	\$ 800,000	\$ 80,000	1.25	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 5,401,336	\$ 5,401,336	(Note 3)
		Systex Solutions Corporation	Receivables from related parties	Y	300,000	300,000	80,000	1.25	Short-term financing	-	Operating capital	-	-	-	5,401,336	5,401,336	(Note 4)
		Concord System Management Corporation	Receivables from related parties	Y	200,000	200,000	140,000	1.25	Short-term financing	-	Operating capital	-	-	-	5,401,336	5,401,336	(Note 5)
1	Systex Group (China) Ltd.	Systek Information (Shanghai) Ltd.	Receivables from related parties	Y	131,619	130,245	4,342	1-6.16	Short-term financing	-	Operating capital	-	-	-	2,700,668	5,401,336	(Note 6)
		Systex Rainbow Tech Inc.	Receivables from related parties	Y	219,365	217,075	47,757	1-6.16	Short-term financing	-	Operating capital	-	-	-	2,700,668	5,401,336	(Note 7)
		Sysware Shenglong Information Systems Co., Ltd.	Receivables from related parties	Y	21,937	21,708	-	1-6.16	Short-term financing	-	Operating capital	-	-	-	2,700,668	5,401,336	(Note 8)
		Systex Ucom (Shanghai) Information Ltd. Co.	Receivables from related parties	Y	219,365	217,075	-	1-6.16	Short-term financing	-	Operating capital	-	-	-	2,700,668	5,401,336	(Note 9)
2	Systek Information (Shanghai) Ltd.	Systex Group (China) Ltd.	Receivables from related parties	Y	263,238	260,490	-	1-6.16	Short-term financing	-	Operating capital	-	-	-	2,700,668	5,401,336	(Note 10)
		Systex Rainbow Tech Inc.	Receivables from related parties	Y	43,701	43,415	-	1-6.16	Short-term financing	-	Operating capital	-	-	-	2,700,668	5,401,336	(Note 11)
		Sysware Shenglong Information Systems Co., Ltd.	Receivables from related parties	Y	43,701	43,415	-	1-6.16	Short-term financing	-	Operating capital	-	-	-	2,700,668	5,401,336	(Note 12)
3	Systex Rainbow Tech Inc.	Systex Group (China) Ltd.	Receivables from related parties	Y	87,746	86,830	-	1-6.16	Short-term financing	-	Operating capital	-	-	-	2,700,668	5,401,336	(Note 13)
		Systek Information (Shanghai) Ltd.	Receivables from related parties	Y	43,701	43,415	-	1-6.16	Short-term financing	-	Operating capital	-	-	-	2,700,668	5,401,336	(Note 14)
4	Sysware Shenglong Information Systems Co., Ltd.	Systex Group (China) Ltd.	Receivables from related parties	Y	43,873	43,415	-	1-6.16	Short-term financing	-	Operating capital	-	-	-	2,700,668	5,401,336	(Note 15)
		Systek Information (Shanghai) Ltd.	Receivables from related parties	Y	43,701	43,415	43,415	1-6.16	Short-term financing	-	Operating capital	-	-	-	2,700,668	5,401,336	(Note 16)
5	Syscore Corporation	Systex Software & Service Corporation	Receivables from related parties	Y	500,000	-	-	1.5	Short-term financing	-	Operating capital	-	-	-	977,147	977,147	(Note 17)
6	Systex Solutions (HK) Limited	Systex Group (China) Ltd.	Receivables from related parties	Y	228,280	-	-	1	Short-term financing	-	Operating capital	-	-	-	2,700,668	5,401,336	(Note 18)
7	Syspower Corporation	Palsys Digital Technology Corporation	Receivables from related parties	Y	160,000	160,000	160,000	1.75	Short-term financing	-	Operating capital	-	-	-	180,239	180,239	(Note 19)
8	Concord System Management Corporation	Palsys Digital Technology Corporation	Receivables from related parties	Y	50,000	50,000	50,000	1.75	Business Relations	63,548	Operating capital	-	-	-	176,095	176,095	(Note 20)

Note 1: Financing Limit for the Corporation, Syscore Corporation, Syspower Corporation, and Concord System Management Corporation shall not exceed 40% of their net equity, others shall not exceed 20% of their net equity. If it is for short-term financing between foreign companies in which the Corporation holds a 100% interest, the financing limit is not subject to the prior limitation but shall not exceed 20% of the Corporation's net equity.

Note 2: Total loans shall not exceed 40% of the lender's net equity. If it is for short-term financing between foreign companies in which the Corporation holds a 100% interest, the total loans is not subject to the prior limitation but shall not exceed 20% of the Corporation's net equity.

Note 3: The highest balance for the period is NT\$800,000 thousand. The ending balance is NT\$800,000 thousand, including NT\$720,000 thousand which has not been withdrawn.

Note 4: The highest balance for the period is NT\$300,000 thousand. The ending balance is NT\$300,000 thousand, including NT\$220,000 thousand which has not been withdrawn.

Note 5: The highest balance for the period is NT\$200,000 thousand. The ending balance is NT\$200,000 thousand, including NT\$60,000 thousand which has not been withdrawn.

(Continued)

- Note 6: The highest balance for the period is NT\$131,619 thousand (RMB30,000 thousand). The ending balance is NT\$130,245 thousand (RMB30,000 thousand), including NT\$125,903 thousand (RMB29,000 thousand) which has not been withdrawn.
- Note 7: The highest balance for the period is NT\$219,365 thousand (RMB50,000 thousand). The ending balance is NT\$217,075 thousand (RMB50,000 thousand), including NT\$169,318 thousand (RMB39,000 thousand) which has not been withdrawn.
- Note 8: The highest balance for the period is NT\$21,937 thousand (RMB5,000 thousand). The ending balance is NT\$21,708 thousand (RMB5,000 thousand) which has not been withdrawn.
- Note 9: The highest balance for the period is NT\$219,365 thousand (RMB50,000 thousand). The ending balance is NT\$217,075 thousand (RMB50,000 thousand) which has not been withdrawn.
- Note 10: The highest balance for the period is NT\$263,238 thousand (RMB60,000 thousand). The ending balance is NT\$260,490 thousand (RMB60,000 thousand) which has not been withdrawn.
- Note 11: The highest balance for the period is NT\$43,701 thousand (RMB10,000 thousand). The ending balance is NT\$43,415 thousand (RMB10,000 thousand) which has not been withdrawn.
- Note 12: The highest balance for the period is NT\$43,701 thousand (RMB10,000 thousand). The ending balance is NT\$43,415 thousand (RMB10,000 thousand) which has not been withdrawn.
- Note 13: The highest balance for the period is NT\$87,746 thousand (RMB20,000 thousand). The ending balance is NT\$86,830 thousand (RMB20,000 thousand) which has not been withdrawn.
- Note 14: The highest balance for the period is NT\$43,701 thousand (RMB10,000 thousand). The ending balance is NT\$43,415 thousand (RMB10,000 thousand) which has not been withdrawn.
- Note 15: The highest balance for the period is NT\$43,873 thousand (RMB10,000 thousand). The ending balance is NT\$43,415 thousand (RMB10,000 thousand) which has not been withdrawn.
- Note 16: The highest balance for the period is NT\$43,701 thousand (RMB10,000 thousand). The ending balance is NT\$43,415 thousand (RMB10,000 thousand) which has been withdrawn.
- Note 17: The highest balance for the period is NT\$500,000 thousand.
- Note 18: The highest balance for the period is NT\$228,280 thousand (US\$8,000 thousand).
- Note 19: The highest balance for the period is NT\$160,000 thousand. The ending balance is NT\$160,000 thousand which has been withdrawn.
- Note 20: The highest balance for the period is NT\$50,000 thousand. The ending balance is NT\$50,000 thousand which has been withdrawn.

(Concluded)

SYSTEX CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note	
		Name	Relationship												
0	Systex Corporation	Systex Information (HK) Ltd.	Direct/indirect subsidiary	\$ 3,375,835	\$ 346,000	\$ 346,000	\$ 66,598	\$ -	2.56	\$ 6,751,670	Y	N	N	(Notes a and b)	
		Rainbow Tech. Information (HK) Ltd.	Direct/indirect subsidiary	3,375,835	128,408	-	-	-	-	6,751,670	Y	N	N	(Notes a and b)	
		Systex Group (China) Ltd.	Direct/indirect subsidiary	3,375,835	1,685,287	1,655,285	594,109	-	-	12.26	6,751,670	Y	N	Y	(Notes a and b)
		Systek Information (Shanghai) Ltd.	Direct/indirect subsidiary	3,375,835	14,268	13,840	-	-	-	0.10	6,751,670	Y	N	Y	(Notes a and b)
		Systex Rainbow Tech Inc.	Direct/indirect subsidiary	3,375,835	42,803	41,520	-	-	-	0.31	6,751,670	Y	N	Y	(Notes a and b)
		Systex Ucom (Shanghai) Information Ltd. Co.	Direct/indirect subsidiary	3,375,835	131,619	130,245	53,971	-	-	0.96	6,751,670	Y	N	Y	(Notes a and b)
		Systex Software & Service Corporation	Direct/indirect subsidiary	3,375,835	1,000,000	1,000,000	414,735	-	-	7.41	6,751,670	Y	N	N	(Notes a and b)
1	Systek Information (Shanghai) Ltd.	Systex Group (China) Ltd.	Affiliate	848,455	219,365	217,075	143,400	217,075	51.17	848,455	N	N	Y	(Notes c and d)	

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

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

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

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

TABLE 3

SYSTEX CORPORATION

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note	
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value		
Holding company - System Corporation	<u>Ordinary shares</u>								
	GCH Systems		Financial assets at FVTPL - non-current	56,226	\$ -	0.74	\$ -		
	Taiwan Futures Exchange Corporation		"	13,788,302	1,151,753	3.28	1,151,753		
	Saho Corporation		"	795,895	-	1.79	-		
	Far Eastern Electronic Toll Collection Co., Ltd.		"	25,263,076	211,491	8.42	211,491		
	Sysjust Co., Ltd.		"	1,108,592	20,922	4.22	20,922		
	3Probe Technologies Co., Ltd.		"	300,000	2,521	6.42	2,521		
	Da Ho Marketing Co., Ltd.		"	1,260,000	10,853	14.63	10,853		
	Princo Co., Ltd.		"	808,415	-	0.20	-		
	Wegoluck Co., Ltd.		"	471,700	-	3.27	-		
	Yankey Inc.		"	150,000	-	3.57	-		
	Germini Data Inc.		"	3,404,000	-	2.14	-		
	Prudence Capital Management Co., Ltd.			Financial assets at FVTOCI - non-current	52,184	949	0.50	949	
	Alpha Core Philosophy Co., Ltd.			"	55,556	15,000	1.80	15,000	
	iSpan International Inc.			"	600,000	9,600	6.12	9,600	
	<u>Preference shares</u>								
	Gemini Data, Inc.			Financial assets at FVTOCI - non-current	7,720,167	-	4.86	-	
	<u>Mutual funds</u>								
	Taishin Ta Chong Money Market Fund			Financial assets at FVTPL - current	13,387,966	192,123	-	192,123	
	Capital Money Market Fund			"	9,210,164	150,099	-	150,099	
	Fubon Chi-Hsiang Money Market Fund			"	6,954,402	110,080	-	110,080	
	CTBC Hua Win Money Market Fund			"	7,195,117	80,061	-	80,061	
	GIM Prudential Financial Money Market Fund			"	5,004,441	80,029	-	80,029	
	Fuh Hwa Money Market Fund			"	13,185,153	192,040	-	192,040	
	Yuanta De-Li Money Market Fund			"	14,578,709	240,117	-	240,117	
	FSITC Money Market Fund			"	527,166	95,004	-	95,004	
	UPAMC James Bond Money Market Fund			"	8,896,596	150,106	-	150,106	
Jih Sun Money Market Fund			"	5,343,038	80,077	-	80,077		
KGI EM Trend ETF Fund of Funds			"	300,000	2,514	-	2,514		

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Subordinate company - Ching Pu Investment Corporation	<u>Ordinary shares</u> System Corporation Castles Technology Co., Ltd. Enova Technology Corp. Princo Co., Ltd. WI Harper Global Funding Investment Co., Ltd. Sysjust Co., Ltd. ECM Co., Ltd. Jasper Display Corp. Axtronics Inc. Universal EC Inc. Taiwan Electronic Packaging Co., Ltd. <u>Mutual funds</u> Fuh Hwa Legend Fund VI PGIM Prudential Financial Money Market Fund Yuanta Taiwan High-Yield Leading Company Fund (A) Pinebridge Taiwan Money Market Fund	The Parent Company	Financial assets at FVTOCI - non-current	10,981,476	\$ 931,229	4.08	\$ 931,229	
			Financial assets at FVTPL - current	2,532,887	97,516	2.83	97,516	
			Financial assets at FVTPL - non-current	1,177,629	-	6.57	-	
			"	8,558,064	-	2.08	-	
			"	126,666	-	2.22	-	
			"	1,276,448	24,090	4.85	24,090	
			"	1,700,000	-	9.19	-	
			"	28,964	-	0.04	-	
			"	64,063	-	0.37	-	
			"	111,829	-	0.22	-	
			"	326,000	-	0.54	-	
			Financial assets at FVTPL - current	3,000,000	94,238	-	94,238	
			"	2,675,858	42,791	-	42,791	
			"	300,000	4,752	-	4,752	
"	581,717	8,016	-	8,016				
Subordinate company - Taiwan Information Service	<u>Ordinary shares</u> Changzhou Xinguotai Information Equipment Co., Ltd. Taione International Ltd. Drpacific-Greater China, Inc.		Financial assets at FVTPL - non-current	80,000	-	13.11	-	
			"	630,000	-	4.50	-	
			"	-	-	5.06	-	
Subordinate company - Golden Bridge Corporation	<u>Mutual funds</u> FSITC Money Market Fund		Financial assets at FVTPL - current	168,522	30,370	-	30,370	
Subordinate company - Taifon Computer Co., Ltd.	<u>Mutual funds</u> FSITC Money Market Fund Taishin Ta-Chong Money Market Fund Hua Nan Phoenix Money Market Fund		Financial assets at FVTPL - current	321,915	58,015	-	58,015	
			"	6,979,504	100,159	-	100,159	
			"	2,578,672	42,340	-	42,340	
Subordinate company - Softmobile Technology Corporation	<u>Mutual funds</u> Capital Money Market Fund		Financial assets at FVTPL - current	2,469,497	40,246	-	40,246	
Subordinate company - Nexsys Corporation	<u>Mutual funds</u> Yuanta Wan Tai Money Market Fund Jih Sun Money Market Fund Yuanta De-Bao Money Market Fund Yuanta De-Li Money Market Fund		Financial assets at FVTPL - current	1,835,204	28,040	-	28,040	
			"	1,675,040	25,104	-	25,104	
			"	1,484,818	18,011	-	18,011	
			"	1,518,306	25,007	-	25,007	

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Subordinate company - Hanmore System Management Corporation	<u>Ordinary shares</u> Systemex Corporation Monterey International Corp Enova Technology Corp. NITS Technology Inc.	The Parent Company	Financial assets at FVTOCI - non-current	21,316,678	\$ 1,807,654	7.91	\$ 1,807,654	
			Financial assets at FVTPL - non-current	1,595,162	11,304	4.68	11,304	
			"	1,840,046	-	10.26	-	
			"	3,910,646	-	5.83	-	
	<u>Mutual funds</u> PineBridge Taiwan Market Fund PineBridge Global ESG Quantitative Bond Fund A.		Financial assets at FVTPL - current	1,163,323	16,030	-	16,030	
			"	968,720	9,875	-	9,875	
	Subordinate company - Systemex Capital Group, Inc.		<u>Ordinary shares</u> Com2B Corp. Techgains International Corp. Tradetrek.com Inc. Sipix Technology Limited Falcon Stor Software Inc. MagiCapital Fund II, L.P.	Financial assets at FVTPL - non-current	1,000,000	-	2.22	-
				"	1,500,000	-	4.41	-
				"	1,109,468	-	3.30	-
				"	279,919	-	0.24	-
Financial assets at FVTPL - current		4,000		202	0.07	202		
Financial assets at FVTOCI - non-current		-		222,676	2.91	222,676		
<u>Preference shares</u> Techgains Pan-Pacific Corporation CipherMax Tonbu Inc. Gemini Data, Inc.		Financial assets at FVTPL - non-current	3,000,000	-	4.96	-		
		"	73,703	-	0.74	-		
		"	333,333	-	1.38	-		
		Financial assets at FVTOCI - non-current	25,611,876	41,520	16.11	41,520		
<u>Other</u> Current Ventures II Limited		Financial assets at FVTOCI - non-current	2,500,000	-	4.20	-		
<u>Mutual funds</u> Goldman Sachs Proprietary Access Fund Offshore, Ltd. Class A Series I GS Japan Equity Partners Portfolio Class P (ACC) (USD-HEDGED) GS US Core SM Equity Portfolio P(ACC) (SNAP) Shares GS GMS Global Equity Portfolio Mutual Fund Wellington Strategic European Equity Portfolio D USD Acc (Hedged) BlueBay Global High Yield Bond Fund B USD Unit Nomura Funds Ireland PLC A/US High Yield Bond		Financial assets at FVTPL - current	-	133	-	133		
		"	43,049	28,670	-	28,670		
		"	37,202	35,351	-	35,351		
		"	44,408	30,386	-	30,386		
	"	40,089	27,568	-	27,568			
	"	3,983	20,701	-	20,701			
	"	13,450	75,297	-	75,297			

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	PIMCO Global High Yield Bond		Financial assets at FVTPL - current	145,719	\$ 112,172	-	\$ 112,172	
	PIMCO Income Fund-H Class (IE00BFMWL31)		"	86,301	28,594	-	28,594	
	PIMCO Global Bond Fund-H Class (IE0032313805)		"	28,347	27,164	-	27,164	
	RBC Funds(LUX) Global Equity Focus Fund A USD ACC		"	4,416	29,780	-	29,780	
	JSS USD HIGH YIELD FUND		"	9,589	36,967	-	36,967	
	BLACKROCK BGF CHINA A-SHARE OPPORTUNITIES CLASS A SHARES		"	32,816	14,016	-	14,016	
	GS Emerging Markets Broad Equity Portfolio (ACC) Shares		"	22,011	13,630	-	13,630	
	GS Multi-manager US Equity Mutual Fund		"	35,522	35,073	-	35,073	
	Goldman Sachs High Yield Floating Rate Portfolio Fund		"	15,004	56,823	-	56,823	
	BLACKROCK BGF CONTINENTAL EUROPEAN FLEXIBLE FUND		"	40,298	27,440	-	27,440	
	GS Multi-manager US Small Cap Equity Fund		"	52,469	22,904	-	22,904	
	GS Asia Equity Portfolio Fund		"	21,027	13,724	-	13,724	
	Vulcan Value Equity Fund USD Accumulating Class		"	3,002	20,683	-	20,683	
	Lord Abbett High Yield Fund		"	49,711	21,383	-	21,383	
Subordinate company - Naturint Corporation	<u>Mutual funds</u> Union Money Market Fund		Financial assets at FVTPL - current	1,147,614	15,305	-	15,305	
Subordinate company - Syscore Corporation	<u>Ordinary shares</u> Far Eastern Electronic Toll Collection Co., Ltd. Jetwell Computer Co., Ltd.		Financial assets at FVTPL - non-current	7,716,831	64,602	2.57	64,602	
			Financial assets at FVTPL - current	72,000	3,636	0.18	3,636	
	<u>Preference shares</u> Taiwania Capital Buffalo Fund Preference Shares - Class A		Financial assets at FVTPL - non-current	92,600,000	96,020	2.15	96,020	
	<u>Limited partnership</u> Digital-Economy limited partnership		Financial assets at FVTPL - non-current	-	46,490	6.29	46,490	

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	<u>Mutual funds</u>							
	Allianz Global Investors Taiwan Money Market Fund		Financial assets at FVTPL - current	2,226,407	\$ 28,181	-	\$ 28,181	
	Schroder 2022 Emerging Market Sovereignty Bond TWD A Fund		"	300,000	2,908	-	2,908	
	Pinebridge Taiwan Money Market Securities Investment Trust Fund		"	2,552,563	35,174	-	35,174	
	FSITC Global Artificial Intelligence Fund		"	100,000	1,850	-	1,850	
	Allianz Us Low Average Duration High Yield Fund		"	3,000,000	32,503	-	32,503	
	Yuanta Taiwan High-Yield Leading Company Fund A		"	1,000,000	15,840	-	15,840	
	Fuh Hwa Legend Fund VI		"	19,702,970	618,922	-	618,922	
	Fuh Hwa Money Market Fund		"	4,066,376	59,226	-	59,226	
	<u>Corporate bond</u>							
	Nan Shan Life Insurance Company, Ltd. 1st Perpetual Unsecured Subordinate Corporate Bond Issue in 2016		Financial assets at amortized cost - non-current	-	504,887	-	504,887	(Note 2)
Subordinate company - Syslink Corporation	<u>Mutual funds</u>							
	Yuanta Wan Tai Money Market Fund		Financial assets at FVTPL - current	4,621,625	70,614	-	70,614	
	Yuanta Taiwan High-yield Leading Company Fund (A)		"	200,000	3,168	-	3,168	
	<u>Ordinary shares</u>							
	Onward Security Corporation		Financial assets at FVTPL - non-current	6,630,000	5,095	11.02	5,095	
	Caloudi Corporation		Financial assets at FVTOCI - non-current	600,000	1,841	10.71	1,841	
Subordinate company - Syswiser Technology Corporation	<u>Mutual funds</u>							
	UPAMC James Bond Money Market Fund		Financial assets at FVTPL - current	1,661,376	28,031	-	28,031	
Subordinate company - Smartsys Technology Corporation	<u>Mutual funds</u>							
	UPAMC James Bond Money Market Fund		Financial assets at FVTPL - current	100,612	1,698	-	1,698	
Subordinate company - Top Information Co., Ltd.	<u>Mutual funds</u>							
	Mega Diamond Money Market Fund		Financial assets at FVTPL - current	6,715,069	85,131	-	85,131	
	Taishin 1699 Money Market Fund		"	3,664,883	50,130	-	50,130	
Subordinate company - Kimo.com (BVI) Corporation	<u>Ordinary shares</u>							
	ISHARES A50 (2823.HK)		Financial assets at FVTPL - current	392,000	25,487	-	25,487	
	CSOP A50 (2822.HK)		"	397,000	25,079	-	25,079	

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	<u>Mutual funds</u>							
	ALLIANZ INCOME AND GROWTH-CLASS AT ACC(USD)		Financial assets at FVTPL - current	41,771	\$ 29,380	-	\$ 29,380	
	ALLIANZ GLOBAL ARTIFICIAL INTELLIGENCE-CLASS AT ACC(USD)		"	15,768	13,648	-	13,648	
	ALLIANZ TOTAL RETURN ASIAN EQUITY-CLASS A DIS(USD)		"	10,167	11,805	-	11,805	
	ALLIANZ CHINA A SHARES SHS-AT(USD)		"	75,810	39,975	-	39,975	
	<u>Other</u>							
	New Economy Ventures L.P		Financial assets at FVTPL - non-current	-	55,162	15.86	55,162	
	<u>Preference shares</u>							
	XREX Inc.		Financial assets at FVTOCI - non-current	254,148	9,965	0.96	9,965	
Subordinate company - System Software & Service Corporation	<u>Mutual funds</u>							
	Taishin Ta Chong Money Market Fund		Financial assets at FVTPL - current	4,878,151	70,003	-	70,003	
	Mega Diamond Money Market Fund		"	8,678,791	110,026	-	110,026	
	Sinopac TWD Money Market Fund		"	7,120,833	100,028	-	100,028	
	Taishin 1699 Money Market Fund		"	5,118,456	70,013	-	70,013	
Subordinate company - Syslong Corporation	Fubon Chi-Hsiang Money Market Fund		Financial assets at FVTPL - current	15,480,952	245,045	-	245,045	
Subordinate company - Concord System Management Corporation	UPAMC James Bond Money Market Fund		Financial assets at FVTPL - current	1,778,189	30,002	-	30,002	
Subordinate company - System Solutions Corporation	Union Money Market Fund		Financial assets at FVTPL - current	3,749,166	50,000	-	50,000	

Note 1: The securities mentioned in this table above are those classified as financial instruments under IFRS 9, including shares, bonds, mutual funds, and all other securities derived from those items.

Note 2: The carrying amount includes the unamortized bond premium of \$4,887 thousand generated from acquiring the bonds from the Corporation and Ching Pu Investment Corporation.

Note 3: Refer to Table 7 and 8 for information on investment in subsidiaries and associates.

(Concluded)

SYSTEX CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount (Note 1)	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain on Disposal	Number of Shares	Amount (Note 1)
Controlling Company - Systex Corporation	<u>Mutual funds</u> Fubon Chi-Hsiang Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	5,694,905	\$ 90,000	44,011,026	\$ 696,000	42,751,529	\$ 676,064	\$ 675,972	\$ 92	6,954,402	\$ 110,028
	Taishin Ta-Chong Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	4,888,234	70,000	46,796,907	671,000	38,297,175	549,046	548,932	114	13,387,966	192,068
	Capital Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	41,633,642	678,000	32,423,478	528,039	527,951	88	9,210,164	150,049
	UPAMC James Bond Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	28,343,534	478,000	19,446,938	328,030	327,947	83	8,896,596	150,053
	Fuh Hwa Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	26,439,789	385,000	13,254,636	193,017	192,990	27	13,185,153	192,010
	Yuanta De-Li Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	4,258,193	70,000	23,688,113	390,000	13,367,597	220,008	219,966	42	14,578,709	240,034
	<u>Shares</u> Genesis Technology, Inc.	Investments accounted for using equity method	-	-	4,387,499	156,160	15,684,999 (Note 2)	642,012	-	-	-	-	-	20,072,498
Subordinate Company - Systex Software & Service Corporation	<u>Mutual funds</u> Taishin Ta-Chong Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	27,201,735	390,000	22,323,584	320,026	320,000	26	4,878,151	70,000
	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	1,581,328	20,000	25,255,826	320,000	18,158,363	230,034	230,003	31	8,678,791	109,997
	SinoPac TWD Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	26,358,786	370,000	19,237,953	270,047	270,000	47	7,120,833	100,000
Subordinate Company - Syslink Corporation	<u>Mutual funds</u> Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	21,007,926	320,371	6,554,368	100,000	22,940,669	350,009	349,869	140	4,621,625	70,502

Note 1: Financial assets at fair value through profit or loss and investments accounted for using equity method are measured at acquisition costs.

Note 2: Stock dividends of 5,734,999 shares were included.

SYSTEX CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Buyer/Seller	Related Party	Relationship (Note)	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)	
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total
Holding company - Systex Corporation	Systex Software & Service Corporation (SSSC)	b.	Purchase	\$ 1,252,017	29	78 days after transaction month	\$ -	-	\$ (222,466)	13
	Palsys Digital Technology Corporation (Palsys)	b.	Purchase	128,801	3	78 days after transaction month	-	-	(879)	-
Subordinate company - Systex Software & Service Corporation (SSSC)	Systex Corporation	a.	Sale	(1,252,017)	15	78 days after transaction month	-	-	222,466	19
	Dawning Technology Inc. (Dawning)	c.	Purchase	129,166	2	78 days after transaction month	-	-	(20,346)	2
Subordinate company - Dawning Technology Inc. (Dawning)	Systex Software & Service Corporation (SSSC)	c.	Sale	(129,166)	5	78 days after transaction month	-	-	20,346	3
Subordinate company - Palsys Digital Technology Corporation (Palsys)	Systex Corporation	a.	Sale	(128,801)	49	78 days after transaction month	-	-	879	1
Subordinate company - Systex Group (China) Ltd. (Systex China)	Systex Ucom (Shanghai) Information Ltd. Co. (Systex Ucom)	c.	Purchase	306,815	14	120 days after transaction month	-	-	(35,175)	9
Subordinate company - Systex Ucom (Shanghai) Information Ltd. Co. (Systex Ucom)	Systex Group (China) Ltd. (Systex China)	c.	Sale	(306,815)	85	120 days after transaction month	-	-	35,175	52
Subordinate company - Rainbow Tech Information (HK) Ltd. (RTIHK)	Systex Information (HK) Ltd. (Systex HK)	c.	Purchase	179,111	73	30 days after transaction month	-	-	(24,077)	76
Subordinate company - Systex Information (HK) Ltd. (Systex HK)	Rainbow Tech Information (HK) Ltd. (RTIHK)	c.	Sale	(179,111)	17	30 days after transaction month	-	-	24,077	9

Note: a. Parent company.
b. Subsidiary.
c. Associate.

SYSTEX CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
<u>Subordinate Company</u>								
System Software & Service Corporation (SSSC)	System Corporation	Parent company (Note)	\$ 222,466	7.69	\$ -	-	\$ 6,462	\$ -
Syspower Corporation (Syspower)	System Corporation	Parent company (Note)	127,200	1.86	-	-	5,288	-

SYSTEX CORPORATION

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	Ratio (%)	Carrying Amount			
Systex Corporation	Systex Infopro Co., Ltd.	Thailand	Sale of computer and peripheral equipment	\$ 2,200	\$ 2,200	20,000	20.00	\$ -	\$ -	\$ -	-
	Hanmore Investment Corporation	Taiwan	General investment activities	47,125	47,125	9,640,680	48.92	19,574	103,202	(1,654)	Subsidiary (1)
	Ching Pu Investment Corporation	Taiwan	General investment activities	50,472	50,472	30,750,000	100.00	583,088	177,842	123,634	Subsidiary (2)
	Concord System Management Corporation	Taiwan	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	485,393	485,393	23,113,372	100.00	439,296	123,958	123,615	Subsidiary
	Systemweb Technologies Co.	Taiwan	Data storage media units manufacturing, installation of computer, and sale and development of computer software	86,950	71,050	3,245,000	32.45	54,934	17,279	6,180	-
	Taifon Computer Co., Ltd.	Taiwan	Design of computer hardware and software equipment system, computer room installation, and maintenance, sale, lease and consultation	220,310	220,310	20,000,000	100.00	297,290	43,014	42,779	Subsidiary
	Sanfran Technologies Inc.	Taiwan	Maintenance and warranty of equipment of internet and information security, and consultation on network infrastructure and information security	20,067	20,067	2,518,989	12.26	52,522	122,116	17,577	-
	Golden Bridge Corporation	Taiwan	General investment activities	230,000	230,000	23,000,000	100.00	285,928	34,934	34,934	Subsidiary
	Systex Software & Service Corporation	Taiwan	Sale and development of computer software, data-processing services	450,000	450,000	54,450,000	100.00	1,161,042	469,625	470,233	Subsidiary
	Syspower Corporation	Taiwan	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software	15,195	15,195	1,096,200	4.50	20,028	46,253	1,939	Subsidiary
	Systex Solutions Corporation	Taiwan	Design, construction and sale of telecom instrument, electronic calculator and computer	260,000	260,000	26,000,000	100.00	320,382	44,716	43,439	Subsidiary
	Nexsys Corporation	Taiwan	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	415,000	415,000	19,995,000	100.00	343,685	43,941	43,786	Subsidiary
	Systex Capital Group, Inc.	British Virgin Island	Investment activities including financial trust and holding	91,695	91,695	550	100.00	2,521,909	97,903	98,136	Subsidiary
	Kimo.com (BVI) Corporation	British Virgin Island	Investment activities including financial trust and holding	13,185	13,185	500,000	100.00	3,958,167	120,407	119,931	Subsidiary
	Etu Corporation	Taiwan	Sale and development of computer software, data-processing services	90,436	90,436	9,682,000	84.19	4,192	(95)	(80)	Subsidiary
	Naturint Corporation	Taiwan	Installation, sale, information software, data processing and other consultation on computer software and related equipment, network certification and software publication	20,000	20,000	2,000,000	100.00	21,234	(113)	(113)	Subsidiary
	FinRobo Advisor Securities Investment Consulting Co., Ltd.	Taiwan	Securities investment advisor	16,500	16,500	1,016,293	30.00	202	(6,711)	(2,013)	-
Mohist Web Technology Co.	Taiwan	Merchandise gift certificate automatic distribution system, in-time trust electronic (paper) ticket automated sales system, and integrated mobile payment platform	25,600	18,600	400,000	40.00	12,539	6,071	2,077	-	

(Continued)

Investor Company	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	Ratio (%)	Carrying Amount			
Ching Pu Investment Corporation	Shengesen Cloud Technology Retail System Co.	Taiwan	Information software service	\$ 10,800	\$ 10,800	905,084	30.00	\$ 10,507	\$ 3,804	\$ (94)	-
		Taiwan	Manufacturing, processing, assembling and sale of business machinery equipment	24,000	24,000	780,000	30.00	26,846	12,937	3,514	-
	Frog-jump Information Co., Ltd.	Taiwan	Information software service	18,969	18,969	683,202	10.00	12,079	24,775	3,068	-
	GenSys Technology (International) Ltd.	Hong Kong	Design, assessment and planning of computer system and application software and data-processing system	31,640	31,640	8,000,000	40.00	-	(5,113)	-	-
	Genesis Technology Inc.	Taiwan	Wholesale of electronic apparatus, electronic equipment, computer and computer peripheral equipment, planning, analyzing and design of system, data processing, co-location and internet hosting services	798,172	-	20,072,498	28.09	936,852	195,967	11,580	-
	E-Service Information Corporation	Taiwan	Information software service, intellectual property rights, printing and data storage media manufacturing and copying	89,500	44,700	8,000,000	100.00	87,017	10,157	8,232	Subsidiary
	Bao Ruh Electronic Co., Ltd.	Taiwan	Data storage media manufacturing and duplicating, installation of computer, wholesale of telecommunication apparatus, information software service, international trade, electric appliance construction, and automatic control equipment engineering	128,363	119,250	4,339,500	29.72	62,872	8,865	(4,693)	-
	Taiwan Information Service Technology Corporation	Taiwan	Installation, sale, information software, data processing and other consultation on computer software and related equipment	89,965	74,965	16,630	67.38	40,356	5,045	(3,667)	Subsidiary
	Collaboration Co., Ltd.	Taiwan	General investment activities	200,015	-	6,160,000	44.55	202,008	5,487	1,993	-
	uniXecure Corporation	Taiwan	Design, construction and sale of telecom instrument, electronic calculator and computer	50,000	-	5,000,000	100.00	49,915	(85)	(85)	Subsidiary
Golden Bridge Corporation	Taiwan Electronic Data Processing Corporation	Taiwan	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	169,049	169,049	2,698,643	69.59	24,977	(230)	-	Subsidiary
	Investment Media Ltd.	Taiwan	Magazine and book publishing	95,600	95,600	4,000,000	40.00	114,987	98,650	-	-
	Syspower Corporation	Taiwan	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software	162,789	162,789	9,052,889	37.16	167,455	46,253	-	Subsidiary
Syscore Corporation	Syspower Corporation	Taiwan	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software	189,023	189,023	10,331,022	42.41	191,097	46,253	-	Subsidiary
	Softmobile Technology Corporation	Taiwan	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	80,000	80,000	3,661,875	100.00	57,739	15,510	-	Subsidiary
Syscore Corporation	Syslink Corporation	Taiwan	General investment activities	650,000	650,000	65,000,000	100.00	466,537	(83,788)	-	Subsidiary
	Syslong Corporation	Taiwan	General investment activities	250,000	-	25,000,000	100.00	249,917	(83)	-	Subsidiary
	Neweb Information Co., Ltd.	Taiwan	Setup and maintenance of computer room, maintenance and setup of system integration, cloud system integration service, management and maintenance of system and database, backup storage service, setup and consultation of internet and information security	93,000	93,000	3,100,000	30.22	54,465	42,354	-	-

(Continued)

Investor Company	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	Ratio (%)	Carrying Amount			
Syslink Corporation	Fuco Technology Co., Ltd.	Taiwan	Printing, printed matter binding and processing, and wholesale of computers and peripheral equipment	\$ 43,460	\$ 43,460	1,640,000	40.00	\$ 36,237	\$ 9,154	\$ -	-
	Genesis Technology Inc.	Taiwan	Wholesale of electronic apparatus, electronic equipment, computer and computer peripheral equipment, planning, analyzing and design of system, other data processing, co-location and internet hosting services	71,994	-	2,831,848	3.96	128,892	195,967	-	-
	Smartsys Technology Corporation	Taiwan	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software	15,000	2,000	1,500,000	50.00	14,019	(1,816)	-	Subsidiary
	Syswiser Technology Corporation	Taiwan	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software	10,000	2,000	1,000,000	100.00	8,698	(1,123)	-	Subsidiary
	Dawning Technology Inc.	Taiwan	Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software	446,595	280,000	19,650,177	74.43	310,715	4,022	-	Subsidiary
	AIWin Technology Co., Ltd.	Taiwan	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software	12,000	12,000	300,000	20.00	-	(5,575)	-	-
	CKmates International Co., Ltd.	Taiwan	Type II telecommunications business, internet certificates service, and retail sale of computer software	60,002	-	3,117,000	25.00	47,201	(63,462)	-	-
Concord System Management Corporation	Top Information Technologies Co., Ltd.	Taiwan	Sale of computer peripheral equipment and office machines, design of computer system and professional repairs services	152,608	152,608	18,000,000	100.00	238,399	56,880	-	Subsidiary
Kimo.com (BVI) Corporation	System Information (HK) Ltd.	Hong Kong	Sale of computer and peripheral equipment, retailing and processing of information of software	860,852	823,406	207,736,600	100.00	563,111	41,891	-	Subsidiary
	System Solutions (HK) Limited	Hong Kong	Investment activities including financial trust and holding	529,907	529,907	136,000,000	100.00	1,215,530	25,122	-	Subsidiary
	Rainbow Tech Information (HK) Ltd.	Hong Kong	Sale of computer and peripheral equipment, retailing and processing of information of software	58,384	101,119	14,607,765	49.00	57,465	8,644	-	Subsidiary
System Capital Group, Inc.	Syscore Corporation	Taiwan	General investment activities	1,000,000	1,000,000	100,000,000	50.00	1,221,434	85,339	-	Subsidiary
	Syscore Corporation	Taiwan	General investment activities	1,000,000	1,000,000	100,000,000	50.00	1,221,434	85,339	-	Subsidiary
Dawning Technology Inc.	Neo Trend Tech Corporation	Taiwan	Cable installation engineering, other computer-related service, circuit engineering, and wireless communication service	20,000	-	2,000,000	25.00	19,895	(19,737)	-	-
Syspower Corporation	Palsys Digital Technology Corporation	Taiwan	Sale of computer peripheral equipment and office machines, design of computer system and professional repairs services	193,500	-	19,350,000	92.14	220,616	29,428	-	Subsidiary
System Software & Service Corporation	Smartsys Technology Corporation	Taiwan	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software	15,000	-	1,500,000	50.00	14,019	(1,816)	-	Subsidiary

(Continued)

Note 1: The carrying amount deducts the reclassification of the Corporation's shares held by the subsidiary from equity-method investments into treasury share of \$515,617 thousand, which is calculated by the investment cost amounting to \$1,076,171 thousand at 48.92% (the ownership percentage owned by the Corporation).

Note 2: The carrying amount deducts the reclassification of the Corporation's shares held by the subsidiary from equity-method investments into treasury share of \$412,826 thousand, which is calculated by the investment cost amounting to \$412,826 thousand at 100.00% (the ownership percentage owned by the Corporation).

Note 3: Refer to Table 8 for information on investments in Mainland China.

(Concluded)

SYSTEX CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
Changzhou Xinguotai Information Equipment Co., Ltd.	Manufacture, service and sales of software and computer-related products	\$ 21,198	a	\$ 2,780	\$ -	\$ -	\$ 2,780	\$ -	9.10	\$ -	\$ -	\$ -	
Systek Information (Shanghai) Ltd.	Sale of computer and peripheral equipment, retailing and processing of information software	998,503	b	998,503	-	-	998,503	9,361	100.00	9,361	431,322	-	Subsidiary
Sysware Shenglong Information Systems Co., Ltd.	Design of computer system, information processing service provider, retailing of computer and peripheral equipment	181,489	b	181,489	-	-	181,489	(4,016)	100.00	(4,016)	102,505	-	Subsidiary
Systex Group (China) Ltd.	Management consultation, marketing and sale, and capital and operation financial management	292,700	b	292,700	-	-	292,700	6,901	100.00	6,901	83,434	-	Subsidiary
Systex Rainbow Tech Inc.	Research, development, installation and wholesale of software and hardware technique and internet system	-	b	-	-	-	-	26,495	100.00	26,495	275,862	-	Subsidiary
Systex Ucom (Shanghai) Information Ltd. Co.	Software design and data processing, retailing and service of software	-	b	-	-	-	-	9,188	100.00	9,188	37,522	-	Subsidiary
Sunlight-tech Inc.	Manufacture of Internet-related software and hardware systems, video service systems, audio and video on-demand systems, multimedia and network video equipment	551,210	b	220,484	-	-	220,484	-	40.00	-	-	-	
Shanghai Mudao Financial Information Service Co., Ltd.	Financial information services, computer software development and technology development, technology transfer, technology consulting, technical services, consulting and research in market information, asset management, supply chain management, investment management, investment consulting, business information consulting, financial consulting in the fields of computer technology, information technology and data technology.	20,420	b	-	-	-	-	(2,316)	29.62	(2,216)	8,795	-	
Systex Rainbow (Guangzhou) Tech Inc.	Research, development, installation and wholesale of software and hardware technique and internet system	-	b	-	-	-	-	(616)	100.00	(616)	3,610	-	Subsidiary

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$1,695,956	\$1,695,956	\$8,102,003

(Continued)

Note: The methods of investment are as follows:

- a. Investment in China through remittances from third regions.
- b. Reinvestment in China through the third-region company.

(Concluded)

SYSTEX CORPORATION**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Hanmore Investment Corporation (Hanmore)	21,316,678	7.91
Joray Co., Ltd.	21,072,559	7.82
Huang, Tsong-Jen	20,755,750	7.70

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

SYSTEX CORPORATION

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SYSTEX CORPORATION**STATEMENT OF CASH****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Amount
Cash on hand	\$ 224
Cash in banks	
Checking accounts and demand deposits	267,464
Foreign currency deposits (including US\$2,507,000.30 exchanged at US\$1:NT\$27.68, JPY293,930 exchanged at JPY1:NT\$0.24, HK\$53,942.09 exchanged at HK\$1:NT\$3.55, EUR4,223.55 exchanged at EUR1:NT\$31.32, SGD1,825.01 exchanged at SGD1:NT\$20.46 and RMB138,327.93 exchanged at RMB1:NT\$4.34)	<u>70,426</u>
	<u>\$ 338,114</u>

SYSTEX CORPORATION

STATEMENT OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Client Name	Amount
A	\$ 260,093
B	76,178
Others (Note)	1,021,341
Less: Long-term receivables (less unrealized interest income of \$677 thousand)	9,150
Less: Loss allowance	<u>17,657</u>
	<u>\$ 1,330,805</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

SYSTEX CORPORATION

STATEMENT OF INVENTORIES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value
Merchandise	\$ 911,146	\$ 950,274
Maintenance parts	<u>16,644</u>	<u>7,002</u>
	927,790	<u>\$ 957,276</u>
Less: Write-down of inventories	<u>37,509</u>	
	<u>\$ 890,281</u>	

SYSTEX CORPORATION

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FVTPL - NON-CURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name of Securities	Balance, January 1, 2021		Increase in Investment		Decrease in Investment		Balance, December 31, 2021		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount		
Taiwan Futures Exchange	12,095,002	\$ 1,133,869	1,693,300	\$ 17,884	-	\$ -	13,788,302	\$ 1,151,753	None	1
Far Eastern Electronic Toll Collection Co., Ltd.	25,263,076	185,869	-	25,622	-	-	25,263,076	211,491	"	2
SysJust Co., Ltd.	1,108,592	18,890	-	2,254	-	222	1,108,592	20,922	"	3
Da Ho Marketing Co., Ltd.	1,260,000	11,406	-	-	-	553	1,260,000	10,853	"	4
3Probe Technologies Corp.	300,000	2,194	-	327	-	-	300,000	2,521	"	5
Gemini Data	3,404,000	-	-	-	-	-	3,404,000	-	"	-
Saho Corporation	795,895	-	-	-	-	-	795,895	-	"	-
GCH System	56,226	-	-	-	-	-	56,226	-	"	-
WeGoLuck Co., Ltd.	471,700	-	-	-	-	-	471,700	-	"	-
Princo Corp.	808,415	-	-	-	-	-	808,415	-	"	-
Yankey Information Co., Ltd.	150,000	-	-	-	-	-	150,000	-	"	-
		<u>\$ 1,352,228</u>		<u>\$ 46,087</u>		<u>\$ 775</u>		<u>\$ 1,397,540</u>		

Note 1: Increase in investment includes gain on fair value adjustments of \$17,884 thousand and distribution of share dividends of 1,693,300 shares.

Note 2: Increase in investment includes gain on fair value adjustments of \$25,622 thousand.

Note 3: Increase in investment includes gain on fair value adjustments of \$2,254 thousand. Decrease in investment was resulted from cash dividends received from capital surplus of \$222 thousand.

Note 4: Decrease in investment includes loss on fair value adjustments of \$553 thousand.

Note 5: Increase in investment includes gain on fair value adjustments of \$327 thousand.

SYSTEX CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee	Balance, January 1, 2021		Increase in 2021		Decrease in 2021		Investment Gain (Loss) and Impairment Loss (Note 22)	Balance, December 31, 2021			Net Assets Value (Note 23)	Note
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	%	Amount		
Unlisted corporation												
Kimo.com (BVI) Corporation	500,000	\$ 3,914,331	-	\$ 38,873	-	\$ 114,968	\$ 119,931	500,000	100.00	\$ 3,958,167	\$ 3,960,244	1
System Capital Group Inc.	550	2,369,571	-	96,208	-	42,006	98,136	550	100.00	2,521,909	2,522,886	2
System Software & Service Corporation	54,450,000	1,021,321	-	-	-	330,512	470,233	54,450,000	100.00	1,161,042	1,165,509	3
Ching Pu Investment Corporation	30,750,000	465,995	-	55,262	-	61,803	123,634	30,750,000	100.00	583,088	1,516,519	4
Concord System Management Corporation	23,113,372	390,208	-	-	-	74,527	123,615	23,113,372	100.00	439,296	440,237	5
Nexsys Corporation	19,995,000	360,139	-	-	-	60,240	43,786	19,995,000	100.00	343,685	343,948	6
System Solutions Corporation	26,000,000	310,743	-	-	-	33,800	43,439	26,000,000	100.00	320,382	322,499	7
Taifon Computer Co., Ltd.	20,000,000	264,415	-	-	-	9,904	42,779	20,000,000	100.00	297,290	298,459	8
Golden Bridge Corporation	23,000,000	273,935	-	405	-	23,346	34,934	23,000,000	100.00	285,928	285,928	9
E-Service Information Co.	4,700,000	48,682	3,300,000	44,800	-	14,697	8,232	8,000,000	100.00	87,017	80,455	10
uniXecure Corporation	-	-	5,000,000	50,000	-	-	(85)	5,000,000	100.00	49,915	49,915	11
Taiwan Information Service Technology Co., Ltd.	13,630	74,965	3,000	15,000	-	8,433	(41,176)	16,630	67.38	40,356	40,356	12
Naturint Corporation	2,000,000	21,347	-	-	-	-	(113)	2,000,000	100.00	21,234	21,234	-
Syspower Corporation	900,000	18,083	196,200	43	-	37	1,939	1,096,200	4.50	20,028	20,277	13
Hanmore Investment Corporation	9,640,680	17,289	-	52,142	-	48,203	(1,654)	9,640,680	48.92	19,574	903,904	14
Etu Corporation	9,682,000	4,272	-	-	-	-	(80)	9,682,000	84.19	4,192	4,192	-
Genesis Technology Inc.	-	-	20,072,498	949,795	-	24,523	11,580	20,072,498	28.09	936,852	989,574	15
Collaboration Co., Ltd.	-	-	6,160,000	200,015	-	-	1,993	6,160,000	44.55	202,008	125,714	16
Bao Ruh Electronic Co., Ltd.	3,975,000	119,502	364,500	9,588	-	-	(66,218)	4,339,500	29.72	62,872	62,872	17
Systemweb Technologies Co., Ltd.	2,450,000	35,763	795,000	16,236	-	3,245	6,180	3,245,000	32.45	54,934	54,934	18
Sanfran Technologies Inc.	2,332,397	47,034	186,592	665	-	12,754	17,577	2,518,989	12.26	52,522	52,522	19
Retail System Co., Ltd.	780,000	23,332	-	-	-	-	3,514	780,000	30.00	26,846	26,846	-
Mohist Web Technology Co., Ltd.	300,000	5,225	100,000	7,004	-	1,767	2,077	400,000	40.00	12,539	7,045	20
Frog-jump Information Co., Ltd.	583,202	10,321	100,000	-	-	1,310	3,068	683,202	10.00	12,079	12,079	21
Shengsen Cloud Technology	629,501	10,601	275,583	-	-	-	(94)	905,084	30.00	10,507	10,507	-
FinRobo Advisor Securities Investment Consulting Co., Ltd.	1,016,293	2,215	-	-	-	-	(2,013)	1,016,293	30.00	202	11,047	-
Gensys Technology International. Ltd.	8,000,000	-	-	-	-	-	-	8,000,000	40.00	-	18,213	-
System Infopro Co., Ltd.	20,000	-	-	-	-	-	-	20,000	20.00	-	(1,451)	-
		<u>\$ 9,809,289</u>		<u>\$ 1,536,036</u>		<u>\$ 866,075</u>	<u>\$ 1,045,214</u>			<u>\$ 11,524,464</u>	<u>\$ 13,346,464</u>	

Note 1: Increase in 2021 includes increase in other equity due to subsidiaries' disposal of financial instruments at FVTOCI amounted to \$34,836 thousand and increase in capital surplus due to subsidiaries' share of changes in associates accounted for using equity method amounted to \$4,037 thousand. Decrease in 2021 includes decrease in retained earnings due to subsidiaries' disposal of financial instruments at FVTOCI amounted to \$34,836 thousand, loss on equity investments at FVTOCI amounted to \$5,648 thousand, and exchange differences of \$74,484 thousand.

Note 2: Increase in 2021 includes increase in retained earnings due to subsidiaries' disposal of financial instruments at FVTOCI amounted to \$6,512 thousand, increase in capital surplus due to subsidiaries' share of changes in associates accounted for using equity method amounted to \$1,803 thousand, and gain on equity investments at FVTOCI amounted to \$87,893 thousand. Decrease in 2021 includes decrease in other equity due to subsidiaries' disposal of financial instruments at FVTOCI amounted to \$6,512 thousand, and exchange differences of \$35,494 thousand.

Note 3: Decrease in 2021 includes cash dividends received of \$330,512 thousand.

Note 4: Increase in 2021 includes increase in capital surplus due to cash dividends received by subsidiaries from the Corporation regarded as treasury share, which amounted to \$54,907 thousand, and increase in capital surplus due to subsidiaries' share of changes in associates accounted for using equity method amounted to \$355 thousand. Decrease in 2021 includes cash dividends received of \$61,500 thousand, and remeasurement of defined benefit plans of \$303 thousand.

Note 5: Decrease in 2021 includes remeasurement of defined benefit plans of \$5,418 thousand and cash dividends received of \$69,109 thousand.

Note 6: Decrease in 2021 includes remeasurement of defined benefit plans of \$255 thousand and cash dividends received of \$59,985 thousand.

Note 7: Decrease in 2021 includes cash dividends received of \$33,800 thousand.

(Continued)

- Note 8: Decrease in 2021 includes remeasurement of defined benefit plans of \$4,904 thousand and cash dividends received of \$5,000 thousand.
- Note 9: Increase in 2021 includes increase in capital surplus due to subsidiaries' share of changes in associates accounted for using equity method amounted to \$405 thousand. Decrease in 2021 includes remeasurement of defined benefit plans of \$346 thousand and cash dividends received of \$23,000 thousand.
- Note 10: Increase in 2021 includes acquisition of \$44,800 thousand. Decrease in 2021 includes decrease in capital surplus due to subsidiaries' share of changes in associates accounted for using equity method amounted to \$14,697 thousand.
- Note 11: Increase in 2021 includes acquisition of \$50,000 thousand.
- Note 12: Increase in 2021 includes acquisition of \$15,000 thousand. Decrease in 2021 includes decrease in capital surplus due to changes in share of investments in associates accounted for using the equity method amounted to \$2,696 thousand and cash dividends received of \$5,737 thousand.
- Note 13: Increase in 2021 includes increase in capital surplus due to changes in share of investments in associates accounted for using the equity method amounted to \$43 thousand. Decrease in 2021 includes remeasurement of defined benefit plans of \$37 thousand.
- Note 14: Increase in 2021 includes increase in capital surplus due to cash dividends received by subsidiaries from the Corporation regarded as treasury share, which amounted to \$52,142 thousand. Decrease in 2021 includes cash dividends received of \$48,203 thousand.
- Note 15: Increase in 2021 includes acquisition of \$948,841 thousand (includes reclassified from financial instruments at FVTOCI \$533,006 thousand), increase in capital surplus due to changes in share of investments in associates accounted for using the equity method amounted to \$876 thousand, and increase in retained earnings due to subsidiaries' disposal of financial instruments at FVTOCI amounted to \$78 thousand. Decrease in 2021 includes decrease in other equity due to subsidiaries' disposal of financial instruments at FVTOCI amounted to \$78 thousand, loss on equity investments at FVTOCI amounted to \$23,892 thousand, and exchange differences of \$553 thousand.
- Note 16: Increase in 2021 includes acquisition of \$200,015 thousand.
- Note 17: Increase in 2021 includes acquisition of \$9,113 thousand, and increase in capital surplus due to changes in share of investments in associates accounted for using the equity method amounted to \$475 thousand.
- Note 18: Increase in 2021 includes acquisition of \$15,900 thousand, and increase in capital surplus due to changes in share of investments in associates accounted for using the equity method amounted to \$336 thousand. Decrease in 2021 includes cash dividends received of \$3,245 thousand.
- Note 19: Increase in 2021 includes increase in retained earnings due to subsidiaries' disposals of financial instruments at FVTOCI amounted to \$665 thousand. Decrease in 2021 includes cash dividends received of \$11,662 thousand, decrease in other equity due to subsidiaries' disposals of financial instruments at FVTOCI amounted to \$665 thousand, loss on equity investments at FVTOCI amounted to \$347 thousand, and decrease in capital surplus due to changes in share of investments in associates accounted for using the equity method amounted to \$80 thousand.
- Note 20: Increase in 2021 includes acquisition of \$7,000 thousand, and gain on equity investments at FVTOCI amounted to \$4 thousand. Decrease in 2021 includes cash dividends received of \$1,767 thousand.
- Note 21: Decrease in 2021 includes cash dividends received of \$1,310 thousand.
- Note 22: Except for Systemweb Technologies Co., Sanfran Technology Inc., Retail System Co., Mohist Web Technology Co., Frog-jump Information Co., Ltd., Shengesen Cloud Technology, FinRobo Advisor Securities Investment Consulting Co., Ltd, GenSys Technology (International) Ltd. and Systex Infopro Co., Ltd., the share of profit or loss of investments accounted for using the equity method for the year ended December 31, 2021 was calculated based on the financial statements that have been audited.
- Note 23: Except for the fair value of Genesis Technology Inc. was calculated based on the closing price at December 31, 2021 and share percentage held by the Corporation, net assets value of other unlisted shares was calculated based on the financial statements of investees and share percentage held by the Corporation.

(Concluded)

SYSTEX CORPORATION

STATEMENT OF NOTES PAYABLE AND ACCOUNTS PAYABLE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
A	\$ 171,207
B	160,701
Others (Note)	<u>974,553</u>
	<u>\$ 1,306,461</u>

Note: The amount included in others does not exceed 5% of the account balance.

SYSTEX CORPORATION

**STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Amount
Sales	\$ 5,061,725
Less: Sales returns and allowances	<u>13,567</u>
Net sales	<u>5,048,158</u>
Service revenue	
Maintenance revenue	1,089,628
Education and training revenue	632,968
Data processing revenue	558,077
Value-added internet service revenue	407,299
Other service revenue	<u>511,865</u>
	<u>3,199,837</u>
Other operating revenue	<u>37,392</u>
	<u>\$ 8,285,387</u>

SYSTEX CORPORATION**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Amount
Merchandise, beginning of year	\$ 799,240
Add:	
Merchandise purchased	4,421,124
Write-down of inventories	21,445
Less:	
Merchandise, end of year	911,146
Internal usage and others	18,523
Cost of goods sold	<u>4,312,140</u>
Service cost	
Maintenance cost	447,752
Education and training cost	315,367
Data processing cost	312,566
Value-added internet service cost	170,573
Other service cost	168,416
Total service cost	<u>1,414,674</u>
Other operating cost	<u>3,915</u>
	<u>\$ 5,730,729</u>

SYSTEX CORPORATION**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

	Amount			
	Selling Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Payroll and post-employment benefits	\$ 1,406,746	\$ 231,441	\$ 282,685	\$ 1,920,872
Labor and health insurance	116,061	19,805	30,092	165,958
Depreciation	79,882	19,603	4,931	104,416
Others (Note)	<u>214,654</u>	<u>31,339</u>	<u>22,116</u>	<u>268,109</u>
	<u>\$ 1,817,343</u>	<u>\$ 302,188</u>	<u>\$ 339,824</u>	<u>\$ 2,459,355</u>

Note: The amount included in others does not exceed 5% of the account balance.