

SYSTEX



ANNUAL REPORT 2020

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The Information of Company

1.Spokesperson & Deputy Spokesperson

Spokesperson

Name: Chung, Chih-Chun

Title: CFO & Vice President, Corporate Governance Officer

Tel: 886 -2-77201888

E-mail: larryc@systemex.com

Deputy Spokesperson

Name: Cheng, Deng-Yuan

Title: Chief Strategy Officer & Senior Vice President

Tel: 886-2-77201888

E-mail: dycheng@systemex.com

2.Headquarters, Branches and Plant

Headquarters: 318, Rueiguang Rd., Neihu District, Taipei, Taiwan, R.O.C

Tel: 886-2- 77201888

Fuxing Branch: 12&13F. No.99, Guangfu N. Rd., Songshan Dist., Taipei City, Taiwan, R.O.C

Tel: 886-2- 25149191

Hsinchu Branch: 3F.-2, No.295, Sec. 2, Guangfu Rd., East Dist., Hsinchu City, Taiwan, R.O.C

Tel: 886-3- 5723322

Taichung Branch: 8F.-1, No.660, Sec. 3, Taiwan Blvd., Xitun Dist., Taichung City, Taiwan, R.O.C

Tel: 886-4-24529698

Kaohsiung Branch: 25F.-1, No.2, Zhongshan 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan , R.O.C

Tel: 886-7-336-0680

3.Shares Transfer Agent

Yuanta Securities Registrar and Transfer Agency Department

Address: B1, No.210, Section3, Chengde Road, Taipei, Taiwan, R.O.C

Website: <http://www.yuanta.com.tw>

Tel: 886-2-25865859

4.Auditors

Deloitte & Touche Accounting Firm

Auditors: Lin, Shu-Wan; Kuo, Cheng-Hung

Address: 20F., No. 100, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan, R.O.C.

Website: <http://www.deloitte.com.tw>

Tel: 886-2-27259988

5.Overseas Securities Exchange: None.

6.Company Website: <http://www.systemex.com>

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I. Letter to Shareholders

Dear Shareholders,

I. Foreword

In 2020, SYSTEX positioned itself as the orchestrator of ecosystem integration (Xi), using “Software” and “Data” to help corporate clients enhance their marketing result, and accelerating the “Digital Transformation” in the data economy to create an exponential growth. Influenced by the global political and economic changes, as well as the COVID-19 pandemic, companies and organizations are increasingly investing in the digital transformation. SYSTEX has successfully seized business opportunities, becoming clients’ strategic partner in the digital transformation, which allowed SYSTEX’s business volume to grow consistently in 2020, reaching historic highs for 4 years in a row.

II. Summary of 2020 Operational Outcomes

In 2020, SYSTEX achieved an operating revenue of NT\$ (NT\$ hereinafter) 7,017,537,000, a 6.83% increase from 2019. Our net income after taxes in 2020 was \$1,666,345,000. The consolidated revenue in 2020 was \$23,735,090,000, an increase of 7.64% from 2019. The consolidated net income after taxes in 2020 (excluding non-controlling equities) was \$1,666,345,000 and earnings per share was \$6.72.

III. Summary of 2020 Business Operations and Services

Playing the role as an “orchestrator”, SYSTEX led the data and software ecosystem in Data Economy, investing resources in the following three directions, which has manifested in the operational outcome for 2020.

■ Enhance marketing and the market with 5A@4C core capabilities

SYSTEX will continue to perform data integration through 5A (AP, APP, API, Appliance, Algorithm) crossover software, providing cloud implementation, cloud usage, cloud management, and cloud protection application and management systems under a multi-cloud structure. We will also use machine learning to gradually accumulate data intelligence, help industries implement AI in different scenarios, set up platforms that can be experienced, explored, applied, and interacted with, and create brand new business models and customer experiences to expand both marketing impact and the market. For example, we will help the retail industry clients introduce a big data strategic platform to obtain marketing information in real time, or assist the financial industry customers in introducing a smart billing system, integrating big data analysis precision marketing to provide more substantial innovative financial services.

■ Focus on cloud technologies and information security to help companies with post-pandemic transitions

Due to the impact of COVID-19, the demand for cloud services, information security, and remote working has increased dramatically. In addition to launching GARAORUS, a cloud service platform that combines high-end technologies such as AI, HPC, and multi-cloud structure, helping companies develop cloud applications, and developing the large volume of high performance computing power required for Taiwan’s medical industry to research and develop precision medicine, SYSTEX also provided remote working tools such as electronic signatures and online conference platforms while launching MOC/SOC information security maintenance services and introducing international information security products to help companies strengthen information security. SYSTEX also developed robot process automation to help companies improve their operational efficiency, as well as AI self-service equipment and multiple payment platforms to support the development of the contactless economy. SYSTEX also leveraged the introduction of 5G to introduce the

I. Letter to Shareholders

Microsoft HoloLens VR device, developing diverse and innovative applications of mixed reality technology based on the needs of different industries.

■ Consolidate and expand the software ecosphere to create win-win opportunities

For three years in a row, SYSTEX organized the AI+ Generator Program (AGP), working with partners in the startup ecosystem to leverage one another's advantages and amplify market opportunities. For the first time ever, SYSTEX joined the innovation program "co-necto 2020" hosted by Japan's TOPPAN Printing, becoming the company's first overseas partner and leading Taiwanese startups towards the international market. Accelerate connections with partners in the data software ecosystem: SYSTEX invested in Baoruh to step in the vehicle-to-everything (V2X) market, merged E-Service Information Co. to expand our document digitalization business, and invested in Taiwan Information Service Technology's crossover into the social welfare system market, working with these partners to expand the market scope and create win-win opportunities.

IV. The effect of external competition, the legal environment, and the overall business environment

The COVID-19 pandemic has yet to be effectively contained. As a result of global vaccine shortages and countries failing to hit vaccination targets, it's hard to say when the world will return to its normal market order. The international and trade policies of the new Biden administration in the U.S. remain to be observed. These factors are closely tied to global political and economic trends, making this year's economic development full of uncertainties. However, the raging pandemic has created a surge in demand for technologies like WFH (work from home), electronic signature, remote healthcare, and information security. The structural dispute between the U.S. and Chinese governments has also prompted a wave of Taiwanese firms to leave China and return to Taiwan, accelerating the restructuring of supply chains. Coupled with partnerships on key technologies such as 5G and AI, this trend is expected to prompt companies to accelerate their digital transformation efforts. The Taiwanese government is promoting six core strategic industries as part of its "5+2 Industrial Innovation Plan". The government plans to spend NT\$7.6 billion to attract international companies in AI, IoT, and cloud services to invest more in Taiwan. The move is expected to drive the growth of Taiwan's information service industry. Uncertainty in the overall environment brings forth many challenges, but also creates ample opportunities for growth.

V. The summary of the business plan for 2021

For 2021, SYSTEX is repositioning itself as a "Data Software Company", with "orchestration" as its operational principle, directing notes of data with software capabilities, performing a smooth movement of digital transformation with computing power, and helping companies achieve exponential growth with the advanced technology. The following is an overview of this year's strategic focus:

■ Direct data with software in a movement of digital transformation

Through 5A (AP, APP, API, Appliance, Algorithm) crossover software, SYSTEX will collect, distribute, index, and label data, think from the perspective of customer-owned data, and drive the data in different industries. With the 4Cs of cloud services—cloud implementation, cloud usage, cloud management, and cloud protection—as our core competences, SYSTEX will achieve data monetization, data insight, and data

I. Letter to Shareholders

governance through virtualization, containerization, and micro-services under a multi-cloud structure. In other words, SYSTEX will implement “data software orchestration” to help clients create a second wave of growth.

■ Operate the software data economy ecosphere to create win-win scenarios

SYSTEX will continue to plan strategic comprehensive investments, obtain agency/dealership for international products and services, connect with our customers, partners, and markets, cooperate with the ecosystem, and work with competitors to expand into a more comprehensive software and data economy and discover innovative solutions that can be applied to our customers. Continue to leverage the remote, online education, healthcare, and entertainment business opportunities that have been developed during the pandemic. Increase investment into green technology and green finance and provide customers with green solutions that meet international standards, strengthening our global competitiveness and elevating SYSTEX’s corporate value.

■ Create a healthy and vibrant work environment and fully implement ESG

SYSTEX aims to be a company where employees are proud to work. To this end, we will continue to create a healthy and vibrant work environment for our employees, promote ESG (environment, social, governance) sustainable operation plans, and practice social inclusion initiatives like cultivating software talent, ecosystem development, and “Tech for Social Good” awarding activity, increasing our employees’ sense of belonging and feelings of accomplishment outside of work. At the same time, we aim to become a trusted first choice for customers to work with by strictly implementing ESG plans, fulfilling our corporate social responsibility, and strengthening our connection with customers.

VI. Future development strategy

Foreseeing a trillion-dollar industry scale in software development over the next decade, SYSTEX has positioned itself as a “Data Software Company”, using software to drive data , achieve computing , exert omnichannel marketing , and launch ecosystem integration with the goal of becoming a world-class software company.

Chairman & President

Lin, Lung-Fen

II. Company Profile

2.1 Date of Incorporation: January 7, 1997.

2.2 Company History

- In 2001 Became exclusive distributor for the Found Scan Internet security scan service manufactured by renowned US information security service company Foundstone.
Launched the Security Operations Center (SOC) to provide Managed Security Services (MSS).
Systex acquired Ching-Chi and officially entered the finance and mobile commerce sectors.
- In 2002 Launched the Money Market System (MMS) securities and bonds transaction management system.
Launched the newly updated "Finance Workshop" Internet DynaQuote (iDQ).
Launched the mobile phone version of "Mobile Winner" finance services.
Launched Taiwan's first "M-Loan Smart system for Mobile Bank Operations."
Systex's SOC received Check Point MSP certification.
Hosted the "Ultimate Hacking Seminar."
Received the 2002 Software Industry Benchmark Enterprise Award from Commonwealth Magazine.
Received the 2002 MIS Best Choice Award from the Institute for Information Industry as best outsourced information security service provider.
- In 2003 Systex stocks are listed on the OTC market under stock code 6214.
Acquired distribution rights for Nokia's complete series of Internet security equipment.
Launched Taiwan's first interest rate exchange system denominated in NTD - the "Income Winner."
Became the exclusive distributor for the financial Internet order placement system with the highest market share in Korea "Road to the Future" (RTF).
The interest rate and futures version of Income Winner was launched and its official trading preceded the bond futures by two months.
Taiwan's first roadside parking Internet payment system was launched in Taoyuan County.
Became exclusive distributor for the AirDefense wireless Internet security equipment in the Asia Pacific Region.
Received the 2003 MIS Best Choice Award from the Institute for Information Industry as best information security consultancy service provider.
- In 2004 Launched Taiwan's first cross-strait Convertible Bond Pricing Analysis (CBPA).
Acquired 100% of shares in Ucom through stock conversion.
Hosted the "2004 Infosec Information Security Summit" across Mainland China, Taiwan, Hong Kong, and the Asia Pacific Region.
Obtained distribution rights for Softnext Technologies' "Spam SQR Mail Filter and Management Platform" in Taiwan and China.
Hosted the "2004 Fannie Mae Asset Securitization Summit" in Taipei and Shanghai.
Security Operations Center (SOC) received BS7799 certification.
Systex OSC consulting services launched outsourced management services for Oracle ERP systems.
Became the largest enterprise performance strategy and management consultant service partner in Asia Pacific for the world's largest business process management (BPM) brand Hyperion.
Received the 2004 MIS Best Choice Award from the Institute for Information Industry as best information security consultancy service provider for the third consecutive year.
- In 2005 Merged with the most professional domestic information education training company - Ucom Co., Ltd. on January 1, the baseline date of the merger.
Merged with the leading securities and bonds company in the domestic software market - Yu-Lung Co., Ltd. on June 1, the baseline date of the merger.

II. Company Profile

- Acquired distribution rights for the Radware smart application switch solution in Taiwan.
Acquired distribution rights for the CP Secure Internet anti-virus solution.
Acquired exclusive distribution rights for the Business Objects (BO) Crystal Reports software in Taiwan.
- In 2006 The shareholders' meeting held on June 15 passed the merger with Ching-Yeh Co., Ltd., and Systex was the surviving company. The baseline date of the merger is January 1, 2007.
Acquired the Business Intelligence (BI) team to integrate its capabilities in professional consulting and product sales, and to enter into the market for commercial intelligent software services.
Collaborated with MAN Financial (world's largest derivatives broker) in the development of international quotation and transaction services for futures and options. Launched two electronic transaction systems including SGTP (web version) and GPM (AP version).
Acquired exclusive distribution rights for world leading Business Intelligence (BI) software company Cognos.
- In 2007 Acquired distribution rights for ArcSight in multiple nations throughout the Asia Pacific.
Became Taiwan's first model company for the management and regulation of intellectual property by passing the TIPS certification.
Acquired Taiwan Electronic Data Processing Corporation to formally enter the medical information sector as both companies create opportunities in the Asia Pacific medical information service market.
Collaborated with Farglory Land Development in the creation of the first "Farglory U-City Digital Service Platform" in Taiwan to help Farglory Land Development provide residents with all-new digitized lifestyle convenience.
Selected as "Enterprise with the Fourth Most Project Management Professional Certification (PMP) in Taiwan."
Formed a strategic alliance with CA as exclusive distributor for its entire IT management software product line.
- In 2008 Merged with Da-Shih Technology Co., Ltd. on January 1, the baseline date of the merger.
Announced a strategic alliance with Splunk to acquire distribution rights for its enterprise grade IT search engine in the Asia Pacific Region.
Acquired distribution rights for the high-level institutional financial electronic transaction solution of RTS Realtime Systems Group of Germany as the only distributor partner in Greater China.
Acquired distribution rights for the BPM solution of internationally renowned business process management (BPM) software provider Ascentn AgilePoint.
Launched "Money Link www.money-link.com.tw," the only professional finance portal that integrated Taichung Port financial information.
Invested in Wealth Group and formally entered the media content industry.
Became Taiwan's first company to acquire the business continuity management standard (BS25999-2: 2007) certification and became one of the first 20 businesses to acquire the certification.
The "Systex Advanced Software Development and Integration Methodology" was awarded "Manufacturing Process Innovation" by the Ministry of Economic Affairs in 2008.
Awarded the Enterprise Group Award in the "2008 Human Resource Innovation Awards" by the Council of Labor Affairs, Executive Yuan.
Awarded the "2008 Industrial Excellence Award" by the Industrial Development Bureau, Ministry of Economic Affairs.
Obtained "Capability Maturity Model Integration Level 3" certification and became the only local enterprise with multiple sites for software development in Greater China.

II. Company Profile

- In 2009
- Created Taiwan's first smart analysis and prediction platform "First Winner" that offered research results and predictions on individual stocks of all major securities firms.
 - Launched the first domestic research database monitoring system Systex DB Watch, which provides corporate databases with comprehensive protection.
 - Acquired distribution rights for Tripwire's information change and auditing management solutions.
 - Became the first provider of total solutions with the "Warrant Information Platform" and optimal market maker of the warrants market.
 - The information security team and Kainan University forged academic-industrial collaboration and assisted the "Department of Information & Electronic Commerce" in establishing the "Information Security Laboratory."
 - Collaborated with Samsung Anycall on its official website and provided the "Stock Market Pocket App" download service.
 - Awarded "Enterprise with the Fourth Most Project Management Professional Certification (PMP) in Taiwan" and maintained its position as the local information service company with the most PMPs.
 - Awarded "Annual Digitized Education Material Quality Advancement Prize"; "Western Painting Analysis" education material received the highest AAA certification.
- In 2010
- Collaborated with VMware in providing professional cloud technology consulting services for enterprises and became the first company in Mainland China, Taiwan, and Hong Kong to obtain VMware cloud service certification.
 - UCOM Information Technology Education Center was awarded the "Best Red Hat Training Center" in Greater China.
 - Collaborated with Shenzhen Forms Syntron Information and acquired 30% of its shares for entry into the outsourced financial service in China.
 - Acquired 98.93% of shares in system integrator Taifon Computer Co., Ltd. which became a subsidiary of the Company.
 - Systemex subsidiary Taiwan Electronic Data Processing Corporation and U.S. Company Rimage established the joint venture Rimage Information Technology (Shanghai) Co., Ltd. to develop the healthcare market in China.
 - Established the CAS Systemex Corporation with the Institute of Computing Technology, Chinese Academy of Sciences. This was the first collaboration between a Mainland Chinese government research institute and Taiwanese company as the two parties worked together to forge the next generation of financial information platforms for the financial information market in China.
 - Systemex transferred its listing from the OTC market to the TWSE market; stocks began to be officially traded on December 30.
- In 2011
- Established the "Microsoft Customer Immersion Experience Center" to provide corporate clients with a full demonstration of the benefits of Microsoft's integrated corporate productivity platform solution.
 - Formed a strategic partnership with GRG Banking, the leading ATM manufacturer in China, and acquired distribution rights for GRG Banking's ATMs in Taiwan.
 - Collaborated with international innovation software development company Splunk in establishing the Splunk Innovation Center.
 - Invested in Systemweb Technology to formulate one-stop services for financial asset management.
 - Became exclusive distributor for Veloxum's virtual reality performance optimization solution, which provides companies with "active and continuous optimization" technologies and increases server performance by at least 50%.
 - Became Fujitsu's first licensed corporate IT product distributor in Taiwan and distributed ROR

II. Company Profile

cloud-based management software, servers, and storage facilities.

Awarded "Enterprise Project Management Benchmarking Award" and "Best Practice on Project Management Award" by the International Project Management Association.

Conducted simplified merger with subsidiaries Ching-Ho Information Co., Ltd. and Ching-Feng Information Co., Ltd.; the baseline date of the merger was June 1.

- In 2012
- The Information Management and Integration Service Department led the industry in acquiring Taiwan's first British Standards Institution (BSI) BS 10012 Personal Information Management System certification.
 - Acquired distribution rights for the MobileIron mobile application security solution.
 - Became the first Managed Mobility Services (MMS) partner certified by SAP.
 - Became exclusive distributor for BlueCat Networks IP management solution, which helps enterprises painlessly integrate IPv4 and IPv6 and manage IP with ease.
 - Developed the mobile payment market by acquiring 100% of shares in Nexsys Corporation.
 - The Etu innovative big data platform product Etu Appliance was awarded the 2012 TAITRONICS Technology Innovation Quality Award.
 - System's own brand Etu Appliance was awarded "Excellent Information Application and Product Award" in the 2012 IT Month and was the first big data processing platform to win the IT Month selection.
 - System became the only company in the IT service industry to receive the "Enterprise Employment of Disabled Individual Exceeding Required Amount Certification" issued by the Bureau of Labor of Taipei City Government.
 - Following System's collaboration with international big data firm Splunk in establishing the first Splunk Lab in Asia Pacific, the parties worked together again in establishing the first "Licensed Splunk Training Center" in Greater China.
 - System became Apple's authorized corporate distributor and acquired the complete series of products from the global mobile device leader to provide enterprises with one-stop software and hardware services.
- In 2013
- System's UCOM Information Technology Education Center became the exclusive distributor for all international information security certification courses offered by EC-Council.
 - System's own brand Etu was recognized by the Chinese media as the "Big Data Innovation Enterprise in 2012" and was the only original big data solution brand from Asia.
 - Syspower Corporation of System Group established a distribution agreement with Yonyou Network, the largest management software company in China, for exclusive distribution rights in Taiwan's finance sector so as to forge definitive advantages for Taiwanese finance businesses in the Mainland China market.
 - Etu received the "2013 Big Data Excellent Product Award" in China, the sixth award since its launch.
 - System Software & Service Corporation of System Group became authorized reseller of Microsoft Surface for Business and teams up with Microsoft to develop the tablet market.
 - Etu Recommender received the highest honor of Golden Award at the 2013 IT Month against hundreds of innovative new products. System became the only company who won awards at IT Month with different big data products in two consecutive years.
- In 2014
- System provided exclusive sponsorship for Taiwan's first "information science program" as Etu joined forces with Code for Tomorrow to form Taiwan's first formal data science program team in.
 - System allied with global application network technology leader A10 Networks to provide comprehensive corporate network information security products.

II. Company Profile

System teamed up with Amiya, a Japanese company that specializes in corporate information security and audit management, to embrace the dynamic and high-security network and IT management services for "concurrent backup with 4G and cable transmission" made possible through 4G transmission.

Syspower Corporation of Systex Group teamed up with international Business Intelligence (BI) firm Qlik to train big data management talent and established the first "Qlik Authorized Training Center" in Taiwan.

UCOM Information Technology Education Center of Systex Group partnered with Cloudera, leading provider of Hadoop solutions for analyzing big data, and introduced Hadoop training courses.

Systex worked with global data visualization leader Tableau to provide visualization analysis solutions.

In 2015 Systex and Chunghwa Telecom joined forces in the development of the corporate information security product "EyeQuila," which became a leading product on the market.

Systex established the App Center and Mobile Creativity Incubation Center in Taichung.

Systex Software & Service Corporation of Systex Group teamed up with Gridow for development of the evPlay corporate cloud video service.

Systex teamed up with Sunlight Technology, China's largest smart hotel cloud service platform, to build a brand new hotel cloud service platform for hotels with four or more stars.

Systex launched the "securities online account opening platform," Taiwan's first online securities account opening solution that integrated "video certification" and "CA certification."

In 2016 UCOM Information Technology Education Center launched the Amazon Web Services (AWS) series courses and became Taiwan's only AWS authorized training center.

Systex subsidiary Medincom Technology launched the "External Hospital Information Upload Workstation" to simplify the procedures for integrating information between hospitals, effectively reducing 80% of tasks previously required for importing images from external hospitals.

Systex launched the "FundRich Securities" fund platform which became Taiwan's first successful real-world FinTech application.

Systex partnered with Far Eastern Group to construct an O2O retail ecosphere and launched the "Market Shopping" platform on the friDay Wallet app.

Systex Software & Service Corporation of Systex Group maintained its leading position in providing Microsoft services to large corporate clients; the Company won the Microsoft Partner Hero Award for the 12th consecutive year.

In 2017 Invested in FinTech startup company INSTO.

Invested in Gemini Data for US and global business expansion.

Developed NLP (Neuro Linguistic Programming) technology, and applied in customer service for financial industry.

Awarded the 4th "Taiwan Mittelstand Award" held by the Taiwan Ministry of Economy Affairs.

Offering e-gift certificate service to realize O2O operation.

In 2018 Invested in FinRobo Advisor Securities Investment Consulting Co., Ltd. to expand FinTech product services.

Strategic cooperated with SenseTime, IFLYTEK, MS, IBM to bring AI related technology into Taiwan market to develop industry applications locally.

Kick off "AI+ Generator" Program to engage outstanding AI startups with enterprise to prove of solution concept in early stage of go-to-market.

Invested in Shengsen Corp. and Forg-jump Information Co., Ltd. for expanding the human outsourcing team.

II. Company Profile

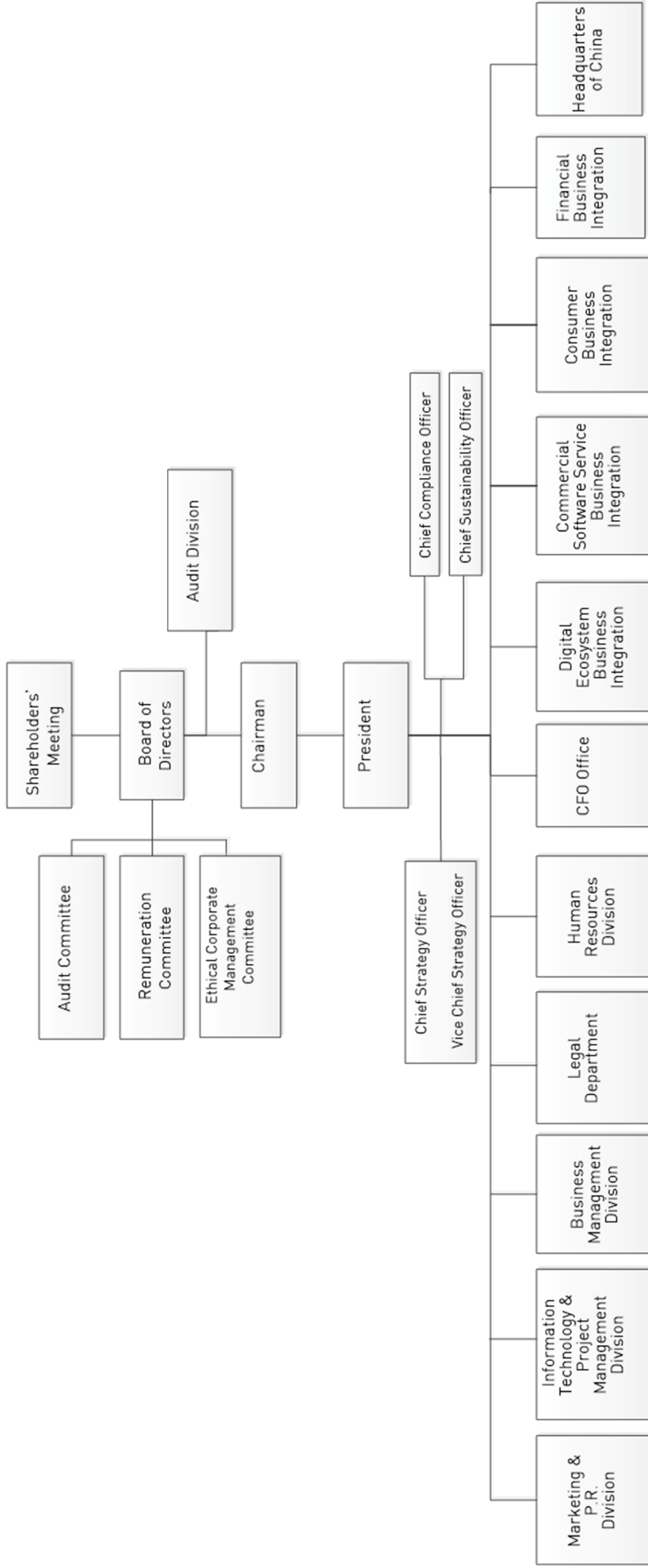
- Invested in Retail System Co., Ltd.
- Invested in Dawning Technology Inc. for expanding product agent portfolio and integrating marketing channels.
- Concord System Management Corp. of Systex Group invested in Top Information Technologies Co., Ltd. to 98.59%
- In 2019
- Syspower Corp., a subsidiary of SYSTEX, has released the world's first "Sarcopenia intelligent pre-screen system" with standard medical image transmission to create a long-term and elderly care environment.
 - SYSTEX was crowned the "Happiness Enterprise" in IT industry category by 1111 Job Bank.
 - Exclusive agent for the Knowtions Lydia AI platform solutions which can make predictions on insurance fraudulent behaviors by building people profiles and learning healthcare behaviors.
 - Systex Software & Service Corp. won Microsoft's 2019 Taiwan Partner of the Year Award.
 - SYSTEX Independently Developed NLP Combining with RPA and OCR to Build Intellectual Fintech Robot "Robelf"
 - Syspower Corp. announced an AI-driven cloud system to create seamless and integrated smart medical services from home to hospital.
 - Syspower Corp. and Taichung Veterans General Hospital released the first "OSCE Clinical Skills Test Online Evaluation System" in Taiwan, which comprehensively promotes the standardization of evaluation in all job categories for medical care industry.
 - Invested in Fuco Technology Co., Ltd.
 - Invested in Aiwin Technology Co., Ltd.
 - Invested in Neweb Information Co., Ltd. to integrate IT services ecosystem.
 - Enlisted the team of Zechster Information Technology Co., Ltd.
- In 2020
- Donated the scholarship of NT\$3 million to National Taiwan Normal University.
 - Invested in E-service Information Co. to nearly 60%.
 - Established the cloud brand "GARAOTUS" to lock in the international cloud market.
 - Invested in Baoruh Electronic Co., Ltd.
 - Invested in Taiwan Information Service Technology Corporation.
 - Systex Software & Service Corp. passed ISO 27001 information security management system certification.
 - Awarded the "Excellent Unit for Green Purchasing and Green Consumption Promotion" by the Environmental Protection Administration of the Executive Yuan in 2020.
 - Awarded the "2020 Taipei City Private Enterprises and Organizations' Green Purchasing Performance" by Taipei City Government's Department of Environmental Protection.
 - YTP (Young Turing Program) got the Silver Award of "CSR Impact Award of PwC Taiwan".
 - Awarded the "Sports Enterprise Certification in 2020" certification mark by the Sports Department of the Ministry of Education.
- In 2021
- The Company stationed in Shalun Smart Green Energy Science City in Tainan to connect Green Energy Industry Ecosystem.

III. Corporate Governance

3.1 Organization

3.1.1 Organizational Chart

As of February 1, 2021



III. Corporate Governance

3.1.2 Major Corporate Functions

Department	Functions
Audit Division	Audit Division conducts independent and objective assessment of the effectiveness of the Company's internal control system, follows up on improvement of irregularities, reviews the self-assessment procedures in the internal control system, and reasonably ensures compliance with company policies and regulations.
CFO Office	CFO Office is responsible for financial accounting, management accounting, budget planning, investment management, fund management, Board of Directors meetings, shareholder services, and ensuring compliance with regulations stipulated by competent authorities. The CFO Office is also in charge of supervising the financial accounting departments of domestic and overseas business units for the purpose of establishing a consistent domestic and overseas financial accounting management system and institution.
Human Resources Division	Human Resources Division is responsible for planning human resource policies, regulations, and operating procedures including: human resources planning, organizational design and planning, recruitment and appointment, training and development, salary and benefits, performance management, promotion of employee relations and corporate culture etc. It is also responsible for the supervision of departments that oversee human resource management in affiliate enterprises as well as the planning and management of property security, cleaning, catering, electrical and mechanical appliances, air conditioning, machinery and equipment, and telecommunications systems.
Business Management Division	Business Management Division is responsible for related services in support of commercial operations including: trading, procurement, material control and warehousing, accounts, sales support, planning and execution of information procedures, and establishment of finance related information systems. It also supervises receivables in sales, inventory, daily tasks in shipment preparation and borrowing, and risk management of material and irregular transactions. The Commerce Department also supports the strategic plans, performance management and follow-up, investment performance analysis, public relations, and marketing events for the entire Group.
Legal Department	Legal Department is responsible for reviewing various commercial contracts, providing recommendations and control items for contract formulation/amendment, processing litigation/non-litigation, managing intellectual property rights affairs, providing the management team and managerial officers with necessary legal consultation, and conducting training on related legal knowledge.
Information Technology & Project Management Division	Responsible for the development, promotion, and human resource training of advanced technology, including: Multicloud microservice, AI, IoT, and FinTech, training technicians to pass OEM certification and obtain OEM sales partner qualifications; Project performance and management, monitoring and resolution of major abnormal projects, professional support for major strategic projects, outsource supplier management, external software human resource pool and ecosystem setup, research and development cycle maintenance and promotion; Responsible for installation and maintenance of all information systems within the Group, including

III. Corporate Governance

Department	Functions
	application systems, mobile app, Internet service, digital communication, and information security architecture. It also supports the discussion of the needs of business and financial processes.
Marketing & P.R. Division	Integrate the Group's marketing resources, gather customer analysis and interdepartmental cooperation, utilize public relations and digital marketing exposure, cultivate a positive image, and convey the Group's unique and diversified values.
Digital Ecosystem Business Integration (Note 1)	<p>Operate the data ecosphere and manage the agency/distribution/development of world-class software/hardware product portfolio solutions, and operation centers focused on IT (information technology), DT (data technology), OT (operational technology), HPC (high-performance computing), and information security.</p> <p>Provide the end-to-end solutions needed for corporate clients to operate through value-added services. Focus on IoT, AI computing, hybrid cloud platform, and data insight to help companies advance digital transformation and increasing company profits using innovative applications. The Digital Technology Business Unit uses the latest technologies to connect to the world and develops data-based products and intelligent services to help companies carry out their digital transformation and accumulate data capital. Provide comprehensive professional technology training courses to help companies cultivate talent.</p>
Commercial Software Service Business Integration (Note 2)	Provide technical value-added services for Microsoft products and help companies utilize public cloud, private cloud, hybrid cloud, and other cloud services to establish a cloud architecture and use cloud resources to enjoy the convenience and substantial benefits of cloud application. Provide suitable virtualization solutions according to the needs of clients' user environments. Conduct thorough diagnosis of clients' needs from an overall IT architecture perspective, taking company size and external environmental requirements or internal compliance audits into account to create suitable customized solutions. Provide corporate clients with commercial application software licensing contracts and procurement planning services as well as software sales and relevant technical support services.
Consumer Business Integration (Note 3)	<p>Focus on providing innovative domestic application services for users in the consumer market, helping clients from the retail, food, banking, insurance, and government industries to use the newest IT software technology to connect data value with an innovative mindset, develop domestic and financial services that consumers, members, and citizens need, instantly grasp market opportunities, and enhance corporate value.</p> <p>Help companies transition and implement AI through six main services: Omnichannel services: Online to offline integration services. Includes digital e-commerce platform and operation, O2O electronic voucher customer introduction services, and customer retention services for prepaid cards, taking full advantage of the "anytime, anywhere" consumer trend. Multiple payment services: From providing to supporting diversified payment options. Smart services: Utilize AI recognition technology and smart self-service equipment to help stores implement automated sales and automated services. Data application services: From data processing and data management</p>

III. Corporate Governance

Department	Functions
	services to data analysis and application. Includes billing business process outsourcing services, interactive electronic billing, and digital printing, as well as archaeological surveys and digital collection. Financial service: Develop the concept of “FinLife” (that is, the intersection of “financial” and “life”) and the use of AI in applications, providing financial industry solutions such as smart wealth management, consumer finance, insurance technology, and IT management. Transportation service: Provide solutions such as smart travel and vehicle application.
Financial Business Integration (Note 4)	Financial Business Integration provides comprehensive, cross-border financial content and information services for multiple markets including securities, futures, warrants, bonds, bills, foreign exchange, and funds as well as secure information transaction platforms for multiple financial products in order to satisfy the business application software and solution requirements of financial institution clients and investors, including information, trading, operations and management, finance, wealth management, risk management, asset management, and IT management. In response to trends in cloud, mobility, and artificial intelligence, Financial Business Integration also uses the professional finance transaction network as the basic cloud development model to provide the finance industry with quick selections in the formulation of finance information and professional transaction services. At the same time, it also creates and develops mobile services with leading clients in various industries to successfully forge new applications in portal sites, financial holding, securities and futures, investment consulting, insurance, telecommunications, logistics and transportation, and medical facilities etc. and create new standards for corporate services.
Headquarters of China (Note 5)	Headquarters of China distributes world-class software, added-value technologies, capabilities and professional services. It also employs intensified system integration capabilities to provide large-scale clients with customized services and become their long-term partners. The team also seeks out investment opportunities in new sectors in the Chinese market to develop products and services native to the finance sector on both sides of the strait. It is also responsible for integrating the related administrative and management affairs of subsidiaries in China.

Note 1: Digital Ecosystem Business Integration is covering subsidiaries, including: Taifon Computer Co., Ltd, Taiwan Information Service Technology Corp. and Dawning Technology Inc.

Note 2: Commercial Software Service Business is covering subsidiaries, including: Systex Software & Service Corp.

Note 3: Consumer Business Integration is covering subsidiaries, including: Nexsys Corp., Systex Solutions Corp. and E-service Information Corp.

Note 4: Financial Business Integration is covering subsidiaries, including: Softmobile Technology Corp., Syspower Corp., Naturint Ltd., Concord System Management Corp., Top Information Technologies Co., Ltd. and Palsys Digital Technology Corp.

Note 5: Headquarters of China is covering subsidiaries in China (Hong Kong) , including: Systek Information (Shanghai) Ltd., Sysware Shenglong Information Systems Co., Ltd., Systex Group(China) Ltd., Systex Rainbow Tech Inc., Systex Rainbow (Guangzhou) Tech Inc., Systex Ucom (Shanghai) Information Ltd.Co., Systex Information (H.K.) Ltd. and Rainbow Tech Information (HK) Limited.

3.1.3 Informantion of Subsidiaries: Please refer to pages 238~248.

III. Corporate Governance

3.2 Directors and Management Team

3.2.1 Directors

As of March 29, 2021

Title/Name (Note 1)	Nationality / Country of Origin	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangemen		Experience (Education)	Other Position (Note 2)	Executives, Directors who are spouses or within two degrees of kinship			Remarks
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman/ Lin, Lung-Fen (Note 3)	R. O. C.	Male	June 13, 2019	3	March 28, 2002	1,324,762	0.49	1,324,762	0.49	263	-	-	-	EMBA, CEIBS Master's degree in Computer Science, University of the Pacific	Note 4	-	-	Note 4	
Director/ Huang, Tsong-Jen (Note 3)	R. O. C.	Male	June 13, 2019	3	June 15, 2006	20,755,750	7.70	20,755,750	7.70	2,008,634	0.75	-	-	Ph.D. in Computer Science, University of Wisconsin	Note 3	Director	Huang, Ting-Rong Huang, Chi-Rong	one degree two degree	-
Director/ Cheng, Deng-Yuan	R. O. C.	Male	June 13, 2019	3	March 28, 2002	168,152	0.06	153,152	0.06	-	-	-	-	EMBA, Fudan University Fu Jen University, Dept. of Accounting	Note 5	-	-	-	
Director/ Lu, Ta-Wei	R. O. C.	Male	June 13, 2019	3	June 13, 2007	415,656	0.15	415,656	0.15	2,050,390	0.76	-	-	Tunghai University, Dept. of Chemistry	Note 6	-	-	-	
Director/ Shaw, Shung-Ho	R. O. C.	Male	June 13, 2019	3	March 28, 2002	945,475	0.35	945,475	0.35	229,201	0.09	-	-	MBA, National Chengchi University	Note 7	-	-	-	
Director/ Hsieh, Chin-Ho	R. O. C.	Male	June 13, 2019	3	June 18, 2010	20,000	0.01	20,000	0.01	-	-	-	-	Master Degree in Graduate of East Asian Studies, National Chengchi University	Note 8	-	-	-	
Director/ Huang, Ting-Rong	R. O. C.	Female	June 13, 2019	3	June 17, 2016	242,152	0.09	242,152	0.09	-	-	-	-	MBA, Waseda University	Note 9	Director	Huang, Tsong-Jen Huang, Ting-Rong	one degree two degree	-
Director/ Huang, Chi-Rong	R. O. C.	Female	June 13, 2019	3	June 17, 2016	633,780	0.24	633,780	0.24	-	-	-	-	Wharton School of the University of Pennsylvania, Dept. of Economics	Note 10	Director	Huang, Tsong-Jen Huang, Ting-Rong	one degree two degree	-

III. Corporate Governance

As of March 29, 2021

Title/Name (Note1)	Nationality / Country of Origin	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangemen		Experience (Education)	Other Position (Note 2)	Executives, Directors who are spouses or within two degrees of kinship		Remark(s)
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	
Director/ Lin, Chih-Min (Representative of Joway Investment Co., Ltd.)	R. O. C.	Male	June 13, 2019	3	June 13, 2007	5,540	-	5,540	-	-	-	-	-	National Taiwan University, Dept. of Law	Note 11	-	-	-
Director/ Wu, Cheng-Huan (Representative of Joway Investment Co., Ltd.)	R. O. C.	Male	June 13, 2019	3	June 13, 2019	629	-	629	-	-	-	-	-	Fu Jen University, Dept. of Business Administration	Note 12	-	-	-
Independent Director/ Huang, Jih-Tsan	R. O. C.	Male	June 13, 2019	3	June 13, 2007	-	-	-	-	122,017	0.05	-	-	Ph.D. in Law, Harvard University	Note 13	-	-	-
Independent Director/ Cheng, Wen-Feng	R. O. C.	Male	June 13, 2019	3	June 21, 2013	-	-	-	-	845	-	-	-	Master Degree in Chemical Engineering, National Tsing Hua University	Note 14	-	-	-
Independent Director/ Lai, Chien-Hua	R. O. C.	Male	June 13, 2019	3	June 13, 2019	6,000	-	-	-	-	-	-	-	Feng Chia University, Dept. of Business Administration	Note 15	-	-	-

Note 1: Institutional representatives shall indicate the names of the institutional shareholders and fill in the information specified in Table 1 below.

Note 2: Concurrent positions as of the date of publication of the annual report.

Note 3: The former chairman, Huang, Tsong-Jen, resigned because of personal career planning and thenew chairman, Lin, Lung-Fen, was elected by the board of directors on December 23, 2020.

Note 4: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto:

The chairman of the company also serves as the general manager, in order to improve operating efficiency and decision-making execution. The chairman of the board of directors also closely communicates with the directors on the company's current operating conditions and planning guidelines in order to implement corporate governance.

The measures adopted in response thereto:

(1) The current three independent directors are specialized in legal affairs, financial and accounting affairs, leadership and operation management, and can effectively perform their supervisory functions.

(2) More than half of the directors of the company do not concurrently serve as employees or managers.

(3) The audit committee and remuneration committee of the company are composed of three independent directors. Independent directors can fully discuss and put forward suggestions in each functional committee for the reference of the board of directors to implement corporate governance.

III. Corporate Governance

Note 5: President of SYSEX Corp.

Chairman, representative of Ching Pu Investment Corp., Golden Bridge Information Corp., Syslink Corp., Smartsys Technology Corp., Syswiser Technology Corp.
 Director, representative of Systex Software & Service Corp., Syscore Corp., SoftMobile Technology Corp., Systex Solutions Corp., Syspower Corp., Nexsys Corp., Naturint Ltd.
 Director, Kimo.com (BVI) Corp., Systex Capital Group, Inc. and Systex Solutions (HK) Ltd.

Note 6: Chairman, Asiavest Capital Co., Ltd.

Note 7: Chief Strategy Officer of SYSEX Corp.

Chairman, representative of Systex Information (H.K.) Ltd.
 Director, Rainbow Tech Information (HK) Limited and Shenzhen Sunlight Technology Co., Ltd.
 Supervisor, Suntex Technology (Shenzhen) Co., Ltd.

Note 8: Chairman, Firstweb Limited

Note 9: Chairman, Liang Hsin Finance Corp.

Director, Scientech Corp., ALi Corp. and Sundia Meditech Group

Note 10: Chairman, representative of Wealth Media Corp., Investment Media Ltd., Genetinfo Inc., Wealth Magazine Co., Ltd. and Business Today Publisher

Chairman, Business Today Co., Ltd.
 Director, representative of Cashbox Partyworld Co., Ltd. and Business Today Marketing Corp.
 Director, Diancan Art & Collection Ltd.

Note 11: Independent Director, Chipbond Technology Corp.

Executive Director, Asiavest Capital Co., Ltd.

Director, Sundia Meditech Group

Note 12: Executive Director, Asiavest Capital Co., Ltd.

Director, representative of Taiwan Hopax Chems. Mfg. Co., Ltd.

Note 13: Director, representative of Hanmore Investment Corp.

Note 14: Chairman, representative of Hanmore Investment Corp.

Note 15: Special consultant, Yulon-Group, Tai Yuen Textile Co., Ltd. and Cactcher Technology Co., Ltd.

Consultant, Taiwan Mobile Co., Ltd.

Chairman, Taiwan Renaissance Corp.

Independent Director, WPG Holdings Limited and CTCL Corp.

Director, representative of Yulod Motor Co., Ltd., Taiwan Capital Buffalo Fund Co, Ltd. and Taiwan Capital Biotech Co., Ltd.

Note 16: Independent Director, Chipbond Technology Corp.

Note 17: Consultant, LoreMaster Tech Inc. and Jades Integrate Co., Ltd.

Table1- Major shareholders of the institutional shareholders

As of March 29, 2021

Name	Major Shareholders
Joway Investment Co., Ltd.	Ho, Mei-Yii (25.72%), Huang, Ting-Rong (25.32%), Huang, Chi-Rong (25.32%), Huang, Tsong-Jen (22.91%), Joray Co., Ltd. (0.73%)

Table2- Major shareholders of the Company's major institutional shareholders

As of March 29, 2021

Name	Major Shareholders
Joray Co., Ltd.	Ho, Mei-Yii (34.97%), Huang, Ting-Rong (29.84%), Huang, Chi-Rong (29.74%), Huang, Tsong-Jen (5.35%), Lai Hsueh, Fen-Fang (0.10%)

III. Corporate Governance

As of March 29, 2021

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience		Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director				
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9		10	11	12	
Lin, Lung-Fen				V			V									V	V	0
Huang, Tsong-Jen				V	V											V	V	0
Cheng, Deng-Yuan				V												V	V	0
Lu, Ta-Wei				V			V									V	V	0
Shaw, Shung-Ho				V			V									V	V	0
Hsieh, Chin-Ho				V			V									V	V	0
Huang, Ting-Rong				V			V									V	V	1
Huang, Chi-Rong				V			V									V	V	0
Lin, Chih-Min (Representative of Joway Investment Co., Ltd.)				V			V				V					V	V	0
Wu, Cheng-Huan (Representative of Joway Investment Co., Ltd.)				V			V				V					V	V	0
Independent Director Huang, Jih-Tsan			V				V				V					V	V	2
Independent Director Cheng, Wen-Feng							V				V					V	V	1
Independent Director Lai, Chien-Hua							V				V					V	V	0

III. Corporate Governance

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

III. Corporate Governance

3.2.2 Management Team

As of March 29, 2021

Title/ Name	Nationality / Country of Origin	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position (Note 1)	Managers who are Spouses or Within two degrees of kinship			R Mark(s)
				Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President/ Lin, Lung-Fen	R.O.C.	Male	2009.10	1,324,762	0.49	263	-	-	-	EMBA, CEIBS Master's degree in Computer Science, University of the Pacific	Note 3	-	-	-	Note 2
Chief Strategy Officer & Senior Vice President / Cheng, Deng-Yuan	R.O.C.	Male	2001.08	153,152	0.06	-	-	-	-	EMBA, Fudan University Fu Jen University, Dept. of Accounting	Note 4	-	-	-	-
CFO, Corporate Governance Officer & Vice President/ Chung, Chih-Chun	R.O.C.	Male	2014.05	-	-	-	-	-	-	Master's degree in Banking and Finance, Tamkang University	Note 5	-	-	-	-
CHO, CSO & Vice President / Huang, Yu-Jen	R.O.C.	Male	2017.03	-	-	-	-	-	-	Master's degree in Graduate Institute of Human Resource Management, National Central University	None	-	-	-	-
Senior Vice President/ Yang, Shih-Chung	R.O.C.	Male	2007.01	1,225	-	-	-	-	-	National Cheng Kung University Dept. of Mathematics	Note 6	-	-	-	-
Senior Vice President/ Fan, Jee-Der	R.O.C.	Male	2007.01	743	0.03	952	-	-	-	Soochow University, Dept. of Business Mathematics	Note 7	-	-	-	-

III. Corporate Governance

As of March 29, 2021

Title/ Name	Nationality / Country of Origin	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position (Note 1)	Managers who are Spouses or Within two degrees of kinship			R Mark(s)
				Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Senior Vice President/ Su, Kou-Lin	R.O.C.	Male	2005.01	-	-	-	-	-	-	Master's degree in, Environmental Engineering, National Chung Hsing University	None	-	-	-	-
Vice President/ Chang, Huang-Yu	R.O.C.	Male	2005.06	72,312	0.03	-	-	-	-	Feng Chia University, Dept. of Information	Note 8	-	-	-	-
Vice President/ Chang, Ying-Chin	R.O.C.	Female	2007.01	3,599	-	2,023	-	-	-	National Taichun College Dept. of Banking and Insurance	Note 9	-	-	-	-
Vice President/ Lin, Wen-Kuei	R.O.C.	Male	2007.01	167,221	0.06	-	-	-	-	Lunghwa Engineering College Dept. of Electronic Engineering	None	-	-	-	-
Vice President/ Hsiao, Wei-Chun	R.O.C.	Male	2017.03	-	-	1,000	-	-	-	Fu Jen University, Dept. of Information Management	Note 10	-	-	-	-
Vice President/ Pan, Tieh-Yi	R.O.C.	Male	2018.01	13,142	-	1,883	-	-	-	Chien Hsin University of Science and Technology Dept. of Electronic Engineering	Note 11	-	-	-	-
Vice President/ Wu, Wen-Shuen	R.O.C.	Male	2018.01	-	-	-	-	-	-	Master of Business Administration, National Chengchi University	Note 12	-	-	-	-
Vice President/ Tao, Yea-Kuan	R.O.C.	Male	2018.01	-	-	-	-	-	-	Chuan Yuan University, Dept. of Information and Computer Engineering	Note 13	-	-	-	-

III. Corporate Governance

As of March 29, 2021

Title/ Name	Nationality / Country of Origin	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position (Note 1)	Managers who are Spouses or Within two degrees of kinship			RMaK(s)
				Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Vice President/ Tang, Yin-Soon	R.O.C.	Male	2012.01	19,031	0.01	-	-	-	-	Master's degree in Computer, The City University of New York	Note 14	-	-	-	-
CCO & Vice President/ Liu, Kuan-Lin	R.O.C.	Male	2021.01	5,000	-	31,000	0.01	-	-	National Chiao Tung University, EMBA	Note 15				
Vice Chief Strategy Officer & Vice President/ Lin, Jen-Shou	R.O.C.	Male	2021.01	118	-	-	-	-	-	National Chengchi University, EMBA	Note 16				
Chief Audit Executive/ Tsai, Chun-Hsiung	R.O.C.	Male	2007.01	8,285	-	-	-	-	-	Tunghai University, Dept. of Business Administration	None	-	-	-	-
Accounting Manager/ Cheng, Yuan-Yih	R.O.C.	Male	2008.12	14,144	0.01	-	-	-	-	National Chung Hsing University, Dept. of Accounting	Note 17	-	-	-	-

III. Corporate Governance

Note 1: Concurrent positions as of the date of publication of the annual report.

Note 2: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto:

The chairman of the company also serves as the general manager, in order to improve operating efficiency and decision-making execution. The chairman of the board of directors also closely communicates with the directors on the company's current operating conditions and planning guidelines in order to implement corporate governance.

The measures adopted in response thereto:

(1) The current three independent directors are specialized in legal affairs, financial and accounting affairs, leadership and operation management, and can effectively perform their supervisory functions.

(2) More than half of the directors of the company do not concurrently serve as employees or managers.

(3) The audit committee and remuneration committee of the company are composed of three independent directors. Independent directors can fully discuss and put forward suggestions in each functional committee for the reference of the board of directors to implement corporate governance

Note 3: Chairman, SYSTEX Corp.

Chairman, representative of Ching Pu Investment Corp., Golden Bridge Information Corp., Syslink Corp., Smartsys Technology Corp. and Syswiser Technology Corp.

Director, representative of Systex Software & Service Corp., Syscore Corp., SoftMobile Technology Corp., Systex Solutions Corp., Syspower Corp., Nexsys Corp. and Naturint Ltd.

Director, Kimo.com (BVI) Corp., Systex Capital Group, Inc. and Systex Solutions (HK) Ltd.

Note 4: Director, SYSTEX Corp.

Chairman, Systex Information (H.K.) Ltd.

Director, Rainbow Tech Information (HK) Ltd. and Shenzhen Sunlight Technology Co., Ltd.

Supervisor, Suntex Technology (Shenzhen) Co., Ltd.

Note 5: Chairman, representative of Syscore Corp.

Director, representative of Ching Pu Investment Corp., Golden Bridge Information Corp., Systemweb Technologies Co., Ltd., FinRobo Advisor Securities Investment Consulting Co., Ltd., Enova Technology Corp.

Director, Kimo.com (BVI) Corp., Systex Capital Group, Inc. and Systex Solutions (HK) Ltd.

Supervisor, representative of Concord System Management Corp., Taifon Computer Co., Ltd., Systex Solutions Corp., SoftMobile Technology Corp., Nexsys Corp., Naturint Ltd., Syslink Corp. and Far Eastern Electronic Toll Collection Corp.

Supervisor, Investment Media Ltd. and Hanmore Investment Corp.

Note 6: Chairman, representative of E-service Information Corp. and Systex Solutions Corp.

Director, representative of Nexsys Corp., Far Eastern Electronic Toll Collection Corp., Mohist web technology Co., Ltd., Neweb Information Co., Ltd. and Fuco Technology Co., Ltd.

Note 7: Chairman, representative of Naturint Ltd. and Syspower Corp.

Director, representative of Top Information Technologies Co., Ltd., SoftMobile Technology Corp., Investment Media Ltd., Systemweb Technologies Co., Ltd., Sanfran Technology Inc., FinRobo Advisor Securities Investment Consulting Co., Ltd. and GenSys Technology(International) Limited

Note 8: Director, representative of Shengsen Cloud Technology

Note 9: Director, representative of Investment Media Ltd.

Note 10: Chairman, representative of Concord System Management Corp.

Director, representative of E-service Information Corp. and Baoruh Electronic Co., Ltd.

Note 11: Chairman, representative of Nexsys Corp.

Director, representative of Da Ho Marketing Co., Ltd. and Retail System Co., Ltd.

Note 12: Chairman, representative of SoftMobile Technology Corp.

Note 13: Chairman, representative of Top Information Technologies Co., Ltd.

Director, representative of Concord System Management Corp. and Sanfran Technology Inc.

Note 14: Director, representative of Syslink Corp.

Note 15: Chairman, representative of Dawning Technology Inc.

Director, representative of Smartsys Technology Corp., Syswiser Technology Corp., Taifon Computer Co., Ltd., Top Information Technologies Co., Ltd. and Neo Trend Tech Corp.

Note 16: Director, representative of Golden Bridge Information Corp., Systex Software & Service Corp., Concord System Management Corp. Taifon Computer Co., Ltd. and Systex Solutions Corp.

Note 17: Director, representative of Hanmore Investment Corp.

Supervisor, representative of Ching Pu Investment Corp., Golden Bridge Information Corp., Systex Software

III. Corporate Governance

& Service Corp., Syscore Corp., Smartsys Technology Corp., Syswiser Technology Corp., Syspower Corp., Top Information Technologies Co., Ltd. and E-service Information Corp. Supervisor, Dawning Technology Inc. and Taiwan Information Service Technology Corp.

III. Corporate Governance

3.3 Remuneration of Directors and Management Team

3.3.1 Remuneration of Directors

Unit: NT\$ thousands As of December 31, 2020

Title	Name	Remuneration				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees			Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary										
		Base Compensation (A) (Note 2)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)		Severance Pay (F)		The Company		Consolidated Entities									
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	Cash	Stock	Cash			Stock								
Chairman	Lin, Lung-Fen (Note 1)	-	-	-	-	23,663	23,663	265	265	1.44	1.44	33,272	33,743	344	344	6,014	6,014	-	-	3.81	3.84	-	
Director	Huang, Tsong-Jen (Note 1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Cheng, Deng-Yuan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Lu, Ta-Wei	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Shaw, Shung-Ho	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Hsieh, Chin-Ho	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Huang, Ting-Rong	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Huang, Chi-Rong	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Joway Investment Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director Representative	Lin, Chih-Min	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Wu, Cheng-Huan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Representative Director	Huang, Jih-Tsan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent Director	Cheng, Wen-Feng	690	690	-	-	11,831	11,831	195	195	0.76	0.76	-	-	-	-	-	-	-	-	0.76	0.76	-	-
Independent Director	Lai, Chien-Hua	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: The remuneration to independent directors included bonus, base compensation and allowances. The payment of bonus to directors is in accordance with "Articles of Incorporation." And according to "Procedure for distribution for directors' remuneration", independent directors have different cardinality to distribution bonus.

According to the resolution of the board of directors, independent directors receive fixed base compensation quarterly.

The allowances is charged each time the board of directors or functional committee is attended in person.

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Independent directors of the company assume the office of member of Audited committee and remuneration committee to deliberate various matters.

Independent directors are charged with duties, risk, and time input more than general directors.

The three independent directors are with independence and professionalism. They has given independent options for material matters and played the role of supervision and balance. And they keep the well communication with CPAs and Audit Division to understand the financial status and internal control system of the company.

2. Other than disclosure in the above table, Directors remunerations earned by providing services (i.e. non-employee consulting services) to companies which are listed in financial reports in 2019: None.

Note 1: The former chairman, Huang, Tsong-Jen, resigned because of personal career planning and the new chairman, Lin, Lung-Fen, was elected by the board of directors on December 23, 2020.

Note 2: The amount of remuneration received by Directors shall be determined by the Board of Directors according to the contribution of the individual and extent of involvement in the Company's operations; general remuneration standards within the domestic and international industries are also duly referenced. The acquisition cost of vehicles allocated to Directors was NT\$5,084 thousands, and the annual salary of drivers amounted to NT\$1,082 thousands.

Note 3: The consolidated net profit after tax in 2020 (excluding non-controlling interests) was NT\$1,666,345 thousands

Note 4: The 2020 directors' and employees' remuneration distribution plan is NT\$35,494 thousands and NT\$53,241 thousands had been approved by Board of Director..

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Range of Remuneration	Name of Directors					
	Total of (A+B+C+D)			Total of (A+B+C+D+E+F+G)		
	The Company	Consolidated Entities		The Company	Consolidated Entities	
Under NT\$ 1,000,000	Lin, Chih-Min (Note), Wu, Cheng-Huan(Note)	Lin, Chih-Min (Note), Wu, Cheng-Huan(Note)		Lin, Chih-Min (Note), Wu, Cheng-Huan(Note)	Lin, Chih-Min (Note), Wu, Cheng-Huan(Note)	
NT\$1,000,000 ~ NT\$2,000,000	Hsieh, Chin-Ho, Shaw, Shung-Ho, Lu, Ta-Wei, Huang, Ting-Rong, Huang, Chi-Rong	Hsieh, Chin-Ho, Shaw, Shung-Ho, Lu, Ta-Wei, Huang, Ting-Rong, Huang, Chi-Rong		Hsieh, Chin-Ho, Shaw, Shung-Ho, Lu, Ta-Wei, Huang, Ting-Rong, Huang, Chi-Rong	Hsieh, Chin-Ho, Shaw, Shung-Ho, Lu, Ta-Wei, Huang, Ting-Rong, Huang, Chi-Rong	
NT\$2,000,000 ~ NT\$3,500,000	Lin, Lung-Fen, Cheng, Deng-Yuan	Lin, Lung-Fen, Cheng, Deng-Yuan				
NT\$3,500,000 ~ NT\$5,000,000	Huang, Jih-Tsan, Cheng, Wen-Feng, Lai, Chien-Hua, Joway Investment Co., Ltd.	Huang, Jih-Tsan, Cheng, Wen-Feng, Lai, Chien-Hua, Joway Investment Co., Ltd.		Huang, Jih-Tsan, Cheng, Wen-Feng, Lai, Chien-Hua, Joway Investment Co., Ltd.	Huang, Jih-Tsan, Cheng, Wen-Feng, Lai, Chien-Hua, Joway Investment Co., Ltd.	
NT\$5,000,000 ~ NT\$10,000,000	Huang, Tsong-Jen	Huang, Tsong-Jen		Huang, Tsong-Jen, Cheng, Deng-Yuan	Huang, Tsong-Jen, Cheng, Deng-Yuan	
NT\$10,000,000 ~ NT\$15,000,000						
NT\$15,000,000 ~ NT\$30,000,000						
NT\$30,000,000 ~ NT\$50,000,000				Lin, Lung-Fen	Lin, Lung-Fen	
NT\$50,000,000 ~ NT\$100,000,000						
Over NT\$100,000,000						
Total	14	14		14	14	14

Note: Representative of Joway Investment Co., Ltd.

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3.3.2 Remuneration of Management Team

Unit: NT\$ thousands As of December 31, 2020

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)		Ratio of total compensation (A+B+C+D) to net income (%)		Other Compensations from non-subsidiary affiliates
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	
President	Lin, Lung-Fen											
Chief Strategy Officer & Senior Vice President	Cheng, Deng-Yuan											
CFO, Corporate Governance Officer & Vice President	Chung, Chih-Chun											
CHO, CSO & Vice President	Huang, Yu-Jen											
Senior Vice President	Yang, Shih-Chung											
Senior Vice President	Fan, Jee-Der											
Senior Vice President	Su, Kou-Lin											
Vice President	Chang, Huang-Yu											
Vice President	Yeh, Chen-Min (Note 4)	39,442	39,912	2,345	2,345	69,811	69,811	8,289	-	6.70	6.70	420
Vice President	Chang, Ying-Chin											
Vice President	Lin, Wen-Kuei											
Vice President	Hsiao, Wei-Chun											
Vice President	Pan, Tieh-Yi											
Vice President	Wu, Wen-Shuen											
Vice President	Tao, Yea-Kuan											
Vice President	Tang, Yin-Soon											
Chief Audit Executive	Tsai, Chun-Hsiung											

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Note 1: The 2020 employees' remuneration distribution plan is NT\$53,241 thousands had been approved by Board of Director.

Note 2: The consolidated net profit after tax in 2020 (excluding non-controlling interests) was NT\$1,666,345 thousands.

Note 3: The amount of remuneration received by President and Vice Presidents shall be determined according to the contribution of the individual and extent of involvement in the Company's operations; general remuneration standards within the domestic and international industries are also duly referenced. The acquisition cost of vehicles allocated to President was NT\$5,084 thousands, and the annual salary of drivers amounted to NT\$332 thousands.

Note 4: Yeh, Chen-Min was retired in January, 2021.

Range of Remuneration	Name of President and Vice Presidents	
	The Company	Consolidated Entities
Under NT\$ 1,000,000		
NT\$1,000,000 ~ NT\$2,000,000	Chang, Ying-Chin	Chang, Ying-Chin
NT\$2,000,000 ~ NT\$3,500,000		
NT\$3,500,000 ~ NT\$5,000,000	Chang, Huang-Yu, Yeh, Chen-Min, Lin, Wen-Kuei, Pan, Tieh-Yi, Wu, Wen-Shuen, Tang, Yin-Soon, Tsai, Chun-Hsiung	Chang, Huang-Yu, Yeh, Chen-Min, Lin, Wen-Kuei, Pan, Tieh-Yi, Wu, Wen-Shuen, Tang, Yin-Soon, Tsai, Chun-Hsiung
NT\$5,000,000 ~ NT\$10,000,000	Cheng, Deng-Yuan, Chung, Chih-Chun, Huang, Yu-Jen, Yang, Shih-Chung, Fan, Jee-Der, Su, Kou-Lin, Hsiao, Wei-Chun, Tao, Yea-Kuan	Cheng, Deng-Yuan, Chung, Chih-Chun, Huang, Yu-Jen, Yang, Shih-Chung, Fan, Jee-Der, Su, Kou-Lin, Hsiao, Wei-Chun, Tao, Yea-Kuan
NT\$10,000,000 ~ NT\$15,000,000		
NT\$15,000,000 ~ NT\$30,000,000		
NT\$30,000,000 ~ NT\$50,000,000	Lin, Lung-Fen	Lin, Lung-Fen
NT\$50,000,000 ~ NT\$100,000,000		
Over NT\$100,000,000		
Total	17	17

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3.3.3 Employees' remuneration

Unit: NT\$ thousands As of January 1, 2021

	Title	Name	Stock (Note1)	Cash (Note 1)	Total	Ratio of Total Amount to Net Income (%) (Note 2)
Management Team	President	Lin, Lung-Fen	-	8,394	8,394	0.50
	Chief Strategy Officer & Senior Vice President	Cheng, Deng-Yuan				
	CFO, Corporate Governance Officer & Vice Presidents	Chung, Chih-Chun				
	CHO, CSO & Vice President	Huang, Yu-Jen				
	Senior Vice President	Yang, Shih-Chung				
	Senior Vice President	Fan, Jee-Der				
	Senior Vice President	Su, Kou-Lin				
	Vice President	Chang, Huang-Yu				
	Vice President	Yeh, Chen-Min (Note3)				
	Vice President	Chang, Ying-Chin				
	Vice President	Lin, Wen-Kuei				
	Vice President	Hsiao, Wei-Chun				
	Vice President	Pan, Tieh-Yi				
	Vice President	Wu, Wen-Shuen				
	Vice President	Tao, Yea-Kuan				
	Vice President	Tang, Yin-Soon				
	Chief Audit Executive	Tsai, Chun-Hsiung				
	Accounting Manager	Cheng, Yuan-Yih				

Note 1: The 2020 employees' remuneration distribution plan is NT\$53,241 thousands had been approved by Borad of Director.

Note 2: The consolidated net profit after tax in 2020 (excluding non-controlling interests) was NT\$1,666,345 thousands.

Note3: Yeh, Chen-Min was retired in January, 2021.

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3.3.4 Comparison of Remuneration for Directors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Presidents and Vice Presidents

- A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, presidents and vice presidents of the Company, to the net income.

Title	Ratio of total remuneration paid to directors, presidents and vice presidents to net income (%)			
	2019		2020	
	The Company	Consolidated Entities	The Company	Consolidated Entities
Directors	4.54	4.57	4.57	4.60
President and Vice Presidents	6.67	6.69	6.70	6.70

- B. Policies, standards, and combination of remuneration payment to firectors, President, and Vice President, the remuneration determination procedure, and the relationship between operation performance and future risk.

- (a) The Directors are remunerated in accordance with the Company's current Articles of Incorporation. The Company has also established the Regulations on Director Remuneration to calculate their remuneration in accordance with the base numbers established by their contribution to the Company and whether they are Independent Directors.

Director remuneration includes remuneration, salary, and travel expenses etc. Independent Directors are paid fixed amounts of remuneration every quarter in accordance with the resolutions of Board of Directors meetings. Travel expenses are paid each time Directors attend Board of Directors or functional committee meetings in person. The Company's remuneration for employees and Directors shall be no lower than 0.1% and under 2% of the earnings before tax of the year and before deducting remuneration for employees and Directors.

- (b) Remuneration for the President and Vice Presidents are paid in accordance with the Company's related human resources policies. The remuneration mainly includes basic salary, rewards, and employee remuneration. Rewards and bonuses are distributed based on the overall operating performance of the Company and in accordance with the Regulations on the Distribution of Year-End Bonus, Regulations on the Distribution of Performance Bonus, Regulations on the Distribution of Group Performance Bonus and Employee Bonus, and Regulations on Employee Share Subscription Certification.

- C. Methods of remuneration payment to the President and Vice President of the Company and relationship between operation performance and future risk are stipulated as follows:

- (a) The Company's Director remuneration payment policy is established in the Articles of Incorporation. The distribution is carried out after approval from the Board of Directors and the distribution status is reported to the shareholders' meeting. In addition, the Board of Directors may resolve to pay remuneration for Directors in each quarter in accordance with the Articles of Incorporation. The amount of remuneration received by Directors shall be determined by the Board of Directors according to the contribution of the individual and extent of involvement in the Company's operations, taking into account the general remuneration standards within the domestic and international industry.

- (b) The Company has established a Remuneration Committee to be in charge of the performance evaluation of Directors and managerial officers, set and reviewing the remuneration policy, system standards and structure, and conduct periodic review on the accomplishment of performance targets in order to build a comprehensive remuneration system for the Company's Directors and managerial officers.

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D. Procedures for payment and relevance with operation performance and future risk exposure.

- (a) Director remuneration shall be determined by the business performance of the Company and its profitability, while taking into account existing affairs that may cause risks in the Company's future liabilities, obligations, or debt. According to the Company's Articles of Incorporation, director remuneration may only be distributed when the Company generates profits. The remuneration shall be in positive correlation to the Company's business performance while taking into account its future operating risks.
- (b) Remuneration for the President and Vice Presidents are distributed based on the achievement rate of their personal targets, performance, and their contribution to the Company's overall operations. Rewards and bonuses are distributed based on the overall operating performance of the Company and in accordance with the Regulations on the Distribution of Year-End Bonus, Regulations on the Distribution of Performance Bonus, Regulations on the Distribution of Group Performance Bonus and Employee Bonus, and Regulations on Employee Share Subscription Certification. The distribution of remuneration shall be in positive correlation to the operating performance.

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3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

The 9th Board of Directors (commenced from June 13, 2019)

A total of 5 (A) meetings of the Board of Directors were held in the previous period. The attendance of directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Lin, Lung-Fen	5	0	100%	Note
Director	Huang, Tsong-Jen	5	0	100%	Note
Director	Cheng, Deng-Yuan	4	1	80%	
Director	Lu, Ta-Wei	5	0	100%	
Director	Shaw, Shung-Ho	5	0	100%	
Director	Hsieh, Chin-Ho	5	0	100%	
Director	Huang, Ting-Rong	5	0	100%	
Director	Huang, Chi-Rong	5	0	100%	
Director	Lin, Chih-Min (Representative of Joway Investment Co., Ltd.)	5	0	100%	
Director	Wu, Cheng-Huan (Representative of Joway Investment Co., Ltd.)	5	0	100%	
Independent Director	Huang, Jih-Tsan	5	0	100%	
Independent Director	Cheng, Wen-Feng	5	0	100%	
Independent Director	Lai, Chien-Hua	5	0	100%	

Other mentionable items:

1. The date of the Board meeting, the term, contents of the proposals, opinions of all Independent Directors, and the Company's handling of opinions of Independent Directors shall be recorded under the following circumstances in the operations of the Board of Directors meeting:

- (1) Items listed in Article 14-3 of the Securities and Exchange Act: Not applicable, since the Company has already established the Audit Committee.
- (2) With the exception of the aforementioned items, resolutions adopted by the Board of Directors, to which an Independent Director has a dissenting or qualified opinion that is on record or stated in a written statement: Not applicable.

2. Directors abstaining in certain proposals for being a stakeholder (the name of the Director(s), the content of the proposal, reasons for abstentions and the results of voting counts shall be stated):

- (1) On March 19, 2020, the Board of Directors discussed: (i) The review results of managerial officers for the second half of 2019; (ii) The distribution of year-end bonus, group performance reward and employee remuneration, excess profit bonus and annual remuneration for managerial officers for 2019; (iii) 2020 KPI settings and remuneration plan for the Company's managerial officers. As Directors Lin, Lung-Fen and Cheng, Deng-Yuan serve concurrently as the Company's managerial officers, they recused themselves when the discussion involved their interest and the other Directors in attendance passed the proposal unanimously.

- (2) On August 6, 2020, the Board of Directors discussed the review results of managerial officers for the first

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half of 2020. As the Director Cheng, Deng-Yuan serves concurrently as the Company's managerial officers, he recused himself when the discussion involved his interest and the other Directors in attendance passed the proposal unanimously.

3. Board of Director Performance Evaluation:

For effective corporate governance and better board performance, the Company has established the "Regulations on Board of Director Performance Evaluation" on August 10, 2017.

It was passed in the board meeting and it stipulates an internal performance evaluation for the Board of Directors at once every year.

The results of the 2020 performance evaluation were submitted to the Board of Directors on February 24, 2021. If a score of 80 points is deemed to meet standards, the results of performance evaluation for the Company's Board of Directors, Audit Committee, Remuneration Committee, and individual Directors were all above 80 points, demonstrating the satisfactory overall operations of the Board that is in line with the Company's corporate governance principles.

Implementation situation:

Evaluation cycles	Evaluation periods	Scope of evaluation	Method of evaluation	Indexes of evaluation
Once a year	Year 2020 from January 1 to December 31	Evaluation scope covers the evaluation of the board as a whole, individual directors and functional committees .	Methods of evaluations include the internal evaluation of the board and functional committees, self-evaluation by individual board members.	1. The board of directors, which should cover: <ul style="list-style-type: none"> ● Participation in the operation of the company; ● Improvement of the quality of the board of directors' decision making; ● Composition and structure of the board of directors; ● Election and continuing education of the directors; ● Internal control. 2. The board members, which should cover: <ul style="list-style-type: none"> ● Alignment of the goals and missions of the company; ● Awareness of the duties of a director; ● Participation in the operation of the company; ● Management of internal relationship and communication; ● The director's professionalism and continuing education; ● Internal control. 3. Functional committees , which should cover: <ul style="list-style-type: none"> ● Participation in the operation of the company; ● Awareness of the duties of the functional committee; ● Improvement of quality of decisions made by the functional committee; ● Makeup of the functional committee and election of its members ; ● Internal control.

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4. Measures taken to strengthen the functionality of the board:

(1) The Company reelected three Independent Directors in the election of the 9th Board of Directors in the general shareholders' meeting on June 13, 2019 and established the Audit Committee on the same day.

The Audit Committee held 6 meetings in 2020 to review related proposals.

(2) The Company conducted the election of the 9th Board of Directors in the general shareholders' meeting on June 13, 2019 and established the Remuneration Committee on the same day. The Committee is composed of three Independent Directors and is vested with the purpose to professionally and objectively evaluate the salary and remuneration policy of the Directors and managerial officers and then provide its recommendation to the Board of Directors.

The current term Remuneration Committee held 2 meetings in 2020 to review related proposals.

Note: The former chairman, Huang, Tsong-Jen, resigned because of personal career planning and the new chairman, Lin, Lung-Fen, was elected by the board of directors on December 23, 2020.

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3.4.2 Audit Committee

A total of 6 (A) meetings of Audit Committee of the Board of Directors were held in the previous period. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent director	Huang, Jih-Tsan	6	0	100%	
Independent director	Cheng, Wen-Feng	6	0	100%	
Independent director	Lai, Chien-Hua	6	0	100%	

Other mentionable items:

1. The date of the Board meeting, the term, contents of the proposals, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be recorded under the following circumstances in the operations of the Audit Committee meeting:

(1) Items specified in Article 14-5 of the Securities and Exchange Act:

Meeting Dates	Contents Proposed	Resolutions of the Audit Committee	Handling of the resolutions of the Audit Committee
March 19, 2020	The "Statement of Internal Control System" for 2019.	Approved	N/A
	The business report and the financial statements for 2019.	Approved	N/A
	The endorsement guarantee for Systex Group (China) Ltd. by Systek Information (Shanghai) Ltd.	Approved	N/A
August 6, 2020	The amended Internal Control System.	Approved	N/A
	Financial Statements for the Second Quarter Ended of 2020.	Approved	N/A
	The endorsement guarantee for Systex Information (H.K.) Ltd.	Approved	N/A
December 23, 2020	The amended Internal Control System.	Approved	N/A
	The endorsement guarantee for Systex Group (China) Ltd.	Approved	N/A
	The independence of CPA.	Approved	N/A
	The Audit Fee for 2020.	Approved	N/A

(2) With the exception of the aforementioned items, any issues that are not agreed by the Audit Committee but passed by more than two-thirds of all Directors: No such occurrences.

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)

(1) The Company's Audit Committee shall be solely composed of Independent Directors and meetings shall be convened at least once a quarter. Ad-hoc meetings shall be held whenever necessary.

(2) Communication between the chief internal auditor and the Audit Committee:

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- a. Periodic: Report the findings in audits and the status of improvement on irregularities to the Audit Committee; respond to all questions submitted by the Independent Directors, and enhance the contents of auditing tasks in accordance with their instructions to ensure the effectiveness of the internal control system.
- b. Non-periodic: Use telephone, email, or face-to-face communication to communicate discoveries in the audits and how to continuously increase the value of audits. In the event of material violation, the Independent Directors shall be notified immediately.
- c. Summaries of communication in 2020:

Date	Communication Content	Results
Audit Committee on March 19, 2020	The implementation of audit program from January to March, 2020.	Noticed.
	The "Statement of Internal Control System" for 2019.	Approved and referred to the Board.
Audit Committee on May 7, 2020	The implementation of audit program for April, 2020.	Noticed.
Audit Committee on August 6, 2020	The implementation of audit program from May to July, 2020.	Noticed.
	The amended the Internal Control System.	Approved and referred to the Board.
Audit Committee on November 11, 2020	The implementation of audit program from August to September, 2020.	Noticed.
Audit Committee on December 23, 2020	The implementation of audit program from October to December, 2020.	Noticed.
	The Audit program for 2021.	Approved and referred to the Board.
	The amended the Internal Control System.	Approved and referred to the Board.

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

- a. Periodic: The CPAs shall communicate with the Audit Committee on the audit plan, execution status, and results in the periods before and after the semi-annual and annual audit reports.
- b. Non-periodic: Meetings may be arranged in the event that operations or internal controls require immediate communication on related cases.
- c. Summaries of communication in 2020:

Date	Item	Communication Content	Results
March 19, 2020	Financial Statement for Year 2019	Consolidated and Unconsolidated Financial Statements for Year 2019	Report the audited adjustments of Year 2019 Financial Statement. We discuss and communicate the applicability of certain accounting principles.
	Key audit items	The impairment evaluation for accounts receivable were the key audit items in 2019.	The most important items of Systex Group's 2019 Consolidated Financial Statements as per the professional judgment of the CPA.
	Subsidiary inventory	Regarding the sales	Since the Company has

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		impairment assessment	contract lawsuit between our subsidiary Syspower Corp. and XX Christian Hospital, the Company will continue to assess the realizable value of its inventory based on how the contract is fulfilled and legal opinions, and disclose inventory impairments when appropriate.	determined that it is likely to win the lawsuit, it has yet to list any impairments. The Company will continue to assess the realizable value of its inventory based on updates of the lawsuit and legal opinions and disclose inventory impairments when appropriate.
		Updated undistributed earnings tax laws	Since 2018, the Company has adopted newly issued accounting statements due to IFRSs changes. Changes to opening retained earnings generated from these changes should be added to the undistributed earnings of that year to calculate any additional profit-seeking enterprise income tax. According to Article 23, Paragraph 3 of the Regulations for Industrial Innovation, the Company will be able to deduct capital expenditures used in actual investments from 2019 to 2021 from additional taxes on undistributed earnings.	The Company increased retained earnings under IFRS 9 for the first time in 2018, resulting in an increase in undistributed earnings. Therefore, according to the Regulations for Industrial Innovation, capital expenditures reported in 2019 are eligible for tax deductions. From 2020 to 2021, the Company will report each year's actual capital expenditures in order to apply for a correction and refund of additional taxes from the undistributed earnings of 2018.
	August 6, 2020	Financial Statements for the Second Quarter Ended June 30, 2020	Consolidated Financial Statements for the Second Quarter Ended of 2020.	Report the adjustments of financial statements for the Second Quarter Ended of 2020. We discuss and communicate the newly-announced "Statements on Auditing Standards" and the amendment of decree.
		Accounts Receivables in China	Transactions between our subsidiary Systex China and Guangzhou OO and Guangzhou XX between 2019 and 2020 produced unretrievable accounts receivable. The Company has filed a lawsuit regarding this issue and reported suggested losses. The Company will continue to evaluate the amount of money that can be	A lawsuit has been filed for this case and the management team will do its best to cut down losses by any means possible. The Company has also obtained guarantees from Guanzhou OO, including real estate mortgages, hardware asset mortgages, and ownership transfer agreements for the amounts receivable. Going forward, the Company will continue to evaluate the

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			recovered in the end to ensure a reasonable report of accounts receivable impairments.	expected loss of credit from the accounts receivable in this case.
		Estimated lean management costs (severance payments)	According to Article 14 of IAS37, if it is probably that a company will make severance payments, and said payments can be reliably estimated, they should declare relevant liabilities. Companies are advised to re-examine severance payment estimates and provide severance plans as proof to ensure a reasonable estimate.	In the future, when the Company is conducting annual severance plan assessments, the Human Resources Division will do more to remind units that the severance plans they propose should be "largely confirmed with little probability of major changes" to ensure a reasonable estimate.

4. Annual work summary:

The Audit Committee has been assembled by three Independent directors and supervise item follows:

- (1) Fair presentation of the financial reports of this Corporation.
- (2) The hiring (and dismissal) and independence of certificated public accountants of the Company.
- (3) The effective implementation of the internal control system of the Company.
- (4) Compliance with relevant laws and regulations by the Company.
- (5) Management of the existing or potential risks of the Company.

The Audit Committee held 6 meetings in 2020 to review related proposals, including of the business report and the financial statements for 2019 and the Second Quarter Ended June 30, 2020, major investments, the endorsement guarantee for subsidiaries and the hiring of the CPA, and their compensation.

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3.4.3 Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Item	Implementation Status		Reason for Non-implementation
	Yes	No	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		The Company's "Corporate Governance Best Practice Principles" have been established and disclosed on the company website in accordance with regulations. None
2. Shareholding Structure & Shareholders' Rights (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the company establish internal rules against insiders trading with undisclosed information?	V		(1) The Company has established the "Rules and Procedures for Shareholders' Meetings" in accordance with regulations and shareholders may file suggestions in the shareholders' meeting. The Company also established a spokesperson and acting spokesperson system to process shareholder suggestions or disputes. (2) The Company's shareholder agency institute can provide a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders in a timely manner for the Company to understand its shareholding structure. (3) The Company has established the "Rules Governing Operations, Business and Financial Matters with Specific Companies, Group Enterprises, and Related Parties" to strictly control and monitor subsidiaries' rights to conduct loans, endorsements, guarantees, and operations in derivatives in order to ensure the enforcement of internal controls and internal auditing for the purpose of risk management and maintenance of a firewall system. (4) The Company has established "Procedures for Handling Material Internal Information" and educated the internal staff on the restriction of trading securities based on information that has not been disclosed on the market.
3. Structure of Board of Directors and its responsibility (1) Does the Board develop and	V		(1) The members of the Company's Board of Directors shall be selected for their However, the "Corporate Governance Best Practice Principles for TWSE/TPEx

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Item	Implementation Status		Reason for Non-Implement
	Yes	No	
<p>implement a diversified policy for the composition of its members?</p> <p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?</p> <p>(4) Does the company regularly evaluate the independence of CPAs?</p>	V	V	<p>Listed Companies" and related regulations shall apply where there are regulatory or actual requirements.</p>
			<p>knowledge, skills, and competencies required for executing their duties based on existing operations and actual requirements in order enhance the capabilities of the Board of Directors.</p> <p>(2) The Company has established the Remuneration Committee and Audit Committee but no other functional committees.</p> <p>(3) For effective corporate governance and better board performance, the Company has established the "Regulations on Borad of Director Performance Evaluation" on August 10, 2017. It was passed in the board meeting and it stipulates an internal performance evaluation for the Board of Directors at once every year.</p> <p>The results of the 2020 performance evaluation were submitted to the Board of Directors on February 24, 2021. If a score of 80 points is deemed to meet standards, the results of performance evaluation for the Company's Board of Directors, Audit Committee, Remuneration Committee, and individual Directors were all above 80 points, demonstrating the satisfactory overall operations of the Board that is in line with the Company's corporate governance principles.</p> <p>(4) The financial statements of the company has been audited by Deloitte & Touche. The Borad of Director shall regularly evaluate the independence of the certifying accountant. The independence of the CPA has been evaluated on December 23, 2020. Inspections have shown that the appointment of the CPA is not involved in financial interests, financing, guarantees, and close business relations with the Company, non-auditing businesses, or violation of independence of the CPA.</p> <p>In addition, the CPA does not hold any of the Company's shares, nor is the CPA hired by the Company or serves in the Company or a violation of the Certified Public Accountant Act or Article 37 of the Securities and Exchange Act those results in penalty by the Financial Supervisory Commission. After inspections, the Company's certifying accountant has been verified to be in compliance with requirements for independence as specified in the Certified Public Accountant Act and related regulations.</p>

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Item	Implementation Status		Reason for Non-implementation
	Yes	No	
<p>4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?</p>	V	<p>Summary Description</p> <p>Chung, Chih-Chun, CFO of the Company has been the Corporate Governance Officer and the CFO Office setting sufficient members is in charge of related affairs regarding corporate governance in the Company. The Office has accumulated more than three years of work experience in financial management in public companies.</p> <p>Related corporate governance affairs include supplying information to Directors for the performance of their affairs, assisting Directors in regulatory compliance, organizing shareholders meetings and Board of Directors meetings in accordance with laws, producing meeting minutes, and processing company registration and change of registration.</p> <p>The status of business operations in 2020 was as follows:</p> <ol style="list-style-type: none"> The Office planned the schedules for the meetings of the Board of Directors and the Audit Committee for the year, formulated meeting agenda, assisted the chairmen in convening meetings in accordance with laws, and delivered meeting information and agenda within the required time. The Office was responsible for examining matters related to the release of material information about the important resolutions approved by the Board of Directors to ensure the legality and accuracy of the content of the material information and maintain information symmetry for investor trading. Assist directors in performing their duties and improve the effectiveness of the board of directors, and be responsible for handling matters required by directors. The Office organized courses on May 7 and November 11 for Directors to meet the number of course hours recommended in the regulations. The Office assisted the implementation of internal performance evaluation for the Board of Directors. The Office processed related affairs in the shareholders meeting in accordance with laws and announces the Procedures Manual, Annual Report, and related information in Chinese and English before the benchmark deadlines specified in the Corporate Governance Evaluation. Update the company's website information on time to enable investors to understand the company's financial, business, and corporate governance information to protect shareholders' rights. 	None

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Item	Implementation Status		Reason for Non-Implement
	Yes	No	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company has established a stakeholder area on the company website and assigned a contact window to be directly responsible for communications with stakeholders. The Company respects and maintains their legal rights and they may contact the Company through telephone or email at any time. None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company has appointed the Department of Stock Affairs at Yuanta Securities Co., Ltd. to process affairs related to shareholders' meetings. None
7. Information Disclosure	V		(1) The Company has established a corporate website. Disclosed information can also be found on the Market Observation Post System. (2) The Company's website is available in Traditional Chinese and English. The Company has designated a unit responsible for the collection and disclosure of company information and implemented a spokesperson system. (3) Except the report annual financial statements has been announced before the specified deadline, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.
(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	V		
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		
(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	V		

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Item	Implementation Status		Reason for Non-implementation
	Yes	No	
<p>8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</p>	V	<p>(1) Employee benefits and care: In addition to following the regulations in the Labor Standards Act and related laws, the Company also established an Employee Welfare Committee to provide various subsidies and organize events. Please refer to pages 92-96.</p> <p>(2) Investor relations: The Company has established a spokesperson and shareholder service department to announce information on behalf of the Company. The Company also established an investor service area on the company website for shareholders to find information on the Company's operating status at any time.</p> <p>(3) Supplier relations and stakeholder rights: The Company maintains good relations as well as open and effective communication channels with suppliers, financial institutions, other creditors, and clients. The Company has established a stakeholder area on the company website and assigned a contact window to be directly responsible for communications with stakeholders. The Company respects and maintains their legal rights.</p> <p>(4) Directors' continued studies:</p>	None

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Title	Name	Course	Hours
Chairman	Lin, Lung-Fen	Intellectual property rights strategies and risk management Post-COVID-19 innovation transformation	3
Director	Huang, Tsong-Jen	Intellectual property rights strategies and risk management Post-COVID-19 innovation transformation	3
Director	Cheng, Deng-Yuan	Intellectual property rights strategies and risk management Prevention of insider trading	3
Director	Lu, Ta-Wei	Intellectual property rights strategies and risk management Post-COVID-19 innovation transformation	3
Director	Shaw, Shung-Ho	Intellectual property rights strategies and risk management Post-COVID-19 innovation transformation	3
Director	Hsieh, Chin-Ho	Intellectual property rights strategies and risk management Post-COVID-19 innovation transformation	3
Director	Huang, Ting-Rong	Intellectual property rights strategies and risk management Post-COVID-19 innovation transformation	3
Director	Huang, Chi-Rong	Intellectual property rights strategies and risk management Post-COVID-19 innovation transformation	3
Director	Lin, Chih-Min	Intellectual property rights strategies and risk management Post-COVID-19 innovation transformation	3
Director	Wu, Cheng-Huan	Intellectual property rights strategies and risk management Corporate Governance and Corporate Integrity Directors and Supervisors Promotion Conference in 2020 Post-COVID-19 innovation transformation	3

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Item	Implementation Status		Summary Description	Hours	Reason for Non-implementation																				
	Yes	No																							
			<table border="1"> <tr> <td>Independent director</td> <td>Huang, Jih-Tsan</td> <td>Analysis of Financial Situation in Response to Stressful Events- The Case of the China-US Trade War and the COVID-19 Pandemic</td> <td>3</td> </tr> <tr> <td>Independent director</td> <td>Cheng, Wen-Feng</td> <td>Post-COVID-19 innovation transformation</td> <td>3</td> </tr> <tr> <td>Independent director</td> <td>Lai, Chien-Hua</td> <td>Intellectual property rights strategies and risk management Post-COVID-19 innovation transformation</td> <td>3</td> </tr> <tr> <td></td> <td></td> <td>Intellectual property rights strategies and risk management “ Corporate Governance 3.0 -Sustainable Development Roadmap” Summit Forum</td> <td>3</td> </tr> <tr> <td></td> <td></td> <td>Post-COVID-19 innovation transformation</td> <td>3</td> </tr> </table>	Independent director	Huang, Jih-Tsan	Analysis of Financial Situation in Response to Stressful Events- The Case of the China-US Trade War and the COVID-19 Pandemic	3	Independent director	Cheng, Wen-Feng	Post-COVID-19 innovation transformation	3	Independent director	Lai, Chien-Hua	Intellectual property rights strategies and risk management Post-COVID-19 innovation transformation	3			Intellectual property rights strategies and risk management “ Corporate Governance 3.0 -Sustainable Development Roadmap” Summit Forum	3			Post-COVID-19 innovation transformation	3		
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		Post-COVID-19 innovation transformation	3																						
(5)The Company's managerial officers' participation in related corporate governance studies:																									
			<table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Course</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>CFO, Corporate Governance Officer/Vice President</td> <td>Chung, Chih-Chun</td> <td>Intellectual property rights strategies and risk management Establish an AI risk management framework to increase trust in the integrated application of AI Corporate Governance and Corporate Integrity Directors and Supervisors Promotion Conference in 2020</td> <td>3</td> </tr> <tr> <td>Accounting Manager</td> <td>Cheng, Yuan-Yih</td> <td>Post-COVID-19 innovation transformation Intellectual property rights strategies and risk management Post-COVID-19 innovation transformation Ongoing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer</td> <td>3 3 12</td> </tr> </tbody> </table>	Title	Name	Course	Hours	CFO, Corporate Governance Officer/Vice President	Chung, Chih-Chun	Intellectual property rights strategies and risk management Establish an AI risk management framework to increase trust in the integrated application of AI Corporate Governance and Corporate Integrity Directors and Supervisors Promotion Conference in 2020	3	Accounting Manager	Cheng, Yuan-Yih	Post-COVID-19 innovation transformation Intellectual property rights strategies and risk management Post-COVID-19 innovation transformation Ongoing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer	3 3 12										
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Item	Implementation Status		Summary Description	Reason for Non-Implement																
	Yes	No																		
			<table border="1"> <tr> <td>Chief Audit Executive</td> <td>Tsai, Chun-Hsiung</td> <td>Seminar on Internal Audit, Internal Control, and Personal Data Protection Law</td> <td>6</td> </tr> <tr> <td></td> <td></td> <td>Intellectual property rights strategies and risk management</td> <td>3</td> </tr> <tr> <td></td> <td></td> <td>Post-COVID-19 innovation transformation</td> <td>3</td> </tr> <tr> <td></td> <td></td> <td>Business activity and case study of the risks of unethical behavior</td> <td>6</td> </tr> </table> <p>(6) The implementation of risk management policies and risk evaluation measures: The Company has established the "Risk Assessment Board (RAB)" to review the Company's major transactions to reduce risks. Please refer to pages 231~237 for other risk management policies.</p> <p>(7) Customer protection policy: The Company is an information service company and provides service lines for various service items to protect customer interests.</p> <p>(8) Liability Insurance for Directors: The Company has purchased liability insurance for Directors and managerial officers in 2021 and reported to the Borad Meeting on February 24, 2021.</p>	Chief Audit Executive	Tsai, Chun-Hsiung	Seminar on Internal Audit, Internal Control, and Personal Data Protection Law	6			Intellectual property rights strategies and risk management	3			Post-COVID-19 innovation transformation	3			Business activity and case study of the risks of unethical behavior	6	
Chief Audit Executive	Tsai, Chun-Hsiung	Seminar on Internal Audit, Internal Control, and Personal Data Protection Law	6																	
		Intellectual property rights strategies and risk management	3																	
		Post-COVID-19 innovation transformation	3																	
		Business activity and case study of the risks of unethical behavior	6																	
9. Please describe the improvements of the corporate governance evaluation results released by the corporate governance center of the Taiwan Stock Exchange Corporation in the last year, and propose priority matters or measures to strengthen areas yet unimproved. (No need to be filled in by companies that were not subject to evaluation).																				
(1) The Company continues to update and optimize related information on corporate governance on the company website to provide investors with the actual operations and corporate governance of the Company.																				
(2) The Corporate Social Responsibility Report in 2019 was published in the second half of 2020. The content structure of the report is prepared in accordance with the core options of the GRI Standards issued by the Global Reporting Initiative (GRI) and its reporting principles. The report was disclosed in MOPS and the company website.																				
(3) The board of directors resolved to establish an "Integrity Corporate Management Committee" under the board of directors on March 19, 2020, responsible for the formulation and supervision of the implementation of integrity management policies and preventive measures, and to report to the board of directors on the implementation of 2020 on December 23, 2020.																				

III. Corporate Governance

3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience		Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks	
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9			10
Independent director	Name Huang, Jih-Tsan		V	V	V	V	V	V	V	V	V	V	V	V	2	N/A
Independent director	Cheng, Wen-Feng			V	V	V	V	V	V	V	V	V	V	V	1	N/A
Independent director	Lai, Chien-Hua			V	V	V	V	V	V	V	V	V	V	V	0	N/A

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

- Not an employee of the Company or any of its affiliates.
- Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
- Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such

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at, a public company and its parent or subsidiary or a subsidiary of the same parent.

7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50% of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not been a person of any conditions defined in Article 30 of the Company Law.

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B. Attendance of Members at Remuneration Committee Meetings

The Compensation Committee comprised of 3 members.

A total of 2 (A) Remuneration Committee meetings of the 9th Board of Directors (commenced from June 13, 2019) were held in the previous period.

The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Cheng, Wen-Feng	2	0	100%	
Committee Member	Huang, Jih-Tsan	2	0	80%	
Committee Member	Lai, Chien-Hua	2	0	100%	

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified:

Meeting Dates	Contents Proposed	Resolutions of the Remuneration Committee	Handling of the resolutions of the Remuneration Committee
March 19, 2020	The 2019 director remuneration distribution plan.	Approved	Approved and referred to the Board.
	The 2019 employee remuneration distribution plan.	Approved	Approved and referred to the Board.
	The review results and bonuses of managerial officers for the second half of 2019.	Approved	Approved and referred to the Board.
	The distribution of the bonuses and annual remuneration for managerial officers of 2019.	Approved	Approved and referred to the Board.
	The 2020 KPI settings and remuneration structure for managerial officers.	Approved	Approved and referred to the Board.
	The amended the "Remuneration Committee Charter"	Approved	Approved and referred to the Board.
August 6, 2020	The review results and bonuses of managerial officers for the first half of 2020	Approved	Approved and referred to the Board.
	The amended the "Procedures for the board performance evaluation".	Approved	Approved and referred to the Board.
	The amended the "Remuneration Committee Charter"	Approved	Approved and referred to the Board.
	The amended institutions of remuneration for managerial officers.	Approved	Approved and referred to the Board.

3. Scope of responsibilities for the Remuneration Committee:

- (1) Establish and perform regular reviews of the Company Director and Manager's performance targets and compensation policy, system, standards, and structure.
- (2) Regularly evaluate the Company Director and Manager's performance targets and compensation.

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3.4.5 Fulfillment of CSR and Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"

Item	Implementation Status		Reason for Non-Implement
	Yes	No	
1. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	V	The company's internal control system covers the operational activities faced by various business operations. The management of various operational risks is the responsibility of the relevant units according to the nature of the business. There are also Crisis Management Regulations", " Strategic Investment Management Regulations "and" Regulations on the Supervision and Management of Subsidiaries " to effectively control various risks.	None
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	V	1. Starting from January 1, 2021, the ESG task force will be in charge of executing the Company's various sustainable development policies. 2. New "Chief Sustainability Officer (CSO)" role: Taken by the CHO. The CSO is in charge of directing the ESG task force, promoting and ensuring the Group follows the goals, strategies, and action plans of its ESG policies, and consistently innovating and investing resources into corporate governance, community involvement, environmental sustainability, employee happiness, and other matters that are a part of the Group's commitment towards sustainable development.	None
3. Environmental issues (1) Does the company establish proper Environmental management systems based on the characteristics of their industries? (2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V	(1) Although SYSTEX is in the information systems integration service industry, not manufacturing, and therefore is not part of energy-intensive industries with higher greenhouse gas emissions, it still makes the effort to reduce greenhouse gas emissions and conserve energy. The Company established eco-friendly policies, with measures like energy efficiency and carbon reduction, green purchasing, buying and renting energy-efficient or power-efficient products from makers with Green Mark certification to reduce stress on the environment. The Company also changes or improves energy inefficient equipment and promotes energy conservation every year. (2) Improve recycling efforts a. Managing office paper use: Papers that do not contain confidential or personal information are recycled and reused. Employees should be reminded of the importance of conserving paper, print on both sides whenever possible, and reuse paper that has only been used on one side. Documents with personal or confidential information are periodically gathered and recycled through pulping after approval from the supervisor, which complies with regulations in the Personal Information	None

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Item	Implementation Status		Reason for Non-implementation
	Yes	No	
<p>(3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?</p>	V	<p>Protection Act as well as eco-friendly resource recycling principles.</p> <p>b. Disposing defunct computers: Following relevant information security and property management regulations, data storage devices are degaussed and physically destroyed before being disposed of through a professional recycling service to prevent data leaks and comply with the principles of information waste reduction, treatment, pollution prevention, and reuse.</p> <p>(3) Climate change response measures</p> <p>a. In response to the potential risks and opportunities that climate change poses to corporations at present and in the future, the Company not only increased property insurance on real estate properties and equipment, but also followed government policies geared towards conserving energy and reducing carbon emissions, implementing green purchasing to reduce factors that might damage our planet's climate.</p> <p>The green purchasing amount was 107,733 thousands and in September 2020, was awarded a certificate of excellence in green purchasing by the Environmental Protection Administration of the Executive Yuan. In December 2020, the Company was praised as a benchmark by the Taipei City Government's Department of Environmental Protection as part of their 2020 initiative "Green Purchasing for Private Enterprises and Organizations".</p> <p>b. In order to truly grasp the operational challenges that may be encountered in the face of the increase in environmental temperature, gradually build, manage, and implement an environmental management system from the beginning of quantification. In 2020, start to introduce three major systems such as ISO14001/50001/14064-1 environmental management system to effectively track and control Various environmental performances will continue to reduce the negative impact of carbon emissions on the environment. It is expected to obtain 3 management certifications by November 2020.</p> <p>(4) The Company will continue to improve office electricity use, water use, materials, and greenhouse gas emissions while actively following the Environmental Protection Administration's policies on greenhouse gas reduction, energy efficiency, and carbon reduction.</p> <p>a. Office paper: The Company educates employees on recycling waste paper whenever</p>	
<p>(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy</p>	V		

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Item	Implementation Status		Reason for Non-implementation
	Yes	No	
efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?		<p>possible and adopts systematic and digitized forms to replace paper application forms. The Company rents eco-friendly printers and purchases printing paper with Green Mark certification. Total paper usage in 2020 was 2,470,000 sheets, down 416,075 sheets compared to the 2,886,075 sheets used in 2019. The goal for 2021 is to reduce paper orders by 250,000 sheets.</p> <p>b. Water resources: The Company headquarters uses sensor taps and regulates toilet flush volume to conserve water. Water conservation slogans are hung up in the pantry as a constant reminder for employees to save water and do their part for our planet. Compared with 2019, the total water bill in 2020 was added by NT\$8,350 water usage increased by 2,405 kilolitres because of increase of employees and monthly average water usage fee per person (month/person/NTD) is NT\$17, it's same to 2019. The water resource target in 2021 is a 1% reduction in water consumption, and the reduction target in 2024 is a 5% reduction compared to 2020.</p> <p>c. Office waste: Office waste is properly sorted and a cleaning company is contracted to collect waste and recycling data each month, reducing pollution to the environment.</p> <p>The total weight of waste was 58.8 metric tons in 2020 and 62.3 metric tons in 2019. In 2020, the total weight of waste was reduced by 3.8 metric tons compared with that in 2019. After conversion, the overall carbon emissions were reduced by 1,560 kg. The target of waste reduction in 2021 is reduced 4% than 2020.</p> <p>d. Greenhouse gas emissions:</p> <p>(a) Employees are encouraged to commute to work through public transportation to reduce air pollution and carbon emissions in Neihu Technology Park.</p> <p>(b) SYSTEX has offices in northern, central, and southern Taiwan. The Company utilizes the Internet and remote conferences for employees at different offices to hold meetings and organize training, reducing unnecessary business travel, air pollution, and carbon emissions.</p> <p>(c) The air conditioning system at SYSTEX's Neihu office is equipped with a natural inflow and ventilation device. Our electromechanical staff records the building's CO2 levels each day and makes adjustments to the airflow to meet the requirements of the Indoor Air Quality Management Act.</p> <p>e. Energy management and energy-saving measures:</p>	

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Item	Implementation Status		Reason for Non-implementation
	Yes	No	
		<p>(a) The Company conducts periodic air duct checks and ventilation cleaning, and adjusts the air conditioning temperature, setting it to no lower than 25 - 26 degrees Celsius. In 2019, SYSTEX Neihu headquarters continued to upgrade air conditioning on certain floors with variable frequency pumps that conserve energy and reduce energy consumption.</p> <p>(b) The traditional fluorescent tubes in the public area and parking lot have been replaced by more energy-efficient LED motion sensor lights. The Company promotes a power-saving hour during lunch break and encourages our electromechanical team to turn off non-essential electricity before taking long holidays.</p> <p>(c) SYSTEX added signs labeling the number of calories burned and health slogans to the stairway of its Neihu building to encourage employees to take the stairs more and take part in the effort to save energy, reduce carbon, and improve health.</p> <p>(d) Highly efficient eco-friendly energy-saving LED lighting is used for the fire alarm, evacuation, and emergency exit lighting in SYSTEX's Neihu building.</p> <p>(e) The goal of purchasing green renewable energy in 2020 is 100,000 kWh. The procurement of 80,000 kWh was completed in March 10, and the remaining 20,000 kWh will be purchased by the end of June 2021.</p> <p>(f) SYSTEX offices throughout Taiwan consumed a total of 7,908,211kWh of electricity in 2020 (equal to 4,215.076 metric tons of CO2 emissions), which was 77,046kWh lower than the 7,985,257kWh consumed in 2019 (equal to 4,256.142 metric tons of CO2 emissions). In other words, CO2 emissions were decreased by 41.066 metric tonnes, or 0.97% from 2019.</p> <p>The overall electricity cost has also been reduced by NT\$2,206 thousands. The reduction target in 2024 is to reduce the volume by 5% compared to 2020.</p>	
4. Social issues (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V	(1) The Company has established work rules in compliance with labor laws and relevant HR regulations, incorporating the spirit and principles of international human rights conventions such as the UN's Universal Declaration of Human Rights to protect the basic rights of employees.	None

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Item	Implementation Status		Reason for Non-implementation
	Yes	No	
(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	V	(2) The Company has a more generous leave program than what is required by the Labor Standards Act and provides a comfortable and healthy work environment and facilities for employees to use (including exercise or recreational facilities like a gym or badminton court), while the Employee Welfare Committee plans employee-related benefit measures. The Company's remuneration policy is "high performance, high contribution, and high remuneration". Remuneration standards are periodically reviewed, with flexible bonus structures for each position. The goal is to create bonus programs that improve company operations, team performance, and individual performance.	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V	(3) The Company conducts a "fire safety equipment inspection report" once every year to ensure the effectiveness of fire safety equipment in the building. The Company also organizes fire safety education and training every six months to enhance the education of fire safety and the management of workplace safety. The Company submits a report on the maintenance of the building every two years to ensure its safety. The Company also appoints general physicians to provide employees with consulting services every month and educate employees on the correct way of seeking medical treatment. The building is equipped with automated external defibrillator (AED) to respond to sudden cardiac arrests and the Company provides periodic CPR and other first aid education.	
(4) Does the company provide its employees with career development and training sessions?	V	(4) The Company has developed comprehensive internal training courses planned according to the Company's organizational strategies and employees' personal development needs, providing diverse courses such as newcomer training, leadership and management, technical development, marketing and sales, personal performance, key talent cultivation, as well as expert lectures, and the Intern School. The Company provides employees with training and test-fee subsidies for professional technical certifications (e.g.: International Project Management Professional (PMP) Course packages for professional certification training or tests are also provided, with fees being subsidized by the Company. An annual inventory of key talents is conducted to arrange appropriate learning plans and make personal career development plans according to different job requirements. Though diversified training methods, employees can choose the most appropriate learning method to stay competitive.	
(5) Do the company's products and services comply with relevant laws	V	(5) The Company is a leading company in Taiwan's information service industry that places a high value on the protection of consumer rights in procedures including the	

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Item	Implementation Status		Reason for Non-implementation
	Yes	No	
<p>and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?</p> <p>(6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.</p>	V	<p>provision, establishment, management, maintenance, and operations of information services. The Company provides comprehensive systems and complaint procedures for each operating method and service procedure derived from various products and services in order to protect consumer rights. For instance, a customer service center was established for financial-related products while an online service and support center was established for product and system maintenance to provide high-quality customer support. The Company also actively introduced international certification and standards such as the ISO 9001 quality management systems certification, ISO 27001 information security management system certification, ISO 22301 business continuity management system certification, and BS 10012 personal information management system certification. To enhance information security management and ensure data, systems, equipment, and network security, as well as personnel security, legal compliance, customer interests, protection of personal information, etc.</p> <p>(6) In order to implement corporate social responsibility, promote sustainable environmental development, and safeguard basic human rights, the company hopes that the supply of cooperation can still adopt the same standards and fulfill corporate social responsibility together, and specially formulated the "Supplier Corporate Social Responsibility Code of Conduct" It is hoped that all suppliers and their downstream suppliers, contractors or service providers will recognize and adopt it. And promote supplier CSR questionnaire self-evaluation, suppliers sign integrity commitments, establish a high-quality supplier evaluation system and classification, establish a compliant procurement system, hold supplier forums, and invite representatives of high-performance suppliers to share actual promotion experience and optimize suppliers CSR evaluation process and priority procurement policy for green products.</p>	
<p>5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?</p>	V	<p>The Company published its first Corporate Social Responsibility Report in 2020. The report focused mainly on SYSTEX's Taipei Headquarters and affiliated companies in Taiwan.</p> <p>The report follows the GRI Standards published in 2016 by the Global Reporting Initiative (GRI) and adopted core options to disclose relevant indicators, presenting credible management actions and performance in terms of governance, environmental, and social aspects.</p>	None

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Item	Implementation Status		Reason for Non-implementation
	Yes	No	
6. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies: N/A			
7. Other useful information for explaining the status of corporate social responsibility practices: (1) Youth nurturing ability:			
a. The Company continued to host the "Coding Seeds Camp" (CSC) in 2020. SYSTEX organizes practical elementary/junior high/high school/college level coding classes for the children of clients and employees to inspire their interest in software coding, providing the environment and resources to cultivate software engineering thinking and programming skills early on; The process of learning programming can help children develop skills for independent study, innovation, and practical problem-solving, sowing the seeds for future software professionals in Taiwan. 2020 project results: Opened advanced courses Pepper Robot, Computational Thinking in Board Games, and APP Inventor, beginner/advanced Python courses, and the Design Thinking Workshop, for a total of 40 learning hours and 110 participants.			
b. The Company continued to organize the 2020 "YTP (Young Turing Program)": With the focus on discovering high school software talent and providing scholarships and connections to university resources from an industry applications angle to encourage young students in Taiwan to join the software industry, to dare them to innovate, start their own businesses, and raise the quality of Taiwan's software industry and bolster Taiwan's strength in software. In 2020, a total of 190 teams of 570 people from all over Taiwan signed up and came from 64 high schools (including all of Taiwan, Eastern Yilan High School and Hualien High School). Among them, 100 girls signed up. Over the years, 23 people participated. Taiwan Olympiad in Informatics players also came to participate. In the fifth year, 13 groups of students are conducting research on topics such as AI, Big Data, blockchain, and the Internet of Things. Professors from the Department of Electrical Engineering/Materials Engineering, National Taiwan University of Science and Technology, and Soochow University are invited to guide students. Honors: The Company submitted a video for the 4th "CSR Impact Award" hosted by PwC Taiwan and Cannes Lions. The video showcased how the YTP program empowered young software talents in response to the UN's 4th and 10th SDGs - quality education and reducing inequality, and won the Silver Award. c. The Company continue to host the 2020 "SYSTEX Elite Internship" (SEI) The program provides workplace experience and a learning environment from a student-centric perspective for them to understand the actual business model in the information services industry. 2020 project results: The Company provided 100 internship opportunities, inviting supervisors and experts with abundant field experience to be speakers. With the theme "Power of X - The 5A Application of Crossover Software", the program offered a series of courses on data mindset, AI application, and customer services and shared valuable industry experience. The entire internship process was guided by mentors, allowing SYSTEX to create an internship platform and environment to cultivate outstanding talents in the software industry for SYSTEX and our customers! d. The Company continued to provide high school and university visits in 2020: Due to the COVID-19 epidemic, SYSTEX could not allow high schools and universities to arrange field trips at their facilities in 2020. Instead, the Company only allowed one "online visit" for a junior high/high school computer information club joint summer training camp (organized by Zhong Shan Girls High School, JingMei Girls High School, Jianguo High School, and Chenggong High School). By having these schools' alumni share their experience in the industry, the event allows these students to understand corporate culture and industry trends so that they can get a head start on career planning. 2020 project results: The online program was rolled out in 4 schools, and a total of 45 students participated. e. In 2020, SYSTEX launched SYSTEX Cloud School (SCS). In each stage, the program trains 50 undergraduate/graduate students interested in a career in cloud, AI HPC, or micro-service development, offering free Red Hat certified courses and internship opportunities at SYSTEX. Through solid courses and internship training, the program aims to cultivate world-class talents in cloud technologies for Taiwanese industries. 2020 results: Participants came from 16 different universities. 61			

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Item	Implementation Status		Reason for Non-implementation
	Yes	No	
		Summary Description	
		<p>students attended introductory courses, 27 received certification training, and 24 accepted internships at SYSTEX.</p> <p>f. In 2020, SYSTEX established My Dream Program and offered a grant to National Taiwan Normal University: The Company provided a grant of NT\$3 million to NTNU's gymnastics, archery, and men's class A basketball team for training and scholarships. SYSTEX also encouraged NTNU students to write "dream proposals", focusing on economically disadvantaged students. The NTNU faculty and SYSTEX worked together to review the "social practice plans" these students come up with and help them execute their proposal through guidance and counseling. 2020 results: (1)NT\$2 million athletic scholarship awarded to men's class A basketball team, archery team, gymnastics team, and other NTNU varsity teams. (2)NT\$ 1 million Dream Scholarship. 14 dream proposals were selected and received sponsorship.</p> <p>g. In 2020, SYSTEX donated NT\$ 1 million to the Future of Education Education: SYSTEX teamed up with PaGamO on their "Future of Education - Rural Reading Literacy Benchmark Schools Support Program", creating opportunities to implement the education's teaching proposal in the future. The program helped increase reading literacy at Taoyuan's Yung-An Junior High School and Ke-Jian Elementary School, creating equal learning opportunities for children in rural areas.</p> <p>h. In 2020, Systex donated NT\$200 thousand to the National Shui-Li Vocational High School of Commerce and Industry varsity rowing team, allowing the team to focus on qualifying for the Olympics and laying the groundwork for solid basic training in the future.</p> <p>(2) Social participation:</p> <p>a. In 2020, SYSTEX continued implementing its AGP (AI+ Generator Program): Starting with core competencies, SYSTEX helps match AI startup teams with industry customers, accelerates plans for product/market fit development, and combines internal and external resources to support AI startup teams, helping them find their first industry clients, and helping clients find practicable AI applications. Systex Information leverages its over 30 thousand industry clients, 50 experienced managers and outside experts, 50 AI ecosystem partners, and the AI+Lab computing platform to accelerate world-level AI application development with startup teams. 2020 project results: A total of 8 startup teams were selected. Though impacted by the COVID-19 pandemic, Systex was still invited to be the first overseas partner of Japan's TOPPAN Printing for their open innovation program co-necto in 2020, helping AGP startups pay attention to the Japanese market through remote collaboration efforts.</p> <p>b. SYSTEX continued hosting its annual information security competition in 2020: Since 2018, SYSTEX has hosted Taiwan's only competition focused on protecting corporate information security for three years in a role. Geared towards companies and government agencies, the competition has teams battling the Red Team (hackers), simulating information security problems that they might encounter in real life. SYSTEX also provided some of the most common or latest information security tools and solutions to boost the team's field experience. Through the competition, the teams can test their information security safety net, boost their reputation, or find potential information security problems. 2020 project results: After a 2-day online preliminary round, 24 eligible teams battled it out in another 2-day finals, with an 8-hour session each day. This year's competition not only stayed true to its format with the Blue Team playing defense but also introduced Splunk BOTS (Boss of the SOC), a 100-question quiz on information security concepts and data analysis practice designed for training information security technicians, testing how teams will handle information security threats in their day-to-day operations. In the end, the team "Hey How Are You" won first place and took home the NT\$100 thousands prize.</p> <p>(3) Worker health and energy:</p> <p>a. SYSTEX continued to provide annual health checkups in 2020: The Company raised the budget for health checks. All checks are now conducted at one of 14 designated hospitals. 1,891 employees received the health checks and 91.8% of employees were satisfied with their checkup. Additional care and follow-up services are provided for employees with abnormal symptoms or potential risks.</p>	

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Item	Implementation Status		Reason for Non-implementation
	Yes	No	
<p>b. Continued blood donation activities in 2020: The blood donation activities jointly organized by the Neihu Headquarters and the Taipei Blood Donation Center invited colleagues to respond. In 2020, two events were held for a total of 144 people, and a total of 53,350ml of blood was collected.</p> <p>c. The first women's cancer screening event was held in 2020: Neihu Headquarters and Neihu Health Center jointly organized Pap smears and mammography. In 2020, 54 Pap smears and 18 mammograms participated.</p> <p>d. "Happy Family, Healthy Life" Seminars: To promote work-life balance, the Company organized 15 "Happy Family, Healthy Life" seminars, which were attended by a total of 434 people in 2019.</p> <p>e. SYSTEX continued hosting Group-wide 3 on 3 basketball: Held to encourage employees to take care of their health and strengthen their bodies through ball games. By holding these basketball games, the Company strengthens its care for employees' health and encourages more employees to exercise. 2020 project results: In order to invite more colleagues to participate, in addition to the Group-wide 3 on 3 basketball, a fun competition has been added. A total of 66 teams signed up, and a total of 336 people participated.</p>			
8. Please provide further description for company product or corporate social responsibility report which is certified by relevant organization: None.			

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3.4.6 Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Item	Implementation Status		Reason for Non-Implement
	Yes	No	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?</p> <p>(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?</p>	V	<p>(1) The Company has established the "Ethical Corporate Management Best Practice Principles" to assist the Company in fostering a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices. And invite directors and senior managers to sign follows the integrity management policy statement.</p> <p>(2) The "Employee Code of Conduct" was established for the employees to abide by laws and regulations, comply with professional code of conduct, and maintain principles of honesty and integrity when conducting business. And there is dishonesty in the "Ethical Corporate Management Best Practice Principles" behavioral risk assessment mechanism, regularly analyze and evaluate Business activities with a higher risk of dishonesty are based on which a prevention plan is formulated And regularly review the appropriateness and effectiveness of the prevention plan.</p>	None

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Item	Implementation Status		Reason for Non-Implement
	Yes	No	
(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	V	(3) The Company has established the "Procedures for Ethical Corporate Management and Guidelines for Conduct" for the employees to maintain principles of honesty and integrity when conducting business and abide by laws and regulations while complying with professional code of conduct. The Company also established the "Employee Code of Conduct" to convert the Company's business ideals and values into institutionalized regulations.	
2. Fulfill operations integrity policy	V	(1) Before conducting transactions, the Company shall assess the legitimacy of the transaction counterparty and consider whether it has prior records that are unethical. The Company maintains business ideals of honesty and integrity and it has established sound corporate governance and risk management mechanisms to be implemented in internal management and external business activities.	
(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V	(2) The Company's various functional departments promote ethical corporate business ideals and supervise one another through organizational arrangements. The Audit Division is responsible for day-to-day implementation of various internal auditing tasks. Board resolution passed Set up the "Integrity Management Committee" under the Board of Directors, responsible for integrity. The formulation and supervision of operating policies and preventive measures has reported to the board of directors in December 23, 2020. The committee members are composed of chief of staff, vice chief of staff, CCO CHO, CFO, commercial supervisors, and legal supervisors will serve as the chief of staff for each meeting. The meeting was chaired by the chief of staff.	None
(2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	V	(3) The Company has established a stakeholder area on the company website and assigned a contact window to be directly responsible for communications with stakeholders. The Company respects and maintains their legal rights and they may contact the Company through telephone or email at any time. The email of the Audit Committee is also established on the company website as a channel for stakeholders to provide suggestions or file complaints.	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		

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Item	Implementation Status		Reason for Non-Implement
	Yes	No	
(4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	V	(4) The Company established its accounting system and internal control system in compliance with regulations. The Audit Division established the Enforcement Rules of Internal Auditing and uses the Rules to implement and evaluate the current control systems, the effectiveness of procedures, and the compliance system. The internal auditing unit should establish relevant audit plans following the results of risk assessments for unethical behavior. The plans should include audit target, scope, items, and frequency, and used to audit compliance with prevention programs. Accountants can be tasked with the audit, and, if necessary, professionals could be hired to provide their assistance. The results of audits should be reported to high-level management and the Ethical Corporate Management Committee and compiled into audit reports for the Board of Directors. The Audit tasks mainly include audit plans approved by the Board of Directors as well as project auditing or review in accordance with requirements. The internal audit and review of the self-inspections conducted by various units and results of comprehensive self-inspections are reported to the Board of Directors as evaluation of the effectiveness of the overall internal control system and the basis of the submission of the Statement of Internal Control System.	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V	(5) The Company conducts education and training for employees and announces the "Employee Code of Conduct" on the Company's internal website. The Company also notifies each employee through mail each month to remind them to abide by laws and regulations, comply with professional code of conduct, and maintain principles of honesty and integrity when conducting business. At the same time, Systex conducts an online test for all employees every 4 months on the case description model of honest operation, with digital courses for those that fail to pass to strengthen employees' attention and requirement of honest and legal operation. The contents of the implementation in 2020 are as follows: a. SYSTEX educates new managers on ethical corporate management principles, risk management, and legal compliance as part of their training. The company has so far trained 24 people with 168 total training hours. b. Each year, SYSTEX educates the directors, managerial officers and employees on its "Internal Material Information Disclosure Operating Guidelines". To remind everyone of what they should pay attention to before and after receiving major	

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Item	Implementation Status		Reason for Non-Implement
	Yes	No	
		<p>information to avoid violating laws and regulations, the Company has compiled notes and case studies of insider training for employees to read and be tested on, so that employees stay well informed about relevant regulations. In 2020, on December 1 and December 15, the company's colleagues and directors were given education and publicity related to insider trading. Up to now, 3,369 responses have been made to the relevant publicity questionnaire, with a response rate of 93.31%.</p> <p>c. The Company conducts monthly "Employee Code of Conduct" training using case studies from the news. This program includes both domestic and overseas subsidiary companies. A total of 36,580 employees have taken part in the training as of 2020.</p> <p>d. SYSTEX conducts at least three "Ethical Corporate Management Best Practice Principle" training and exam each year to fully educate employees on ethical corporate management ideals. As of 2020, 6,195 people have taken part in the training.</p> <p>e. An online "Ethical Corporate Management & Code of Professional Ethics" course was added in November 2019 to give additional training to employees that did not pass training exams.</p> <p>f. Every year, the directors are regularly announced the principles of integrity management of the company.</p>	
3. Operation of the integrity channel			
(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		(1) The company's integrity management committee has a dedicated independent reporting mailbox to provide inspection. It is handled by a dedicated person, all complaints are completely confidential, and it is verified by an independent pipeline to protect the whistleblower.
(2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality	V		(2) The Company has established the "Employee Code of Conduct" and provides complete confidentiality for whistleblowers and reported items. The Company has established follow-up measures to be taken after a reported case is investigated depending on the severity of the situation. If necessary, the case should be reported to governing authorities or given to judicial investigation.
			None

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Item	Implementation Status		Reason for Non-Implement
	Yes	No	
measures? (3) Does the company provide proper whistleblower protection?	V	(3) The company protects the identity of whistleblowers from inappropriate treatment and threats that may arise from the report.	
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V	(1) The Company discloses its ethical business policies in the internal regulations, corporate website, and annual reports.	None
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation? There have been no differences.			
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies? (1) The Company's "Rules of Procedures for Board of Directors Meetings" stipulates a recusal system for avoiding conflict of Directors' interests. Directors shall uphold a high level of self-discipline and in the event of a conflict of interest as Director or as a representative of an institutional entity with respect to a specific matter on the agenda that could potentially damage company interests, the Director may not take part in the discussion and voting processes nor represent any other Director during voting. (2) The Company's "Internal Material Information Disclosure Operating Guidelines" established regulations on the confidentiality of confidential information obtained in business activities to prevent inappropriate leaks of information.			

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3.4.7 Corporate Governance Guidelines and Regulations

Please refer to the Company's website at www.systemex.com.

3.4.8 Other Important Information Regarding Corporate Governance

A. The Company has established the "Internal Material Information Disclosure Operating Guidelines" to prevent inappropriate disclosure when the Company's Directors, managerial officers or employees process or disclose material information and maintain consistency and accuracy in disclosure of information. The main contents are:

- (a) Applicable targets, scope of internal material information, and entities responsible for implementation.
- (b) Operating procedures for keeping internal material information confidential.
- (c) Operating procedures for disclosing internal material information.
- (d) Processing irregularities and violations.

The "Internal Material Information Disclosure Operating Guidelines" have been passed by the Company's Board of Directors in a resolution and announced on the Company's internal website.

To implement the Company's spokesperson system and confidentiality of internal material information, the Company has established the "Internal Material Information Disclosure Operating Guidelines" and the "Internal Material Information Confidentiality Firewall Operating Guidelines" which are also announced on the Company's internal website.

B. Other Important Information Regarding Corporate Governance: please refer to pages 43~46 of "Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" No.8.

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3.4.9 Internal Control System Execution Status

A. Statement of Internal Control System

Please refer to page 46 of the Chinese annual report.

B. If CPA was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

3.4.11 Lawful punishment inflicted on the Company, and/or disciplinary action taken by the Company against its employees for violating internal regulations in the latest year and up to the printing date of this Annual Report); important errors committed, and correction and improvement procedures: None.

3.4.10 Major Resolutions of Shareholders Meeting and Board Meetings

A. Important resolutions from the annual shareholders' meeting on June 17, 2020 and current status:

(a) Ratified the business report and the financial statements for 2019.

(b) Ratified the earnings distribution proposal for 2019.

(c) Approved the amendment to the "Articles of Incorporation".

(d) Approved the amendment to the "Rules of Procedures for Shareholders Meetings".

Review of the current status of the implementation of resolutions:

(a) The 2019 earnings distribution proposal by cash have been carried out and all dividends have been distributed to shareholders on July 24, 2020 after the resolution in the Board of Directors meeting on March 19, 2020, and have been reported in the 2020 annual shareholders' meeting.

(b) The amendment to the "Articles of Incorporation" and "Rules of Procedures for Shareholders Meetings" has been implemented after the approval of the shareholders meeting.

B. Important resolutions of Board meetings in 2020 and during the current fiscal year up to the date of publication of the annual report:

(a) March 19, 2020:

i. Approved the "Statement of Internal Control System" for 2019.

ii. Approved the business report and the financial statements for 2019.

iii. Approved the 2019 earnings distribution proposal.

iv. Approved the 2019 employee remuneration distribution plan.

v. Approved the 2019 director remuneration distribution plan.

vi. Approved the amended "Articles of Incorporation".

vii. Approved the amended "Rules of Procedures for Shareholders Meetings".

viii. Approved the amended "Corporate Governance Best Practice Principles".

ix. Approved the amended "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Corporate Management and Guidelines for Conduct" and the establishment of Ethical Corporate Management Committee.

x. Approved the amended "Remuneration Committee Charter".

xi. Approved the amended "Audit Committee Charter".

xii. Approved the amended "Rules of Procedure for Board of Directors Meetings".

xiii. Approved the proposed calling of 2020 general shareholders meeting.

xiv. Approved the appointment of Corporate Governance Officer.

xv. Approved the endorsement guarantee for Systex Group (China) Ltd. by Systek Information (Shanghai) Ltd.

xvi. Approved the review results and bonuses of managerial officers for the second half of 2019.

xvii. Approved the distribution of the bonuses and annual remuneration for managerial officers of 2019.

xviii. Approved the 2020 KPI settings and remuneration structure for managerial officers.

(b) May 7, 2020:

i. Approved adjustment of the agenda for 2020 general shareholders meeting.

(c) August 6, 2020:

i. Approved the amended Internal Control System.

ii. Approved the endorsement guarantee for Systek Information (HK) Ltd.

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- iii. Approved the amended "Rules of Procedure for Board of Directors Meetings", "Rules Governing the Scope of Powers of Independent Directors", "Audit Committee Charter", "Remuneration Committee Charter", "Procedures for the board performance evaluation", "Rules for Election of Directors" and "Rules of Procedures for Shareholders Meetings".
- iv. Approved the amended "Standard operating procedures for responding to requests from directors".
- v. Approved the amended institutions of remuneration and performance evaluation.
- vi. Approved the review results of management team and the distribution of bonuses for the first half of 2020.
- (d) November 11, 2020: None.
- (e) December 23, 2020:
 - i. Approved the Audit program for 2021.
 - ii. Approved the amended Internal Control System.
 - iii. Approved the consolidated operating budget for 2021.
 - iv. Approved the Company's financing loan credit line contract with financial institutions.
 - v. Approved the endorsement guarantee for Systex Group (China) Ltd.
 - vi. Approved the review results of the independence of visa accountants.Extemporaneous Motions:
 - i. Election of the Company's Chairman.
 - ii. Approved the Company's Chairman served concurrently as President.
- (f) February 24, 2021:
 - i. Approved the "Statement of Internal Control System" for 2020.
 - ii. Approved the business report and the financial statements for 2020.
 - iii. Approved the 2020 employee remuneration distribution plan.
 - iv. Approved the 2020 director remuneration distribution plan.
 - v. Approved the amended "Articles of Incorporation".
 - vi. Approved the amended "Rules of Procedures for Shareholders Meetings".
 - vii. Approved the proposed calling of 2021 general shareholders meeting.
 - viii. Approved the amended institutions of remuneration and performance evaluation.
 - ix. Approved the review results and bonuses of managerial officers for the second half of 2020.
 - x. Approved the distribution of the bonuses and annual remuneration for managerial officers of 2020.
 - xi. Approved the 2021 KPI settings and remuneration structure for managerial officers.
- (g) April 14, 2021:
 - i. Approved the amended Internal Control System.
 - ii. Approved the 2020 earnings distribution proposal.
 - ii. Approved the amended "Articles of Incorporation".

3.4.12 Major Issues of Record or Written Statements Made by Any Director or Independent Director Dissenting to Important Resolutions Passed by the Board of Directors: None.

3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance Officer and R&D: None.

III. Corporate Governance

3.5 Information Regarding the Company's Audit Fee

Audit Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Deloitte & Touche Accounting Firm	Lin, Shu-Wan	Kuo, Cheng-Hung	2020.01.01~2020.12.31	

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000			V	
2	NT\$2,000,00 ~ NT\$4,000,000				
3	NT\$4,000,00 ~ NT\$6,000,000		V		V
4	NT\$6,000,00 ~ NT\$8,000,000				
5	NT\$8,000,00 ~ NT\$10,000,000				
6	Over NT\$100,000,000				

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche Accounting Firm	Lin, Shu-Wan	5,500	-	-	-	50	50	2020.01.01~2020.12.31	
	Kuo, Cheng-Hung								

III. Corporate Governance

3.6 Information Regarding the Replacement of CPA

3.6.1 Regarding the former CPA

Replacement Date	January 1, 2019		
Replacement reasons and explanations	The internal adjustment of accounting firms.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties	CPA	The Company
	Status		
	Termination of appointment	N/A	N/A
	No longer accepted (continued) appointment	N/A	N/A
Other issues (except for unqualified issues) in the audit reports within the last two years	Unqualified opinion		
Differences with the company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None	V	
	Remarks/specify details:		
Other Revealed Matters	None		

3.6.2 Regarding the successor CPA

Name of accounting firm	Deloitte & Touche Accounting Firm
Name of CPA	Lin, Shu-Wan; Kuo, Cheng-Hung
Date of appointment	January 1, 2019
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

3.7 Audit Independence

If the chairman, president, and financial or accounting manager of the Company who had worked for the independent auditor or the related party in the most recent year, the name, title, and the term with the independent auditor or the related party must be disclosed: None.

III. Corporate Governance

3.8 Changes in Shareholding of Directors, Managers and Major Shareholders

Title	Name	2020		As of March 29, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman / Manager	Lin, Lung-Fen	-	-	-	-
Director/ Manager	Cheng, Deng-Yuan	-	-	-	-
Director	Huang, Tsong-Jen	-	-	-	-
Director	Lu, Ta-Wei	-	200,000	-	(200,000)
Director	Shaw, Shung-Ho	-	-	-	-
Director	Hsieh, Chin-Ho	-	-	-	-
Director	Huang, Ting-Rong	-	-	-	-
Director	Huang, Chi-Rong	-	-	-	-
Director	Joway Investment Co.,Ltd	-	-	-	-
Director Representative	Lin, Chih-Min	-	-	-	-
Director Representative	Wu, Cheng-Huan	-	-	-	-
Independent Director	Huang, Jih-Tsan	-	-	-	-
Independent Director	Cheng, Wen-Feng	-	-	-	-
Independent Director	Lai, Chien-Hua	-	-	-	-
Manager	Chung,Chih-Chun	-	-	-	-
Manager	Huang, Yu-Jen	-	-	-	-
Manager	Yang, Shih-Chung	-	-	-	-
Manager	Fan, Jee-Der	(90,000)	-	-	-
Manager	Su, Kou-Lin	-	-	-	-
Manager	Chang, Huang-Yu	-	-	-	-
Manager	Yeh, Chen-Min(Note)	-	-	-	-
Manager	Chang, Ying-Chin	-	-	-	-
Manager	Lin, Wen-Kuei	-	-	-	-
Manager	Hsiao, Wei-Chun	-	-	-	-
Manager	Pan, Tieh-Yi	-	-	-	-
Manager	Wu, Wen-Shuen	(19,000)	-	-	-
Manager	Tao, Yea-Kuan	-	-	-	-
Manager	Tang, Yin-Soon	(7,000)	-	-	-
Manager	Tsai, Chun-Hsiung	-	-	-	-
Manager	Cheng, Yuan-Yih	-	-	-	-
Manager	Liu, Kuan-Lin(Note)	N/A	N/A	-	-
Manager	Lin, Jen-Shou(Note)	N/A	N/A	-	-
Major Shareholders	None	N/A	N/A	N/A	N/A

III. Corporate Governance

Note: Yeh, Chen-Min was retired in January, 2021; Liu, Kuan-Lin & Lin, Jen-Shouwere took office in January, 2021. (The increase or decrease in the number of shares held by the above-mentioned persons is the change before or after the expiry.)

3.8.1 Shares Trading with Related Parties: None.

3.8.2 Shares Pledge with Related Parties: None.

III. Corporate Governance

3.9 Relationship among the Top Ten Shareholders

As of March 29, 2021

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Hanmore Investment Corp. Chairman: Wu, Cheng-Huan	21,316,678	7.91	-	-	-	-	Huang, Tsong-Jen	Related party in substance	
Joray Co., Ltd. Chairman: Lai, Yung-Sung	21,072,559	7.82	-	-	-	-	Huang, Tsong-Jen	Related party in substance	
Huang, Tsong-Jen	20,755,750	7.70	2,008,634	0.75	-	-	Asiavest Capital Co., Ltd.	Chairman	
							Joray Co., Ltd.	Related party in substance	
							Hanmore Investment Corp.	Related party in substance	
Chunghwa Post Co., Ltd. Chairman: Wei, Chien-Hung	11,418,000	4.24	-	-	-	-	-	-	
Ching Pu Investment Corp. Chairman: Lin, Lung-Fen	10,981,476	4.08	-	-	-	-	-	-	
Yu Yeh Investment Corp. Chairman: Wan, Chia-Chen	7,108,000	2.64	-	-	-	-	-	-	
Tsai Hsun Investment Corp. Chairman: Su, Kun-Yu	4,228,454	1.57	-	-	-	-	-	-	
Chin Yuan Fa Investment Corp. Chairman: Tai, Tzu-Shan	3,646,321	1.35	-	-	-	-	-	-	
Asiavest Capital Co., Ltd. Chairman: Huang, Tsong-Jen	3,500,000	1.30	-	-	-	-	Huang, Tsong-Jen	Chairman	
ISHARES Emerging Markets Dividend ETF	2,384,000	0.88	-	-	-	-	-	-	

III. Corporate Governance

3.10 Ownership of Shares in Affiliated Enterprises

Unit: shares/ % As of December 31, 2020

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Kimo.com (BVI) Corp.	500,000	100.0	0	0	500,000	100.0
System Capital Group, Inc.	550	100.0	0	0	550	100.0
Ching Pu Investment Corp.	30,750,000	100.0	0	0	30,750,000	100.0
Golden Bridge Information Corp.	23,000,000	100.0	0	0	23,000,000	100.0
System Software & Service Corp.	54,450,000	100.0	0	0	54,450,000	100.0
System Solutions Corp.	26,000,000	100.0	0	0	26,000,000	100.0
Concord System Management Corp.	23,113,372	100.0	0	0	23,113,372	100.0
Taifon Computer Co., Ltd.	20,000,000	100.0	0	0	20,000,000	100.0
Nexsys Corp.	19,995,000	100.0	0	0	19,995,000	100.0
Naturint Ltd.	2,000,000	100.0	0	0	2,000,000	100.0
Taiwan Information Service Technology Corp.	13,630	62.9	0	0	13,630	62.9
E-service Information Co.	4,700,000	58.8	0	0	4,700,000	58.8
Hanmore Investment Corp.	9,640,680	48.9	0	0	9,640,680	48.9
GenSys Technology (International) Limited	8,000,000	40.0	0	0	8,000,000	40.0
Systemweb Technologies Co., Ltd.	2,450,000	33.3	0	0	2,450,000	33.3
Baoruh Electronic Co., Ltd.	3,975,000	30.0	0	0	3,975,000	30.0
FinRobo Advisor Securities Investment Consulting Co., Ltd.	1,016,293	30.0	0	0	1,016,293	30.0
Retail System Co., Ltd.	780,000	30.0	0	0	780,000	30.0
Shengsen Cloud Technology	607,272	30.0	0	0	607,272	30.0
Mohist web technology Co., Ltd.	300,000	30.0	0	0	300,000	30.0
System Infopro Co., Ltd.	20,000	20.0	0	0	20,000	20.0
Sanfran Technology Inc.	2,332,397	12.8	0	0	2,332,397	12.8
Forg-jump Information Co., Ltd.	583,202	10.0	0	0	583,202	10.0
Syspower Corp.	900,000	4.5	15,914,470	79.6	16,814,470	84.1

Note: Affiliated enterprises have been invested by equity method.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

As of March 29, 2021

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2016/01	10	400,000,000	4,000,000,000	268,733,304	2,687,733,040	Employee options exercised: NT\$1,450,000	-	
2016/03	10	400,000,000	4,000,000,000	269,393,304	2,693,933,040	Employee options exercised: NT\$6,200,000	-	

B. Type of Stock

As of March 29, 2021

Type of Stock	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	269,393,304	130,606,696	400,000,000	None

C. Information for Shelf Registration : None.

4.1.2 Composition of Shareholders

As of March 29, 2021

Type of Shareholders \ Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	3	244	39,330	195	39,772
Shareholding (shares)	0	12,998,000	94,439,460	126,263,052	35,692,792	269,393,304
Holding Percentage (%)	0	4.82	35.06	46.87	13.25	100.00

IV. Capital Overview

4.1.3 Distribution of Shareholding

A. Common Shares

As of March 29, 2021

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	22,037	4,575,600	1.70
1,000 ~ 5,000	14,486	28,576,355	10.61
5,001 ~ 10,000	1,673	13,213,249	4.90
10,001 ~ 15,000	477	6,125,821	2.27
15,001 ~ 20,000	325	6,032,163	2.24
20,001 ~ 30,000	250	6,344,867	2.36
30,001 ~ 50,000	193	7,884,792	2.93
50,001 ~ 100,000	155	10,861,289	4.03
100,001 ~ 200,000	60	8,493,060	3.15
200,001 ~ 400,000	47	13,458,991	5.00
400,001 ~ 600,000	15	7,611,531	2.83
600,001 ~ 800,000	13	8,808,436	3.27
800,001 ~ 1,000,000	11	9,815,539	3.64
1,000,001 or over	30	137,591,611	51.07
Total	39,772	269,393,304	100.00

B. Preferred Shares: None.

4.1.4 Major Shareholders

As of March 29, 2021

Shareholder's Name	Shareholding Shares	Percentage (%)
Hanmore Investment Corp.	21,316,678	7.91
Joray Co., Ltd.	21,072,559	7.82
Huang, Tsong-Jen	20,755,750	7.70
Chunghwa Post Co., Ltd.	11,418,000	4.24
Ching Pu Investment Corp.	10,981,476	4.08
Yu Yeh Investment Corp.	7,108,000	2.64
Tsai Hsun Investment Corp.	4,228,454	1.57
Chin Yuan Fa Investment Corp.	3,646,321	1.35
Asiavest Capital Co., Ltd.	3,500,000	1.30
ISHARES Emerging Markets Dividend ETF	2,384,000	0.88

IV. Capital Overview

4.1.5 Market Price, Net Book Value, Earnings, and Dividends per Share

Unit: NT\$

Items		Year		2019	2020
Market Price per Share	Highest Market Price	Diluted		77.90	89.80
		Adjusted		77.90	89.80
	Lowest Market Price	Diluted		61.10	64.70
		Adjusted		61.10	64.70
	Average Market Price	Diluted		71.42	81.11
		Adjusted		71.42	81.11
Net Book Value per Share	Before Distribution			54.01	54.48
	After Distribution			54.01	54.48
Earnings per Share	Weighted Average Shares			247,296,005	247,983,453
	Earnings Per Share	Diluted		7.31	6.72
		Adjusted		7.31	6.72
Dividends per Share	Cash Dividends			5.00	5.00
	Stock Dividends	Dividends from Retained Earnings		-	-
		Dividends from Capital Surplus		-	-
	Accumulated Undistributed Dividends			-	-
Return on Investment	Price / Earnings Ratio (Note 1)			9.74	12.07
	Price / Dividend Ratio (Note 2)			14.25	16.23
	Cash Dividend Yield Rate (Note 3)			7.02%	6.16%

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

IV. Capital Overview

4.1.6 Dividend Policy and Implementation Status

A. Dividend policy

In accordance with the overall environment and the industry's characteristics of growth as well as the Company's long-term financial plans for sustainable and stable development, the Company has adopted a residual dividend policy, which requires that annual funding requirements based on the Company's future capital budget plans are duly assessed and that required funding in earnings is retained before residual earnings are distributed as dividend.

The Company distributes dividends through cash or stocks and cash dividends are prioritized. If dividends are distributed in stocks, the stock dividends shall not exceed 50% of the total dividends issued in the current year. The distribution of dividends may be dependent on the Company's current and future investment environment, funding requirements, domestic and foreign competition, and capital budgets while taking into consideration shareholder interests, balanced dividends, and the Company's long-term financial plans. The Board of Directors shall formulate dividend distribution methods or related options in accordance with the law and submit them to the shareholders' meeting for discussion and resolution.

Basically, dividends are pay out as the financial year surplus profits having paid all taxes and dues, and making good the deficit of the company, set as legal reserve and special reserve, and will reserve fund for the company's operation plan after the surplus profits, more than 50% the remain to pay dividends.

B. Implementation status

(1) The Board of Directors meeting on March 19, 2020 resolved to distribute NT\$1,346,966,520 in 2019 earnings. Based on the 269,393,304 shares in external circulation, each share shall receive a cash dividend of NT\$5, the smallest unit of which is one dollar of the common currency (NT\$), decimals excluded and reported in the 2020 annual shareholders' meeting.

(2) The 2019 earnings distribution by cash have been distributed to shareholders on July 24, 2020.

IV. Capital Overview

C. The proposal for the distribution of 2019 profits for 2020 Annual Shareholders' Meeting

SYSTEX Corporation
Earnings Distribution Proposal
December 31, 2020

Unit: NT\$

Items	Amount	
	Subtotal	Total
Beginning unappropriated earnings		2,572,330,658
Adjustment for investments accounted for using equity method	(74,237,894)	
Remeasurement on net defined benefit plan	(25,949,480)	
Add: Net income of 2020	1,666,344,895	
Earnings available for distribution		<u>4,138,488,179</u>
Distribution items		
Legal reserve	(156,615,752)	
Special reserve	(189,245,740)	
Cash dividends (NT\$5/per share)	(1,346,966,520)	
Total distribution		<u>(1,692,828,012)</u>
Ending unappropriated		<u>2,445,660,167</u>

Chairman & President Lin, Lung-Fen
Accounting Manager Cheng, Yuan-Yih

4.1.7 Employee and Directors' Remuneration

A. Information Relating to Employee Bonus and Directors' Remuneration in the Articles of Incorporation:

In the event the Company makes a profit during the fiscal year it shall set aside no less than 0.1% of the profits for employee remuneration. The remuneration for Directors shall be no higher than 2%. However, priority shall be given to reservation of funds for compensation of cumulative losses, if any.

The preceding employee remuneration may be paid in cash or shares, and shall be payable to employees of subsidiary companies who meet the requirements stipulated by the Board of Directors. Remuneration of directors as specified above may be distributed in cash only.

IV. Capital Overview

B. The basis for estimating employee and director remuneration amounts, basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:

In the event of a material change to the distributed amount in the Board's decision after the end of the year, adjustment that reflect the change shall be made to the originally allocated annual expenses.

C. Remuneration proposals approved by the Board of Directors:

a. Remuneration of employees and Directors shall be paid in cash or stock. In case of any discrepancy between the amounts and the amortized estimates for the year, the differences, reasons, and responses shall be disclosed:

The Company's Board of Director's meeting on February 24, 2021 has approved the resolution to distribute NT\$53,240,926 as employee remuneration and NT\$35,493,951 as directors' remuneration for the year 2020.

b. Amount of employee remuneration distributed in the form of stocks, as a percentage of the net income after taxes provided in the standalone or consolidated financial statements of the current period, and as a percentage of total employee remuneration:

Not applicable as no employee remuneration has been distributed in the form of stocks in the year 2020.

D. Discrepancies, if any, between actual distribution of employee and Directors remuneration (including the number of shares distributed, amount and stock price) and the recognized remuneration of employees and Directors and disclosure of the differences, reasons and responses:

a. Actual distribution status of employee and Directors remuneration: The Company's Board of Director's meeting on March 19, 2020 has approved the resolution to distribute NT\$58,882,836 as employee remuneration and NT\$39,255,224 as directors' remuneration for the year 2019. There were no discrepancies between the distributed amount and the amount recognized in the financial report.

b. In case of any discrepancy between the proposed and recognized amounts of employee and director remuneration, the differences, reasons, and responses shall be disclosed: Not applicable.

4.1.8 Buyback of Treasury Stock: None.

4.2 Corporate Bonds: None.

4.3 Preferred share: None.

4.4 Global Depository Receipts: None.

4.5 Employee Stock Options: None.

4.6 Issuance of New Restricted Employee Shares: None.

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

4.8 Financing Plans and Implementation: None.

V. Operation Highlights

5.1 Business Activities

5.1.1 Business Scope

A. Main business activities

(1)F113050	Wholesale of Computing and Business Machinery Equipment	(25)F399040	Retail Business Without Shop
(2)F118010	Wholesale of Computer Software	(26)F601010	Intellectual Property
(3)F113070	Wholesale of Telecom Instruments	(27)IE01010	Telecommunications Number Agencies
(4)F113020	Wholesale of Household Appliance	(28)I103060	Management Consulting Services
(5)F113110	Wholesale of Batteries	(29)JE01010	Rental and Leasing Business
(6)F119010	Wholesale of Electronic Materials	(30)I401010	General Advertising Services
(7)E605010	Computing Equipments Installation Construction	(31)IZ99990	Other Industry and Commerce Services Not Elsewhere Classified
(8)JA02010	Electric Appliance and Audiovisual Electric Products Repair Shops	(32)J304010	Book Publishers
(9)J399010	Software Publication	(33)F401021	Restrained Telecom Radio Frequency Equipments and Materials Import
(10)IG02010	Research Development Service	(34)J303010	Magazine and Periodical Publication
(11)I599990	Other Designing	(35)J305010	Audio Tape and Record Publishers
(12)JZ99050	Agency Services	(36)J201031	Technique and Performing Arts Training
(13)F113030	Wholesale of Precision Instruments	(37)I501010	Product Designing
(14)E603050	Cybernation Equipments Construction	(38)I199990	Other Consultancy
(15)F401010	International Trade	(39)CC01101	Restrained Telecom Radio Frequency Equipments and Materials Manufacturing
(16)I301010	Software Design Services	(40)F108031	Wholesale of Drugs, Medical Goods
(17)I301020	Data Processing Services	(41)F208031	Retail Sale of Medical Equipments
(18)I301030	Digital Information Supply Services	(42)CC01110	Computers and Computing Peripheral Equipments Manufacturing
(19)F213030	Retail Sale of Computing and Business Machinery Equipment	(43)CC01120	Data Storage Media Manufacturing and Duplicating
(20)F218010	Retail Sale of Computer Software	(44)CC01060	Wired Communication Equipment and Apparatus Manufacturing
(21)F209060	Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles	(45)CC01030	Electric Appliance and Audiovisual Electric Products Manufacturing
(22)G902011	Type II Telecommunications Enterprise	(46)CC01080	Electronic Parts and Components Manufacturing
(23)E701010	Telecommunications Construction		
(24)F213060	Retail Sale of Telecom Instruments		

V. Operation Highlights

(47)CB01010	Machinery and Equipment Manufacturing	(69)F106020	Wholesale of Articles for Daily Use
(48)C701010	Printing	(70)F107030	Wholesale of Cleaning Preparations
(49)C703010	Printings Bindery and Processing	(71)F107070	Wholesale of Animal Medicines
(50)F113010	Wholesale of Machinery	(72)F108040	Wholesale of Cosmetics
(51)IZ13010	Internet Identify Services	(73)F110010	Wholesale of Clocks and Watches
(52)EZ05010	Apparatus Installation Construction	(74)F110020	Wholesale of Spectacles
(53)E701030	Restrained Telecom Radio Frequency Equipments and Materials Construction	(75)F114030	Wholesale of Motor Vehicle Parts and Supplies
(54)E601010	Electric Appliance Construction	(76)F116010	Wholesale of Photographic Equipment
(55)F102170	Wholesale of Food and Grocery	(77)F117010	Wholesale of Fire Fighting Equipments
(56)F104110	Wholesale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products	(78)F203030	Retail Sale of Ethanol
(57)F105050	Wholesale of Furniture, Bedclothes Kitchen Equipment and Fixtures	(79)F206010	Retail Sale of Ironware
(58)F109070	Wholesale of Stationery Articles, Musical Instruments and Educational Entertainment Articles	(80)F206020	Retail Sale of Articles for Daily Use
(59)F203010	Retail Sale of Food and Grocery	(81)F206050	Retail of pet food and appliances
(60)F204110	Retail Sale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products	(82)F207030	Retail Sale of Cleaning Preparations
(61)F205040	Retail Sale of Furniture, Bedclothes, Kitchen Equipment and Fixtures	(83)F207070	Retail Sale of Animal Medicine
(62)F208050	Retail Sale of the Second Type Patent Medicine	(84)F208040	Retail Sale of Cosmetics
(63)F102020	Wholesale of Edible Oil	(85)F210010	Retail Sale of Watches and Clocks
(64)F102040	Wholesale of Nonalcoholic Beverages	(86)F210020	Retail Sale of Spectacles
(65)F102050	Wholesale of Tea	(87)F213010	Retail Sale of Household Appliance
(66)F102180	Wholesale of Ethanol	(88)F213110	Retail Sale of Batteries
(67)F103010	Wholesale of Animal Feeds	(89)F216010	Retail Sale of Photographic Equipment
(68)F106010	Wholesale of Ironware	(90)F219010	Retail Sale of Electronic Materials
		(91)F301010	Department Stores
		(92)I301040	the third party payment
		(93)ZZ99999	All Business Items that Are not Prohibited or Restricted by Law, Except those that Are Subject to Special Approval.

V. Operation Highlights

B. Revenue Mix

- (a) Sales of computer software and hardware: 74%.
- (b) Services revenue and other operating revenue: 26%.

C. Main products and Services

SYSTEX's current products and services primarily include the following:

(a) Intelligent Finance:

SYSTEX entered the securities information service sector in 1989 and gained access to the international market through collaboration with Reuters in 2000. The company has extensive experience in constructing inter-regional/currency/product information and transaction platforms. SYSTEX has developed three core capabilities in "content, platform, and networks" and four major areas of expertise including quotation information, trading, operation, wealth and risk management (ITOM) to satisfy the comprehensive demands of financial clients and professional investors. The company's main business include investment and financial information in securities, futures, warrants, bonds, bills, and foreign exchange, and the product quotation and purchasing transaction systems. In recent years, the company has expanded to cloud-based financial services in overseas transactions, mobile and big data applications in the finance industry, investor community management, and other FinTech innovations.

(b) Intelligent Service:

Integrate competitive advantages of payment/mobile and financial/retail fields, focusing on developing "consumer market-oriented" products and services. Primary services include: E-commerce platform development, maintenance, and operations services, e-government and related mobile services, corporate mobile applications, mobile payment, banking and insurance information services, data processing and product discount advertisement applications, multi-payment billing, O2O customer guidance and electronic ticketing business/2C gifts/2B corporate gift services. The Company also provides high-value IT outsourcing services for enterprises and government agencies, including IT facilities maintenance and operations and network value-added services. We also provide large-scale customer service centers, high-end IDC and other diverse services.

(c) Data Technology Products and Services:

SYSTEX remains the best one-stop shop partner for corporate information systems, providing everything from the construction of information technology infrastructure to the planning, construction, operation, and management of application software systems. SYSTEX distributes world-class application software to provide corporate clients with customized and in-depth solutions, helping them achieve the goal of increasing profit, reducing costs, and analyzing and managing data. The Company also provides complete and comprehensive training materials such as professional information education training courses, online courses, and publications based on the customer's needs.

D. New Products Planned for Development

To provide customers with IT services and vertical solutions of the highest quality in the industry, SYSTEX continues to expand R&D resources and conduct new business strategic investment to achieve vertical integration and horizontal expansion in the industry and continue the momentum for innovation. SYSTEX's new products (services) under development and distribution are as follows:

- (a) AML, (Anti Money Laundering) Solution.
- (b) Marketing Technology Solutions of Martech.

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- (c) Investment calculation execution strategy model by AI
- (d) Smart Vending Machines / Self ordering machine / Self check-in machine.
- (e) MOC 2.0 Information Security Integrated Intelligent War Situation Service.
- (f) Human Error Insight System(H.E.I.S)
- (g) eDDA Online-banking Two-factor authentication.
- (h) Performance optimization on Securities and Futures Industry's cloud solutions and Insurance service.
- (i) Mobile financial adviser & Wealth Management System.
- (j) Platform for new banking terminal & financial service for financial industry

5.1.2 Industry Outlook

A. Industry Trends

According to the 2021 global corporate IT technology investment trend, companies' investments in 2021 will focus on information security, data analysis, or cloud service solutions. In addition, the trade wars, large-scale pandemic and health crises, and political and economical uncertainties in recent years have caused government agencies and private enterprises to face increasing severe information warfare, cybersecurity threats, and the need for digital transformation. IDC estimates that global investment in digital transformation (DX) will continue to grow, with the compound annual growth rate (CAGR) between 2020 and 2023 expected to reach 15.5%. New technological development and information application innovations in recent years are mainly concentrated on AI, mobile applications, big data, and social media. Continued innovations in consumer behavior and business models drive system upgrades and technology application market growth. For example, the IT service market in Taiwan is dominated by the demand for system integration services from large-scale enterprises and government agencies in the public sector. As major enterprises rush to develop their global markets, they must expand information software/hardware, update legal compliance protocols, and maintain existing systems. Information system solutions also require adjustment after the consolidation of corporate organizations. The market scale has also grown from NT\$206.5 billion in 2019 to the estimated NT\$240.4 billion in 2021, with the compound annual growth rate between 2015 and 2021 reaching 9.3%.

The COVID-19 pandemic affected the adaptability and digital capabilities of corporations around the world. In the face of the pandemic, the biggest concern of companies is how to maintain operations and generate profits while ensuring employees follow proper distancing guidelines. Therefore, Systex has put more focus on finance, public sectors, and important industries like technology, helping clients establish safer, more effective, and more flexible IT organization and operations to ensure the safety of companies' assets and protect them against the threat of hackers.

New information technologies are not only current global trends but also important items that lead the growth of Taiwan's information service industries. The survey conducted by the Institute for Information Industry (III) on Taiwan's top 101 corporations indicates that the top five most important new technologies for enterprises are virtual services, information security, mobile applications, big data storage, and cloud services. The focus of IT services shall also be on how to satisfy demands of corporate users under all conditions and environments. The transmission and implementation of information shall also be integrated in a more effective manner. The keys to projecting full IT power and accurately obtaining profits thus include the appropriate use of environmental awareness capabilities and omnipresent analytical skills. Therefore, the five major new economy issues including the cloud, social, mobile, analytics, and cybersecurity as well as various cloud, IoT, big data, mobile security, and corporate software applications are expected to form the main demand of companies in Taiwan.

In the software market in Taiwan, risk management, cloud computing, International Accounting

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Standards, and the Personal Information Protection Act have become the main factors in driving market growth in recent periods. Looking ahead, the development of cloud computing, big data, social media, and mobile applications shall continue to mature. As large-scale companies and the public sector become more willing to adopt these technologies, the market shall also continue to grow. The market scale is expected to grow from the NT\$84 billion in 2019 to NT\$89.4 billion in 2021, 2015 to 2021 an annual growth rate of approximately 6.9%. In addition, embedded software including software embedded in IoT devices, sensors, industrial automation equipment, and telecommunication equipment shall also grow due to the advancement of IoT applications. Set software for the general market including productivity software, gaming software, mobile apps, and video editing software that rely on mobile applications shall also maintain growth. Corporate solutions including application software, information security, database, and development tools shall also experience small-scale growth.

B. Industrial Market Analysis

(a) Intelligent Finance, Put in FinTech innovation:

SYSTEX will not only continue to provide investors with much needed international investment and wealth management systems, but also work with international finance IT operators to provide instantaneous information services across different markets and build a global transaction network to lower investors' investment cost for global transactions. Within the existing trend for FinTech, smart financial management, smart banking, and big data digital marketing will also become trends. Going forward, SYSTEX will continue to assist financial institutions in their digital transformation, integrating big data and analysis capabilities to construct comprehensive digital finance services, develop omni-channel, cross-channel, and cross-device services to create a consistent experience.

(b) Intelligent Service, Omni channel experience and Omni payment for smart retail:

Responding to AI being a prominent part of future market developments, SYSTEX will focus its retail market operation on electronic statements and mobile applications, including interactive electronic statements, video electronic statements, LBS discount information services, mobile payment, and mobile discount coupons. In addition, through cloud service models, SYSTEX will introduce mobile payment-centered mobile business to areas like the High Speed Rail, gas stations, parking lots, hypermarkets, supermarkets, restaurants, educational and entertainment facilities.

(c) Data Technology Products and Services:

IDC estimates that by the end of 2021, 47.8% of small-to-medium sized businesses in Taiwan will have undergone digital transformation. However, these corporations may run into challenges such as system compatibility, information security, capacity coordination, management distribution, and professional talent, so SYSTEX will use its crossover software capabilities and core technologies to help corporations undergo pain-free digital transformation. Also, Taiwan is expected to officially enter the 5G mobile network era in 2020. SYSTEX will take advantage of the 5G application market and launch 5G service-related network applications and software/hardware equipment services with its partners. SYSTEX will also focus on new types of business opportunities such as "corporate diagnosis," "structure design," and "system reorganization" driven by Industry 4.0, as well as the demand in information security driven by 5G, GDPR, and new information security regulations.

C. Relationships with suppliers in the industry's supply chain

SYSTEX plans software licensing options and provides services based on customer requirements and budget. The Company seeks to become a leading brand with the most industrial value in the knowledge economy in the progress of advancing digitalization for the finance, telecommunication, retail and logistics, manufacturing industry, and other customer groups with requirements. SYSTEX shall provide

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customers with services including system planning, software deployment, education, training, and technical support service. Upstream firms include: information software/hardware providers or distributors such as Microsoft, HP, Serena, BMC, SAP, and Oracle. Downstream firms consist mainly of the finance industry, telecommunication industry, e-commerce, retail and logistics industry, manufacturing, government authorities and schools etc.

D. Product trends and competition

Due to the changes in the structure of the industry, the overall political and economic environment, regulatory systems, the overall IT service market in Taiwan has been affected. As companies continue to relocate overseas and IT firms fail to provide differentiated products and services, the price competition in the industry has become increasingly severe. As certain IT firms retain limited technical capabilities and do not hold pricing advantages under the intense competition on the market, large-scale service providers with quality IT services gradually expanded the gap between them and the small and medium ones.

5.1.3 Research and Development

R & D Expenses for current year

Unit: NT\$ thousands

Item	Year
	2020
R & D Expenses	528,886

The Company's technologies and R&D consist mainly of integration of business applications and important results include: For more detail, please refer to page 69-70 of the Chinese annual report.

5.1.4 Long-term and Short-term Development

A. Intelligent Finance:

(a) Short-Term Development Plan

- (1) SYSTEX has launched the smart wealth management service tool, Line@Wealth Management Secretary and "Robo-Advisor ONE" chat bot wealth management consultant and it will target business development opportunities in related technology services for smart banking, smart wealth management, mobile insurance, and mobile payment.
- (2) SYSTEX shall continue the intensification of the depth of the information of the entire product line and enrich value added content to effectively segregate market competition. The Company shall actively work with enterprises from different sectors and foreign companies to provide high value added services.
- (3) SYSTEX shall integrate multiple financial information product and provide comprehensive transnational and inter-market one-stop service to satisfy customer demands in financial markets in China, Hong Kong, Taiwan, and foreign markets.
- (4) The Company shall continue to develop existing customers and uncover requirements for new types of businesses in order to assess whether to conduct independent R&D or import solutions from international brands.
- (5) SYSTEX shall strengthen the sales of financial cloud products, and develop information security and smart manufacturing related markets to continue to drive the growth rate of performance.

(b) Long-Term Development Plan

- (1) SYSTEX shall establish Account Sales teams to take charge of processing the demand of major corporate customers and gain full control of the customers' budgets.

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(2) SYSTEX shall construct comprehensive financial service systems to complete the construction of financial transaction networks in Greater China to achieve the three channels in financial transactions (commissions, matchmaking, and information exchange) through consolidated operations in the securities and futures as well as banking and insurance.

(3) Leverage our technological advantages and successful microservices experience and follow market trends to become finance and manufacturing industry customers' go-to for hybrid cloud services.

B. Intelligent Service:

(a) Short-Term Development Plan

(1) SYSTEX shall conduct training for professional businesses and technical personnel based on the key operations of each department while integrating the sales plans and professional technologies of related products.

(2) In terms of electronic billing integration and platform services, SYSTEX not only continued to secure existing customers, but also actively promoted our omnichannel smart billing management system Interact, developing cross-platform and multipath channels and integrating customers service, online banking, electronic billing systems, and other automated connections to strengthen precision marketing and establish a big data analysis marketing platform.

(3) SYSTEX shall increase the depth and breadth of segment marketing and use bank clients participation to facilitate closer integration of the brand, channels, and member companies with banks through SYSTEX's hks Promotions app communication platform.

(4) SYSTEX provides reservation services for various chain stores and credit card promotion information. In the future, the Company shall integrate mobile membership cards, restaurant reservation, mobile payment, and electronic invoices into a one-stop service.

(5) SYSTEX develops mobile payment tools to expand the use of mobile devices to electronic wallets or credit cards. The mobile tablets of sales representatives can be developed into points of sale (POS) and mobile applications developed for e-wallets allows customers to complete a purchase simply by scanning the barcode. Products can also be quickly delivered.

(b) Long-Term Development Plan

(1) SYSTEX focuses on the development of the cloud environment, Omni Channel, data integration, and added-value services in CRM software.

(2) Cultivate customers and adopt the SaaS model to create recurring revenue. Actively develop payment, retail, data processing, and finance/insurance solutions for O2O, consumer product development, mobile payment, consumer product distribution, and data management sectors.

(3) SYSTEX shall become a comprehensive service provider for printed and electronic statements and data processing for mobile services. It shall increase the integration of insurance policies and the color personalization, digitalization, and mobilization of statements.

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C. Data Technology Products and Services:

(a) Short-Term Development Plan

- (1) SYSTEX shall increase revenue and margins through the promotion of cloud and mobile products and solutions, distribution of new software, and enhancement of tier two products. Office 365, Microsoft Azure and Power Platform remain the backbone in sales and technical installation services of cloud-based total solutions.
- (2) SYSTEX shall consolidate partnerships with downstream distributors and system integrators and become their indispensable and high-quality business partner. The Company shall also build professional division of labor and a collaboration model of group sales through exchanges of market information, new technical advances, and updates on corporate users. In addition to providing information security services, the Company shall also assist companies in addressing information security risk management to achieve the goal of corporate sustainability.
- (3) SYSTEX provides over 400 comprehensive professional education, training, and international certification courses to meet different demands for enhancing professional skills in different stages. With the rising awareness in cybersecurity in recent years, SYSTEX has planned a series of comprehensive courses on cybersecurity to satisfy the demand for talented cybersecurity professionals.

(b) Long-Term Development Plan

- (1) Grasp the government ITO service business opportunities, focusing on various demand business opportunities including: software and hardware equipment replacement, account integration single sign-in service, equipment relocation service, computer room performance adjustment/co-construction service, maintenance contract and increase in amount.
- (2) SYSTEX shall construct IT application management procedures (SOP, SOW, and contract) and supplier certification system and assessment plans to increase the geographical scope of the services and enhance the installation and maintenance capabilities for large-scale system deployment projects as well as to increase the turnkey contracting capabilities for non-specialty projects and to effectively lower the cost and management risk of expansion.
- (3) In response to the rapid changes and transformation of the current business model, a new form of industry solution was introduced to expand market shares with comprehensive and professional services.
- (4) Through information security alliances and strategic manufacturer layouts, the Company sought after overseas information security business opportunities and actively provided the latest information on information security incidents and information security protection.

5.2 Market, Production and Sales Outlook

5.2.1 Market Analysis

A. Region Revenues

Area	Domestic	Overseas	Total
Sales percentage	80%	20%	100%

B. Future Market Supply and Demand and Future Growth

The following trends will have material impact in 2021:

- (a) The growth in the global IT service market continues to stabilize as cloud services and big data applications continue to take center stage. IoT and AI applications will become the momentum for the next wave of growth. The scale of the global IT service market is set to grow from US\$877.5 billion in 2017 to US\$1.22 trillion in 2020 with a compound annual growth rate (CAGR) of 4.6%. The

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"2021 Information Service Industry White Paper" focuses on more urgent challenges with tangible solutions, compiling 6 major action plans in hopes that Taiwan can advance technological, economic, and humanistic strategic goals with the software industry at its core, seize the next development opportunity, and create a brighter future.

According to IDC projections, by 2021, nearly 1/5 (18%) of companies in Taiwan will start establishing digital resilience. This percentage is even expected to reach 30% in the next 2 years. These resilient companies will strengthen investments into digital infrastructures, including establishing a cloud-centric container application deployment and management environment. As companies develop into future enterprises, most companies are expected to continue investing in digital technology. IDC projects that from 2020 to 2023, the overall market scale will reach US\$6.8 trillion.

- (b) In 2019, mobile payment was fully introduced to areas such as everyday bill payment, public transportation, tourism, campus life, and household consumerism. According to the "Mobile Payment Consumer Research" conducted by the Market Intelligence & Consulting Institute (MIC) in the second half of 2020, the mobile payment penetration rate in Taiwan has reached 60%, exceeding electronic ticketing for the first time. Use of mobile payment increased significantly in 6 main areas, including "supermarkets", "hypermarkets", and "online stores", as well as emerging areas such as "delivery platforms", "platform apps", and "bill payment", with the most substantial growth in delivery platforms. In the future, mobile payment will become a key platform in connecting other financial services. Through cross-industry collaborations, consumer demand will expand to financial services such as financial management, instant credit loans, and online insurance.
- (c) With the rise of microservice architecture, the IDC predicts that by 2022, 35% of the world's software services will be cloud-based software, and up to 90% of new software services will use microservice architecture.
- (d) After dedicated 5G network license applications opened in 2021, experimental applications will enter the commercial deployment stage.

C. Market Share

- (a) SYSTEX ranks first in Taiwan in quotation information services:
 - (1) The system is adopted by over 1,000 service outlets of securities firms and it has a market usage rate of over 90%.
 - (2) It is adopted by most professional futures firms in Taiwan and has a market share of over 95%.
 - (3) SYSTEX provides banks and firms with complete international financial information for securities, futures, warrants, bonds, bills, and exchange rates with a top market share.
 - (4) The Company also provides foreign futures firms with fully integrated information service systems for quotation, transactions, and accounts and it retains a market usage rate of over 90%.
 - (5) The market share of mobile financial information services has continued to increase, including vertical industry applications such as the financial industry, telecommunications, medical institutions, circulation, government agencies, and transportation. Many services have reached the first place in the app market.
- (b) The electronic securities/futures/options business transaction system developed by SYSTEX has been adopted by more than 30 financial institutions and remains the product with the highest market share in Taiwan.
- (c) Mobile financial information service-iWow integrates the sincere financial quotation system to create an Eco-system for mobile finance. In 2020, the "Intelligent Assistant Boer" will be launched to optimize real-time interactive functions and provide personalized financial investment data analysis

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and integration..

- (d) SYSTEX has 12 service centers across Taiwan and employs over 400 professional engineers and it is the largest IT service provider in Taiwan. SYSTEX also obtained tenders for land administration maintenance projects in 18 municipalities with a market share of 75%.
- (e) SYSTEX is the largest data processing and outsourced print service provider. Its market share is over 80% in telecommunication and over 60% in financial institutions and banks.
- (f) SYSTEX is the Microsoft Licensing Solution Provider (LSP) with the largest market share in Taiwan. Its market share in commercial software is between 10% and 50%.
- (g) SYSTEX's Knowledge Product Business Unit is the technical education and training center that offers the most authorized courses from international brands with over 400 comprehensive professional information education and training courses. SYSTEX is one of the few education and training centers with high-level and exclusive courses.
- (h) Our information security maintenance system M.O.C is currently providing information security services to the land administration bureaus of 18 cities and counties (out of 22 cities and counties in Taiwan), reaching an 82% market share.

D. Favorable Developments, Unfavorables Factors and Countermeasures

SYSTEX adopts project execution performance and customer satisfaction report mechanisms to ensure customer satisfaction. The Company also proposes improvement plans based on customer opinions to continue to provide better services with higher value for customers. In addition, the Company has actively adopted strategic investment, acquisition, mergers, and other external growth strategies to facilitate group operations.

SYSTEX provides competitive niches in the following products and services:

(a) Intelligent Finance:

(1) Favorable Developments

- ① Due to the rapid development of FinTech, demand for open bank, smart wealth management, big data applications, digital marketing platforms, and related technologies have increased by several folds.
- ② SYSTEX has actual experience of CRM with Taiwan securities and futures firms that can satisfy multiple customer requirements in China.
- ③ SYSTEX also collaborates with professional international finance and securities brokers to enhance the expansion of the transaction and information platform.
- ④ SYSTEX retains R&D teams with professional knowledge in technologies and finance.
- ⑤ SYSTEX provides transaction platforms for domestic and international open bank, securities, futures, warrants, bonds, bills, and foreign exchange as well as front/middle/back-end finance solutions.
- ⑥ SYSTEX has distributed renowned world-class software for long periods of time and has built a professional brand in the industry.

(2) Unfavorable Factors

- ① Taiwan's domestic market is reaching the point of saturation as market competition intensifies and product variation decreases.
- ② International brand awareness requires improvement.
- ③ There are numerous competitors in the international financial information market and most have finance-related backgrounds.
- ④ It is hard to cultivate technicians in basic banking AP development, causing a gap in human resources.

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(3) Countermeasures

① Continue to expand markets in China and Taiwan

SYSTEX shall target investment requirements of investors in four stock markets in China, Hong Kong, and Taiwan, gain real-time information in these markets, and provide comprehensive and a diversity of quotation product combinations.

② Enhance R&D and Strategic Transition

i. The Company shall comply with industry requirements and regulations in launching various financial products and information services in order to create differentiation to satisfy requirements of individual customers.

ii. In response to the coming of the internationalized product transaction era, SYSTEX shall focus on the development and applications of different product transaction platforms.

iii. SYSTEX has established the "Big Data R&D Division" to integrate big data analysis and interactive technologies and continue to advance various new tools and solutions.

iv. SYSTEX shall continue to provide finance and corporate service mobilization plans and services to expedite the digital transformation of financial institutions.

(b) Intelligent Service:

(1) Favorable Developments

① As the domestic catering distribution service industry develops, business opportunities will increase in stored value services and financial mobile payment.

② SYSTEX has completed the development of our new product, the omnichannel smart billing management system Interact. SYSTEX will gradually strengthen the integrity of the product's front and back-end functions, allowing for quickly and flexibly designed and generated customized communication documents to improve customer service experience.

③ SYSTEX was the first to introduce applications of smart robot development in different industries and we work with international AI developers to retain the lead in technology integration capabilities.

④ SYSTEX has had numerous successful cases in the development of customized software EC operation agency have established Best Practice principles that bring in more business opportunities.

⑤ Demands for outsourcing corporate information services will continue to climb and related software/hardware equipment installation and maintenance services will continue to grow.

(2) Unfavorable Factors

① Difficulties in growth volume of statement notification letters are mainly due to changes in regulations on shareholder services, increase in postage fees, environmental protection trends, and digital finance services.

② Principals' direct involvement in outsourced marketing services compress room for growth.

③ Competitors continue to lower prices for equipment maintenance in order to obtain market share, which has led to the reduction of gross margins.

(3) Countermeasures

① SYSTEX develops its own product, INTERACT, to provides differentiated added-value services. We integrated existing interactive electronic statements and mSense electronic statements to lower the impact of electronic statements on revenue. In addition, it has got into the market of examination and increased diversified operating income.

② SYSTEX employs AI technologies to develop different applications for different industries and provides new services and solutions.

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- ③ SYSTEX expands the customer base for maintenance contracts to increase chances for contracting. The Company shall also expand the sales of equipment to increase market share and increase the technical capabilities of maintenance staff to construct comprehensive solutions.

(c) Data Technology Products and Services:

(1) Favorable Developments

- ① SYSTEX is Taiwan's largest information service provider and it is financially sound. The Company has numerous successes in various industries. SYSTEX maintains excellent relations with international vendors and distributors. It also enjoys high brand recognition in the market and has become an important IT services supplier for customers.
- ② SYSTEX remains the best partner for corporate one-stop shopping from the construction of information technology infrastructure to the design of application software information systems and comprehensive services for construction and operations management. The Company distributes a wide range of products and our customers lead their respective industries in terms of overall economic scale.
- ③ SYSTEX has accumulated over decades of extensive experience in cybersecurity technologies and actual experience. It retains comprehensive solutions, multiple product combinations and technical support teams.
- ④ Due to the trade wars, large-scale pandemic and health crises, and political and economical uncertainties in recent years, the global market has continued to pay attention to information security and digital transformation issues.
- ⑤ SYSTEX has comprehensive smart manufacturing solutions from equipment networking, intelligence gathering, smart dynamic scheduling, AI defect detection, to big data manufacturing optimization. Combined with our internal information security capabilities and group resources such as our cloud capabilities, SYSTEX can satisfy customer's every need and set ourselves apart from other SIs.
- ⑥ Software rental and the flexible planning of cloud green data centers have become more and more common.

(2) Unfavorable Factors

- ① The market in Taiwan is saturated and the intense price competition in the industry lowers profits.
- ② The recent global economic downturn has continued to shrink the domestic IT service market as customers' budgets decreased and it became increasingly difficult to sustain growth.
- ③ The IT budget accounts for a low proportion of total national budget. It is lower than international standards and mostly used on hardware. Political uncertainties in recent years have led to delays and cuts in budget.
- ④ Principals direct involvement in outsourced marketing services compress room for growth.
- ⑤ The variation in the features of cybersecurity products and solutions is gradually declining and it leads to lower profit margins. Due to the variation in customers' business models, the introduction of solutions requires high levels of customization that extends the time required for project introduction.
- ⑥ Due to the COVID-19 pandemic, the number of variables in the social, political, and economic environment have increased dramatically. Although relevant issues are being discussed, they are still affected by the overall economy. Customers have smaller budgets, which makes business growth difficult.

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(3) Countermeasures

- ① SYSTEX shall introduce related products of original manufacturers for service integration and improving competitive advantages to provide more comprehensive solutions and technology integration.
- ② By strengthening the integrity of the product line, the group of lecturers, and the service process, SYSTEX is able to deepen customer relations, create team value, and raise competitive standards.
- ③ SYSTEX actively seeks alliances with competitors to quickly expand markets through integration in professional sectors.
- ④ Strengthen technician team training and technology shift to provide stable tech support.
- ⑤ Focus on providing integrated services. Integrate information security products that customers are already using so that they can focus on managing information services.
- ⑥ Gain an in-depth understanding of the semiconductor supply chain and enter the high-tech industry, making SYSTEX a leader in new technology testing.
- ⑦ Continue to improve software development technologies, quality, and capability to reduce software development and maintenance costs and improve overall quality and services. Inform customers of labor costs derived from information security at appropriate times and increase the government's software outsourcing budget after obtaining customers' approval.

5.2.2 Key Product Applications and Manufacturing Processes:

Please refer to pages 75 of the Chinese annual report.

5.2.3 Supply of Essential Raw Materials: N/A

5.2.4 Key Suppliers and Customers in 2020 & 2019:

A. Key Customers: There are not any customers for more than 10% of the total sales in 2020 & 2019.

B. Key Suppliers:

Unit: NT\$ thousands

Supplier	Year	2019			2020		
		Amount	Percentage of Total Purchase (%)	Relationship with Issuer	Amount	Percentage of Total Purchase (%)	Relationship with Issuer
Company A		4,786,419	34	None	5,536,883	37	None
Others		9,381,545	66		9,578,351	63	
Total		14,167,964	100		15,115,234	100	

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5.2.5 Production in 2020 & 2019: SYSTEX is the Information Service Company, it's not applicable.

5.2.6 Shipments and Revenue in 2020 & 2019

Unit: NT\$ thousands

Item \ Year	2019		2020	
	Domestic	Overseas	Domestic	Overseas
Net sales	12,010,486	4,361,048	14,153,374	3,356,267
Service revenue	4,559,959	1,059,970	4,825,393	1,337,008
Other operating revenue	58,461	1,099	61,660	1,388
Total	22,051,023		23,735,090	

5.3 Human Resources

Year		2019	2020
Number of Employees	Sales & Marketing	543	582
	Technician	1,359	1,776
	Programmer	1,158	873
	Administration	397	608
	Total	3,457	3,839
Average Age		38	38
Average Years of Service		7.4	7.3
Education	Ph.D.	0.09%	0.09%
	Master	11.57%	11.64%
	University & College	81.31%	80.80%
	High School	6.65%	7.03%
	Below High School	0.38%	0.44%

5.4 Information on Environmental Protection Costs

The Company's main businesses include information services, sales and other services of computer software, hardware, and related equipments. SYSTEX does not own a factory and therefore does not pollute the environment. Although SYSTEX is not part of energy-intensive industries with higher greenhouse gas emissions, it still makes the effort to reduce greenhouse gas emissions and conserve energy. The Company established eco-friendly policies, with measures like energy efficiency and carbon reduction, green purchasing, buying and renting energy-efficient or power-efficient products from makers with Green Mark certification to reduce stress on the environment. The Company also changes or improves energy inefficient equipment and promotes energy conservation every year.

5.5 Labor Relations

Harmonious employee and management relations are the foundations of corporate development. The Company's employee and management relations throughout the years have always been harmonious and stable as well as conducive to mutual prosperity. The Company dedicates itself to improving employee benefits, salary standard,

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and work environment and to maintain open communication channels between staff and management. The hard work of all employees and their demonstration of personal talents allow employees and the Company to grow together and create a better future together.

The Company processes various recommendations from employees in an appropriate manner to create constructive consensus and facilitate cooperation between staff and management. The Company therefore has no employee and management disputes.

The Company's employee benefits for studying, training, the pension system and its implementation status as well as labor agreements and employee rights maintenance measures are as follows:

5.5.1 Welfare measures for employees

- A. The Company has established an Employee Welfare Committee in accordance with regulations to organize dinner parties, tours, clubs, and other activities to improve the work environment and quality of life. In addition, the Company also provides various benefits for employees' work, health, and family life:
- (a) The Company provides a more favorable leave program than the Labor Standards Act.
 - (b) The Company has established badminton courts, a gym, shower rooms, and nursing room and appointed professional massage therapists to provide employees with free massage services.
 - (c) The Company provides regular health exams for employees.
 - (d) The Company provides laundry and delivery services at discount prices.
 - (e) The Company has constructed parking lots for use by all employees after filing applications.
 - (f) The Company encourages employees to establish clubs and subsidizes club funding.
 - (g) Employees enjoy promotional prices for products of the Group.
 - (h) The Company organizes employee events and tours from time to time to enrich employees' leisure life and promote friendship.
 - (i) Organize employee activities, travel itineraries and various lectures from time to time to enrich colleagues' leisure life and enhance interaction.
 - (j) In addition to the legally required labor and health insurance, the Company also provides employees with group insurance. The group insurance is paid for by the Company and employees' family members can also pay for additional coverage.
 - (k) Cooperated with a qualified child care service agency for child care services.
 - (l) In addition to the wedding and funeral subsidies for colleagues, the company also provides congratulatory gifts on employees' birthdays, marriages, births and other important holidays.

5.5.2 Training and Career Development

A total of 5,020 employees participated in the physical training courses (excluding digital learning courses) hosted by SYSTEX in 2020 and the total training time exceeded 51,700 hours and a total of 3,470 employees participated in the digital learning courses hosted by SYSTEX in 2020 and the total training time exceeded 13,004.5 hours. In addition, there were 612 instances of employee participation external professional training courses which accounted for a total of 10,960 training hours.

SYSTEX values talent cultivation and the advancement of employee expertise. We firmly believe that employees are the Company's most important assets, and we have made systematic plans and provided employees with education development plans to advance both their professional technical skills and career development. Employees can participate in external training and obtain professional licenses. The Company has also developed comprehensive internal training courses based on the Company's organizational strategies and employees' personal development needs, providing diverse courses such as newcomer training, leadership and management, technical development, marketing and sales, personal performance, key talent cultivation, as well as expert lectures, and the Intern School.

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In addition, the Company has also established comprehensive "Employee Training Development Management Regulations" to encourage employees to participate in a variety of studies and courses for which the Company provides subsidies. At the same time, the training and development are incorporated into the performance management system to motivate employees to maximize their performance to accomplish the Company's goals.

Internal training courses provided by SYSYEX include:

- A. Newcomer Training Program: To help each new employee familiarize themselves with the environment and understand the Company's principles and culture, SYSTEX designed a mix of physical and digital courses centered the needs of new employees, effectively helping new employees establish a positive work attitude and strive for excellence. The program allows new employees to interact with high-level executives to better their understanding of SYSTEX's corporate culture, and includes a special introduction to the Solution Center to help new employees better understand the Company's products and services. Dedicated person to introduce CSR activities and encourage employees to participate in volunteer services. The program also educates new employees on occupational health and safety to instill proper occupational health and safety concepts.
- B. Leadership Management Program: To enhance the management skills of supervisors, the Company has designed management development training courses for different levels of managers in order to increase the leadership and management skills of supervisors and ensure the effective performance of the organization. The Company opened a mentoring technique course to improve the abilities of senior employees and managers to mentor new employees and develop the right attitude towards mentoring new employees. It is hoped that such a program can help senior employees pass down techniques and allow new employees to settle into their new position and environment quicker.
- C. Technical Development Course: The program focuses on core capabilities such as software development and project management. With the best practical experience accumulated over the years, the Company has established ten major technology research task forces to continue the introduction of new technologies and organized technical research camps to systematically cultivate talented technical personnel. Such items ensure the continued betterment of software development and project management capabilities.
- D. Marketing and Sales Program: The key to successful sales has shifted from product- to customer-orientation. The Company arranged a series of sales training courses, covering everything from making the first contact, understanding customer needs, providing comprehensive solutions, to the final sale, including utilizing effective questioning techniques to determine what the customer truly needs. The program trains employees in consultative selling techniques, helping them play the role of product expert consultant to persuade customers to place an order.
- E. Personal Performance Program: To help SYSTEX employees increase efficiency at work and implement organization talent strategies for high performance and high contribution, the Company has arranged diverse personal performance courses.
- F. Key Talent Cultivation: Conduct annual inventory and cultivation planning of key positions and talents according to organizational strategy and needs for reserved talents, as well as human recourse strategies for high performance and contribution.
- H. Expert lectures: Invite industry experts to share best practices. The content focuses on trend issues, technology applications, etc., allowing supervisors and colleagues to gain more practical experience through expert lectures, so as to practice the win-win concept of achieving customer value and improving business performance.
- G. Intern School: Provide summer and long-term internship programs, allowing students to experience the

V. Operation Highlights

workplace early and get to know SYSTEX through internship opportunities. SYSTEX even offers the chance for long-term interns to become full-time employees.

In addition to physical courses, SYSTEX also established a comprehensive Learning Management System to assist employees in developing core expertise quickly through an automated information system. The Company also uses digital technologies such as Facebook Live Stream, Webex, and Zoom video conference to allow employees to enhance their capabilities outside the constraints of space and time.

5.5.3 Retirement System

The Company's retirement regulations are implemented in accordance with regulations of the Labor Standards Act and Labor Pension Act.

A. Labor Standards Act (old system):

- (a) The Company has established the Supervisory Committee of the Labor Retirement Reserve in accordance with regulations. The labor retirement reserve fund is appropriated each month in accordance with the "Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds" to the Committee's dedicated account at the Bank of Taiwan.
- (b) Employee retirement application: Where the employee attains the age of fifty-five and has worked for fifteen years, where the employee has worked for more than twenty-five years, or where the employee attains the age of sixty and has worked for ten years, the employee may apply for voluntary retirement.
- (c) Employee pension payment: The monthly average salary of the employee authorized for retirement shall be adopted as the standards for calculating employee pension base unit. Two base units are given for every full year of service. Those having served over 15 years are given one base unit for each full year of service and the total number of base units shall be no more than 45. Length of service is calculated as half year when it is less than six months; Length of service is calculated as one year when it is more than six months. However, employees who face mandatory retirement due to the performance of duties specified in Article 54 of the Labor Standards Act shall receive an additional 20% for their pension in accordance with the requirement.

B. Labor Pension Act (new system): The Company appropriates 6% of the employee's salary to the dedicated personal pension account established by the Bureau of Labor Insurance in accordance with the "Monthly Contribution Wages Classification of Labor Pension".

5.5.4 Working Environment and Protective Measures for Employees' Personal Safety

The Company has established a employee safety and health management agency and the Employee Safety and Health Committee in accordance with the "Regulations on the Management of Labor Safety and Health Organization." Meetings are convened each quarter to implement affairs related labor safety and health. The Company implements access management for the security of the building. It established a central surveillance system staffed by 7X24-X 365 security personnel. The Company conducts fire safety exercises every six months and annual "fire safety equipment inspection and reports" in accordance with fire safety regulations to improve employees' familiarity with fire safety. The Company established a "Fire Safety Protection Plan" and designated fire-safety managers to implement fire safety education. The Company files building safety inspection reports to ensure the safety of the building and obtains the "Taipei City Building Public Safety Autonomous Management Inspection Qualification Label" each year to ensure the safety of the building. The Company also regularly cleans the drinking water storage facility, conducts environmental disinfection operations, and inspects drinking fountains each month. The Company has appointed physicians to carry out health services at the Company every two months to provide employees with health consultation in accordance with the "Labor Health Protection Act", and provide employee health consultation and workplace evaluation to prevent occupational hazards. The Company has also built a

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friendly work environment and constructed breastfeeding rooms in accordance with regulations of the Health Promotion Administration. We also obtained the "Taipei City Government High Quality Breastfeeding Room Certification" (duration: September 1, 2017 to August 31, 2021). The Company has set up gym facilities and badminton courts for employees to provide them with venues for leisure and sports. The Company has also established wheelchair accessible facilities at the entrance of the building and lavatories. SYSTEX passed the "Accredited Healthy Workplace" inspection by the Health Promotion Administration for a smoke-free workplace and provides employees with a healthy work environment.

5.5.5 Employee Code of Conduct

The Company has established the "Employee Code of Conduct" as the standard to be followed by the Company's employees when conducting business activities. The main contents include:

- A. Legal requirements and the Company's internal regulations shall be strictly implemented when conducting business activities in order to protect employees and the Company from legal penalties or prosecution by stakeholders.
- B. Protect the Company's reputation and assets.
- C. The Company's assets and information shall only be used to achieve the Company's goals and they shall be properly used, protected, and stored.
- D. Employees may not conduct activities that conflict with the interests of the Company.
- E. Applicable procedures and punishment measures in the event of violations.

Each new employee shall be required to attend an online learning course on "Employee Code of Conduct" after entering the Company. The course shall be announced on the Company's internal website. In addition, SYSTEX shall issue regular email notifications and education each month to request compliance by supervisors and remind colleagues to read and sign so that all employees shall adhere and implement related regulations.

5.6 Material Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Reseller Agreement	Oracle Taiwan LLC, Taiwan Branch	2020.09.01-2021.08.31	Software proxy	None
Reseller Agreement	Microsoft Regional Sales Corporation	2020.09.01-2021.08.31	Software proxy	None
Reseller Agreement	Dell B.V., Taiwan Branch (Netherlands)	2020.11.14-2021.11.13	Product distribution	None

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6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet and Condensed Statement of Comprehensive Income

A. Consolidated Condensed Balance Sheet

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years(Note 1)				
		2016	2017	2018	2019	2020
Current assets		14,470,521	14,821,057	14,062,166	14,582,968	15,626,468
Property, plant and equipment (Note2)		2,009,673	1,940,525	1,913,330	1,929,649	2,098,607
Intangible assets		112,751	51,368	116,074	86,279	131,440
Other non-current assets (Note2)		2,489,683	2,551,220	3,887,893	4,987,658	4,172,657
Total assets		19,082,628	19,364,170	19,979,463	21,586,554	22,029,235
Current liabilities	Before distribution	6,064,585	6,766,494	6,492,370	7,472,992	7,842,987
	After distribution	7,411,551	8,113,461	7,839,337	8,819,959	-
Non-current liabilities		258,848	275,520	292,142	631,429	536,801
Total liabilities	Before distribution	6,323,433	7,042,014	6,784,512	8,104,421	8,379,788
	After distribution	7,670,399	8,388,980	8,131,479	9,451,388	-
Equity attributable to owners of the corporation		12,728,192	12,270,356	13,125,761	13,392,643	13,509,123
Share capital		2,693,933	2,693,933	2,693,933	2,693,933	2,693,933
Capital surplus	Before distribution	7,634,980	7,363,072	6,729,035	6,407,221	6,493,756
	After distribution	7,230,890	6,689,589	6,405,763	6,407,221	-
Retained earnings	Before distribution	3,467,402	3,670,307	5,090,264	5,799,398	6,018,588
	After distribution	2,524,525	2,996,824	4,066,569	4,452,431	-
Other equity		(64,494)	(453,327)	(383,842)	(579,466)	(768,711)
Treasury share		(1,003,629)	(1,003,629)	(1,003,629)	(928,443)	(928,443)
Non-controlling interests		31,003	51,800	69,190	89,490	140,324
Total equity	Before distribution	12,759,195	12,322,156	13,194,951	13,482,133	13,649,447
	After distribution	11,412,229	10,975,189	11,847,984	12,135,166	-

Note 1: The financial information of the preceding years has been audited by the CPA.

Note 2: No reevaluation of assets has been conducted throughout the years.

Note 3: The earning distribution of 2020 by cash is to be approved by the Board of Directors meeting on April 14, 2021.

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B. Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2016	2017	2018	2019	2020
Operating revenues	16,210,380	16,874,279	19,515,989	22,051,023	23,735,090
Gross profit	4,332,060	4,533,728	5,034,211	5,549,292	5,801,798
Profit from operations	279,268	539,126	687,722	607,017	924,873
Non-operating income and expenses	966,592	761,034	553,505	1,596,490	926,306
Income before tax	1,245,860	1,300,160	1,241,227	2,203,507	1,851,179
Net income	1,090,328	1,173,118	1,050,172	1,811,303	1,675,722
Other comprehensive income (loss) (income after tax)	(215,734)	(420,912)	37,855	(247,574)	(289,223)
Total comprehensive income	874,594	752,206	1,088,027	1,563,729	1,386,499
Net income attributable to owners of the corporation	1,108,268	1,177,749	1,051,418	1,808,042	1,666,345
Net income attributable to non-controlling interests	(17,940)	(4,631)	(1,246)	3,261	9,377
Comprehensive income attributable to owners of the corporation	892,819	756,949	1,089,408	1,560,779	1,376,995
Comprehensive income attributable to non-controlling interests	(18,225)	(4,743)	(1,381)	2,950	9,504
Earnings per share (Note 2)	4.50	4.79	4.27	7.31	6.72

Note 1: The financial information of the preceding years has been audited by the CPA.

Note 2: Calculated by the weighted average number of shares in external circulation.

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6.1.2 Unconsolidated Balance Sheet and Condensed Statement of Comprehensive Income

A. Unconsolidated Condensed Balance Sheet

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		3,333,550	2,987,226	2,930,051	3,348,530	3,197,551
Funds and Investments		9,717,916	10,200,776	11,023,444	10,865,798	11,356,226
Property, plant and equipment (Note 2)		1,658,175	1,640,402	1,620,945	1,611,371	1,636,293
Intangible assets		54,271	45,578	30,303	19,744	28,203
Other non-current assets (Note 2)		203,177	147,095	138,069	385,287	337,861
Total assets		14,967,089	15,021,077	15,742,812	16,230,730	16,556,134
Current liabilities	Before distribution	1,940,356	2,457,203	2,354,731	2,433,959	2,719,301
	After distribution	3,287,323	3,804,169	3,701,698	3,780,926	-
Non-current liabilities		298,541	293,518	262,320	404,128	327,710
Total liabilities	Before distribution	2,238,897	2,750,721	2,617,051	2,838,087	3,047,011
	After distribution	3,585,864	4,097,687	3,964,018	4,185,054	-
Equity attributable to owners of the corporation		12,728,192	12,270,356	13,125,761	13,392,643	13,509,123
Share capital		2,693,933	2,693,933	2,693,933	2,693,933	2,693,933
Capital surplus	Before distribution	7,634,980	7,363,072	6,729,035	6,407,221	6,493,756
	After distribution	7,230,890	6,689,589	6,405,763	6,407,221	-
Retained earnings	Before distribution	3,467,402	3,670,307	5,090,264	5,799,398	6,018,588
	After distribution	2,524,525	2,996,824	4,066,569	4,452,431	-
Other equity interests		(64,494)	(453,327)	(383,842)	(579,466)	(768,711)
Treasury shares		(1,003,629)	(1,003,629)	(1,003,629)	(928,443)	(928,443)
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	12,728,192	12,270,356	13,125,761	13,392,643	13,509,123
	After distribution	11,381,225	10,923,288	11,778,794	12,045,676	-

Note 1: The financial information of the preceding years has been audited by the CPA.

Note 2: No reevaluation of assets has been conducted throughout the years.

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B. Unconsolidated Condensed Statement of Comprehensive Income

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2016	2017	2018	2019	2020
Operating revenues	5,733,038	5,900,195	6,353,272	6,569,020	7,017,537
Gross profit	1,912,678	2,078,811	2,246,610	2,294,466	2,396,201
Profit from operations	92,889	143,184	158,100	39,438	98,491
Non-operating income and expenses	985,716	1,047,104	920,362	1,825,186	1,587,472
Income before tax	1,078,605	1,190,288	1,078,462	1,864,624	1,685,963
Net income	1,108,268	1,177,749	1,051,418	1,808,042	1,666,345
Other comprehensive income (loss) (income after tax)	(215,449)	(420,800)	37,990	(247,263)	(289,350)
Total comprehensive income	892,819	756,949	1,089,408	1,560,779	1,376,995
Net income attributable to owners of the corporation	1,108,268	1,177,749	1,051,418	1,808,042	1,666,345
Net income attributable to non-controlling interests	-	-	-	-	-
Comprehensive income attributable to owners of the corporation	892,819	756,949	1,089,408	1,560,779	1,376,995
Comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share (Note 2)	4.50	4.79	4.27	7.31	6.72

Note 1: The financial information of the preceding years has been audited by the CPA.

Note 2: Calculated by the weighted average number of shares in external circulation.

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6.1.3 Auditors' Opinions from 2016 to 2020

Year \ Item	Accounting Firm & CPA	Audit Opinion
2016	Deloitte & Touche Accounting Firm Lin, Shu-Wan; Shue, Shiow-Ming	Unmodified report with other matter paragraph
2017	Deloitte & Touche Accounting Firm Lin, Shu-Wan; Shue, Shiow-Ming	Unmodified report with other matter paragraph
2018	Deloitte & Touche Accounting Firm Lin, Shu-Wan; Shue, Shiow-Ming	Unmodified report
2019	Deloitte & Touche Accounting Firm Lin, Shu-Wan; Kuo, Cheng-Hung	Unmodified report with other matter paragraph
2020	Deloitte & Touche Accounting Firm Lin, Shu-Wan; Kuo, Cheng-Hung	Unmodified report with other matter paragraph

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6.2 Five-Year Financial Analysis

6.2.1 Financial Analysis – Based on IFRS (Consolidated)

Item		Year	Financial Analysis for the Last Five Years (Note 1)				
			2016	2017	2018	2019	2020
Financial structure	Debt Ratio (%)		33.14	36.37	33.96	37.54	38.04
	Ratio of long-term capital to property, plant and equipment (%)		647.77	649.19	704.90	731.41	675.96
Solvency	Current ratio (%)		238.61	219.04	216.60	195.14	199.24
	Quick ratio (%)		184.63	163.66	157.63	142.18	143.10
	Times Interest earned ratio (times)		51.19	41.18	41.68	66.78	59.09
Operating performance	Average collection turnover (times)		4.70	5.07	5.59	5.90	6.27
	Average collection period (days)		78	72	65	62	58
	Average inventory turnover (times)		4.89	4.20	4.58	5.07	5.25
	Accounts payable turnover (times)		4.10	4.08	4.60	4.70	4.80
	Average days in sales		75	87	80	72	69
	Property, plant and equipment turnover (times)		7.91	8.54	10.13	11.48	11.78
	Total assets turnover (times)		0.86	0.88	0.99	1.06	1.09
Profitability	Return on total assets (%)		5.89	6.24	5.47	8.84	7.80
	Return on equity (%)		8.41	9.35	8.23	13.58	12.35
	Profit before tax to capital (%) (Note 4)		46.25	48.26	46.07	81.80	68.72
	Profit to sales (%)		6.73	6.95	5.38	8.21	7.06
	Earnings per share (NT\$) (Note 2)		4.50	4.79	4.27	7.31	6.72
Cash flow	Cash flow ratio (%)		24.64	3.25	8.56	18.67	14.09
	Cash flow adequacy ratio (%)		67.63	50.89	51.06	57.33	56.69
	Cash flow reinvestment ratio (%)		1.97	(7.73)	(4.85)	1.09	(0.94)
Leverage	Operating leverage		15.77	8.53	7.38	9.32	6.39
	Financial leverage		1.10	1.06	1.05	1.06	1.04
<p>Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)</p> <p>1. Cash flow ratio decreased 25% and Cash flow reinvestment ratio decreased 186%: Because of Net cash generated from operating activities decreased.</p> <p>2. Operating leverage decreased 31%: Because of net income increased.</p>							

Note 1: The financial information of the preceding years has been audited by the CPA.

Note 2: Calculated by the weighted average number of shares in external circulation.

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6.2.2 Financial Analysis (Unconsolidated)

Items		Year	Financial Analysis for the Last Five Years (Note 1)				
			2016	2017	2018	2019	2020
Financial structure	Debt Ratio (%)		14.96	18.31	16.62	17.49	18.40
	Ratio of long-term capital to property, plant and equipment (%)		785.61	765.90	825.94	856.21	845.62
Solvency	Current ratio (%)		171.80	121.57	124.43	137.58	117.59
	Quick ratio (%)		115.08	74.25	76.11	83.08	68.39
	Times interest earned ratio (times)		672	312	370	339	445
Operating performance	Average collection turnover (times)		5.69	5.85	5.89	6.12	6.54
	Average collection period (days)		64	62	62	60	56
	Average inventory turnover (times)		4.88	4.23	4.57	4.26	4.51
	Accounts payable turnover (times)		3.91	3.92	4.30	4.16	4.34
	Average days in sales		75	86	80	86	81
	Property, plant and equipment turnover (times)		3.41	3.58	3.90	4.06	4.32
	Total assets turnover (times)		0.38	0.39	0.41	0.41	0.43
Profitability	Return on total assets (%)		7.37	7.88	6.85	11.34	10.18
	Return on equity (%)		8.58	9.42	8.28	13.64	12.39
	Profit before tax to capital (%)		40.04	44.18	40.03	69.22	62.58
	Profit to sales (%)		19.33	19.96	16.55	27.52	23.75
	Earnings per share (NT\$) (Note 2)		4.50	4.79	4.27	7.31	6.72
Cash flow	Cash flow ratio (%)		26.38	16.67	15.32	3.04	37.37
	Cash flow adequacy ratio (%)		42.69	28.19	30.83	24.52	31.51
	Cash flow reinvestment ratio (%)		[6.26]	[7.22]	[7.13]	[9.08]	[2.34]
Leverage	Operating leverage		21.03	14.72	14.39	63.28	25.25
	Financial leverage		1.02	1.03	1.02	1.16	1.04
<p>Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)</p> <p>1. Times Interest earned ratio increased 31%: Because of Income before tax increased.</p> <p>2. Cash flow ratio increased 1130%, Cash flow adequacy ratio increased 29% and Cash flow reinvestment ratio increased 74%: Because of Net cash generated from operating activities decreased.</p> <p>3. Operating leverage decreased 58%: Because of profit from operations increased.</p>							

Note 1: The financial information of the preceding years has been audited by the CPA.

Note 2: Calculated by the weighted average number of shares in external circulation.

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6.3 Audit Committee's Report

Audit Committee's Review Report

The Board of Directors has prepared and submitted the 2020 business report and financial statements, of which the financial statements have been audited by Deloitte. These have been reviewed by the Audit Committee as correctly portraying SYSTEX's business activities. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219, 228 of the Company Act, this report is submitted for your examination.

Systemex Corporation
Audit Committee Convener:

Huang, Jih-Tsan

March 16, 2021

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Audit Committee's Review Report

The Board of Directors has prepared and submitted the earnings distribution proposal of 2020. That have been reviewed by the Audit Committee as correctly portraying SYSTEX's business activities. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219, 228 of the Company Act, this report is submitted for your examination.

System Corporation

Audit Committee Convener:

Huang, Jih-Tsan

April 14, 2021

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

Systemx Corporation and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Systex Corporation

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Valuation of Receivables

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

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

1. We obtained the reports of impairment of receivables and assessed the reasonableness of the expected credit loss model and data used in the reports.
2. We tested the aging schedule of receivables and reviewed the calculation of expected credit loss to confirm the accuracy of the expected credit loss recognized on receivables.
3. We tested the recoverability of receivables by analyzing overdue accounts and verifying cash receipts in the subsequent period. For a receivable that was past due but not yet received, we assessed the reasonableness of the expected credit loss based on the customer's payment history, customer credit control and tracking of overdue receivables.

Other Matter

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 15, 2021

Notice to Readers

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

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

SYSTEX CORPORATION AND SUBSIDIARIES

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

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

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

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

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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

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

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

(Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation (Notes 4 and 19)										Non-controlling Interests (Note 19)	Total Equity
	Retained Earnings					Other Equity						
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total		
BALANCE AT JANUARY 1, 2019	\$ 2,693,933	\$ 6,729,035	\$ 1,014,689	\$ 453,327	\$ 3,622,248	\$ 5,990,264	\$ (407,326)	\$ 23,484	\$ (1,003,629)	\$ 13,123,761	\$ 69,190	\$ 13,194,951
Appropriation of 2018 earnings	-	-	105,142	-	(105,142)	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	(1,023,695)	(1,023,695)	-	-	-	-	-	(1,023,695)
Cash dividends - NT\$3.8 per share	-	-	-	(69,485)	69,485	-	-	-	-	-	-	-
Special reserve reversed	-	-	-	-	-	-	-	-	-	-	-	-
Change in capital surplus and unappropriated earnings from investments in associates accounted for using equity method	-	(24,447)	-	-	(23,574)	(23,574)	-	-	-	(48,021)	-	(48,021)
Distribution in cash of the capital surplus - NT\$1.2 per share	-	(323,272)	-	-	-	-	-	-	-	(323,272)	-	(323,272)
Net income for 2019	-	-	-	-	1,808,042	1,808,042	-	-	-	1,808,042	3,261	1,811,303
Other comprehensive income (loss) for 2019	-	-	-	-	(41,584)	(41,584)	(28,582)	(177,097)	-	(247,263)	(311)	(247,574)
Total comprehensive income (loss) for 2019	-	-	-	-	1,766,458	1,766,458	(28,582)	(177,097)	-	1,560,779	2,950	1,563,729
Disposal of the Corporation's share by subsidiaries regarded as treasury share transaction	-	66,274	-	-	-	-	-	-	75,186	141,460	-	141,460
Cash dividends received by subsidiaries from the Corporation	-	107,049	-	-	-	-	-	-	-	107,049	-	107,049
Disposal of investments accounted for using equity method	-	(147,418)	-	-	-	-	-	-	-	(147,418)	-	(147,418)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(10,055)	(10,055)	-	10,055	-	-	-	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	17,350	17,350
BALANCE AT DECEMBER 31, 2019	2,693,933	6,407,221	1,119,831	383,842	4,295,725	5,795,398	(435,908)	(143,558)	(928,443)	13,392,643	89,490	13,482,133
Appropriation of 2019 earnings	-	-	180,803	-	(180,803)	-	-	-	-	-	-	-
Legal reserve	-	-	-	195,624	(195,624)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(1,346,967)	(1,346,967)	-	-	-	-	-	(1,346,967)
Cash dividends - NT\$5 per share	-	-	-	-	-	-	-	-	-	-	-	-
Change in capital surplus and unappropriated earnings from investments in associates accounted for using equity method	-	(20,705)	-	-	(83)	(83)	-	-	-	(20,788)	-	(20,788)
Net income (loss) for 2020	-	-	-	-	1,666,345	1,666,345	-	-	-	1,666,345	9,377	1,675,722
Other comprehensive income (loss) for 2020	-	-	-	-	(27,396)	(27,396)	(145,577)	(116,377)	-	(289,350)	127	(289,223)
Total comprehensive income (loss) for 2020	-	-	-	-	1,638,949	1,638,949	(145,577)	(116,377)	-	1,376,925	9,504	1,386,429
Cash dividends received by subsidiaries from the Corporation	-	107,049	-	-	-	-	-	-	-	107,049	-	107,049
Disposal of investments accounted for using equity method	-	152	-	-	8,255	8,255	-	(8,255)	-	152	-	152
Differences between equity purchase price and carrying amount arising from actual acquisition of subsidiaries	-	39	-	-	-	39	-	-	-	39	(2,055)	(2,016)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	43,385	43,385
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(80,964)	(80,964)	-	80,964	-	-	-	-
BALANCE AT DECEMBER 31, 2020	\$ 2,693,933	\$ 6,493,756	\$ 1,300,634	\$ 579,466	\$ 4,138,488	\$ 6,018,588	\$ (581,485)	\$ (187,226)	\$ (928,443)	\$ 13,509,123	\$ 140,324	\$ 13,649,447

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 15, 2021)

SYSTEX CORPORATION AND SUBSIDIARIES

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

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

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

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

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

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

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

(Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

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

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2021

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 2) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of consolidation

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

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

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

e. Business combinations

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

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

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

f. Foreign currencies

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

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

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

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

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

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

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

g. Inventories

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

h. Investment in associates

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

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

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

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

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

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

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

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

i. Property, plant and equipment

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

Freehold land is not depreciated.

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

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

j. Non-current assets held for sale

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

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

k. Goodwill

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

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

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

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

l. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

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

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

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

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

n. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

o. Revenue recognition

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

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

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

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

p. Leases

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

1) The Group as lessor

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

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

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

2) The Group as lessee

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

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

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

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Valuation of Receivables

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

6. CASH AND CASH EQUIVALENTS

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

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

8. FINANCIAL ASSETS AT FVTOCI - NON-CURRENT

Investments in Equity Instruments

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

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

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2020	2019
<u>Non-current</u>		
Domestic corporate bonds	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Interest rate	3.5%	3.5%

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at amortized cost.

	<u>December 31</u>	
	2020	2019
Gross carrying amount	\$ 500,000	\$ 500,000
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 500,000</u>	<u>\$ 500,000</u>

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

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

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate	<u>Gross Carrying Amount at December 31</u>	
				2020	2019
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECL	0%	\$ 500,000	\$ 500,000

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

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

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

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

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

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

December 31, 2020

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

December 31, 2019

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

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

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

12. INVENTORIES

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

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

13. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Main Business	% of Ownership		Remark
			2020	2019	
The Corporation	Concord System Management Corporation (CSMC)	Design, assessment and planning of computer system and application software and data-processing system, sale and lease of computer hardware, peripheral equipment and spare parts, and repairs and maintenance services.	100.00	100.00	
The Corporation	Systex Capital Group, Inc. (SCGI)	Investment activities including financial trust and holding.	100.00	100.00	
The Corporation	Hanmore Investment Corporation (Hanmore)	General investment activities.	48.92	48.92	a)
The Corporation	Systex Software & Service Corporation (SSSC)	Sale and development of computer software, data-processing services.	100.00	100.00	
The Corporation	Golden Bridge Corporation (GBC)	General investment activities.	100.00	100.00	
The Corporation	Taifon Computer Co., Ltd. (Taifon)	Design of computer hardware and software equipment system, computer room installation, and maintenance, sale, lease and consultation.	100.00	100.00	
The Corporation	Ching Pu Investment Corporation (Ching Pu)	General investment activities.	100.00	100.00	
The Corporation	Kimo.com (BVI) Corporation (Kimo BVI)	Investment activities including financial trust and holding.	100.00	100.00	

(Continued)

Investor	Investee	Main Business	% of Ownership		Remark
			2020	2019	
The Corporation, Ching Pu and GBC	Syspower Corporation (Syspower)	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software.	84.07	84.07	
The Corporation	Nexsys Corporation (Nexsys)	Manufacturing of wire communication equipment and apparatus, electronic parts and components, and computers and peripheral equipment, installation of computer, and wholesale and retailing of computer and business machinery equipment.	100.00	100.00	
The Corporation	Systex Solutions Corporation (Systex Solutions)	Design, construction and sale of telecom instrument, electronic calculator and computer.	100.00	100.00	
The Corporation	Etu Corporation (Etu)	Software design and data processing, retailing and service of software.	84.19	84.19	b)
The Corporation	Naturint Corporation (Naturint)	Installation, sale, information software, data processing and other consultation on computer software and related equipment, network certification and software publication.	100.00	100.00	
The Corporation	E-Service Information Corporation (E-Service)	Information software service, intellectual property rights, printing and data storage media manufacturing and copying	58.75	-	c)
The Corporation	Taiwan Information Service (TIST)	Installation, sale, information software, data processing and other consultation on computer software and related equipment	62.87	-	d)
GBC	SoftMobile Technology Corporation (Soft Mobile)	Manufacturing of wire communication equipment and apparatus, electronic parts and components, and computers and peripheral equipment, installation of computer, and wholesale and retailing of computer and business machinery equipment.	100.00	100.00	
Ching Pu	Taiwan Electronic Data Processing Corporation (TEDP)	Design, installation, maintenance, lease and consultation on computer software and hardware equipment system, computer room engineering, network equipment system integration, and wholesale and retailing of medical appliances.	69.59	69.59	b)
Syspower	Medincom Technology Corporation (Medincom)	Installation, sale and consultation on computer software and related equipment, and wholesale and retailing of medical appliances.	-	-	e)
CSMC	Condong Co., Ltd. (Condong)	Installation, sale, information software, data processing and other consultation on computer software and related equipment	-	-	f)
CSMC	Top Information Technologies Co., Ltd. (Top Information)	Sale of computer peripheral equipment and office machines, design of computer system and professional repairs services.	100.00	98.98	f), g)
Top Information	Top International Holdings Ltd. (Top International)	General Investment activities	-	-	g)
Kimo BVI	Sysware Singapore Pte. Ltd. (Sysware Singapore)	Computer system integration service and software.	-	100.00	h)
Kimo BVI	Systek Information (H.K.) Limited (Systek HK)	Sale of computer and peripheral equipment, retailing and processing of information of software.	100.00	100.00	
Kimo BVI	Sysware Shenglong Information Systems Co., Ltd. (Sysware Shenglong)	Design of computer system, information processing service provider, retailing of computer and peripheral equipment.	100.00	100.00	
Kimo BVI	Ucom Information Ltd. (Shanghai) (Ucom Shanghai)	Service, wholesale and retailing of information software.	-	100.00	i)
Kimo BVI	Systek Information (Shanghai) Ltd. (Systek)	Sale of computer and peripheral equipment, retailing and processing of information software.	100.00	100.00	i)
Kimo BVI	Rainbow Tech Information (HK) Limited (RTIHK)	Sale of computer and peripheral equipment, retailing and processing of information software.	100.00	100.00	
Kimo BVI	Systex Solutions (HK) Limited (SSHK)	Investment activities including financial trust and holding.	100.00	100.00	

(Continued)

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

(Concluded)

- a. The Group holds a 48.92% interest in Hanmore. The directors of the Corporation considered that the Group has the practical ability to direct the relevant activities of Hanmore and, therefore, has control over Hanmore.
- b. Etu and TEDP have been under dissolution and liquidation processes since the approval of shareholders in the shareholders' meeting in December 2020.
- c. The Corporation acquired a 58.75% interest of E-service in January 2020; all accounts of which were included in the consolidated financial statements since the acquisition date.
- d. The Corporation acquired a 62.87% interest of TIST in December 2020; all accounts of which were included in the consolidated financial statements since the acquisition date.
- e. On December 26, 2018, the board of directors of Syspower and Medincom approved the merger of Syspower and Medincom, with base date of consolidation on January 31, 2019. After the merger, Syspower has been the surviving company and Medincom was the dissolved company.
- f. Condong was incorporated in May 2020. The board of directors of Condong approved to issue new shares in exchange of all Top Information's shares owned by the original shareholders at an agreed rate in June 2020. The effect of the proceeding transaction decreased CSMC's interest in Condong from 100% to 98.99%. After the completion of the proceeding transaction, CSMC acquired a 1.01% interest of Condong from non-controlling interests and Condong was merged into CSMC in September 2020. After the merger, CSMC has been the surviving company and Condong was the dissolved company.
- g. In April 2019, CSMC purchased a 0.39% interest of Top Information from non-controlling interests and increased its interest in Top Information to 98.98%. In addition, Top International completed liquidation and dissolution in January 2019.
- h. Sysware Singapore completed liquidation and dissolution in July 2020.

- i. The Corporation's board of directors approved the merger of Systek and Ucom Shanghai on March 22, 2018. The merger process was completed in January 2020. After the merger, Systek has been the surviving company and Ucom Shanghai was the dissolved company.
- j. Rainbow Guangzhou was incorporated in January 2019.

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

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

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	2020	2019
<u>Investments in associates</u>		
Associates that are not individually material	<u>\$ 655,557</u>	<u>\$ 826,251</u>

a. Material associates

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

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

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

b. Aggregate information of associates that are not individually material

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

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

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

15. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Buildings	\$ 174,159	\$ 208,410
Machinery	85,198	111,613
Transportation equipment	<u>432</u>	<u>-</u>
	<u>\$ 259,789</u>	<u>\$ 320,023</u>
	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$ 88,278</u>	<u>\$ 129,706</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 100,309	\$ 101,874
Machinery	40,417	44,402
Transportation equipment	<u>313</u>	<u>-</u>
	<u>\$ 141,039</u>	<u>\$ 146,276</u>

Except for the additions and depreciation expenses disclosed above, the right-of-use assets of the Group had no material sublease agreement or impairment for the years ended December 31, 2020 and 2019.

b. Lease liabilities

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

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	2020	2019
Buildings	1.00%-5.00%	1.25%-5.00%
Machinery	1.25%	1.25%
Transportation equipment	1.25%	-

c. Material lease on activities and terms

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

d. Other lease information

	<u>For the Year Ended December 31</u>	
	2020	2019
Expenses relating to short-term leases and low-value asset leases	<u>\$ 64,711</u>	<u>\$ 69,949</u>
Total cash outflow for leases	<u>\$ 209,175</u>	<u>\$ 219,157</u>

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

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

17. BANK LOANS

a. Short-term loans

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

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

b. Long-term loans

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

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

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

b. Defined benefit plans

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

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

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

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	<u>December 31</u>	
	2020	2019
Discount rates	0.35%	0.75%-1.75%
Expected rates of salary increase	1.10%-2.00%	1.10%-2.50%

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

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

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

19. EQUITY

a. Share capital

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>May be used to offset a deficit, distribute as cash dividends, or 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	39	-
Donations	544	544
Treasury share transactions	1,837,963	1,730,914
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interest in subsidiaries (2)	8,576	8,576
Share of changes in associates accounted for by using equity method	654	21,207
Gain on sale of property and equipment	<u>4,493</u>	<u>4,493</u>
	<u>\$ 6,493,756</u>	<u>\$ 6,407,221</u>

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

c. Retained earnings and dividends policy

Under the dividend policy as set forth in the Corporation's Articles ("Articles"), where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors, please refer to Note 21 c. for employees' compensation and remuneration of directors in.

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

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

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

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

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

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

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

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

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

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

e. Other equity items

1) Exchange differences on translating foreign operations

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

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

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

f. Treasury shares (in thousand)

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

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Hanmore</u>		
Share (in thousand)	<u>21,317</u>	<u>21,317</u>
Investments cost	<u>\$ 755,480</u>	<u>\$ 755,480</u>
Market value	<u>\$ 1,869,473</u>	<u>\$ 1,609,409</u>
<u>Ching Pu</u>		
Share (in thousand)	<u>10,982</u>	<u>10,982</u>
Investments cost	<u>\$ 246,093</u>	<u>\$ 246,093</u>
Market value	<u>\$ 963,075</u>	<u>\$ 829,101</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, both amounting to \$515,618 thousand (10,428 thousand shares) as of December 31, 2020 and 2019. The remaining was treated as recoveries from Hanmore's non-controlling interests, accounted for deduction to non-controlling interests in balance sheets.

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

g. Non-controlling interests

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

20. REVENUE

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

Contract Balances

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

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

21. NET PROFIT

a. Depreciation and amortization

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

b. Employee benefits expenses

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

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

c. Employees' compensation and remuneration of directors

The Corporation accrued employees' compensation and remuneration of directors at the rates no less than 0.1% and no higher than 2%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2020 and 2019 which have been approved by the Corporation's board of directors on February 24, 2021 and March 19, 2020, respectively, were as follows:

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

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

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

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

d. Gain on sale of investments, net

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

e. Impairment losses recognized

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

22. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expenses are as follows:

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

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

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

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

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

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

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

b. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	2020	2019
<u>Deferred tax</u>		
Remeasurement on defined benefit plan	\$ <u>115</u>	\$ <u>(20)</u>

c. Current tax assets and liabilities

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

d. The movements of deferred tax assets and liabilities

For the year ended December 31, 2020

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

(Continued)

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

For the year ended December 31, 2019

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

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

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

- f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2020 comprised:

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

- g. Income tax assessments

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

23. EARNINGS PER SHARE

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

	For the Year Ended December 31	
	2020	2019
<u>Net income for the year</u>		
Net income for the year attributable to owners of the Corporation	<u>\$ 1,666,345</u>	<u>\$ 1,808,042</u>
<u>Number of shares (thousand)</u>		
Weighted average number of ordinary shares in the computation of basic earnings per share	247,983	247,296
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>785</u>	<u>892</u>
Weighted average number of ordinary shares in the computation of diluted earnings per share	<u>248,768</u>	<u>248,188</u>
<u>Earnings per share (NT\$)</u>		
Basic earnings per share	<u>\$6.72</u>	<u>\$7.31</u>
Diluted earnings per share	<u>\$6.70</u>	<u>\$7.28</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	
	2020	2019
<u>Net income for the year</u>		
Net income for the year attributable to owners of the Corporation	<u>\$ 1,773,394</u>	<u>\$ 1,889,399</u>
<u>Number of shares (thousand)</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>785</u>	<u>892</u>
Weighted average number of ordinary shares in the computation of pro forma diluted earnings per shares	<u>270,178</u>	<u>270,285</u>
<u>Earnings per share (NT\$)</u>		
Basic earnings per share	<u>\$6.58</u>	<u>\$7.01</u>
Diluted earnings per share	<u>\$6.56</u>	<u>\$6.99</u>

24. BUSINESS COMBINATIONS

a. Subsidiaries acquired

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

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

b. Consideration transferred

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

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

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

d. Goodwill recognized on acquisitions

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

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

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

f. Impact of acquisitions on the results of the Group

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

25. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

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

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

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

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

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

26. CAPITAL MANAGEMENT

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

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

27. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2020</u>				
Financial assets at FVTPL				
Listed shares	\$ 138,474	\$ -	\$ -	\$ 138,474
Unlisted shares	-	-	1,448,432	1,448,432
Unlisted preferred shares	-	-	93,977	93,977
Mutual funds	3,104,918	-	-	3,104,918
Others	<u>-</u>	<u>-</u>	<u>32,979</u>	<u>32,979</u>
	<u>\$ 3,243,392</u>	<u>\$ -</u>	<u>\$ 1,575,388</u>	<u>\$ 4,818,780</u>
Financial assets at FVTOCI				
Listed shares	\$ 512,962	\$ -	\$ -	\$ 512,962
Unlisted shares	<u>-</u>	<u>-</u>	<u>169,565</u>	<u>169,565</u>
	<u>\$ 512,962</u>	<u>\$ -</u>	<u>\$ 169,565</u>	<u>\$ 682,527</u>
<u>December 31, 2019</u>				
Financial assets at FVTPL				
Listed shares	\$ 103,310	\$ -	\$ -	\$ 103,310
Unlisted shares	-	-	1,381,630	1,381,630
Unlisted preferred shares	-	-	95,590	95,590
Corporate bonds	-	11,427	-	11,427
Mutual funds	3,227,288	-	-	3,227,288
Others	<u>-</u>	<u>-</u>	<u>21,741</u>	<u>21,741</u>
	<u>\$ 3,330,598</u>	<u>\$ 11,427</u>	<u>\$ 1,498,961</u>	<u>\$ 4,840,986</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Listed shares	\$ 1,373,557	\$ -	\$ -	\$ 1,373,557
Unlisted shares	<u>-</u>	<u>-</u>	<u>113,272</u>	<u>113,272</u>
	<u>\$ 1,373,557</u>	<u>\$ -</u>	<u>\$ 113,272</u>	<u>\$ 1,486,829</u> (Concluded)

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

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

For the year ended December 31, 2020

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

For the year ended December 31, 2019

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

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

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

c. Categories of financial instruments

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

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, refundable deposits, other receivables, lease receivables - current (included in other current assets), long-term receivables, pledged time deposits - non-current (included in other non-current assets), lease receivables - non-current (included in other non-current assets) and debt investment (included in financial assets at amortized cost - non-current).
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, notes and accounts payable, accounts payable to related parties, other payables, guarantee deposits received (included in other non-current liabilities), current portion of long-term borrowings and long-term borrowings.

d. Financial risk management objectives and policies

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

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

1) Market risk

a) Foreign currency risk

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

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

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

b) Interest rate risk

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

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

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

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

	For the Year Ended December 31	
	2020	2019
Increase/decrease	\$ 3,279	\$ 2,426

c) Other price risk

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

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

	<u>For the Year Ended December 31</u>	
	2020	2019
Pre-tax net income		
Increase/decrease	\$ 240,939	\$ 242,049
Other comprehensive income		
Increase/decrease	34,126	74,341

2) Credit risk

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

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

3) Liquidity risk

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

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

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

28. TRANSACTIONS WITH RELATED PARTIES

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

a. Related parties and their relationship with the Group

<u>Related Parties</u>	<u>Relationship with the Group</u>
Systemweb Technologies Co., Ltd.	Associate
Sanfran Technologies Inc.	Associate
Investment Media Ltd.	Associate
Mohist Web Technology Co., Ltd.	Associate
FinRobo Advisor Securities Investment Consulting Co., Ltd.	Associate
Shengsen Cloud Technology	Associate
Frog-jump Information Co., Ltd.	Associate
Dawning Technology Inc.	Associate
Neweb Information Co., Ltd.	Associate
Retail System Co., Ltd.	Associate
Gensys Technology International. Ltd.	Associate
Forms Syntron Information (Shenzhen) Limited	Associate (Note 1)
Fuco Technology Co., Ltd.	Associate
AIWin Technology Co., Ltd.	Associate
Genesis Technology Inc.	Associate (Note 2)
Bao Ruh Electronic Co., Ltd.	Associate
Mrs. Luo	Director of subsidiary
Mr. Hsieh	Director of subsidiary

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

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

b. Operating revenue

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

c. Purchases of goods

Related Party Categories	<u>For the Year Ended December 31</u>	
	2020	2019
Associates	<u>\$ 219,401</u>	<u>\$ 188,719</u>

d. Receivables from related parties

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

e. Payables to related parties

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

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

f. Acquisition of property, plant and equipment

Related Party Categories	For the Year Ended December 31	
	2020	2019
Associates	<u>\$ 4,878</u>	<u>\$ -</u>

g. Other transactions with related parties

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

h. Compensation of key management personnel

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

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

29. PLEDGED ASSETS

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

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

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

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
	<u>\$ 707</u>	<u>\$ 726</u>

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
	<u>\$ 10,154,802</u>	<u>\$ 8,675,495</u>

- c. The Group provided endorsements for others in Table 2.
- d. The Group issues gift certificates and gift cards. For the handling of advance receipts from customers for sold gift certificates and gift cards, the Group entered into a trust agreement with E.SUN Commercial Bank according to the "Provision to be Included in Standard Form Contract of All Sorts of Gift Certificates of Retail Companies" issued by the Ministry of Economic Affairs. According to the trust agreement, the Group opened a trust account in E.SUN Commercial Bank. Advance receipts from customers for sold gift certificates are deposited in the trust account and amounts for services already provided to customers are paid to the Group on a monthly basis. The balance in the trust account should be not lower than the amount of outstanding gift certificates and gift cards. As of December 31, 2020, the Group's assets in the trust account amounted to \$13,273 thousand (included in other receivables and other non-current assets).

31. OTHER ITEMS

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

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

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

December 31, 2020

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

December 31, 2019

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

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange gains were \$49,495 thousand and \$2,750 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group entities.

33. SEGMENT INFORMATION

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

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

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

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

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

Investment department engages in investment activities.

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

a. Consolidated revenues and results

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

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

b. Geographical information

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

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

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

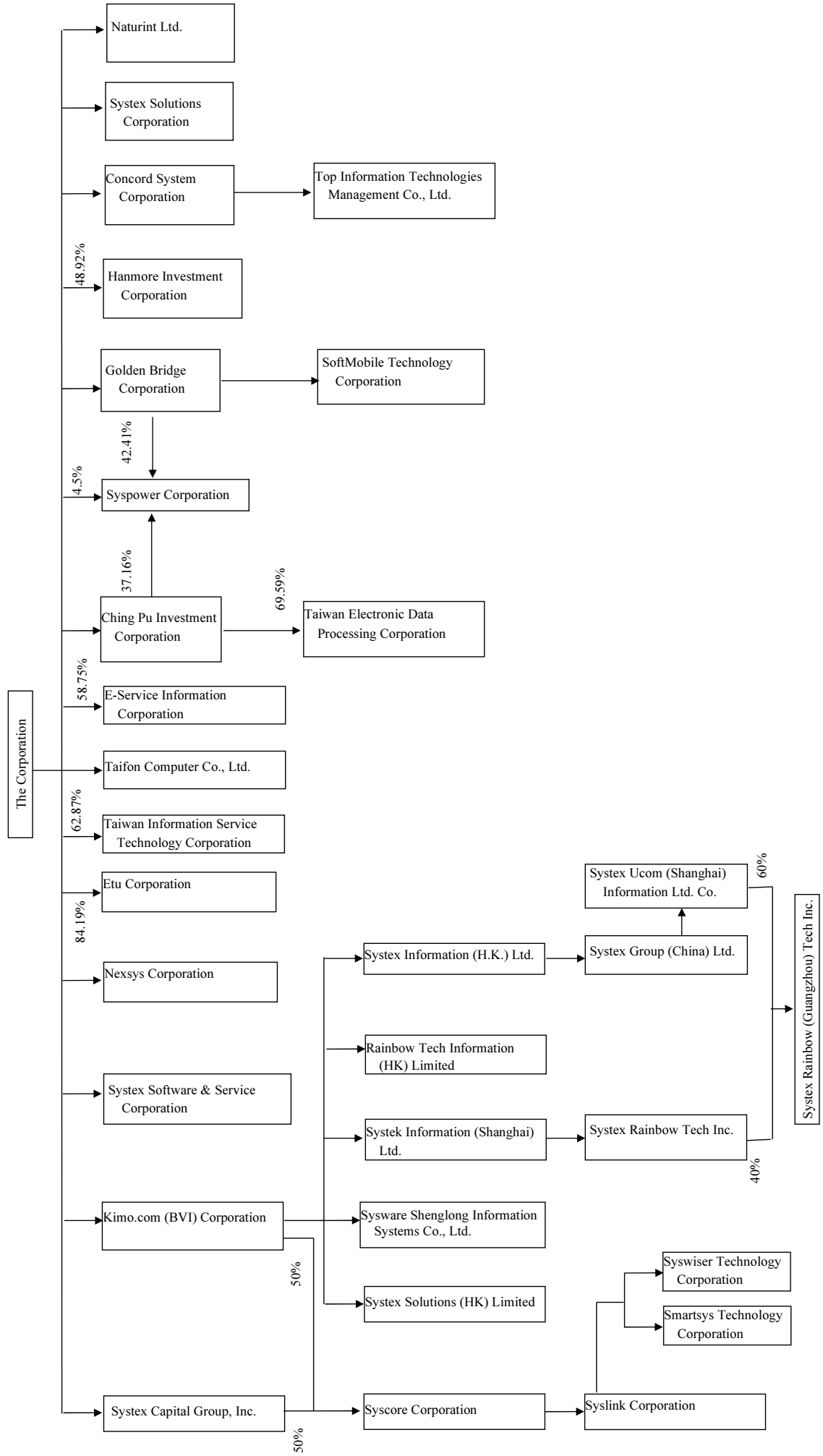
c. Major customers

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

TABLE 1

SYSTEX CORPORATION AND SUBSIDIARIES

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



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

SYSTEX CORPORATION AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020**
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guaranteee		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	System Corporation	System Information (H.K.) Limited Rainbow Tech. Information (H.K.) Limited System Group (China) Limited System Information (Shanghai) Ltd. System Rainbow Tech Inc. System Ucom (Shanghai) Information Ltd. Co. System Software & Service Corporation	Direct/indirect subsidiary Direct/indirect subsidiary Direct/indirect subsidiary Direct/indirect subsidiary Direct/indirect subsidiary Direct/indirect subsidiary Direct/indirect subsidiary	\$ 3,377,281 3,377,281 3,377,281 3,377,281 3,377,281 3,377,281 3,377,281	\$ 235,920 136,125 1,738,508 15,125 45,375 131,496 1,000,000	\$ 227,840 128,160 1,683,712 14,240 42,720 130,944 1,000,000	\$ 107,318 2,592 590,729 - - 58,723 478,115	\$ - - - - - - -	1.69 0.95 12.46 0.11 0.32 0.97 7.40	\$ 6,754,562 6,754,562 6,754,562 6,754,562 6,754,562 6,754,562 6,754,562	Y Y Y Y Y Y Y	N N N N N N N	N N Y Y Y Y N	(Notes a and b) (Notes a and b) (Notes a and b) (Notes a and b) (Notes a and b) (Notes a and b) (Notes a and b) (Notes a and b)
1	Ucom Information Ltd. (Shanghai)	System Group (China) Limited	Affiliate	288,023	109,580	-	-	-	-	288,023	N	N	Y	(Notes c and d)
2	System Information (Shanghai) Ltd.	System Group (China) Limited	Affiliate	537,895	218,980	218,240	194,386	218,240	81.15	537,895	N	N	Y	(Notes c and d)

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

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

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

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

Systemx Corporation

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Systex Corporation

Opinion

We have audited the accompanying financial statements of Systex Corporation (the "Corporation"), which comprise the balance sheets as of December 31, 2020 and 2019, 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our 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, 2020. 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, 2020 is stated as follows:

Valuation of Receivables

As of December 31, 2020, notes receivable and accounts receivable were material in amount. 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 11 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 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, the financial statements of Genesis Technology Inc., which is investee of the Corporation and Syscore Corporation and is accounted for using the equity method, SoftMobile Technology Corporation, which is investee of Golden Bridge 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, and Fuco Technology Co., Ltd., which is investee of Syslink Corporation and is accounted for using the equity method for the year ended December 31, 2019, 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 \$880,396 thousand and \$1,002,880 thousand, respectively, representing 5.32% and 6.18%, respectively, of the Corporation's total assets as of December 31, 2020 and 2019. The aggregate comprehensive income of these investees were \$18,276 thousand and \$31,375 thousand, respectively, representing 1.33% and 2.01%, respectively, of the Corporation's comprehensive income for the years ended December 31, 2020 and 2019.

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, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 15, 2021

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, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 286,173	2	\$ 239,839	2
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	232,701	1	592,471	4
Notes receivable, net (Notes 4, 5, 9 and 16)	18,485	-	19,878	-
Accounts receivable, net (Notes 4, 5, 9 and 16)	993,271	6	799,563	5
Receivables from related parties (Note 22)	134,947	1	180,623	1
Other receivables (Notes 23 and 24)	88,621	1	94,322	1
Inventories (Notes 4 and 10)	797,236	5	863,866	5
Prepayments	540,680	3	462,646	3
Refundable deposits - current	78,153	-	73,103	-
Other current assets (Note 18)	27,284	-	22,219	-
Total current assets	<u>3,197,551</u>	<u>19</u>	<u>3,348,530</u>	<u>21</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	1,352,228	8	1,267,686	8
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	194,709	1	1,181	-
Investments accounted for using equity method (Notes 4 and 11)	9,809,289	59	9,596,931	59
Property, plant and equipment (Notes 4 and 12)	1,636,293	10	1,611,371	10
Right-of-use assets (Note 13)	196,964	1	248,057	2
Computer software (Note 4)	28,203	-	19,744	-
Deferred tax assets (Notes 4 and 18)	11,045	-	12,525	-
Refundable deposits - non-current	67,032	1	67,189	-
Long-term receivables (Notes 4 and 9)	971	-	1,478	-
Other non-current assets (Notes 23 and 24)	61,849	1	56,038	-
Total non-current assets	<u>13,358,583</u>	<u>81</u>	<u>12,882,200</u>	<u>79</u>
TOTAL	<u>\$ 16,556,134</u>	<u>100</u>	<u>\$ 16,230,730</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities (Notes 4 and 16)	\$ 646,718	4	\$ 477,667	3
Notes and accounts payable	848,152	5	907,985	6
Payables to related parties (Note 22)	246,371	1	126,713	1
Other payables	735,290	4	729,273	4
Lease liabilities - current (Note 13)	95,208	1	90,657	1
Current tax liabilities (Notes 4 and 18)	22,970	-	17,227	-
Other current liabilities	124,592	1	84,437	-
Total current liabilities	<u>2,719,301</u>	<u>16</u>	<u>2,433,959</u>	<u>15</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 18)	6,088	-	5,846	-
Lease liabilities - non-current (Note 13)	103,751	1	158,705	1
Net defined benefit liabilities - non-current (Notes 4 and 14)	212,364	1	233,716	1
Other non-current liabilities	5,507	-	5,861	-
Total non-current liabilities	<u>327,710</u>	<u>2</u>	<u>404,128</u>	<u>2</u>
Total liabilities	<u>3,047,011</u>	<u>18</u>	<u>2,838,087</u>	<u>17</u>
EQUITY (Notes 4 and 15)				
Share capital	<u>2,693,933</u>	<u>16</u>	<u>2,693,933</u>	<u>17</u>
Capital surplus	<u>6,493,756</u>	<u>39</u>	<u>6,407,221</u>	<u>40</u>
Retained earnings				
Legal reserve	1,300,634	8	1,119,831	7
Special reserve	579,466	3	383,842	2
Unappropriated earnings	4,138,488	25	4,295,725	27
Total retained earnings	<u>6,018,588</u>	<u>36</u>	<u>5,799,398</u>	<u>36</u>
Other equity	(768,711)	(4)	(579,466)	(4)
Treasury shares	(928,443)	(5)	(928,443)	(6)
Total equity	<u>13,509,123</u>	<u>82</u>	<u>13,392,643</u>	<u>83</u>
TOTAL	<u>\$ 16,556,134</u>	<u>100</u>	<u>\$ 16,230,730</u>	<u>100</u>

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

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

SYSTEX CORPORATION

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 16 and 22)				
Sales	\$ 3,884,724	55	\$ 3,444,412	52
Less: Sales returns and allowances	<u>12,250</u>	<u>-</u>	<u>16,674</u>	<u>-</u>
Net sales	3,872,474	55	3,427,738	52
Service revenue	3,105,044	44	3,097,167	47
Other operating revenue	<u>40,019</u>	<u>1</u>	<u>44,115</u>	<u>1</u>
Total operating revenues	<u>7,017,537</u>	<u>100</u>	<u>6,569,020</u>	<u>100</u>
OPERATING COSTS (Notes 4, 10, 17 and 22)				
Cost of goods sold	3,240,873	46	2,877,400	44
Service cost	1,376,494	20	1,392,171	21
Other operating cost	<u>3,969</u>	<u>-</u>	<u>4,983</u>	<u>-</u>
Total operating costs	<u>4,621,336</u>	<u>66</u>	<u>4,274,554</u>	<u>65</u>
GROSS PROFIT	<u>2,396,201</u>	<u>34</u>	<u>2,294,466</u>	<u>35</u>
OPERATING EXPENSES (Notes 17 and 22)				
Selling expenses	1,682,786	24	1,749,164	26
General and administrative expenses	295,209	4	264,027	4
Research and development expenses	<u>319,715</u>	<u>5</u>	<u>241,837</u>	<u>4</u>
Total operating expenses	<u>2,297,710</u>	<u>33</u>	<u>2,255,028</u>	<u>34</u>
PROFIT FROM OPERATIONS	<u>98,491</u>	<u>1</u>	<u>39,438</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiaries and associates (Notes 4 and 11)	1,086,059	16	1,943,947	30
Interest income (Note 4)	703	-	964	-
Dividend income (Note 4)	37,551	1	60,047	1
Other income, net (Note 22)	20,704	-	12,960	-
Gain on sale of investments, net (Note 17)	163,829	2	156,590	2
Foreign exchange gain (loss), net (Note 4)	1,855	-	(802)	-
Gain (loss) on financial assets at fair value through profit or loss, net (Note 4)	306,579	4	(259,095)	(4)
Interest expense	(3,795)	-	(5,509)	-
Other expenses	(6,592)	-	(23,265)	-
Impairment loss on assets (Notes 4 and 11)	<u>(19,421)</u>	<u>-</u>	<u>(60,651)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>1,587,472</u>	<u>23</u>	<u>1,825,186</u>	<u>28</u>

(Continued)

SYSTEX CORPORATION

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

	2020		2019	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 1,685,963	24	\$ 1,864,624	29
INCOME TAX EXPENSE (Notes 4 and 18)	<u>19,618</u>	<u>-</u>	<u>56,582</u>	<u>1</u>
NET INCOME	<u>1,666,345</u>	<u>24</u>	<u>1,808,042</u>	<u>28</u>
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 14)	(25,950)	-	(40,452)	-
Unrealized loss on equity instruments at fair value through other comprehensive income	(62,970)	(1)	(247)	-
Share of the other comprehensive income of subsidiaries and associates accounted for using the equity method	<u>(54,853)</u>	<u>(1)</u>	<u>(177,982)</u>	<u>(3)</u>
	<u>(143,773)</u>	<u>(2)</u>	<u>(218,681)</u>	<u>(3)</u>
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive income of subsidiaries and associates accounted for using the equity method	<u>(145,577)</u>	<u>(2)</u>	<u>(28,582)</u>	<u>(1)</u>
	<u>(145,577)</u>	<u>(2)</u>	<u>(28,582)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(289,350)</u>	<u>(4)</u>	<u>(247,263)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,376,995</u>	<u>20</u>	<u>\$ 1,560,779</u>	<u>24</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 6.72</u>		<u>\$ 7.31</u>	
Diluted	<u>\$ 6.70</u>		<u>\$ 7.28</u>	

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

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

(Concluded)

SYSTEMX CORPORATION

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

	Retained Earnings				Other Equity		Total Equity			
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total		Exchange Differences on Translating Foreign Operations	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares
BALANCE AT JANUARY 1, 2019	\$ 2,693,933	\$ 6,729,035	\$ 1,014,689	\$ 453,327	\$ 3,622,248	\$ 5,090,264	\$ (407,326)	\$ 23,484	\$ (1,003,629)	\$ 13,125,761
Appropriation of 2018 earnings	-	-	105,142	-	(105,142)	-	-	-	-	-
Legal reserve	-	-	-	(69,485)	69,485	-	-	-	-	-
Special reserve	-	-	-	-	(1,023,695)	(1,023,695)	-	-	-	(1,023,695)
Cash dividends - NT\$3.8 per share	-	-	-	-	-	-	-	-	-	-
Changes in investments in subsidiaries and associates accounted for using equity method	-	(171,865)	-	-	(23,574)	(23,574)	-	-	-	(195,439)
Distribution in cash of the capital surplus - NT\$1.2 per share	-	(323,272)	-	-	-	-	-	-	-	(323,272)
Net income for 2019	-	-	-	-	1,808,042	1,808,042	-	-	-	1,808,042
Other comprehensive loss for 2019	-	-	-	-	(41,584)	(41,584)	(28,582)	(177,097)	-	(247,263)
Total comprehensive income (loss) for 2019	-	-	-	-	1,766,458	1,766,458	(28,582)	(177,097)	-	1,560,779
Disposal of the Corporation's share by subsidiaries regarded as treasury share transaction	-	66,274	-	-	-	-	-	-	75,186	141,460
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	-	-	-	-	(10,055)	(10,055)	-	10,055	-	-
BALANCE AT DECEMBER 31, 2019	2,693,933	6,407,221	1,119,831	383,842	4,295,725	5,799,398	(435,908)	(143,558)	(928,443)	13,392,643
Appropriation of 2019 earnings	-	-	180,803	-	(180,803)	-	-	-	-	-
Legal reserve	-	-	-	195,624	(195,624)	-	-	-	-	-
Special reserve	-	-	-	-	(1,346,967)	(1,346,967)	-	-	-	(1,346,967)
Cash dividends - NT\$5 per share	-	-	-	-	-	-	-	-	-	-
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)	\$ (187,266)	\$ (928,443)	\$ 13,509,123

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

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

SYSTEX CORPORATION

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,685,963	\$ 1,864,624
Adjustments for :		
Depreciation expenses	173,890	176,359
Amortization expenses	14,467	19,755
Expected credit loss recognized	29,697	776
(Gain) loss on financial assets at fair value through profit or loss, net	(306,579)	259,095
Interest expense	3,795	5,509
Interest income	(703)	(964)
Dividend income	(37,551)	(60,047)
Impairment loss on financial assets	19,421	60,651
Share of profit of subsidiaries and associates accounted for using equity method	(1,086,059)	(1,943,947)
Gain on sale of investments	(84,308)	-
Write-down of inventories	3,363	4,324
Unrealized (gain) loss on foreign currency exchange, net	(125)	2,746
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	581,807	(404,139)
Notes receivable	1,393	33,210
Accounts receivable	(194,204)	112,530
Receivables from related parties	15,910	(1,258)
Other receivables	3,187	14,980
Inventories	63,458	(159,786)
Prepayments	(78,034)	(31,205)
Other current assets	(5,065)	6,230
Notes and accounts payable	(59,141)	138,763
Payables to related parties	119,656	(127,330)
Other payables	6,017	176,800
Contract liabilities	169,051	13,645
Other current liabilities	40,155	(3,932)
Net defined benefit liabilities	(47,302)	(37,686)
Cash generated from operations	1,032,159	119,703
Interest paid	(3,840)	(5,276)
Income tax paid	(12,153)	(40,503)
Net cash generated from operating activities	<u>1,016,166</u>	<u>73,924</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Return of capital from capital reduction of financial assets at fair value through other comprehensive income	902	730
Acquisition of investments accounted for using equity method	(240,415)	(156,160)
Return of capital from capital reduction of investments accounted for using equity method	294,500	1,391,220
Payments for property, plant and equipment	(96,031)	(58,591)

(Continued)

SYSTEX CORPORATION

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

	2020	2019
Proceeds on disposal of property, plant and equipment	\$ 239	\$ 55
Increase in refundable deposits	(4,893)	(9,434)
Payments for intangible assets	(22,926)	(11,336)
Proceeds from disposal of intangible assets	-	400
Decrease (increase) in long-term receivables	507	(878)
Decrease (increase) in pledged time deposits	2,432	(11,883)
Increase in other non-current assets	(5,811)	(14,754)
Interest received	785	814
Dividends received	37,551	60,047
Dividends received from subsidiaries and associates	<u>513,125</u>	<u>360,646</u>
Net cash generated from investing activities	<u>479,965</u>	<u>1,550,876</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	-	(200,000)
(Decrease) increase in guarantee deposits received	(354)	771
Repayment of the principal portion of lease liabilities	(102,476)	(107,356)
Dividends paid	(1,346,967)	(1,023,695)
Distribution in cash from the capital surplus	<u>-</u>	<u>(323,272)</u>
Net cash used in financing activities	<u>(1,449,797)</u>	<u>(1,653,552)</u>
NET INCREASE (DECREASE) IN CASH	46,334	(28,752)
CASH AT THE BEGINNING OF THE YEAR	<u>239,839</u>	<u>268,591</u>
CASH AT THE END OF THE YEAR	<u>\$ 286,173</u>	<u>\$ 239,839</u>

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

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

(Concluded)

SYSTEX CORPORATION

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

1. GENERAL INFORMATION

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

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

The 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 24, 2021.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2021

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

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other 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)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other 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.

Freehold land is not depreciated.

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

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

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

l. 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 rereasurement) 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. Rereasurement (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. Rereasurement 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 economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Valuation of Receivables

The valuation of receivables is based on assumptions about rates of default and expected loss. The 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>	
	2020	2019
Cash on hand	\$ 224	\$ 224
Checking accounts and demand deposits	<u>285,949</u>	<u>239,615</u>
	<u>\$ 286,173</u>	<u>\$ 239,839</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2020	2019
<u>Current</u>		
Financial assets mandatorily classified as at FVTPL		
Mutual funds	<u>\$ 232,701</u>	<u>\$ 592,471</u>
<u>Non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Unlisted shares	<u>\$ 1,352,228</u>	<u>\$ 1,267,686</u>

8. FINANCIAL ASSETS AT FVTOCI – NON-CURRENT

Investments in Equity Instruments

	<u>December 31</u>	
	2020	2019
Listed shares	\$ 193,708	\$ -
Unlisted shares	<u>1,001</u>	<u>1,181</u>
	<u>\$ 194,709</u>	<u>\$ 1,181</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.

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Notes receivable	\$ 18,657	\$ 20,050
Less: Allowance for doubtful accounts	<u>(172)</u>	<u>(172)</u>
	<u>\$ 18,485</u>	<u>\$ 19,878</u>
Accounts receivable	\$ 1,003,100	\$ 818,157
Less: Allowance for doubtful accounts	<u>(9,829)</u>	<u>(18,594)</u>
	<u>\$ 993,271</u>	<u>\$ 799,563</u>
Long-term receivables	\$ 1,004	\$ 1,553
Less: Unrealized interest income	<u>(33)</u>	<u>(75)</u>
	<u>\$ 971</u>	<u>\$ 1,478</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 and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate. As the 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, 2020

	<u>Not Past Due</u>	<u>Less than 90 Days</u>	<u>91 to 180 Days</u>	<u>181 to 270 Days</u>	<u>Over 271 Days</u>	<u>Total</u>
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>

December 31, 2019

	<u>Not Past Due</u>	<u>Less than 90 Days</u>	<u>91 to 180 Days</u>	<u>181 to 270 Days</u>	<u>Over 271 Days</u>	<u>Total</u>
Gross carrying amount	\$ 749,767	\$ 65,669	\$ 671	\$ 803	\$ 21,297	\$ 838,207
Loss allowance (Lifetime ECL)	<u>-</u>	<u>(50)</u>	<u>(75)</u>	<u>(305)</u>	<u>(18,336)</u>	<u>(18,766)</u>
Amortized cost	<u>\$ 749,767</u>	<u>\$ 65,619</u>	<u>\$ 596</u>	<u>\$ 498</u>	<u>\$ 2,961</u>	<u>\$ 819,441</u>

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

	2020	2019
Balance at January 1	\$ 18,766	\$ 22,083
Add: Net remeasurement of loss allowance	29,697	776
Less: Amount written off	<u>(38,462)</u>	<u>(4,093)</u>
Balance at December 31	<u>\$ 10,001</u>	<u>\$ 18,766</u>

10. INVENTORIES

	December 31	
	2020	2019
Merchandise	\$ 788,334	\$ 853,150
Maintenance parts	<u>8,902</u>	<u>10,716</u>
	<u>\$ 797,236</u>	<u>\$ 863,866</u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$3,240,873 thousand and \$2,877,400 thousand, respectively. The cost of goods sold included inventory write-downs of \$3,363 thousand and \$4,324 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries	\$ 9,555,296	\$ 9,297,441
Investments in associates	<u>253,993</u>	<u>299,490</u>
	<u>\$ 9,809,289</u>	<u>\$ 9,596,931</u>

a. Investments in subsidiaries

	December 31	
	2020	2019
Unlisted Corporation		
Kimo.com (BVI) Corporation (Kimo BVI)	\$ 3,914,331	\$ 4,145,465
Systex Capital Group, Inc. (SCGI)	2,369,571	2,230,030
Ching Pu Investment Corporation (Ching Pu) (Notes 4 and 15)	465,995	437,073
Systex Software & Service Corporation (SSSC)	1,021,321	901,106
Nexsys Corporation (Nexsys)	360,139	345,412
Taifon Computer Co., Ltd. (Taifon)	264,415	251,745
Golden Bridge Corporation (GBC)	273,935	261,357
Concord System Management Corporation (CSMC)	390,208	339,761
Systex Solutions Corporation (Systex Solutions)	310,743	331,060
Syspower Corporation (Syspower)	18,083	17,878
Etu Corporation (Etu)	4,272	4,839

(Continued)

	December 31	
	2020	2019
Naturint Corporation (Naturint)	\$ 21,347	\$ 21,447
Hanmore Investment Corporation (Hanmore) (Notes 4 and 15)	17,289	10,268
E-service Information Corporation (E-service)	48,682	-
Taiwan Information Service Technology Corporation (TIST)	<u>74,965</u>	<u>-</u>
	<u>\$ 9,555,296</u>	<u>\$ 9,297,441</u>

(Concluded)

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	
	2020	2019
Syspower	4.50%	4.50%
Etu	84.19%	84.19%
Hanmore	48.92%	48.92%
E-service	58.75%	-
TIST	62.87%	-

Refer to Note 24 to the consolidated financial statements for the information on the Corporation's acquisition of E-service and Taiwan Information 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.

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, 2020 and 2019.

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	
	2020	2019
The Corporation's share of:		
Profit for the year	\$ 38,307	\$ 21,047
Other comprehensive income	<u>6,416</u>	<u>107</u>
Total comprehensive income for the year	<u>\$ 44,723</u>	<u>\$ 21,154</u>

The impairment losses on the associates that are not individually material amounted to \$19,421 thousand and \$60,651 thousand, respectively, for the years ended December 31, 2020 and 2019.

Except for Systex Infopro Co., GenSys Technology (International) Ltd., Sanfran Technology Inc., Mohist Wet Technology Co., Ltd., Retail System Co., Shengesen Cloud Technology, and Frog-jump Information Co., Ltd. for the years ended December 31, 2020 and 2019, the Corporation's share of profit (loss) 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 (loss) 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
Cost								
Balance at January 1, 2019	\$ 795,378	\$ 1,161,115	\$ 138,834	\$ 11,162	\$ 21,379	\$ 31,227	\$ 40,007	\$ 2,199,102
Additions	-	-	31,416	-	4,749	7,165	15,261	58,591
Disposals	-	-	(41,087)	-	(10,501)	(5,286)	(14,998)	(71,872)
Reclassifications	-	-	(144)	-	(470)	-	-	(614)
Balance at December 31, 2019	<u>\$ 795,378</u>	<u>\$ 1,161,115</u>	<u>\$ 129,019</u>	<u>\$ 11,162</u>	<u>\$ 15,157</u>	<u>\$ 33,106</u>	<u>\$ 40,270</u>	<u>\$ 2,185,207</u>
Accumulated depreciation and impairment								
Balance at January 1, 2019	\$ 7,693	\$ 445,755	\$ 68,563	\$ 4,153	\$ 13,505	\$ 17,737	\$ 20,751	\$ 578,157
Depreciation expenses	-	16,600	31,001	1,860	5,009	6,537	6,924	67,931
Disposals	-	-	(41,032)	-	(10,501)	(5,286)	(14,998)	(71,817)
Reclassifications	-	-	24	-	(459)	-	-	(435)
Balance at December 31, 2019	<u>\$ 7,693</u>	<u>\$ 462,355</u>	<u>\$ 58,556</u>	<u>\$ 6,013</u>	<u>\$ 7,554</u>	<u>\$ 18,988</u>	<u>\$ 12,677</u>	<u>\$ 573,836</u>
Carrying amounts at December 31, 2019	<u>\$ 787,685</u>	<u>\$ 698,760</u>	<u>\$ 70,463</u>	<u>\$ 5,149</u>	<u>\$ 7,603</u>	<u>\$ 14,118</u>	<u>\$ 27,593</u>	<u>\$ 1,611,371</u>
Cost								
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>
Accumulated depreciation and impairment								
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>

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	3-7 years
Transportation equipment	5-6 years
Lease equipment	2-5 years
Leasehold improvements	2-5 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Carrying amounts</u>		
Buildings	\$ 111,766	\$ 136,444
Machinery	<u>85,198</u>	<u>111,613</u>
	<u>\$ 196,964</u>	<u>\$ 248,057</u>
	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Additions to right-of-use assets	<u>\$ 53,478</u>	<u>\$ 79,744</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 62,794	\$ 64,027
Machinery	<u>40,417</u>	<u>44,401</u>
	<u>\$ 103,211</u>	<u>\$ 108,428</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, 2020 and 2019.

b. Lease liabilities

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Carrying amounts</u>		
Current	<u>\$ 95,208</u>	<u>\$ 90,657</u>
Non-current	<u>\$ 103,751</u>	<u>\$ 158,705</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Buildings	1.00%-1.25%	1.25%
Machinery	1.25%	1.25%

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

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases and low-value asset leases	\$ 41,170	\$ 32,380
Total cash outflow for leases	<u>\$ 146,900</u>	<u>\$ 142,876</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 \$14,067 thousand and \$14,474 thousand, respectively, as of December 31, 2020 and 2019.

14. 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	
	2020	2019
Present value of defined benefit obligation	\$ 519,107	\$ 492,134
Fair value of plan assets	<u>(306,743)</u>	<u>(258,418)</u>
Net defined benefit liability	<u>\$ 212,364</u>	<u>\$ 233,716</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, 2019	<u>\$ 452,220</u>	<u>\$ (221,270)</u>	<u>\$ 230,950</u>
Service cost			
Current service cost	1,168	-	1,168
Net interest expense (income)	<u>4,690</u>	<u>(2,505)</u>	<u>2,185</u>
Recognized in profit or loss	<u>5,858</u>	<u>(2,505)</u>	<u>3,353</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,336)	(7,336)
Actuarial loss - changes in financial assumptions	21,983	-	21,983
Actuarial loss - experience adjustments	<u>25,805</u>	<u>-</u>	<u>25,805</u>
Recognized in other comprehensive income	<u>47,788</u>	<u>(7,336)</u>	<u>40,452</u>
Contributions from the employer	-	(41,675)	(41,675)
Benefits paid	(14,368)	14,368	-
Transferred from subsidiaries	<u>636</u>	<u>-</u>	<u>636</u>
Balance at December 31, 2019	<u>492,134</u>	<u>(258,418)</u>	<u>233,716</u>
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>
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>

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	
	2020	2019
Discount rates	0.35%	0.75%
Expected rates of salary increase	1.10%	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	
	2020	2019
Discount rates		
0.5% increase	<u>\$ (27,693)</u>	<u>\$ (27,270)</u>
0.5% decrease	<u>\$ 29,814</u>	<u>\$ 29,438</u>
Expected rates of salary increase		
0.5% increase	<u>\$ 29,433</u>	<u>\$ 29,182</u>
0.5% decrease	<u>\$ (27,626)</u>	<u>\$ (27,309)</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	
	2020	2019
The expected contributions to the plan for the next year	<u>\$ 36,408</u>	<u>\$ 44,568</u>
The average duration of the defined benefit obligation	11 years	12 years

15. EQUITY

a. Share capital

	December 31	
	2020	2019
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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>May be used to offset a deficit, distribute as cash dividends, or 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	39	-
Donations	544	544
Treasury share transactions	1,837,963	1,730,914
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interest in subsidiaries (2)	8,576	8,576
Share of changes in associates accounted for by using equity method	654	21,207
Gain on sale of property and equipment	<u>4,493</u>	<u>4,493</u>
	<u>\$ 6,493,756</u>	<u>\$ 6,407,221</u>

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

c. Retained earnings and dividends policy

Under the dividend policy as set forth in the Corporation's Articles ("Articles"), where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors, please refer to Note 17 c. for employees' compensation and remuneration of directors in.

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

- 1) Determine the optimal capital budget.
- 2) Determine the funding requirements to meet the optimal capital budget.
- 3) Determine the funding requirements to be met by unappropriated earnings (the remaining may be met through capital increase by cash or issuance of bonds).

- 4) The residual earnings, less an appropriate portion for the operation requirements, may be distributed to shareholders.

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

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

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

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

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

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

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

The appropriations of 2020 earnings will be resolved by the shareholders in their meeting scheduled for May 2021.

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ (435,908)	\$ (407,326)
Share of exchange difference of subsidiaries and associates accounted for using the equity method	<u>(145,577)</u>	<u>(28,582)</u>
Balance at December 31	<u>\$ (581,485)</u>	<u>\$ (435,908)</u>

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ (143,558)	\$ 23,484
Recognized for the year		
Unrealized gain (loss) on equity investments	(62,970)	(247)
Share from subsidiaries and associates accounted for using the equity method	(53,407)	(176,850)
Disposal of associates accounted for using the equity method	(8,255)	-
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings by subsidiaries	<u>80,964</u>	<u>10,055</u>
Balance at December 31	<u>\$ (187,226)</u>	<u>\$ (143,558)</u>

f. Treasury shares (in thousand)

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

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

	December 31	
	2020	2019
<u>Hanmore</u>		
Share (in thousand)	<u>21,317</u>	<u>21,317</u>
Investments cost	<u>\$ 755,480</u>	<u>\$ 755,480</u>
Market value	<u>\$ 1,869,473</u>	<u>\$ 1,609,409</u>
<u>Ching Pu</u>		
Share (in thousand)	<u>10,982</u>	<u>10,982</u>
Investments cost	<u>\$ 246,093</u>	<u>\$ 246,093</u>
Market value	<u>\$ 963,075</u>	<u>\$ 829,101</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 \$515,618 (10,428 thousand shares) as of December 31, 2020 and 2019.

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.

16. OPERATING REVENUE

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 3,872,474	\$ 3,427,738
Revenue from the rendering of services	3,105,044	3,097,167
Other operating revenue	<u>40,019</u>	<u>44,115</u>
	<u>\$ 7,017,537</u>	<u>\$ 6,569,020</u>

Contract Balances

	December 31	
	2020	2019
Notes and accounts receivable	<u>\$ 1,011,756</u>	<u>\$ 819,441</u>
Contract liabilities	<u>\$ 646,718</u>	<u>\$ 477,667</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.

17. NET PROFIT

a. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	\$ 70,679	\$ 67,931
Right-of-use assets	103,211	108,428
Intangible assets	<u>14,467</u>	<u>19,755</u>
	<u>\$ 188,357</u>	<u>\$ 196,114</u>
An analysis of depreciation by function		
Operating costs	\$ 85,527	\$ 85,706
Operating expenses	<u>88,363</u>	<u>90,653</u>
	<u>\$ 173,890</u>	<u>\$ 176,359</u>
An analysis of amortization by function		
Operating costs	\$ 892	\$ 2,929
Operating expenses	<u>13,575</u>	<u>16,826</u>
	<u>\$ 14,467</u>	<u>\$ 19,755</u>

b. Employee benefits expenses (recognized as operating expenses)

	For the Year Ended December 31	
	2020	2019
Post-employment benefits		
Defined contribution plans	\$ 80,352	\$ 74,508
Defined benefits plans (Note 14)	<u>2,491</u>	<u>3,353</u>
	82,843	77,861
Payroll	1,752,547	1,697,944
Labor and health insurance	142,597	131,617
Remuneration of directors	35,494	39,255
Other employee benefits	<u>47,425</u>	<u>85,919</u>
	<u>\$ 2,060,906</u>	<u>\$ 2,032,596</u>

For the years ended December 31, 2020 and 2019, the Corporation had 1,847 and 1,785 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, 2020 and 2019, the average employee benefits expenses amounted to \$1,103 thousand and \$1,117 thousand, respectively, and the average payroll expenses amounted to \$955 thousand and \$957 thousand, respectively. The average payroll expenses decreased by 0.21%.

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. Employees' compensation and remuneration of directors

The Corporation accrued employees' compensation and remuneration of directors at the rates no less than 0.1% and no higher than 2%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2020 and 2019 which have been approved by the Corporation's board of directors on February 24, 2021 and March 19, 2020, respectively, were as follows:

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

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

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

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

d. Gain on sale of investments, net

	For the Year Ended December 31	
	2020	2019
Disposals of financial assets at FVTPL	\$ 79,521	\$ 156,590
Disposals of investments accounted for using the equity method	<u>84,308</u>	<u>-</u>
	<u>\$ 163,829</u>	<u>\$ 156,590</u>

18. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expenses are as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 5,290	\$ -
Additional income tax on unappropriated earnings	1,650	48,524
Additional income tax under the Alternative Minimum Tax Act	14,197	8,072
Investment tax credit deduction	(1,650)	(24,263)
Adjustments for prior years' tax	<u>(1,591)</u>	<u>(1,527)</u>
	<u>17,896</u>	<u>30,806</u>
Deferred tax		
In respected of the current year	7,483	22,686
Adjustments for prior years' tax	<u>(5,761)</u>	<u>3,090</u>
	<u>1,722</u>	<u>25,776</u>
Income tax expense recognized in profit or loss	<u>\$ 19,618</u>	<u>\$ 56,582</u>

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

	For the Year Ended December 31	
	2020	2019
Profit before tax	<u>\$ 1,685,963</u>	<u>\$ 1,864,624</u>
Income tax expense calculated at the statutory rate	\$ 337,193	\$ 372,925
Additional income tax on unappropriated earnings	1,650	48,524
Permanent difference	(326,070)	(374,502)
Additional income tax under the Alternative Minimum Tax Act	14,197	8,072
Adjustments for prior years' tax	<u>(7,352)</u>	<u>1,563</u>
Income tax expense recognized in profit or loss	<u>\$ 19,618</u>	<u>\$ 56,582</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

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

b. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax liabilities		
Income tax payable	<u>\$ 22,970</u>	<u>\$ 17,227</u>

Prepaid income tax of \$1,137 thousand and \$15,106 thousand have been deducted, respectively, from income tax payable as of December 31, 2020 and 2019.

c. The movements of deferred tax assets and liabilities

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>
<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>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Payable for annual leave	\$ 1,231	\$ 38	\$ 1,269
Allowance for loss on inventories	4,678	(945)	3,733
Others	<u>11,176</u>	<u>(3,844)</u>	<u>7,332</u>
	17,085	(4,751)	12,334
Investment credits	<u>21,216</u>	<u>(21,025)</u>	<u>191</u>
	<u>\$ 38,301</u>	<u>\$ (25,776)</u>	<u>\$ 12,525</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Exchange differences on foreign operations	<u>\$ 5,846</u>	<u>\$ -</u>	<u>\$ 5,846</u>

d. Income tax assessments

Income tax returns through 2018 and undistributed earnings through 2017 of the Corporation has been assessed by the tax authorities.

19. EARNINGS PER SHARE

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

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

	<u>For the Year Ended December 31</u>	
	2020	2019
Net income for the year	<u>\$ 1,773,394</u>	<u>\$ 1,889,399</u>
<u>Number of shares (thousand)</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>785</u>	<u>892</u>
Weighted average number of ordinary shares in the computation of pro forma diluted earnings per shares	<u>270,178</u>	<u>270,285</u>
<u>Earnings per share (NT\$)</u>		
Basic earnings per share	<u>\$6.58</u>	<u>\$7.01</u>
Diluted earnings per share	<u>\$6.56</u>	<u>\$6.99</u>

20. 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.

21. 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, 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>
<u>December 31, 2019</u>				
Financial assets at FVTPL				
Unlisted shares	\$ -	\$ -	\$ 1,267,686	\$ 1,267,686
Mutual funds	<u>592,471</u>	<u>-</u>	<u>-</u>	<u>592,471</u>
	<u>\$ 592,471</u>	<u>\$ -</u>	<u>\$ 1,267,686</u>	<u>\$ 1,860,157</u>
Financial assets at FVTOCI				
Unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,181</u>	<u>\$ 1,181</u>

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

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

For the year ended December 31, 2020

Financial Assets	<u>Financial Assets at FVTPL Equity Instruments</u>	<u>Financial Assets at FVTOCI Equity Instruments</u>	Total
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)
Disposals	<u>(221,800)</u>	<u>-</u>	<u>(221,800)</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>

For the year ended December 31, 2019

Financial Assets	Financial Assets at FVTPL	Financial Assets at FVTOCI	Total
	Equity Instruments	Equity Instruments	
Balance at January 1	\$ 1,538,017	\$ 2,158	\$ 1,540,175
Recognized in profit or loss	(259,464)	-	(259,464)
Recognized in other comprehensive income	-	(247)	(247)
Capital reduction	-	(730)	(730)
Disposals	<u>(10,867)</u>	<u>-</u>	<u>(10,867)</u>
Balance at December 31	<u>\$ 1,267,686</u>	<u>\$ 1,181</u>	<u>\$ 1,268,867</u>
Unrealized gain/(loss) for the current year included in profit or loss relating to assets held at the end of the year	<u>\$ (248,232)</u>		<u>\$ (248,232)</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	
	2020	2019
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 1,584,929	\$ 1,860,157
Financial assets at amortized cost (1)	1,721,969	1,519,534
Financial assets at FVTOCI	194,709	1,181
<u>Financial liabilities</u>		
Amortized cost (2)	1,835,319	1,769,832

- 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 and guarantee deposits received (included in other non-current liabilities).

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	
	2020	2019
Increase/decrease	\$ 2,222	\$ 1,986

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	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ 111,449	\$ 116,422
Cash flow interest rate risk		
Financial assets	285,949	239,616

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>	
	2020	2019
Increase/decrease	\$ 286	\$ 240

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>	
	2020	2019
Pre-tax net income		
Increase/decrease	\$ 79,246	\$ 93,008
Other comprehensive income		
Increase/decrease	9,735	59

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.

22. 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
Medincom Technology Corp. (Medincom)	Subsidiary (Note 1)
Concord System Management Corporation (CSMC)	Subsidiary
Etu Corporation (Etu)	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
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
Sysware Singapore Pte. Ltd. (Sysware Singapore)	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
Investment Media Ltd. (IM)	Associate
Sanfran Technologies Inc. (Sanfran)	Associate
Systemweb Technologies Co., Ltd. (Systemweb)	Associate
Shengsen Cloud Technology (Shengsen)	Associate

(Continued)

<u>Related Parties</u>	<u>Relationship with the Corporation</u>
Frog-jump Information Co., Ltd. (Frog-jump)	Associate
Dawning Technology Inc. (Dawning)	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 (Note 2)
Mohist Web Technology Co., Ltd. (Mohist)	Associate
FinRobo Advisor Securities Investment Consulting Co., Ltd. (FinRobo)	Associate
Bao Ruh Electronic Co., Ltd. (Bao Ruh)	Associate

(Concluded)

Note 1: Medincom merged with Syspower in January 2019, and the surviving company is Syspower.

Note 2: Genesis was no longer related party since July 2020.

b. Operating revenue

Line Items	Related Party Categories	<u>For the Year Ended December 31</u>	
		2020	2019
Sales	Subsidiary	\$ 92,827	\$ 84,738
	Associate	<u>13,840</u>	<u>3,011</u>
		<u>\$ 106,667</u>	<u>\$ 87,749</u>
Service revenue	Subsidiary	\$ 188,613	\$ 210,143
	Associate	<u>6,400</u>	<u>2,893</u>
		<u>\$ 195,013</u>	<u>\$ 213,036</u>
Other operating income	Subsidiary		
	Medincom	\$ -	\$ 13
	Others	<u>-</u>	<u>255</u>
		<u>\$ -</u>	<u>\$ 268</u>

c. Purchases of goods

Related Party Categories	<u>For the Year Ended December 31</u>	
	2020	2019
Subsidiary		
SSSC	\$ 487,954	\$ 643,623
Others	331,508	67,661
Associate	<u>94,628</u>	<u>98,945</u>
	<u>\$ 914,090</u>	<u>\$ 810,229</u>

d. Receivables from related parties

Line Items	Related Party Categories	December 31	
		2020	2019
Receivables from related parties	Subsidiary		
	System Solutions	\$ 10,027	\$ 21,284
	CSMC	37,452	38,119
	Sysware Singapore	-	28,070
	SSSC	45,315	29,071
	Syspower	22,450	20,411
	Others	18,114	37,575
	Associate	<u>1,589</u>	<u>6,093</u>
	<u>\$ 134,947</u>	<u>\$ 180,623</u>	

e. Payables to related parties

Line Items	Related Party Categories	December 31	
		2020	2019
Payables to related parties	Subsidiary		
	SSSC	\$ 103,180	\$ 45,652
	Syspower	94,256	42,893
	Others	18,958	15,836
	Associate		
	Others	<u>29,977</u>	<u>22,332</u>
	<u>\$ 246,371</u>	<u>\$ 126,713</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	
	2020	2019
Subsidiary		
SSSC	\$ 13,898	\$ 1,777
Others	4,356	115
Associate	<u>3,330</u>	<u>-</u>
	<u>\$ 21,584</u>	<u>\$ 1,892</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	
	2020	2019	2020	2019
Subsidiary				
System Solutions	\$ 20	\$ 120	\$ -	\$ -
Syspower	209	-	-	-
CSMC	-	85	-	-
SSSC	10	69	-	-
Nexsys	-	125	-	-
Others	-	38	-	-
	<u>\$ 239</u>	<u>\$ 437</u>	<u>\$ -</u>	<u>\$ -</u>

h. Other transactions with related parties

Line Items	Related Party Categories	For the Year Ended December 31	
		2020	2019
Service cost	Subsidiary	\$ 63,234	\$ 72,315
	Associate	<u>20,343</u>	<u>19,313</u>
		<u>\$ 83,577</u>	<u>\$ 91,628</u>
Operating expenses	Subsidiary	\$ 2,850	\$ 4,125
	Associate	<u>1,251</u>	<u>1,519</u>
		<u>\$ 4,101</u>	<u>\$ 5,644</u>
Other income	Subsidiary		
	Nexsys	\$ 3,484	\$ 3,416
	Others	2,157	2,186
	Associate	<u>222</u>	<u>240</u>
		<u>\$ 5,863</u>	<u>\$ 5,842</u>
Revenue of management fee (Recognized as deduction of operating expenses)	Subsidiary	<u>\$ 115,195</u>	<u>\$ 119,856</u>

i. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 119,312	\$ 120,256
Post-employment benefits	<u>2,879</u>	<u>2,771</u>
	<u>\$ 122,191</u>	<u>\$ 123,027</u>

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

23. 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:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Pledged time deposits - current (included in other receivables)	\$ 88,198	\$ 91,850
Pledged time deposits - non-current (included in other non-current assets)	<u>22,032</u>	<u>24,572</u>
	<u>\$ 110,230</u>	<u>\$ 116,422</u>

24. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
	<u>\$ 707</u>	<u>\$ 726</u>

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
	<u>\$ 2,946,127</u>	<u>\$ 2,807,817</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, 2020, the Corporation's assets in the trust account amounted to \$13,273 thousand (included in other receivables and other non-current assets).

25. OTHER ITEMS

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

26. 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, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 3,546	28.48	\$ 100,988
Non-monetary items			
Investment accounted for using equity method			
USD	220,643	28.48	6,283,902
<u>Financial liabilities</u>			
Monetary item			
USD	1,985	28.48	56,546

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 3,096	29.98	\$ 92,830
Non-monetary items			
Investment accounted for using equity method			
USD	212,658	29.98	6,375,495
<u>Financial liabilities</u>			
Monetary item			
USD	1,772	29.98	53,114

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

	For the Year Ended December 31			
	2020			2019
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	28.48	\$ (186)	29.98	\$ (983)

SYSTEX CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guaranteee		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	System Corporation	System Information (H.K.) Limited Rainbow Tech. Information (H.K.) Limited System Group (China) Limited System Information (Shanghai) Ltd. System Rainbow Tech Inc. System Ucom (Shanghai) Information Ltd. Co. System Software & Service Corporation	Direct/indirect subsidiary Direct/indirect subsidiary Direct/indirect subsidiary Direct/indirect subsidiary Direct/indirect subsidiary Direct/indirect subsidiary Direct/indirect subsidiary	\$ 235,920 136,125 1,738,508 15,125 45,375 131,496 1,000,000	\$ 227,840 128,160 1,683,712 14,240 42,720 130,944 1,000,000	\$ 107,318 2,592 590,729 - - 58,723 478,115	\$ - - - - - - -	1.69 0.95 12.46 0.11 0.32 0.97 7.40	\$ 6,754,562 6,754,562 6,754,562 6,754,562 6,754,562 6,754,562 6,754,562	Y Y Y Y Y Y Y	N N N N N N N	N N Y Y Y Y N	(Notes a and b) (Notes a and b) (Notes a and b) (Notes a and b) (Notes a and b) (Notes a and b) (Notes a and b) (Notes a and b)
1	Ucom Information Ltd. (Shanghai)	System Group (China) Limited	Affiliate	109,580	-	-	-	-	288,023	N	N	Y	(Notes c and d)
2	System Information (Shanghai) Ltd.	System Group (China) Limited	Affiliate	218,980	218,240	194,386	218,240	81.15	537,895	N	N	Y	(Notes c and d)

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

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

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

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

VII. Review of Financial Conditions, Operating Results, and Risk Management

7.1 Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	2020	2019	Difference	
			Amount	%
Current assets	15,626,468	14,582,968	1,043,500	7.16
Long-term investments	655,557	826,251	(170,694)	(20.66)
Fixed assets	2,098,670	1,929,649	169,021	8.76
Intangible assets	131,440	86,279	45,161	52.34
Other assets	3,517,100	4,161,407	(644,307)	(15.48)
Total assets	22,029,235	21,586,554	442,681	2.05
Current liabilities	7,842,987	7,472,992	369,995	4.95
Other liabilities	536,801	631,429	(94,628)	(14.99)
Total liabilities	8,379,788	8,104,421	275,367	3.40
Share capital	2,693,933	2,693,933	-	-
Capital surplus	6,493,756	6,407,221	86,535	1.35
Retained earnings	6,018,588	5,799,398	219,190	3.78
Other equity and Treasury shares	(1,697,154)	(1,507,909)	(189,245)	(12.55)
Total equity attributable to owners of the Corporation	13,509,123	13,392,643	116,480	0.87
Non-controlling interests	140,324	89,490	50,834	56.80
Total equity	13,649,447	13,482,133	167,314	1.24

Analysis of changes in financial ratios:

1. Decrease in Long-term investments by NT\$170,694 thousands mainly due to which transferred to Financial assets at fair value through other comprehensive income - non-current.
2. Increase in Intangible assets by NT\$45,161 thousands mainly due to increase in Computer software by NT\$7,823 thousands, increase in Technological expertise by NT\$7,382 thousands, increase in Goodwill by NT\$10,092 thousands and decrease in Other intangible assets by NT\$19,864 thousands.
3. Increase in Non-controlling interests by NT\$50,834 thousands mainly due to increase in profit from subsidiaries that non-100% own, acquisition of subsidiaries and capital increase by cash dividends in subsidiaries that non-100% own.

VII. Review of Financial Conditions, Operating Results, and Risk Management

7.2 Analysis of Operating Results

Unit: NT\$ thousands

Item \ Year	2020		2019		Difference	
	Subtotal	Total	Subtotal	Total	Amount	%
Gross sales	23,835,962		22,124,938		1,711,024	7.73
Less: sales returns & allowances	100,872		73,915		26,957	36.47
Net sales		23,735,090		22,051,023	1,684,067	7.64
Cost of sales		17,933,292		16,501,731	1,431,561	8.68
Gross profit		5,801,798		5,549,292	252,506	4.55
Operating expenses		4,876,925		4,942,275	(65,350)	(1.32)
Operating income		924,873		607,017	317,856	52.36
Total non-operating income and expenses		926,306		1,596,490	(670,184)	(41.98)
Income before tax		1,851,179		2,203,507	(352,328)	(15.99)
Tax expense		175,457		392,204	(216,747)	(55.26)
Other comprehensive income (loss) for the year, net of income tax		(289,223)		(247,574)	(41,649)	(16.82)
Total comprehensive income for the year		1,386,499		1,563,729	(177,230)	(11.33)

1. Analysis of changes in financial ratios:

- (1) Decrease in Non-operating income and expenses by NT\$670,184 thousands mainly due to decrease in Gain on sale of investments by NT\$1,458,554 thousands, increase in Gain on financial assets at fair value through profit or loss, net by NT\$399,027 thousands, increase in Impairment loss on assets by NT\$324,118 thousands and increase in Foreign exchange gain, net by NT\$46,745 thousands.
- (2) Decrease Tax expense by NT\$216,747 thousands mainly due to increase in additional tax of unappropriated earnings and Deferred tax.
- (3) Decrease in Other comprehensive income (loss) for the year, net of income tax by NT\$41,649 thousands mainly due to decrease in Exchange differences on translating foreign operations by NT\$50,838 thousands, decrease in Share of the other comprehensive gain (loss) of associates accounted for using the equity method by NT\$56,328 thousands, increase in Unrealized (loss) gain on equity instruments at fair value through other comprehensive income by NT\$50,900 thousands and increase in Remeasurement of defined benefit plans by NT\$14,482 thousands.

2. Mainly reason of expected sales growing up in 2021:

For 2021, SYSTEX is repositioning itself as a "Data Software Company", with "orchestration" as its operational principle, directing notes of data with software capabilities, performing a smooth movement of digital transformation with computing power, and helping companies achieve exponential growth with the advanced technology.

VII. Review of Financial Conditions, Operating Results, and Risk Management

7.3 Analysis of Cash Flow

7.3.1 Remedy for Cash Deficit and Liquidity Analysis

Item	Year	2020	2019	Variance (%)
	Cash Flow Ratio (%)		14.09	18.67
Cash Flow Adequacy Ratio (%)		56.69	57.33	(1.11)
Cash Reinvestment Ratio (%)		(0.94)	1.09	(186.42)

Analysis of changes in financial ratios:

1. Decrease in Cash Flow Ratio by 25% mainly due to decrease in net cash generated from operating activities.
2. Decrease in Cash Reinvestment Ratio by 186% mainly due to decrease in net cash generated from operating activities.

7.3.2 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Estimated Cash Beginning Balance ①	Estimated Net Cash Flow from Operating Activities ②	Estimated Cash Outflow ③	Estimated Cash Ending Balance (Shortage) ① + ② - ③	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
3,590,004	329,941	(1,080,895)	2,839,050	-	-

1. Analysis of change in cash flow in the current year:

Item	Cash Inflow (Outflow)		Variance		Remarks
	2020	2019	Amount	%	
Operating activities	\$1,105,092	\$1,395,034	\$ (289,942)	(20.78)	(1)
Investing activities	972,491	95,626	876,865	916.97	(2)
Financing activities	(1,159,425)	(1,501,943)	342,518	22.80	(3)

- (1) The Decrease of NT\$289,942 thousands in 2020 was mainly due to the decrease of NT\$352,328 thousands in Income before tax.
- (2) The Increase of NT\$876,865 thousands in 2020 was mainly due to the increase of NT\$1,030,883 thousands in Financial assets at fair value through other comprehensive income and decrease of NT\$227,462 thousands in Investments accounted for using equity method.
- (3) The Increase of NT\$342,518 thousands in 2020 was mainly due to the increase of NT\$501,096 thousands in Long and short-term loans and decrease of NT\$141,460 thousands in Proceeds on disposal of the Corporation's share by subsidiaries.

2. Remedial action for cash deficit: N/A.

3. Cash liquidity analysis for the next year: The Company expects business activities in the next year to generate positive cash flow. The cash outflow in the next year shall be primarily for the distribution of cash dividends that can be supported by the Company's cash balance and cash flow.

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7.4 Major Capital Expenditure Items: There are no any Major Capital Expenditure in 2020.

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

7.5.1 Investment policy in the most recent year

The Company's investment policies follow established strategies to expedite expansion in business opportunities in Greater China and actively conduct optimization and integration of resources on both sides of the strait. The business strategies of outstanding regional development, transition to premium service sectors, and implementation of quality assurance activities have allowed SYSTEX to consolidate its leading position in the Taiwan market, actively expand operations in the Greater China market, deploy channels in the Asia Pacific, and bring SYSTEX closer to its corporate objectives.

7.5.2 The main reason for profit or loss and improvement plan for reinvestment enterprises

Unit: NT\$ thousands

Item	Remarks	Book Value (Note 1)	Net Income (Loss) 2020	Policies	Reasons for Gain or Loss	Action Plan
Ching Pu Investment Corp.		465,995	72,562	Shareholding in other companies and reinvestment business	Net profit from investment income from dividends of financial assets and recognized by the equity method	
Golden Bridge Information Corp.		273,935	28,339	Shareholding in other companies and reinvestment business	Net profit from investment income recognized by the equity method	
Syscore Corp. (Note 2)		2,332,850	226,746	Shareholding in other companies and reinvestment business	Net profit from investment income from dividends of financial assets and recognized by the equity method	
Syslink Corp.		563,135	(14,870)	Shareholding in other companies and reinvestment business	Recognized loss from investments	To strengthen the management of investment
Kimo.com (BVI) Corp.		3,914,331	219,073	Shareholding in other companies and reinvestment business	Recognized profits from investments	
Systex Capital Group, Inc.		2,369,571	207,018	Shareholding in other companies and reinvestment business	Net profit from investment income from dividends of financial assets and recognized by the equity method	
Systex Solutions (HK) Ltd.		1,533,854	53,890	Shareholding in other companies and reinvestment business	Recognized profits from investments	

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Item	Remarks	Book Value (Note 1)	Net Income (Loss) 2020	Policies	Reasons for Gain or Loss	Action Plan
Taifon Computer Co., Ltd.		264,415	12,196	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
System Solutions Corp.		310,743	37,300	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
Concord System Management Corp.		390,208	77,188	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
Top Information Technologies Co., Ltd.		236,667	77,414	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
System Software & Service Corp.		1,021,321	367,219	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
Nexsys Corp.		360,139	69,981	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
Syspower Corp. (Note 2)		339,717	47,490	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
System Information (Shanghai) Ltd.		424,229	4,711	Developed overseas markets and distribution channels in Greater China	After the business integration and adjustment, the operating conditions improved	
System Rainbow Tech Inc.		250,706	12,634	Developed overseas markets and distribution channels in Greater China	After the business integration and adjustment, the operating conditions improved	
System Information (H.K.) Ltd.		499,554	(9,220)	Developed overseas markets and distribution channels in Greater China	Recognized loss from investments	To strengthen the management of investment

Note 1: Refers to subsidiary companies with a carrying amount exceeding 5% of paid-in capital as of December 31, 2020.

Note 2: Held directly and indirectly by the Company.

7.5.3 Investment Plans for the Coming Year: None.

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7.6 Analysis of Risk Management

The Company has established functional committees that report to the Board of Directors in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" promulgated by the competent authority to enhance the supervision and management functions of the Board of Directors. Proposals are submitted to the Board for resolution to reduce risks in operating and financial decisions.

7.6.1 Risk management policies and organization

The Company's internal management system covers various business activities within the scope of its operations. Responsibilities for the management of risks in various operations are assigned to related units in accordance with the nature of business. The Company has also established the "Crisis Management Regulations," "Strategic Investment Management Regulations," and "Regulations on the Supervision and Management of Subsidiaries" to facilitate effective risk control.

(1) Crisis Management

The Company established the "Crisis Management Regulations" to ensure that the Company can effectively manage and respond to crises as they unfold and reduce the damage and impact caused by crises. The Company also established a Crisis Management Team to oversee crisis management and adopt management methods and measures to minimize the impact caused by crises to the Company.

The organization and responsibilities of the Crisis Management Team are as follows:

Team Member	Person in Charge	Job Description
Crisis Management Team for Legal & Compliance Affair	Supervisor of Legal Division	1. Responsible for legal & compliance crisis management and control. 2. Affair: breach of contract, litigation, administrative sanction, trade secret, and serious fraud, Labor dispute etc.
Crisis Management Team for Disaster Response Affair	Supervisor of Human Resources Division	1. Responsible for disaster crisis management and control. 2. Affair: natural disaster, loss of asset, infrastructure failure, personal safety, and infectious disease etc.
Crisis Management Team for Business Continuity Affair	Supervisor of Business Unit	1. Responsible for business crisis management and control. 2. Affair: market upheaval, material breach of contract, loss of operating key resource, and computer facilities interruption etc.
Crisis Management Team for Information Security & Personal Data Affair	Supervisor of Information Technology & Project Management Division	1. Responsible for information security & personal data crisis management and control. 2. Affair: corporation information security, customer information security, test room failure, and breaches of personal data etc.
Crisis Management Team for Social Media Affair	Supervisor of Marketing & P.R. Division and Spokesperson	1. Responsible for goodwill and corporate image crisis management and control. 2. Affair: negative reports from media, spread of negative comment on the internet etc.

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(2) Strategic Investment Management

The Company has established the "Strategic Investment Management Regulations" to effectively control the risks and performance of follow-up investment in Company's Strategic Investment cases.

The responsibilities of each unit are as follows:

Department	Responsibilities
All Business Units	Responsible for the investment project; formulate business development strategies and seek potential investment targets; evaluate the business side of the investee or newly-established company and establish a business plan of at least three years; assess project risks; assess the value and investment structure design of the investment target.
Business Planning & Corporate Affairs	Review business plans submitted by Business Units; assists Business Units in assessing the value and investment structure design of the investment target; establishes standard operating procedures for subsidiary corporate communications ; establishes subsidiary company management regulations; assists in the incorporation of operating procedures of investee companies into states manageable by the parent company
Legal Department	Ensures legal compliance of all operations in the Company's investment projects; formulates related legal documents for investment cases; assesses the reasonableness of the investment structure; executes legal due diligence (DD); establishes legal standard operating procedures for investment projects.
CFO Office	Reviews assessment of the reasonableness of the investment structure; executes financial due diligence (DD); establishes financial standard operating procedures for M&A.
Human Resources Division	Assists in the design of talent retention plans; establishes standard operating procedures for personnel and general affairs of investment projects.
Marketing & P.R. Division	Organizes press conferences or publicizes information after the completion of investment plans.
Business Management Division	Establishes standard operating procedures for supporting subsidiary operations.
Information Management Department	Plans the basic IT structure of the investee company or newly-established company and assists in the connection of its IT system with the parent company's IT system; establishes standard operating procedures for IT of investment projects

(3) Subsidiary Supervision and Management

The "Regulations on the Supervision and Management of Subsidiaries" are established to implement business management, disclosure of financial and business information at appropriate times, internal control system, and auditing management of subsidiaries in order to ensure their business performance.

The responsibilities of each unit are as follows:

Department	Responsibilities
Business Management Division	Establishment and revision of parent-subsidary companies' operations and management guidelines; assists the supplement (revision) and review of related regulations of the operations and management of subsidiaries; provides supervision, support, and assistance for the operations of subsidiaries; conducts regular performance analyses and follow-up management on subsidiaries; reviews business strategies and plans of subsidiaries; facilitates communication between the parent company and subsidiaries (and between subsidiaries).
Information Technology & Project Management Division	Establishment and revision of parent-subsidary companies' IT system operating guidelines; assists in the supplement (revision) and review of related regulations of the IT systems of subsidiaries; provides supervision, support, and assistance for the IT systems of subsidiaries.
Legal Department	Establishment and revision of parent-subsidary companies' legal affairs system

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Department	Responsibilities
	operating guidelines; assists the supplement (revision) and review of related regulations of legal affairs of subsidiaries; provides supervision, support, and assistance for legal affairs of subsidiaries.
Human Resources Division	Establishment and revision of parent-subsidary companies' human resources and general affairs operating guidelines; assists the supplement (revision) and review of related human resources regulations of subsidiaries; provides supervision, support, and assistance for human resources and general affairs of subsidiaries.
CFO Office	Establishment and revision of parent-subsidary companies' finance and accounting operating guidelines; assists the supplement (revision) and review of related finance and accounting regulations of subsidiaries; provides supervision, support, and assistance for finance and accounting operations of subsidiaries.
Audit Division	Assists the establishment of internal control systems, internal control self-inspection operations, and various business operations regulations of subsidiaries; audits and reviews the internal control systems and internal control self-inspection operations of subsidiaries.

7.6.2 Risks, Assessment, and Response Strategies

A. Market Risks: The Company's forecast risks, pricing risks, production capacity risks, and inventory risks caused by changes in the industry.

Risk Assessment: The characteristics of the IT service industry includes rapid changes in technologies, continuous flow of new products, continuous functional improvements, decline in cost, short product lifecycle, changes in customer requirements, and manufacturer standard specifications. Due to high uncertainties, market risks will influence company operations.

Response Strategy: Implement an annual budget system and rolling forecast system to fully account for the impact of market changes on revenue; organize monthly business review meetings to account for market conditions; actively increase the added-value of products and OEM product lines to maintain reasonable costs and comprehensive services; adopt full digitalization in the company, enhance education and training, and increase the efficiency of information delivery between departments to increase personnel productivity; adopt the principle of making purchases after receiving purchase orders to prevent excess inventory and control the value of inventories.

B. Financial Risks: Additional risks imposed on the Company due to the use of financial leverages.

Risk Assessment: Changes in the Company's industry occur fast and pose high risks in operations. High financial leverage operations will put the Company in greater risk.

Response Strategy: The Company's source of funding consists mainly of equity funds; high financial leverage strategies are avoided. If financing is required, long-term funding obtained from the capital market shall be the primary means for financing to lower financial risks.

C. Fluidity Risks: Risks in which the Company cannot cash in on assets or obtain sufficient funding in time, leading to the inability to perform due responsibilities.

Risk Assessment: Due to high risks in the industry, the speed and capacity of cash flow will affect the Company's competitiveness and daily operations.

Response Strategy: The Company shall strengthen its cash flow forecast, strictly control inventory backlog, and payment/collection conditions and procedures to ensure the fluidity of the Company's operating cash. Conduct short-term operations with idle funds under conditions of maintaining fluidity, security, and profitability. The Company shall also establish financing credit lines with banks to maintain fluidity of funds.

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D. Credit Risks: Risks in which customers and suppliers cannot perform payment or delivery.

Risk Assessment: Due to industry characteristics, the Company faces longer payment cycles from clients.

The unique transaction model of large projects also requires multiple suppliers of varying scales for which credit risks differ. The Company conducts various financial transactions with financial institutions in accordance with financial and business requirements. The credit risks of transaction partners shall also be taken into consideration.

Response Strategy: The Company shall establish a department dedicated to the management of accounts receivable and payable and establish authorization management regulations to enhance credit investigation procedures and strictly control the credit line of customers to safeguard the interests of the Company. The Company selects reputable financial institutions with high ratings to lower credit risks.

E. Legal Risks: Risks of serious impact or other negative impact on the Company's operations or finances due to illegal business activities of the Company or competitors' infringement of the Company's rights.

Risk Assessment: The Company conducts businesses honestly and does not take part in illegal activities.

The Company maintains ownership of multiple intellectual property rights and comprehensive legal protection from infringements that affect company interests.

Response Strategy: The Company established a dedicated Legal Affairs Department to take charge of processing potential legal risks faced by the Company. The Legal Affairs Department also reviews all important contracts before signing to safeguard company interests.

F. Strategy and Business Risks: Risks of immediate or potential impact on the Company's profits or capital due to unfavorable business decisions, inappropriate execution of related strategies, or a lack of response measures to changes in the industry.

Risk Assessment: The Company operates in the technology industry which undergoes constant changes, numerous competitors, and therefore relatively higher operating risks. The implementation of strategies will affect overall normal operations.

Response Strategy: The Company regularly organizes domestic and international senior management business meetings to fully communicate and review the Company's operating strategies and adopt appropriate response measures. The Company also established an Audit Committee to strengthen the functions of the Board of Directors and to help the Company establish major business strategies and supervise the performance of the management team.

7.6.3 Analysis of Risk Management

A. Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures :

(a) Interest rate

Unit: NT\$ thousands;%

Item \ Year	2019			2020		
	Amount	Percentage of Net Sales	Percentage of Profit from Operation	Amount	Percentage of Net Sales	Percentage of Profit from Operation
Interest income	43,114	0.20%	7.10%	27,538	0.12%	2.98%
Interest expense	33,500	0.15%	5.52%	31,868	0.13%	3.45%

The Company's operating funds are readily available and the Company conducts short-term operations with idle funds under conditions of maintaining fluidity, security, and profitability.

The Company maintains close relations with banks in long-term collaboration and uses the banks' assistance to obtain favorable interest rates and conditions. The Company's income on interest remains

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higher than interest expenses and therefore changes in interest rates have limited effects on the Company's profitability. The Company shall continue to monitor trends in interest rate changes and maintain a high degree of profitability while taking into account the requirements for security and fluidity in order to reduce the impact of changes in interest rates.

(b) Foreign exchange rates

Unit: NT\$ thousands; %

Item \ Year	2019			2020		
	Amount	Percentage of Net Sales	Percentage of Profit from Operation	Amount	Percentage of Net Sales	Percentage of Profit from Operation
Foreign exchange gain (loss), net	2,750	0.01%	0.45%	49,495	0.21%	5.35%

The Company's corporate financing personnel used transactions with financial institutions and the Internet to collect information on changes in exchange rates, adjusted the Company's foreign exchange positions, and estimated the cash flow in foreign currency expenditure for the purpose of controlling risks as early as possible. In principle, the Company uses income in foreign currencies to pay for foreign currency expenditures to achieve natural hedging effects and therefore changes in interest rates have limited impact on the Company's profits and losses.

(c) Inflation

The Company maintains close and good relations with suppliers and customers and pays attention to fluctuations in market prices in order to make timely adjustments in response to market fluctuations in purchase and sales prices as well as to lower the impact of changes in inflation.

The Company's main suppliers are IT firms and the Company pays attention to the changes in prices of products from original manufacturers at all times to prevent major impact of changes in cost on the Company's profits and losses.

B. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Company does not conduct high-risk and high-leverage investments. The Company provides loans to others, endorsement or guarantee, and trade in derivatives in accordance with the Company's policies and response measured established in the Company's "Procedures for the Acquisition or Disposal of Assets," "Operating Procedures for Fund Lending," and "Procedures for Making Endorsements and Guarantees."

No breaches of contract that caused profits or losses have occurred in Company's endorsements, guarantees, and loans to subsidiary companies for their financing requirements.

C. Future Research & Development Projects and Corresponding Budget

Research Projects	Completion (%)	Expected Research Expenditure (NT\$ ten thousand)	Expected Completion Schedule	Major Risk Factors
Simulated trading of futures dealers	Planning	60	June, 2021	Data volume and bandwidth usage
Data winner of Futures	Customer trial phase	100	June, 2021	Data volume and bandwidth usage
Time Machine of Futures	Planning	100	August, 2021	Human Resources and Core Technology
Insurance policy health check and information source subscription service	Planning completed	400	September, 2021	Human Resources and Core Technology

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Research Projects	Completion (%)	Expected Research Expenditure (NT\$ ten thousand)	Expected Completion Schedule	Major Risk Factors
Member platform and Line official account of Taiwan Pay	Format Planning	100	December, 2021	Human Resources and Core Technology
AI execution plan strategy model for futures brokers	Development Stage	180	December, 2021	Human Resources and Core Technology

D. Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

In response to the rapid development and advancement of mobile communication, social media, big data, and cloud technologies, the FSC published the "FinTech Development Strategy White Paper" in 2016 to encourage financial institutions to provide new and innovative industrial financing and financial services. SYSTEX has launched smart wealth management service tools in 2017 to target business development opportunities in related technology services for smart banks, smart wealth management, mobile insurance, and mobile payment.

Mailing of paper notices has decreased due to changes in regulations on shareholder services. In addition to providing services through the electronic statement system platform, SYSTEX also develops its own interactive products and provides differentiated added-value services. We integrated existing interactive electronic statements and mSense electronic statements to lower the impact of electronic statements on revenue.

In response to business opportunities in the adjustments of government organizations, the Company focuses on: Demand in software/hardware equipment replacement, integrated account single login services, equipment transfer services, computer room performance adjustment/shared structure services, maintenance contracts, and increased value. At the same time, the Company needs to gain core technologies in land administration to facilitate the growth of land administration ITO and create differentiation in services.

E. Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

(a) With the rapid development of financial transaction tools and the diversification and internationalization of financial products, SYSTEX will effectively assist customers in the development of competitive products. The Company will also focus on the latest development in global economic trends, consider market demand, integrate multiple financial product information, provide comprehensive transnational and inter-market one-stop service to satisfy customer demands in financial markets in China, Hong Kong, Taiwan, and various domestic and foreign markets and demonstrate the value of integration.

(b) In response to trending issues such as energy conservation and carbon emissions reduction induced by global warming and to lower corporate operating costs, the Company provides installation services for central (headquarters) energy-saving monitoring and management platforms and energy-saving equipment (including air-conditioning and lighting) for service industry operators with multiple outlets. The Company targets large-scale directly managed chain retailers with high electricity consumption and long hours of operations and provides a management and monitoring platform for headquarters to monitor and manage multiple outlets. SYSTEX also uses its service networks and resources across the nation to provide chain service industries with energy saving management services.

(c) As for confidential data services, SYSTEX conducts risk assessments and relevant reviews every six months. For example, securities information services at computer facilities and bill printing services, Systex Software & Service Corp. and Systex Solutions Corp. have been certified by ISO 27001. In 2020,

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risk assessments conducted in the previous years were adopted, and no high-risk items were found. Medium- and low-risk items were handled by relevant units in accordance with the determined control measures and adjustments and included in the follow-up tracking and reports.

F. The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

The Company has always upheld the operation principles of professionalism and integrity as well as its emphasis on corporate image and risk management. Therefore the corporate image has been well-maintained and there has been no major incident detrimental to corporate image.

G. Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans:

In January 2020 and February 2021, acquired 100% interests of E-service Information Corp. The main business of E-service Information Corp. has rich experience in digital service of national-level collections of cultural relics, focusing on providing professional digital services, cultural relics survey, cultural construction services and digital content services. It is expected that the comprehensive effects of the investment in the company in addition to continuing to deepen the data application will also expand the scope of services and enter government units and cultural industries.

In December 2021, acquired 62.87% interests of Taiwan Information Service Technology Corp., and strived for business opportunities of Forward-looking Infrastructure Development Program such as digital government, social welfare policy-related system integration, mobile services, and data applications.

After the investment, the existing service team and operation mode will be maintained. The Company also forms a work team to keep abreast of the progress of the work and the risks and benefits before and after the investment.

H. Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: None.

I. Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

The Company maintains good relations with multiple domestic and international suppliers to ensure the diversity of products and security of sources. The Company's sales customers are distributed across the government, finance industry, telecommunications, distribution, and education. Customers are numerous and dispersed and the Company uses the dispersion strategy to reduce the risk of concentrated purchases or sales.

J. Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors or Shareholders with Shareholdings of over 10%:

With the exception of share transfers conducted for personal investment, financing, and taxation plans made by the Company's Directors or major shareholders holding over 10% of the Company's shares in the most recent year and as of the printing date of the prospectus, stable shareholding ratios were mostly maintained and have no major negative effect on the Company's operations.

K. Effects of, Risks Relating to and Response to the Changes in Management Rights: None.

L. Litigation or Non-litigation Matters: None.

7.7 Other Major Risks: None.

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 SYSTEX's Subsidiaries

Unit: NT(USD,RMB,HKD,SGD)\$ thousands As of December 31, 2020

Company	Date of Incorporation	Place of Registration	Share Capital	Business Activities
Taifon Computer Co., Ltd.	1992.10.14	Taipei, Taiwan	200,000	Design, construction, and sales of telecommunications, electronic calculators, and computer installation projects etc.
System Solutions Corp.	2014.04.29	Taipei, Taiwan	260,000	Design, construction, and sales of telecommunications, electronic calculators, and computer installation projects etc.
Concord System Management Corp.	1982.10.19	Taipei, Taiwan	231,134	Design of computer system software and software application programs, assessment and planning of computer systems etc.
Top Information Technologies Co., Ltd.	1980.11.18	Taipei, Taiwan	180,000	Sale of computer peripheral equipment and office machines, design of computer system and professional repairs services.
System Software & Service Corp.	2011.08.25	Taipei, Taiwan	544,500	IT software and data processing services, retail and services for IT software.
SoftMobile Technology Corp.	2011.08.02	Taipei, Taiwan	36,619	Manufacture of electronic wired communication machinery and equipment, manufacture of electronic components, manufacture of computers and peripheral equipment, installation of computer equipment, IT software retail, computer and office appliance wholesale and retail.

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Company	Date of Incorporation	Place of Registration	Share Capital	Business Activities
Nexsys Corp.	2000.05.16	Taipei, Taiwan	199,950	Manufacture of electronic wired communication machinery and equipment, manufacture of electronic components, manufacture of computers and peripheral equipment, installation of computer equipment, IT software retail, computer and office appliance wholesale and retail.
Naturint Ltd.	2016.07.19	Taipei, Taiwan	20,000	Installation and sales of computer software and related equipment, IT software, data processing, and other consulting services, network certification, software publication etc.
Smartsys Technology Corp.	2018.04.18	Taipei, Taiwan	2,000	Design, installation, and maintenance of computer information and telecommunication construction, design and sales of computer system software.
Syswiser Technology Corp.	2018.04.18	Taipei, Taiwan	2,000	Design, installation, and maintenance of computer information and telecommunication construction, design and sales of computer system software.
E-service Information Co.	2001.08.06	Taipei, Taiwan	80,000	Information software services and intellectual property rights and printing and data storage media manufacturing and duplicating ,
Syspower Corp.	1988.09.05	Taipei, Taiwan	200,000	Design, installation, and maintenance of computer information and telecommunication construction, design and sales of computer system software.

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Company	Date of Incorporation	Place of Registration	Share Capital	Business Activities
Taiwan Information Service Technology Corporation	2008.09.09	Taichung, Taiwan	21,680 (Note)	Design, installation, and maintenance of computer information and telecommunication construction, design and sales of computer system software.
System Information (Shanghai) Ltd.	2000.11.27	Shanghai, China	USD31,100	Data processing services, IT supply services, IT software services, international trade.
Sysware Shenglong Information Systems Co., Ltd.	2007.10.16	Shanghai, China	USD5,656	Research, development, and production of computer software and hardware, sales of self-manufactured products, technical consulting services, technical services, training and transfer.
System Group (China) Ltd.	2012.09.28	Shanghai, China	USD10,000	Business management and consulting services, market management and sales services, financial management services for fund operations etc.
System Rainbow Tech Inc.	2001.03.16	Guangzhou, China	RMB50,000	Computer software and hardware technologies, research, development, installation, wholesale, and trade of computer network systems etc.
System Ucom (Shanghai) Information Co., Ltd.	2015.01.13	Shanghai, China	RMB2,000	IT software services, IT software wholesale, IT software retail.
System Rainbow (Guangzhou) Tech Inc.	2018.08.31	Guangzhou, China	RMB1,250	Computer software and hardware technologies, research, development, installation, wholesale, and trade of computer network systems etc.
System Information (H.K.) Ltd.	1999.12.02	Hong Kong	HKD 197,348	Sales of computers and peripherals.
Rainbow Tech Information (HK) Ltd.	2012.04.26	Hong Kong	HKD25,340	Sales of computers and peripherals.
Ching Pu Investment Corp.	1998.09.02	Taipei, Taiwan	307,500	Investment.

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Company	Date of Incorporation	Place of Registration	Share Capital	Business Activities
Golden Bridge Information Corp.	2011.08.25	Taipei, Taiwan	230,000	Investment.
Syscore Corp.	2017.10.25	Taipei, Taiwan	2,000,000	Investment.
Syslink Corp.	2018.03.29	Taipei, Taiwan	650,000	Investment.
Hanmore Investment Corp.	1989.04.21	Taipei, Taiwan	197,065	Investment.
Kimo.com (BVI) Corporation	1999.08.12	British Virgin Islands	USD500	Financial trust, shareholding and other investment businesses.
System Capital Group, Inc.	2000.02.23	British Virgin Islands	USD0.55	Financial trust, shareholding and other investment businesses.
System Solutions (HK) Ltd.	2011.10.03	Hong Kong	HKD 136,000	Financial trust, shareholding and other investment businesses.

Note: Capital increased by cash of NT\$3,000 thousands in January, 2021 and after the capital increased, the share capital is NT\$24,680 thousands.

VIII. Special Disclosure

8.1.2 SYSTEX's Subsidiaries Chart (December 31, 2020): Please refer to page 170.

8.1.3 Shareholders in Common of SYSTEX and Its Subsidiaries with Deemed Control and Subordination: None.

8.1.4 Rosters of Directors, Supervisors, and Presidents of SYSTEX's Subsidiaries :

As of December 31, 2020

Company	Title	Name	Shareholding	
			Shares (Investment Amount)	% (Investment Holding)
Taifon Computer Co., Ltd.	Chairman & President	SYSTEX Corp. Rep.: Yang, Yun-Chang	20,000,000	100.00%
	Director	SYSTEX Corp. Rep.: Lin, Jen-Shou		
	Director	SYSTEX Corp. Rep.: Liu, Kuan-Lin		
	Supervisor	SYSTEX Corp. Rep.: Chung, Chih-Chun		
Systex Solutions Corp.	Chairman	SYSTEX Corp. Rep.: Yang, Shih-Chung(Note 1)	26,000,000	100.00%
	Director	SYSTEX Corp. Rep.: Lin, Lung-Fen		
	Director	SYSTEX Corp. Rep.: Lin, Jen-Shou		
	Supervisor	SYSTEX Corp. Rep.: Chung, Chih-Chun		
	President	Lin, Wen-Kuei	-	-
Concord System Management Corp.	Chairman	SYSTEX Corp. Rep.: Hsiao, Wei-Chun(Note 2)	23,113,372	100.00%
	Director & President	SYSTEX Corp. Rep.: Tao, Ya-Kuang		
	Director	SYSTEX Corp. Rep.: Lin, Jen-Shou		
	Supervisor	SYSTEX Corp. Rep.: Chung, Chih-Chun		
Top Information Technologies Co., Ltd.	Chairman & President	Concord System Management Corp. Rep.: Tao, Ya-Kuang(Note 3)	18,000,000	100%
	Director	Concord System Management Corp. Rep.: Fan, Jee-Der		
	Director	Concord System Management Corp. Rep.: Liu, Kuan-Lin		
	Supervisor	Concord System Management Corp. Rep.: Cheng, Yuan-Yih		
System Software & Service Corp.	Chairman & President	SYSTEX Corp. Rep.: Lee, Su-Yue(Note 4)	54,450,000	100.00%

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	Director	SYSTEX Corp. Rep.: Lin, Lung-Fen		
	Director	SYSTEX Corp. Rep.: Lin, Jen-Shou		
	Supervisor	SYSTEX Corp. Rep.: Cheng, Yuan-Yih		
SoftMobile Technology Corp.	Chairman	Golden Bridge Information Corp. Rep.: Wu, Wen-Shun	3,661,875	100.00%
	Director	Golden Bridge Information Corp. Rep.: Lin, Lung-Fen		
	Director	Golden Bridge Information Corp. Rep.: Fan, Jee-Der		
	Supervisor	Golden Bridge Information Corp. Rep.: Chung, Chih-Chun		
	President	Huang, Feng-Lin	-	-
Nexsys Corp.	Chairman	SYSTEX Corp. Rep.: Pan, Tieh-I	19,995,000	100.00%
	Director & President	SYSTEX Corp. Rep.: Chung, Cheng-Wen(Note 5)		
	Director	SYSTEX Corp. Rep.: Yang, Shih-Chung		
	Supervisor	SYSTEX Corp. Rep.: Chung, Chih-Chun		
Naturint Ltd.	Chairman & President	SYSTEX Corp. Rep.: Fan, Jee-Der	2,000,000	100.00%
	Director	SYSTEX Corp. Rep.: Lin, Lung-Fen		
	Director	SYSTEX Corp. Rep.: Hsieh, Shu-Heng		
	Supervisor	SYSTEX Corp. Rep.: Chung, Chih-Chun		
Smartsys Technology Corp.	Chairman	Syslink Corp. Rep.: Lin, Lung-Fen	200,000	100.00%
	Director	Syslink Corp. Rep.: Liu, Kuan-Lin		
	Director	Syslink Corp. Rep.: Lin, Cheng-hsuan		
	Supervisor	Syslink Corp. Rep.: Cheng, Yuan-Yih		
Syswiser Technology Corp.	Chairman	Syslink Corp. Rep.: Lin, Lung-Fen	200,000	100.00%
	Director	Syslink Corp. Rep.: Liu, Kuan-Lin		

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	Director	Syslink Corp. Rep.: Chan, Yi-Cheng		
	Supervisor	Syslink Corp. Rep.: Cheng, Yuan-Yih		
E-service Information Corp. (Note 6)	Chairman	SYSTEX Corp. Rep.: Yang, Shih-Chung	4,700,000	58.75%
	Director	SYSTEX Corp. Rep.: Hsiao, Wei-Chun		
	Director	SYSTEX Corp. Rep.: Lin, Chia-Ying		
	Supervisor	SYSTEX Corp. Rep.: Cheng, Yuan-Yih		
Syspower Corp.	Chairman	Golden Bridge Information Corp. Rep.: Fan, Jee-Der	8,481,884	42.41%
	Director & President	Golden Bridge Information Corp. Rep.: Chen, Kuo-Chen		
	Director	Golden Bridge Information Corp. Rep.: Lin, Lung-Fen		
	Supervisor	Ching Pu Investment Corp. Rep.: Cheng, Yuan-Yih	7,432,586	37.16%
Taiwan Information Service Technology Corp.	Chairman	SYSTEX Corp. Rep.: Chan, Yi-Cheng	13,630	62.87%
	Director	SYSTEX Corp. Rep.: Wu, Jian-Ho	(Note 7)	
	Director	Micro Factor Data Co., Ltd. Rep.: Hsieh, Jen-Chieh	8,050	37.13%
	Supervisor	Cheng, Yuan-Yih	-	-
	President	Huang, Chin-Te	-	-
Systek Information (Shanghai) Ltd.	Executive Director	Lin, Wen-Chou	(Investment) USD31,100,000	100.00%
	Supervisor	Chang, Mei-Yi		
	President	Tan, Chien-Jung	-	-
Sysware Shenglong Information Systems Co., Ltd.	Executive Director	Lin, Wen-Chou	(Investment) USD5,656,000	100.00%
	Supervisor	Chang, Mei-Yi		
	President	Chien, Shih-Feng	-	-
Systex Group (China) Ltd.	Executive Director	Lin, Wen-Chou	(Investment) USD10,000,000	100.00%
	Supervisor	Chang, Mei-Yi		
Systex Rainbow Tech Inc.	Executive Director	Lin, Wen-Chou	(Investment) RMB50,000,000	100.00%
	Supervisor	Chang, Mei-Yi		

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Systex Ucom (Shanghai) Information Co., Ltd.	Executive Director	Li, Jing	(Investment) RMB2,000,000	100.00%
	Supervisor	Zhong, Qian-Fen		
Systex Rainbow (Guangzhou) Tech Inc.	Director & President	Yu, Can-Xiong	(Investment) RMB500,000	40%
	Director	Tan, Chien-Jung		
	Director	Yen, Jung-Chung	(Investment) RMB750,000	60%
	Supervisor	Lin, Wen-Chou		
Systex Information (H.K.) Ltd.	Chairman	Cheng, Deng-Yuan	197,348,000	100.00%
	Director & President	Hu, Hsiao-Tung		
	Director	Lin, Wen-Chou		
Rainbow Tech Information (HK) Ltd.	Director	Cheng, Deng-Yuan	25,340,000	100.00%
Ching Pu Investment Corp.	Chairman & President	SYSTEX Corp. Rep.: Lin, Lung-Fen (Note 8)	30,750,000	100.00 %
	Director	SYSTEX Corp. Rep.: Chung, Chih-Chun		
	Director	SYSTEX Corp. Rep.: Lin, Pei-Fen (Note 8)		
	Supervisor	SYSTEX Corp. Rep.: Cheng, Yuan-Yih		
Golden Bridge Information Corp.	Chairman & President	SYSTEX Corp. Rep.: Lin, Lung-Fen	23,000,000	100.00%
	Director	SYSTEX Corp. Rep.: Chung, Chih-Chun		
	Director	SYSTEX Corp. Rep.: Lin, Jen-Shou		
	Supervisor	SYSTEX Corp. Rep.: Cheng, Yuan-Yih		
Syscore Corp.	Chairman	Kimo.com (BVI) Corp. Rep.: Chung, Chih-Chun	100,000,000	50.00%
	Director	Kimo.com (BVI) Corp. Rep.: Lin, Lung-Fen		
	Director	Kimo.com (BVI) Corp. Rep.: Lin, Pei-Fen		
	Supervisor	Systex Capital Group, Inc. Rep.: Cheng, Yuan-Yih	100,000,000	50.00%
Syslink Corp.	Chairman	Syscore Corp. Rep.: Lin, Lung-Fen	65,000,000	100.00%
	Director	Syscore Corp. Rep.: Liu, Kuan-Lin		

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	Director	Syscore Corp. Rep.: Tang, Yin-Soon		
	Supervisor	Syscore Corp. Rep.: Chung, Chih-Chun		
Hanmore Investment Corp.	Chairman & President	Joray Co., Ltd. Rep.: Wu, Cheng-Huan	18,768	0.10%
	Director	Joray Co., Ltd. Rep.: Lin, Chih-Min		
	Director	SYSTEX Corp. Rep.: Cheng, Yuan-Yih	9,640,680	48.92%
	Supervisor	Chung, Chih-Chun	-	-
Kimo.com (BVI) Corp.	Director	Lin, Lung-Fen	500,000	100.00%
	Director	Chung, Chih-Chun (Note 9)		
System Capital Group, Inc.	Director	Lin, Lung-Fen	550	100.00%
	Director	Chung, Chih-Chun (Note 9)		
System Solutions (HK) Ltd.	Director	Lin, Lung-Fen	136,000,000	100.00%
	Director	Chung, Chih-Chun		

Note 1: Be assigned and elected in March, 2021.

Note 2: Be assigned and elected in January, 2021.

Note 3: Be elected in January, 2021.

Note 4: Be elected in January, 2021.

Note 5: Be assigned in February, 2021.

Note 6: Acquired stock 3,300,000 shares, the shareholding ratio increased to 100% and be assigned in February, 2021.

Note 7: Capital increased by cash of NT\$3,000 thousands in January, 2021 and after the capital increased, the share capital is NT\$24,680 thousands and after the capital increased, SYSTEX held 16,630 shares, the shareholding ratio increased to 67.38%.

Note 8: Be assigned and elected in January, 2021.

Note 9: Be appointed in February, 2021.

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8.1.5 Operational Highlights of SYSTEX's Subsidiaries

Unit: NT\$ thousands, except EPS (\$) As of December 31, 2020

Company	Share Capital	Assets	Liabilities	Net Book Value	Net Revenues	Income (Loss) from Operation	Net Income (Loss)	EPS
Taifon Computer Co., Ltd.	200,000	479,767	214,418	265,349	499,429	12,648	12,196	0.61
Systex Solutions Corp.	260,000	969,089	657,506	311,583	1,489,848	47,446	37,300	1.43
Concord System Management Corp.	231,134	698,549	307,744	390,805	1,198,955	19,191	77,188	3.34
Top Information Technologies Co., Ltd.	180,000	394,129	149,549	244,580	727,173	81,508	77,414	4.30
Systex Software & Service Corp.	544,500	2,905,659	1,879,264	1,026,395	7,621,826	455,121	367,219	6.74
SoftMobile Technology Corp.	36,619	75,870	28,149	47,721	104,863	9,990	8,123	2.22
Nexsys Corp.	199,950	450,625	90,379	360,246	378,763	86,948	69,981	3.50
Naturint Ltd.	20,000	23,522	2,175	21,347	10,250	(205)	(100)	(0.05)
Smartsys Technology Corp.	2,000	1,924	70	1,854	0	(77)	(71)	(0.36)
Syswiser Technology Corp.	2,000	1,891	70	1,821	0	(77)	(71)	(0.35)
E-service Information Co.	80,000	241,511	171,213	70,298	127,187	8,425	6,086	0.76
Syspower Corp.	200,000	869,700	465,497	404,203	1,308,284	57,285	47,490	2.37
Taiwan Information Service Technology Corporation	21,680	98,201	49,841	48,360	97,455	12,661	9,473	436.94
Systek Information (Shanghai) Ltd.	1,015,425	483,642	59,415	424,227	42,058	(15,943)	4,711	-
Sysware Shenglong Information Systems Co., Ltd.	179,274	118,910	11,818	107,092	33,440	6,058	6,635	-
Systex Group (China) Ltd.	270,966	1,087,095	1,010,152	76,943	2,450,300	(37,006)	(28,610)	-

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Company	Share Capital	Assets	Liabilities	Net Book Value	Net Revenues	Income (Loss) from Operation	Net Income (Loss)	EPS
Systex Rainbow Tech Inc.	214,875	617,476	366,769	250,707	933,431	16,250	12,634	-
Systex Ucom (Shanghai) Information Co., Ltd.	8,595	96,127	67,640	28,487	351,344	10,378	10,799	-
Systex Rainbow (Guangzhou) Tech Inc.	5,372	4,960	711	4,249	180	(850)	(907)	-
Systex Information (H.K.) Ltd.	759,592	799,649	300,095	499,554	1,216,271	17,490	(9,220)	-
Rainbow Tech Information (HK) Ltd.	97,534	172,187	41,342	130,845	286,486	17,989	15,210	-
Ching Pu Investment Corp.	307,500	1,432,652	681	1,431,971	0	(409)	72,562	2.36
Golden Bridge Information Corp.	230,000	274,054	120	273,934	0	(129)	28,339	1.23
Syscore Corp.	2,000,000	2,338,564	5,713	2,332,851	0	(300)	226,746	1.13
Syslink Corp.	650,000	563,205	70	563,135	0	(187)	(14,870)	(0.23)
Hanmore Investment Corp.	197,065	1,907,692	2,870	1,904,822	0	(3,864)	103,032	5.23
Kimo.com (BVI) Corp.	14,990	3,916,133	200	3,915,933	0	(533)	219,073	-
Systex Capital Group, Inc.	16	2,371,149	367	2,370,782	0	(599)	207,018	-
Systex Solutions (HK) Ltd.	523,464	1,584,535	50,677	1,533,858	0	28	53,890	-

8.1.6 Subsidiaries' Consolidated Financial Statements: Please refer to pages 106~171.

8.2 Private Placement Securities in the Most Recent Years: N/A

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8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years

Unit: NT\$ thousands : shares : %

Name of Subsidiary	Paid-in Capital	Fund Source	Shareholding Ratio of the Company	Date of Acquisition or Disposition	Shares and Amount Acquired	Shares and Amount Disposed	Investment Gain (Loss)	Shareholdings and Amount as of the printing date of this annual report (Note1)	Mortgage	Endorsement Amount Made for the Subsidiary	Amount Loaned to the Subsidiary
Hanmore Investment Corp.	NT\$ 197,065 thousands	N/A	48.9%	-	-	-	-	21,316,678 shares NT\$1,867,341 thousands	5,000,000 shares (Note 2)	-	-
Ching Pu Investment Corp.	NT\$ 307,500 thousands	N/A	100.0%	-	-	-	-	10,981,476 shares NT\$961,977 thousands	-	-	-

Note 1: The amount held is the fair market value as of March 31, 2021

Note 2: Hanmore Investment Corp. pledged 5,000,000 shares of the Company as collateral; the pledge does not affect the Company's financial performance or financial status.

8.4 Other Necessary Supplement: None.

8.5 Any Events in 2020 and as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.



SYSTEX CORPORATION

No.318, Ruiguang Rd., Neihu Dist., Taipei City 114, Taiwan
Tel +886-2-7720-1888 | www.systex.com