Stock Code: 2365

KYE Systems Corp.

Individual Financial Statements and Independent Auditors' Report

2020 and 2019

(For the convenience of readers, this English individual financial statements and independent auditors' report are translated from the original Chinese version. The English version is not Audited or Certified by a CPA.)

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Independent Auditors' Report

To KYE Systems Corp.:

Audit Opinions

We audited the individual balance sheets of KYE Systems Corp. as of December 31, 2020 and 2019, its individual statements of comprehensive income, individual statements of changes in equity and individual statements of cash flows for the periods from January 1 to December 31, 2020 and 2019, and the notes to its individual financial statements (including the summary of significant accounting policies).

In our opinion, the said individual financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and thus presented fairly, in all material aspects, the individual financial positions of KYE Systems Corp. as of December 31, 2020 and 2019, and the individual financial performance and cash flows for the periods from January 1 to December 31, 2020 and 2019.

Basis of Audit Opinions

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards. Our responsibilities under such standards are further described in the "Responsibilities of Accountants for the Audit of Individual Financial Statements" section in this report. We were independent of KYE Systems Corp., in accordance with the Norms of Professional Ethics for Certified Public Accountants and fulfilled all other responsibilities thereunder. We believe that we acquired sufficient and appropriate audit evidence to use as the basis of our audit opinions.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the individual financial statements of KYE Systems Corp. for the year of 2020. Such matters were addressed in the context of our audit of the individual financial statements as a whole and, in forming our opinions thereon, we do not provide any separate opinion on these matters.

The key audit matters in the individual financial statements of KYE Systems Corp. for the year of 2020 are as follows:

Occurrence of recognition of sales revenue

The sales revenue of KYE Systems Corp. in 2020 was higher than that in 2019, and the sales revenue from certain sales customers in the current year saw a significant increase from that in the previous year. Since the amount and proportion thereof are a matter of significance, we have deemed the occurrence of recognition of the sales revenue from that certain sales customers to be a key audit matter of the individual financial statements of KYE Systems Corp. for 2020. For the accounting policy on recognition of revenue, see Notes 4 and 19 to the individual financial statements.

The audit procedures we performed for the above-mentioned key audit matter included understanding and testing of the design and implementation effectiveness of the internal controls related to the recognition of sales revenue. We analyzed the reasons for change in the amount of the sales revenue from the above-mentioned sales customers. We conducted an audit by sampling the transaction details of the sales revenue from the above-mentioned sales customers. We also reviewed the relevant shipment certificates and payment receipts to confirm the occurrence of the sales revenue. We reviewed whether there were significant sales returns or discounts subsequently on the part of the above-mentioned sales customers.

Responsibilities of the Management and Governing Bodies for Individual Financial Statements

The management was responsible for preparation of the financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and maintaining the necessary internal control related to the preparation of the individual financial statements to ensure that the individual financial statements were free of material misstatement due to fraud or error.

During preparation of the individual financial statements, the management was also responsible for evaluating KYE Systems Corp.'s ability as a going concern, disclosure of relevant matters, and application of the going concern basis of accounting unless the management intended to make KYE Systems Corp. enter into liquidation or terminate its operations, or there were no other actual or feasible solutions other than liquidation or termination of its operations.

The governing bodies (including the Audit Committee) of KYE Systems Corp. are responsible for supervising the process of financial reporting.

Responsibilities of Accountants for the Audit of Individual Financial Statements

The purpose of our audit of the individual financial statements is to obtain reasonable assurance about whether the individual financial statements were free of material misstatements due to fraud or error, with an audit report issued thereafter. Reasonable assurance means high assurance. However, it cannot be guaranteed that no material misstatement contained in the individual financial statements will be discovered during an audit conducted in accordance with generally accepted auditing standards. Any misstatement may be due to fraud or error. A misstatement is deemed material if the individual or aggregate amount misstated is reasonably expected to affect the economic decisions made by users of the individual financial statements.

We used our professional judgment to be skeptical during the audit conducted based on the generally accepted auditing standards. We also performed the following tasks:

1. We identified and assessed the risk of any misstatement in the individual financial statements due to fraud or error, designed and implemented response measures suitable for the evaluated risks, and acquired sufficient and appropriate audit evidence to use as the basis of our audit opinions. Since fraud may involve collusion, forgery, omission on purpose, fraudulent statements or violation of internal control, we did not find that the risk of misstatement due to fraud was higher than the same due to errors.

2. We understood the internal control related to the audit to the extent necessary to design audit procedures appropriate for the current circumstances. However, the purpose of such work

was not to express opinions regarding the effectiveness of KYE Systems Corp.'s internal control.

3. We evaluated the appropriateness of the accounting policies adopted by the management and the rationality of the accounting estimates and relevant disclosures made by the management.

4. We drew a conclusion about the appropriateness of the application of the going concern basis of accounting by the management and whether the event or circumstances which may cast significant doubt about KYE Systems Corp.'s ability as a going concern had a material uncertainty. If any material uncertainty was deemed to exist in such event or circumstances, we must provide a reminder in the audit report for the users of the individual financial statements to pay attention to the relevant disclosure therein, or amend our audit opinions when such disclosure is inappropriate. Our conclusion was based on the audit evidence obtained as of the date of this audit report. However, future events or circumstances might result in a situation where KYE Systems Corp. would no longer have its ability as a going concern.

5. We evaluated the overall presentation, structure, and contents of the individual financial statements (including relevant notes), and whether the individual financial statements presented the relevant transactions and events fairly.

6. We acquired sufficient and appropriate audit evidence for the financial information of the entities forming KYE Systems Corp. to provide opinions regarding the individual financial statements. We were responsible for guidance, supervision and implementation in relation to audit cases and formation of audit opinions for KYE Systems Corp.

The matters for which we communicated with the governing bodies include the planned audit scope and time, as well as major audit findings (including the significant deficiencies of the internal control identified during the audit).

We also provided a declaration of independence to the governing bodies, which assured that we complied with the requirements related to independence in the Norm of Professional Ethics for Certified Public Accountant, and communicated all relationships and other matters (including relevant protective measures) which we deemed to be likely to cause an impact on the independence of CPAs to the governing bodies.

The key audit matters in the audit of the individual financial statements of KYE Systems Corp. for 2020 were determined by us from the matters addressed in our communication with the governing bodies. We specified such matters in the audit report except when public disclosure of certain matters was prohibited by related laws or regulations, or in very exceptional circumstances, we determined not to cover such matters in the audit report as we could expect that the negative impact of the coverage would be greater than the public interest brought thereby.

Deloitte Taiwan

CPA Mei-Hui Wu	CPA Yao-Lin Huang
Approval No. from the Securities and Futures Commission Tai-Cai-Zheng-Liu-Zi No. 0920123784	Approval No. from the Financial Supervisory Commission Jin-Guan-Zheng-Shen-Zi No. 1060004806

March 25, 2021

KYE Systems Corp.
Individual Balance Sheet
December 31, 2020 and 2019

Unit: NTD thousand

Code	Asset	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	$ 588,481	18	$ 546,690	15
1110	Financial assets measured at fair value through profit or loss – current (Notes 4 and 7)	1,713	-	-	-
1120	Financial assets measured at fair value through other comprehensive income – current (Notes 4 and 8)	-	-	23,039	1
1170	Notes and accounts receivable (Notes 4, 9, 19 and 25)	102,874	3	93,555	3
1197	Finance leases receivable – current (Notes 4 and 10)	3,729	-	-	-
1200	Other receivables (Notes 4, 16 and 25)	536,848	17	648,044	18
130X	Inventory (Notes 4 and 11)	165,599	5	159,346	5
1410	Prepayments	6,276	-	13,806	-
1470	Other current assets	34,094	1	34,878	1
11XX	Total current assets	1,439,614	44	1,519,358	43
	Non-current assets				
1517	Financial assets measured at fair value through other comprehensive income – non-current (Notes 4, 8 and 12)	82,267	3	157,860	4
1550	Investment under the equity method (Notes 4 and 12)	1,236,632	37	1,265,510	35
1600	Property, plant and equipment (Notes 4, 13 and 26)	421,949	13	423,189	12
1755	Right-of-use assets (Notes 4 and 14)	2,998	-	19,156	1
1840	Deferred income tax assets (Notes 4 and 21)	108,732	3	129,812	4
194D	Finance leases receivable – non-current (Notes 4 and 10)	3,150	-	-	-
1990	Other non-current assets (Notes 4 and 27)	11,960	-	48,213	1
15XX	Total non-current assets	1,867,688	56	2,043,740	57
1XXX	Total assets	$ 3,307,302	100	$ 3,563,098	100
Code	**Liability and equity**				
	Current liabilities				
2170	Notes and accounts payable (Notes 15 and 25)	$ 102,446	3	$ 95,290	2
2219	Other payables (Notes 16 and 25)	61,156	2	68,299	2
2230	Current income tax liabilities (Notes 4 and 21)	24,216	1	3,298	-
2280	Lease liabilities – current (Notes 4 and 14)	6,044	-	8,299	-
2399	Other current liabilities (Note 25)	80,612	2	96,985	3
21XX	Total current liabilities	274,474	8	272,171	7
	Non-current liabilities				
2570	Deferred income tax liabilities (Notes 4 and 21)	24,554	1	16,688	1
2580	Lease liabilities – non-current (Notes 4 and 14)	4,790	-	10,834	-
2640	Net defined benefit liabilities – non-current (Notes 4 and 17)	31,654	1	31,723	1
2670	Other non-current liabilities (Note 4)	2,728	-	2,027	-
25XX	Total non-current liabilities	63,726	2	61,272	2
2XXX	Total liabilities	338,200	10	333,443	9
	Other equity (Note 18)				
	Share capital				
3110	Common stock	2,245,285	68	2,345,385	66
3200	Capital reserves	382,898	12	456,206	13
	Retained earnings				
3310	Legal reserves	428,064	13	452,988	13
3320	Special reserves	429,317	13	496,095	14
3350	Undistributed earnings (losses to be covered) (Notes 4, 8 and 12)	144,615	4	(91,702)	(3)
3300	Total retained earnings	1,001,996	30	857,381	24
3400	Other equity (Notes 4, 8 and 12)	(661,077)	(20)	(429,317)	(12)
3XXX	Total equity	2,969,102	90	3,229,655	91
	Total liabilities and equity	$ 3,307,302	100	$ 3,563,098	100

The attached notes are part of the individual financial statements.

Chairman: SHIH-KUN TSO　　Manager: SHIH-KUN TSO　　Accounting Manager: AN-MIN KAO

KYE Systems Corp.
Individual Statement of Comprehensive Income
January 1 to December 31, 2020 and 2019

Unit: NTD thousand;
EPS unit: NTD

Code		2020 Amount	2020 %	2019 Amount	2019 %
4110	Total operating revenue	$ 1,261,146	103	$ 1,024,321	104
4170	Less: Sales returns and discounts	36,627	3	38,887	4
4100	Net operating revenue (Notes 4, 19 and 25)	1,224,519	100	985,434	100
5110	Operating costs (Notes 4, 11, 20 and 25)	884,351	72	712,945	72
5900	Operating gross profit	340,168	28	272,489	28
5920	Realized profits from sales (Note 4)	1,550	-	2,735	-
5950	Net operating gross profit	341,718	28	275,224	28
	Operating expenses (Notes 4, 9, 17, 20 and 25)				
6100	Marketing expenses	61,367	5	81,150	8
6200	Administrative expense	106,150	9	100,632	10
6300	R&D Expense	2,131	-	4,308	1
6450	Expected profit on reversal of credit impairment	(230)	-	(742)	-
6000	Total operating expenses	169,418	14	185,348	19
6900	Net operating profit	172,300	14	89,876	9
	Non-operating revenue and expense				
7070	Share of profit/loss of subsidiaries and associates under the equity method (Notes 4 and 12)	(1,708)	-	(63,135)	(6)
7020	Other profits and losses (Notes 4, 20 and 29)	8,714	1	29,215	3

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Code		2020 Amount	2020 %	2019 Amount	2019 %
7100	Interest income (Note 4)	$ 2,141	-	$ 1,681	-
7510	Interest expense (Note 4)	(230)	-	(8,939)	(1)
7215	Profits on the disposal of investment property (Note 4)	-	-	159,342	16
7670	Impairment loss from financial assets (Notes 4 and 12)	-	-	(38,202)	(4)
7000	Total of other non-operating revenues and expenses	8,917	1	79,962	8
7900	Net profit before tax	181,217	15	169,838	17
7950	Income tax expense (Notes 4 and 21)	34,981	3	18,358	2
8200	Net profit in the year	146,236	12	151,480	15
	Other comprehensive income (Note 4)				
	Titles not reclassified as profit or loss:				
8311	Remeasurement of the defined benefit plan (Note 17)	(21)	-	(2,778)	-
8316	Unrealized profit/loss on valuation of investment in equity instruments measured at fair value through other comprehensive income	(86,937)	(7)	(144,049)	(15)
8320	Share of other comprehensive income from subsidiaries and associates under the equity method (Note 12)	(113,688)	(9)	133,382	13
8349	Income tax relating to non-reclassified items (Note 21)	(21,947)	(2)	26,837	3
8310		(222,593)	(18)	13,392	1

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Code		2020 Amount	2020 %	2019 Amount	2019 %
	Titles potentially reclassified as profit or loss subsequently:				
8361	Exchange differences from the translation of foreign operations' financial statements	($ 23,605)	(2)	($ 29,439)	(3)
8399	Income tax related to items likely to be reclassified as profit or loss (Note 21)	4,631	-	4,297	1
8360		(18,974)	(2)	(25,142)	(2)
8300	Other net comprehensive income	(241,567)	(20)	(11,750)	(1)
8500	Total comprehensive income in the year	($ 95,331)	(8)	$ 139,730	14
	EPS (Note 22)				
9710	Basic EPS	$ 0.64		$ 0.65	
9810	Diluted EPS	$ 0.64		$ 0.64	

The attached notes are part of the individual financial statements.

Chairman: SHIH-KUN TSO Manager: SHIH-KUN TSO Accounting Manager: AN-MIN KAO

KYE Systems Corp.
Individual Statement of Changes in Equity
January 1 to December 31, 2020 and 2019

Unit: NTD thousand

Code		Share capital	Capital reserves	Retained earnings: Legal reserves	Retained earnings: Special reserves	Retained earnings: Undistributed earnings (Losses to be covered)	Other equity: Exchange differences from the translation of foreign operations' financial statements	Other equity: Unrealized profit/loss from the financial assets measured at fair value through other comprehensive income	Treasury stocks	Total equity
A1	Balance on January 1, 2019	$ 2,345,385	$ 503,164	$ 443,264	$ 113,622	$ 392,197	$ 207	($ 660,956)	$ -	$ 3,136,883
	Earning allocations and distribution in 2018									
B1	Legal reserves appropriated	-	-	9,724	-	(9,724)	-	-	-	-
B3	Special reserves appropriated	-	-	-	382,473	(382,473)	-	-	-	-
B5	Cash dividend for common stocks	-	(46,908)	-	-	-	-	-	-	(46,908)
D1	Net profit in 2019	-	-	-	-	151,480	-	-	-	151,480
D3	Other comprehensive income in 2019	-	-	-	-	(2,222)	(25,142)	15,614	-	(11,750)
D5	Total comprehensive income in 2019	-	-	-	-	149,258	(25,142)	15,614	-	139,730
M7	Changes in equity ownership in subsidiaries	-	(50)	-	-	-	-	-	-	(50)
Q1	Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	(240,960)	-	240,960	-	-
Z1	Balance on December 31, 2019	2,345,385	456,206	452,988	496,095	(91,702)	(24,935)	(404,382)	-	3,229,655
	Earning allocations and distribution in 2019									
B13	Legal reserves for covering losses	-	-	(24,924)	-	24,924	-	-	-	-
B17	Special reserves for reversal	-	-	-	(66,778)	66,778	-	-	-	-
B5	Cash dividend for common stocks	-	(93,815)	-	-	-	-	-	-	(93,815)
D1	Net profit in 2020	-	-	-	-	146,236	-	-	-	146,236
D3	Other comprehensive income in 2020	-	-	-	-	(17)	(18,974)	(222,576)	-	(241,567)
D5	Total comprehensive income in 2020	-	-	-	-	146,219	(18,974)	(222,576)	-	(95,331)
L1	Purchase of treasury stock	-	-	-	-	-	-	-	(78,752)	(78,752)
L3	Cancellation of treasury stock	(100,100)	21,348	-	-	-	-	-	78,752	-
M7	Changes in equity ownership in subsidiaries	-	(841)	-	-	-	8,186	-	-	7,345
Q1	Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	(1,604)	-	1,604	-	-
Z1	Balance on December 31, 2020	$ 2,245,285	$ 382,898	$ 428,064	$ 429,317	$ 144,615	($ 35,723)	($ 625,354)	$ -	$ 2,969,102

The attached notes are part of the individual financial statements.

Chairman: SHIH-KUN TSO

Manager: SHIH-KUN TSO

Accounting Manager: AN-MIN KAO

KYE Systems Corp.
Individual Statement of Cash Flows
January 1 to December 31, 2020 and 2019

Unit: NTD thousand

Code		2020	2019
	Cash flow from operating activities		
A10000	Net profit before tax in the year	$ 181,217	$ 169,838
A20010	Profit and expense/loss:		
A23700	Profit on reversal of impairment loss from non-financial assets	(28,700)	(68,198)
A29900	Material preparation losses appropriated (reversed)	(9,200)	18,570
A20100	Depreciation expense	12,395	12,719
A20200	Amortization expenses	3,954	11,694
A24100	Unrealized profit from the translation of foreign currencies	(2,555)	(1,251)
A21200	Interest income	(2,141)	(1,681)
A20400	Profit on the valuation of financial assets measured at fair value through profit or loss	(1,713)	-
A22300	Share of profit/loss of subsidiaries and associates under the equity method	1,708	63,135
A21300	Dividend income	(1,604)	(727)
A24000	Realized sales profit on inter-affiliate accounts	(1,550)	(2,735)
A20900	Interest expenses	230	8,939
A20300	Expected profit on reversal of credit impairment	(230)	(742)
A22700	Profit on disposal of investment property	-	(159,342)
A23500	Impairment loss from financial assets	-	38,202
A22500	Profit on disposal of property, plant and equipment	-	1,257
A30000	Net changes in operating assets and liabilities		
A31150	Notes and accounts receivable	(6,310)	66,041
A31180	Other receivables	111,157	27,113
A31200	Inventory	22,447	41,532
A31230	Prepayments	7,619	(5,590)
A31240	Other current assets	(2,947)	3,848
A32150	Notes and accounts payable	5,500	(19,284)
A32180	Other payables	(5,876)	(9,980)
A32230	Other current liabilities	(7,096)	(6,877)
A32240	Net defined benefit liabilities	(55)	(7,934)
A33000	Cash inflow from operations	276,250	178,547
A33500	Income tax paid	(2,433)	(18,348)
A33100	Interest received	2,180	1,679
A33200	Dividend received	1,604	727
AAAA	Net cash inflow from operating activities	$ 277,601	$ 162,605

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Code		2020	2019
	Cash flows from investing activities		
B01800	Acquisition of long-term equity investments under the equity method	($ 220,775)	($ 21,335)
B01900	Disposal of long-term equity investments under the equity method	98,313	-
B06700	Decrease (Increase) in other non-current assets	36,953	(16,401)
B02400	Refunds from decapitalization of the invested company under the equity method	19,022	-
B00020	Disposal of proceeds from financial assets measured at fair value through other comprehensive income	11,510	-
B02700	Acquisition of property, plants, and equipment	(2,800)	(2,650)
B07600	Dividend received	2,397	-
B05500	Disposal of investment property	-	1,094,863
B00010	Acquisition of financial assets measured at fair value through other comprehensive income	-	(44,460)
B02800	Disposal of property, plants, and equipment	-	543
BBBB	Net cash inflows (outflows) from investing activities	(55,380)	1,010,560
	Cash flows from financing activities		
C04500	Distribution of cash dividends	(93,815)	(46,908)
C04900	Cost of repurchasing treasury stocks	(78,752)	-
C04020	Repayment of the principal of lease liabilities	(8,299)	(3,899)
C03000	Increase (decrease) in guaranteed deposits received	666	(1,901)
C05600	Interest paid	(230)	(9,226)
C00200	Decrease in short-term loans	-	(500,000)
C01700	Repayment of long-term loans	-	(225,499)
C00600	Decrease in short-term notes payable	-	(149,984)
CCCC	Net cash outflow from financing activities	(180,430)	(937,417)
EEEE	Increase in cash and cash equivalents of the year	41,791	235,748
E00100	Balance of cash and cash equivalents – beginning of the year	546,690	310,942
E00200	Balance of cash and cash equivalents – ending of the year	$ 588,481	$ 546,690

The attached notes are part of the individual financial statements.

Chairman: SHIH-KUN TSO Manager: SHIH-KUN TSO Accounting Manager: AN-MIN KAO

KYE Systems Corp.

Notes to Individual Financial Statements

January 1 to December 31, 2020 and 2019

(All amounts are in NTD thousand unless otherwise specified)

I. Company Milestones

The Company was established in November 1983, originally under the name of KYE Systems Ltd., which was changed to KYE Systems Corp. in November 1988, and became a public listed company in 1991. The Company's stock was listed for trading on the Taiwan Stock Exchange on November 3, 1997.

We mainly focus our business on the manufacturing, processing, and sale of computer peripheral products such as mice, keyboards, and card readers, video-image products, including web cameras and security control cameras, and consumer electronic products, like headsets, speakers, and gaming products.

The individual financial statements were stated in the Company's functional currency, NT dollar.

II. Approval date and procedures of the financial statements

The individual financial statements were proposed at the Board meeting and subsequently released on March 25, 2021.

III. Application of new and amended standards and interpretations

(I) The International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations (IFRIC) and the statements of interpretation (SIC) (hereinafter collectively referred to as "IFRSs") approved and released by the Financial Supervisory Commission (hereinafter referred to as "FSC") were applied for the first time.

We expected no other material changes to the accounting policies of the Company after adopting the amended IFRSs approved and released by the FSC.

(II) FSC-approved IFRSs applied in 2021

New/Amended/Revised standards and interpretations	Effective date as per the IASB
Amendment to IFRS 4: "Extension of the Temporary Exemption from Applying IFRS 9"	Effective from the date of publication.
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: "Interest Rate Benchmark Reform – Phase 2"	Effective during the annual reporting period beginning from January 1, 2021.
Amendment to IFRS 16: "COVID-19-Related Rent Concessions"	Effective during the annual reporting period beginning from, June 1, 2020.

Up to the approval and release date of the individual financial statements, the Company assessed the effects of the above-mentioned amendments to the standards and interpretation of the financial position and performance on a continuous basis. The relevant effects would be disclosed after the assessment.

(III) IFRSs published by the IASB but not yet approved and released by the FSC

New/Amended/Revised standards and interpretations	Effective date as per the IASB (Note 1)
"Annual Improvements to 2018–2020 Cycle"	January 1, 2022 (Note 2)
Amendment to IFRS 3: "Changes in 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"	Undetermined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendment to IAS 1: "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendment to IAS 1: "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendment to IAS 8: "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendment to IAS 16: "Property, Plant and Equipment – Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendment to IAS 37: "Onerous Contracts – Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

Note 1: Unless otherwise specified, the above-mentioned new/amended/revised standards or interpretation shall become effective in the annual reporting periods beginning on or after each effective date for such standards or interpretation.

Note 2: The amendment to IFRS 9 applies to exchanges or modifications of the terms of financial liabilities that occur during the annual reporting period beginning from January 1, 2022. The amendment to IAS 41 "Agriculture" applies to measurement of fair values during the annual reporting period beginning from January 1, 2022. The amendment to IFRS 1 "First-time Adoption of IFRSs" applies retroactively to the annual reporting period beginning from January 1, 2022.

Note 3: The amendment applies to business mergers with an acquisition date during the annual reporting period beginning from January 1, 2022.

Note 4: The amendment applies to plants, property and equipment that are brought to the locations and conditions necessary for them to be capable of operating in the manner intended by the management on or after January 1, 2021.

Note 5: The amendment applies to contracts whose obligations have not been completely fulfilled on or after January 1, 2022.

Note 6: The amendment applies prospectively to the annual reporting period beginning from January 1, 2023.

Note 7: The amendment applies to changes in accounting estimates and policies that occur during the annual reporting period beginning from January 1, 2023.

Up to the approval and release date of the individual financial statements, the Company assessed the effects of the above-mentioned amendments to the standards and interpretation of the financial position and performance on a continuous basis. The relevant effects would be disclosed after the assessment.

IV. <u>Summary of significant accounting policies</u>

(I) Statement of compliance

The individual financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and related laws and regulations.

(II) Basis for preparation

Except for the financial instruments measured at fair value, the individual financial statements were prepared on the basis of historical cost.

Fair value measurement is classified into Level 1, 2, and 3 based on the degree to which an input is observable and the significance of the input:

1. Level 1 inputs: The quoted price in an active market for identical assets or liabilities that are accessible on the measurement date (before adjustment).
2. Level 2 inputs: Other than the quoted prices included in Level 1, the inputs that are observable for assets or liabilities directly (namely, the price) or indirectly (namely, presumed from the price).
3. Level 3 inputs: The inputs that are not observable for assets or liabilities.

During preparation of the individual financial statements, the Company adopted the equity method for investment in subsidiaries and associates. To align the profit or loss, other comprehensive income and equity of the year in the individual financial statements with the profit or loss, other comprehensive income and equity of the year attributable to the owner of the Company in the consolidated financial statements, the differences between the accounting treatments under the individual and consolidated bases were treated through adjustment of related equity items, including “investment under the equity method,” “share of profit/loss of subsidiaries, associates and joint ventures under the equity method,” “share of other comprehensive income of subsidiaries, associates, and joint ventures.”

(III) Classification of current and non-current assets and liabilities

Current assets include:

1. Assets held mainly for the purpose of trading;
2. Assets expected to be realized within 12 months after the balance sheet date; and

3. Cash or cash equivalents (excluding those that are restricted for being used for exchange or settlement of liabilities within 12 months after the balance sheet date).

Current liabilities include:

1. liabilities held mainly for the purpose of trading;
2. liabilities to be settled within 12 months after the balance sheet date, (irrelevant with whether any long-term refinancing or payment rearrangement agreement has been completed after the balance sheet date but before the date of release of financial statements; such liabilities are still current liabilities); and
3. liabilities whose due date cannot be unconditionally extended to more than 12 months after the balance sheet date. However, the terms and conditions of the liabilities that may, at the option of the counterparty, result in settlement of the liabilities by issuance of equity instruments do not affect the classification of liabilities.

Assets or liabilities that were not the above-mentioned current assets or current liabilities were classified as non-current assets or non-current liabilities.

(IV) Foreign currency

During preparation of the individual financial statements, the transactions using currencies other than the Company's functional currency (foreign currencies) were stated in the functional currency based on the exchange rate on the date of transaction.

Monetary items in foreign currencies were translated at the closing exchange rate on each balance sheet date. Exchange differences arising from settlement or translation of the monetary items were recognized in profit or loss of the period.

Non-monetary items in foreign currencies measured at fair value were translated at the exchange rate on the date of determining the fair value, and the exchange differences resulting therefrom were recognized in profit or loss of the period. However, when changes in the fair value were recognized in other comprehensive income, the exchange differences arising therefrom were recognized in the same.

Non-monetary items in foreign currencies measured at historical cost were translated at the exchange rate on the date of transaction and were not retranslated.

(V) Inventory

Inventory included raw materials, finished goods and work-in-progress goods. The inventory was measured based on the lower of cost or net realizable value. The cost and the net realizable value were compared on the basis of the individual item. Net realizable value refers to the estimated selling price in a normal situation less the estimated cost needed to complete the work and the estimated cost needed to complete the sale. The standard cost plus or less the difference allocated was used to calculate the inventory cost. The inventory was mainly measured based on the standard cost and then adjusted on the balance sheet date to be close to the cost calculated using the weighted average method.

(VI) Investment under the equity method

The Company treated our investments in subsidiaries and associates using the equity method.

1. Investment in subsidiaries

A subsidiary refers to an entity controlled by the Company.

Under the equity method, the investment was initially recognized at its costs, and the amount of increase or decrease in the book value of such investment after the date of acquisition depended on the Company’s shares of profits/losses and other comprehensive income in subsidiaries and the distributed profits. In addition, changes to the Company’s equity in the subsidiaries were recognized based on the shareholding ratio.

Changes to the Company’s equity ownership in the subsidiaries were treated as equity transactions when they did not result in loss of control. The difference between the book value of investment and the fair value of paid or received consideration was directly recognized in equity.

When the Company’s shares of losses in the subsidiaries were equal or exceeded our equity in the subsidiaries, we continued recognition for loss based on our shareholding ratio.

When the acquisition cost exceeded the Company’s shares of the net fair value of the identifiable assets and liabilities of subsidiaries constituting a business on the date of acquisition, such excess was recognized in goodwill which was included in the book value of such investments and might not be amortized. When the Company’s shares of the net fair value of the identifiable assets and liabilities of subsidiaries constituting a business on the date of acquisition exceeded the acquisition cost, such excess was recognized in the profit of the period.

For impairment evaluation, the Company took all of the cash generating units in the financial statements into account and made a comparison between the recoverable amount and the book value thereof. If the recoverable amount of assets increased thereafter, the reversal of impairment losses was recognized in profit. However, the assets’ book value after the reversal of the impairment losses shall not exceed the assets’ book value, without recognition of the impairment losses, less amortization. Impairment losses attributable to goodwill shall not be reversed in the subsequent periods.

If the Company lost control of subsidiaries, the residual investment in the former subsidiaries was measured at the fair value on the date of loss of control. The difference between the fair value of the residual investment and any disposal proceeds and the investment book value on the date of loss of control was recognized in the profit or loss of the period. In addition, for the total amounts related to the subsidiaries in other comprehensive income, the Company treated them with the accounting treatment as the basis which our direct disposal of relevant assets or liabilities shall be in accordance with.

The unrealized profit or loss from the downstream transactions between the Company and subsidiaries was removed in the individual financial statements. The profit or loss generated from the upstream and side stream transactions between the Company and subsidiaries was recognized in the individual financial statements only when such profit or loss was irrelevant to the Company's equity in the subsidiaries.

2. Investment in associates

An associate refers to a company having a significant effect on the Company, but it is not a subsidiary or joint venture.

Under the equity method, the investment in associates was initially recognized at its costs, and the amount of increase or decrease in the book value of such investment after the date of acquisition depended on the Company's shares of profit/loss and other comprehensive income in the associates and joint ventures and the distributed profits. In addition, changes to the Company's equity in the associates were recognized based on our shareholding ratio.

When the acquisition cost exceeded the Company's shares of the net fair value of the associates' identifiable assets and liabilities on the date of acquisition, such excess was recognized in goodwill which was included in the book value of such investment and might not be amortized. When the Company's shares of the net fair value of the associates' identifiable assets and liabilities on the date of acquisition exceeded the acquisition cost, such excess was recognized in profit of the period.

When the Company did not subscribe for new shares issued by the associates based on our shareholding ratio, resulting in changes to the shareholding ratio and consequently to the net equity value of investment and the capital reserve – changes in the net equity of associates and joint ventures recognized under the equity method were adjusted based on the aforesaid changes. However, if the subscription or acquisition of the shares was not based on the shareholding ratio, leading to a decrease in the Company's ownership equity in the associates, the amount related to the associates in other comprehensive income were reclassified according to the percentage of such decrease and treated with the same accounting treatment basis as the one which the associates' direct disposal of relevant assets or liabilities should be in accordance with. If the said adjustment should be debited to capital reserves, and the balance of capital reserves arising from investment under the equity method was insufficient to be offset, the difference was debited to retained earnings.

When the Company's shares of losses in the associates equaled or exceeded our equity in the associates, we stopped further recognition for loss. The Company recognized additional losses and liabilities only when any legal obligation or constructive obligation was incurred or the Company made payment on behalf of the associates.

For impairment evaluation, the Company tested the entire investment book value (including goodwill) for impairment as a single asset by comparing the recoverable amount and book value of the investment. Any recognized impairment loss also belonged to part of the investment book value. Any reversal of the impairment loss was recognized to the extent that the recoverable amount of the investment subsequently increased.

Once the investment was not classified as an investment in an associate, the Company stopped using the equity method and measured the retained earnings of the former associates at fair value. The differences between the fair value of the retained earnings and proceeds from disposal and the investment book value on the date when the equity method was discontinued were recognized in profit or loss of the period. Besides, for the total amounts related to the associates in other comprehensive income, the basis of the accounting treatment thereof was the same as the basis on which the associates' direct disposal of the relevant assets or liabilities must be in accordance with.

The profit or loss generated from the upstream, downstream, and side stream transactions between the Company and our associates was recognized in the individual financial statements only when such profit or loss was irrelevant to the Company's equity in the associates.

(VII) Property, plant and equipment

The property, plant and equipment was recognized in accordance with the cost and subsequently measured based on the cost net of accumulated depreciation and accumulated impairment losses.

Each significant part of the property, plant and equipment was separately depreciated on the straight-line basis over its useful life. When the lease term was less than the useful life, the depreciation was recognized over the lease term. The Company reviewed the estimated useful life, residual value, and method of amortization at least at the end of each year and prospectively recognized the effect from changes in accounting estimates.

For the derecognition of property, plants, and equipment, the difference between the net disposal proceeds and the asset book value was recognized in profit or loss

(VIII) Investment property

An investment property refers to a property held for earning rent income or for capital appreciation, or both.

The investment property was initially measured based on the cost (including transaction cost) and subsequently measured based on the cost net of accumulated depreciation and accumulated impairment losses. The investment property was depreciated on the straight-line basis.

For derecognition of the investment property, the difference between the net disposal proceeds and the asset book value was recognized in profit or loss

(IX) Impairment of property, plant and equipment, right-of-use assets, and intangible assets (excluding goodwill)

The Company assessed whether there were any signs indicating that any tangible and/or intangible assets (except for goodwill) might be impaired on each balance sheet date. If there was any of such signs of impairment, the recoverable amount of the asset was estimated. When the recoverable amount of an individual asset could not be estimated, the Company estimated the recoverable amount of the cash-generating unit to which the asset belonged. If corporate assets could be amortized on a reasonable and consistent basis to cash-generating units, they were amortized to an individual cash-generating unit. Otherwise, they were amortized to the smallest group of cash-generating units which could be amortized on a reasonable and consistent basis

The recoverable amount was the higher of the fair value less costs of sale and the value in use.

When the recoverable amount of an individual asset or cash-generating unit was less than the book value, the book value of the individual asset or cash-generating unit was adjusted down to the recoverable amount, and the impairment loss was recognized in profit or loss.

When the impairment loss was reversed subsequently, the book value of the asset or cash-generating unit was adjusted up to the revised recoverable amount. However, the increased book value did not exceed the book value (less the amortization or depreciation) determined under the circumstance that the impairment loss of the asset or cash-generating unit was not recognized in the previous year. The reversal of the impairment loss was recognized in profit or loss.

(X) Financial instruments

Financial assets and financial liabilities were recognized in the individual balance sheet when the Company became a party to the financial instrument contract.

For initial recognition of the financial assets and financial liabilities, when the financial assets or financial liabilities were not measured at fair value through profit or loss, the assets or liabilities were measured at the fair value plus any transaction cost directly attributable to acquisition or issuance of the financial assets or financial liabilities. Any transaction cost measured at fair value through profit or loss directly attributable to the acquisition or issuance of the financial assets or financial liabilities was immediately recognized in profit or loss.

1. Financial assets

The regular transactions of financial assets were recognized and removed based on the accounting on the transaction date.

(1) Type of measurement

The financial assets held by the Company were the financial assets measured at fair value through profit or loss, financial assets measured at amortized cost, and investment in equity instruments measured at fair value through other comprehensive income.

A. Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are measured at fair value through profit or loss on a mandatory basis. The financial assets measured at fair value through profit or loss on a mandatory basis include investments in equity instruments measured at fair value through other comprehensive income and investments in debt instruments not classifiable as measured at amortized cost or measured at fair value through other comprehensive income.

The financial assets measured at fair value through profit or loss were measured at fair value, and their dividends, interest and profits or losses from remeasurement were recognized as other profits and losses. For the determination of fair value, see Note 24.

B. Financial assets measured at amortized cost

When the Company's investments in financial assets met the following two conditions at the same time, they were classified as financial assets measured at amortized cost:

a. The investment in financial assets held under a business model with the purpose of holding financial assets to collect contractual cash flows, and
b. The contractual terms gave rise on specified dates to cash flows that were solely payments of principal and interest on the principal amount outstanding.

After the financial assets (including cash and cash equivalents, accounts receivable measured at amortized cost, other receivables and guarantee deposits paid) measured at amortized cost were initially recognized, the financial assets were measured based on the amortized cost equal to the total book value determined under the effective interest method less any impairment losses, and any profit or loss from foreign currency translation was recognized in profit or loss.

Except for the following two circumstances, the interest income was calculated as the effective interest rate times the total book value of financial assets:

a. For purchased or originated credit-impaired financial assets, the interest income was calculated as the credit-adjusted effective interest rate times the amortized cost of the financial assets.
b. For financial assets originally not purchased or originated credit-impaired but subsequently becoming credit-impaired, the interest income was calculated as the effective interest rate times the amortized cost of the financial assets in the next reporting period after the credit impairment

Credit-impaired financial assets represent significant financial difficulties confronting the issuer or debtor, default, the circumstance that the debtor is likely to file for bankruptcy or other financial reorganization, or that the active market of financial assets disappeared due to financial difficulties.

Cash equivalents include highly liquid time deposits that could be converted into defined amounts of cash at any time within 1 year after the date of acquisition and were subject to an insignificant risk of changes in value, and were used to meet short-term cash commitments.

C. Investment in equity instruments measured at fair value through other comprehensive income

At initial recognition, the Company might make an irrevocable election to measure the investment in equity instruments held not for trading and not recognized by the acquirer in a business merger or with consideration at fair value through other comprehensive income.

Investment in equity instruments measured at fair value through other comprehensive income was measured at fair value. Subsequent changes in the fair value were recognized in other comprehensive income and accumulated in other equity. For disposal of the investment, any cumulative profits or losses were directly transferred to retained earnings and not reclassified as profit or loss.

After the Company’s right to receive dividends was determined, the dividends of investment in equity instruments measured at fair value through other comprehensive income were recognized in profit or loss except that such dividends apparently represented a partial return of the investment cost.

(2) Impairment of financial assets

We assessed impairment losses on the financial assets (including accounts receivable) measured according to amortized cost based on the expected credit losses on each balance sheet date.

Loss allowances for accounts receivable were recognized based on the lifetime expected credit losses We first assessed whether the credit risk on other financial assets significantly increased after the initial recognition. When the increase was not significant, the loss allowance for the financial assets was recognized based on the 12-month expected credit losses. When the increase was significant, it was recognized based on the lifetime expected credit losses.

The expected credit losses were the average credit losses weighted by the risk of default. 12-month expected credit losses represent the expected credit losses on financial instruments from any potential default within 12 months after the reporting date. Lifetime expected credit losses represent the expected credit losses on financial instruments from any potential default during the expected lifetime.

For the purpose of internal credit risk management, when any internal or external information indicating that a debtor could not pay off their debts was determined to exist by the Company, without consideration of the collateral held, the financial assets were deemed to be defaulted.

The impairment loss on all financial assets was deducted from the book value of the financial assets through allowance accounts.

(3) Removal of financial assets

The Company removed financial assets only when the contractual rights on the cash flows from the assets became invalid, or the financial assets and almost all the risks and returns over the ownership of the financial assets were transferred to other companies.

For removal of the entire financial assets measured at amortized cost, the differences between the book value and the received consideration were recognized in profit or loss. For removal of the entire investments in equity instruments measured at fair value through other comprehensive income, the cumulative profits or losses were directly transferred to retained earnings and not reclassified as profit or loss.

2. Equity instrument

The debt and equity instruments issued by the Company were classified as financial liabilities or equity based on the definition of substance and financial liabilities and equity instruments under the terms and conditions in the contracts.

The equity instruments issued by the Company were recognized at the payment net of the direct cost of issuance.

When a reacquired equity instrument was originally owned by the Company, the reacquisition was recognized as a deduction to equity. Purchase, sale, issuance or cancellation of the equity instruments owned by the Company were not recognized in profit or loss.

3. Financial liabilities

(1) Subsequent measurement

All financial liabilities were measured at amortized cost under the effective interest method.

(2) Removal of financial liabilities

For removal of financial liabilities, the differences between the book value and the consideration paid (including any non-cash assets transferred and any liabilities assumed) were recognized in profit or loss.

(XI) Recognition of revenue

After our recognition of performance obligations under a contract with clients, we allocated the transaction price to each performance obligation and recognized the allocated amount in revenue after each performance obligation was met.

1. Revenue from sale of goods

The revenue from sale of goods was generated from the sale of computer peripherals. Once the computer peripherals were delivered to the client-designated location, the client was entitled to the products' price determination and right of use, had the main responsibility to resell the products, as well as taking the risk that the products might become out-of-fashion. Therefore, the revenue and accounts receivable were recognized at the point of time.

When exporting raw materials for processing, the control over the ownership of processed products was not transferred, and thus the revenue for the export of raw materials was not recognized.

2. Service income

The service income was generated from provision of services under a contract and recognized based on the progress in completion of the contract.

(XII) Lease

We assessed whether an agreement was (or contained) a lease on the date of entering into the agreement.

1. The Company was the lessor

The lease was classified as a finance lease when almost all the risks and returns attached to the ownership of assets were transferred to the lessee according to the agreement, and all the other leases were classified as operating leases.

For the sublease of right-of-use assets by the Company, the classification of the sublease was determined based on the right-of-use asset (instead of the underlying assets). However, when the main lease was recognized in the Company's short-term leases to which the exemption of recognition was applied, the sublease was classified as an operating lease.

Fixed payments were included in the lease payments under finance leases. Net investment in a lease was measured based on the total present value of the lease payment receivable and the unguaranteed residual value plus the initial direct cost and recognized in finance leases receivable. The finance profits were allocated to each accounting period to reflect the Company's fixed rate of return available for undue net investment in the lease in each respective period.

The lease payment under operating leases less the lease incentives was recognized in profit on the straight-line basis over the lease term. The original direct costs generated from the acquisition of the operating leases plus the book value of underlying assets were recognized in expenses on the straight-line basis over the lease term.

2. The Company was the lessee

The lease payment from the leases of low-value underlying assets to which the exemption of recognition was applied and short-term leases were recognized in expenses on the straight-line basis over the lease term, while right-of-use assets and lease liabilities with respect to other leases were recognized on the lease commencement date.

The right-of-use assets were initially measured based on the cost (including the initial recognized amount of lease liabilities, the lease payment paid before the lease commencement date less the lease incentives received, the initial direct cost and the cost estimated to restore the underlying asset) and subsequently measured based on the cost net of accumulated depreciation and accumulated impairment losses, and then the remeasurement of the lease liabilities was adjusted. The right-of-use assets were separately presented in the individual balance sheet.

The right-of-use assets were depreciated on the straight-line basis over the period from the lease commencement date to the expiration of the useful life or the lease term, whichever was sooner.

The lease liabilities were initially measured based on the present value of lease payments (including fixed payments). If the interest rate implicit in a lease could be readily determined, the lease payments were discounted at the interest rate. When such interest rate could not be readily determined, the lessee's incremental borrowing rate of interest was used.

Subsequently, the lease liabilities were measured at amortized cost under the effective interest method, and the interest expenses were amortized over the lease term. When any changes in the lease term resulted in changes to the future lease payments, we remeasured the lease liabilities and adjusted the right-of-use assets accordingly. However, the residual remeasurement was recognized in profit or loss when the book value of right-of-use assets was reduced to zero. The lease liabilities were separately presented in the individual balance sheet.

(XIII) Employee benefits

1. Post-employment benefits

Every pension fund contributed under the defined pension appropriation plan was recognized in expanses during the period when employees provided services.

Defined retirement benefit costs (including servicing costs, net interest and remeasurement) under the defined retirement benefit plan were calculated actuarially using the projected unit credit method. Service costs (including current service costs) and net interest on net defined benefit liabilities (assets) were recognized in employee benefit expenses when they were incurred. Remeasurement (including actuarial profits or losses, changes in the effect of asset limits, and return on plan assets net of interest) was recognized in other comprehensive income and presented in retained earnings when it occurred. It was not reclassified as profit or loss in the subsequent periods.

Net defined benefit liabilities represented the contribution deficit of the defined retirement benefit plan. Net defined benefit assets shall not exceed the present value of contribution refunded from the defined retirement benefit plan or future deductible contribution.

2. Other long-term employee benefits

The accounting treatment for other long-term employee benefits was the same as the one for the defined retirement benefit plan. However, any relevant remeasurement was recognized in profit or loss.

(XIV) Income tax

The tax expenses were the total of current income and deferred income taxes.

1. Current income tax

The Company determines the current income in accordance with the laws enacted by the authority of the income tax return filing jurisdiction to calculate the income tax payable.

The additional income tax on undistributed earnings calculated according to the Income Tax Act of the Republic of China (Taiwan) was recognized in the year when the related resolution was made at the shareholders' meeting.

The adjustments to the income tax payable in the previous year were recognized in the current income tax.

2. Deferred income tax

The deferred income tax was calculated based on the temporary difference between the book value of assets and liabilities in the book and the tax base for calculation of taxable income. Deferred income tax liabilities were generally recognized based on all taxable temporary differences; deferred income tax assets were recognized when we were likely to have taxable income available to offset the income tax arising from deductible temporary differences, loss carryforwards, purchase of machine/equipment, R&D and talent training.

Taxable temporary differences generated from investment in subsidiaries and associates were recognized in deferred income tax liabilities except that the Company could control the timing of reversal of the taxable temporary differences, and that such differences were not likely to be reversed in the foreseeable future. Deductible temporary differences related to such investment and equity were recognized, to the extent that they were expected to be reversed in the foreseeable future, in deferred income tax assets only when we were likely to have taxable income adequate to realize the temporary differences.

The book value of deferred income tax assets was reviewed at each balance sheet date. When any of the deferred income tax assets was not likely to have taxable income adequate to return all or part of the assets anymore, the book value thereof was reduced. Those that were not originally recognized in deferred income tax assets were reviewed at each balance sheet date. When any of those was likely to generate taxable income adequate to return all or part of the assets in the future, the book value thereof was increased.

The deferred income tax assets and liabilities were measured at the tax rate of the period in which the liabilities or assets were expected to be settled or realized. The tax rate was subject to the tax rate and tax laws legislated or substantively legislated on the balance sheet date. The deferred income tax liabilities and assets were measured to reflect the tax on the balance sheet date arising from the method that we expected to use to recover or settle the book value of the liabilities and assets.

3. Current and deferred income taxes

The current and deferred income taxes were recognized in profit or loss other than those related to the titles stated as other comprehensive income or as equity directly, which were recognized in other comprehensive income separately or in equity directly.

V. Major sources of uncertainty of significant accounting judgments, estimates, and assumptions

For adoption of the accounting policies, our management must make judgments, estimates, and assumptions related to the information that could not be readily acquired from other sources based on historical experience and other relevant factors. The actual results might differ from those estimates.

The Company takes the economic impact caused by COVID-19 into the consideration of significant accounting estimates, and the management will continue to review the estimates and basic presumptions. When the amendments to the estimates only affected the current period, they were recognized in the period in which they were made; when the amendments to the estimates affected the current and future periods at the same time, they were recognized in the period in which they were made and the future period.

VI. Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	$ 1,181	$ 599
Bank check and demand deposit	587,300	444,752
Cash equivalents		
Repurchase of commercial papers	-	79,814
Time deposit	-	21,525
	$ 588,481	$ 546,690

VII. Financial instruments measured at fair value through profit or loss

	December 31, 2020	December 31, 2019
Financial assets – current		
Mandatory measurement at fair value through profit or loss		
Non-derivative financial assets		
- Domestic non-listed (non-OTC) common stocks	$ 1,713	$ -

VIII. Financial assets measured at fair value through other comprehensive income

	December 31, 2020	December 31, 2019
Current		
Investment in equity instruments measured at fair value through other comprehensive income		
Domestic listed (OTC) common stocks	$ -	$ 23,039
Non-current		
Investment in equity instruments measured at fair value through other comprehensive income		
Domestic non-listed (non-OTC) common stocks	$ 71,287	$ 56,298
Domestic listed (OTC) common stocks	10,950	101,532
Domestic non-listed (non-OTC) preferred stocks	30	30
Total	$ 82,267	$ 157,860

The Company invested in the equity instruments according to our medium and long-term strategies and expected to gain profits through long-term investment. Since the Company's management deemed that the recognition of short-term changes in the investment's fair value in profit or loss was not consistent with the said long-term investment plan, they opted to have the investment measured at fair value through other comprehensive income.

In July, August and September 2020, the Company made adjustment to its investment position and sold the shares of Solteam Incorporation and part of those of Coretek Opto Corporation at a fair value of NTD11,510,000. Other related equity – unrealized valuation loss on financial assets measured at fair value through other comprehensive income, amounting to NTD1,789,000, was carried forward to retained earnings.

IX. Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes and accounts receivable		
Measurement at amortized cost		
Total book value	$ 103,363	$ 101,333
Less: Loss allowance	(489)	(7,778)
	$ 102,874	$ 93,555

We provided an average 60-day loan period for sale of goods, and interest did not accrue on unpaid accounts receivable.

In order to mitigate the credit risk, our management set the credit authorization quota and approved credit authorization to ensure that appropriate actions were adopted for the recovery of overdue accounts receivable. In addition, the Company reviewed the recoverable amount of accounts receivable separately on the balance sheet date to make sure that the appropriate impairment loss of the accounts receivable that could not be recovered was recognized. As such, our management considered that the Company's credit risk was reduced significantly.

We recognized the loss allowance for accounts receivable based on the lifetime expected credit losses. The lifetime expected credit losses were calculated using a provision matrix with consideration of the clients' historical default record and current financial position, industrial and economic environment, and GDP forecasts and industrial prospects. Since our historical experience of credit losses showed no significant difference in the type of loss between different clients, the clients were not further classified in the provision matrix. We only set the expected credit loss rate based on the aging of accounts receivable.

When there was any evidence showing that the counterparty was facing serious financial difficulties and we could not estimate a reasonable recoverable amount, the Company directly wrote off the related accounts receivable, continued to claim for payment, and recognized the recovered amount therefrom in profit or loss.

Our loss allowances for accounts receivable measured using the provision matrix are as follows:

December 31, 2020

	Account age for no more than 60 days	Account age for 61–90 days	Account age for 91–120 days	Account age for more than 120 days	Total
Percentage of expected credit loss	0%–1%	1%–5%	5%–10%	100%	-
Total book value	$ 98,617	$ 4,685	$ -	$ 61	$ 103,363
Loss allowance (lifetime expected credit losses)	(288)	(140)	-	(61)	(489)
Amortized cost	$ 98,329	$ 4,545	$ -	$ -	$ 102,874

December 31, 2019

	Account age for no more than 60 days	Account age for 61–90 days	Account age for 91–120 days	Account age for more than 120 days	Total
Percentage of expected credit loss	0%–1%	1%–5%	5%–10%	100%	-
Total book value	$ 88,796	$ 4,891	$ 390	$ 7,256	$ 101,333
Loss allowance (lifetime expected credit losses)	(336)	(147)	(39)	(7,256)	(7,778)
Amortized cost	$ 88,460	$ 4,744	$ 351	$ -	$ 93,555

The information of changes in loss allowance for accounts receivable is as follows:

	2020	2019
Balance – beginning of the year	$ 7,778	$ 8,735
Plus: Impairment loss reversed in the year	(230)	(742)
Less: Actual amount written off in the year	(7,059)	(215)
Balance – ending of the year	$ 489	$ 7,778

X. Finance leases receivable

	December 31, 2020
Undiscounted lease payments	
1st year	$ 3,807
2nd year	3,172
Lease payments receivable	6,979
Less: Unearned financial income	(100)
Net investment in lease	$ 6,879
Book value of finance leases receivable	
Current	$ 3,729
Non-current	3,150
	$ 6,879

The Company subleased the premises and buildings in Neihu District to another company with a fixed lease payment of NTD3,807,000 collected on a yearly basis. Since the remaining lease term in the main lease agreement was transferred due to the sublease, the sublease was classified as a finance lease.

The interest rate implicit in a lease during a lease term was not changed as of December 31, 2020. The annual interest rate implicit in the finance lease was 1.50%.

The Company measured the loss allowance for the finance leases receivable based on the lifetime expected credit losses. Since there were no overdue or unrecovered finance leases receivable as of the balance sheet date, and with consideration of the counterparty's historical default record and collateral value, the Company believed that the aforesaid finance leases receivable was not impaired.

XI. Inventory

	December 31, 2020	December 31, 2019
Finished good	$ 74,073	$ 118,673
Work in process	60,634	25,539
Raw materials	30,892	15,134
	$ 165,599	$ 159,346

The cost of sales related to inventories in 2020 and 2019 was NTD884,351,000 and NTD712,945,000, respectively.

The amounts of NTD28,700,000 and NTD68,198,000 from reversal of allowances for inventory devaluation losses were included in the cost of sales in 2020 and 2019, respectively.

XII. Investment under the equity method

	December 31, 2020	December 31, 2019
Investment in subsidiaries	$ 1,004,280	$ 1,026,384
Investment in associates	232,352	239,126
	$ 1,236,632	$ 1,265,510

(I) Investment in subsidiaries

	December 31, 2020		December 31, 2019	
Name of the Subsidiary	Amount	Shareholding %	Amount	Shareholding %
Genius Holding Co., Ltd.	$ 301,777	100.00	$ 436,031	100.00
Chung-Chiang Investment Co., Ltd.	63,693	100.00	63,717	100.00
Hung-Cheng Investment Co., Ltd.	44,116	100.00	44,130	100.00
KYE International Corporation	4,138	100.00	7,175	100.00
KYE Systems Europe GmbH	630	100.00	605	100.00
KYE Systems (Hong Kong) Corp.	8,864	100.00	9,289	100.00
Digilife Technologies Co., Ltd.	581,062	94.61	363,074	91.37
Digilife Pty Ltd.	-	-	102,363	39.20
	$1,004,280		$1,026,384	

The Company's investee, KYE Systems Europe GmbH terminated its business operations in December 2017 and is currently under liquidation.

The Company's investee, Digilife Technologies Co., Ltd., made an offer for capital increase in cash in June 2020. The Company purchased 20,560,000 shares, and its shareholding percentage increased from 91.37% to 94.61%.

In November 2020, the Company sold all the shares of DIGILIFE PTY LTD held by it to Digilife Technologies Co., Ltd. The transaction was deemed by the Company to be an equity transaction since it did not change the Company's control of DIGILIFE PTY LTD.

In November 2020, the Company's investee, Digilife Technologies Co., Ltd., made adjustment to its investment position and sold financial assets measured at fair value through other comprehensive income at a fair value of NTD1,550,000. Other related equity – unrealized valuation profit on financial instruments measured at fair value through other comprehensive income, amounting to NTD185,000, was carried forward to retained earnings.

(II) Investment in associates

	December 31, 2020	December 31, 2019
Important associates		
Timing Pharmaceutical Co., Ltd. (Timing Pharmaceutical Company)	$ 211,917	$ 216,851
Individual unimportant associates	20,435	22,275
	$ 232,352	$ 239,126

1. Important associates

	Ratio of shareholdings and voting rights	
Company Name	December 31, 2020	December 31, 2019
Timing Pharmaceutical Company	22.64%	22.64%

For the above-mentioned associate information related to the nature of business, main territory, and the country in which the company is registered, please refer to Table 5 "Name and Territory of Investees and Other Relevant Information."

The investment in Timing Pharmaceutical Company was recognized in non-current financial assets measured at fair value through other comprehensive income on December 31, 2018. The Company purchased 3,000,000 shares from Timing Pharmaceutical Company with NTD44,460,000 in January 2019, increasing the shareholding ratio to 22.64%. Due to its significant impact, the purchase was stated in investment under the equity method. A loss of NTD240,960,000 was recognized in the disposal of equity instruments measured at fair value through other comprehensive income and then stated as a deduction from equity.

Our management performed the impairment test for Timing Pharmaceutical Company, our investee, in 2019. The result showed that the recoverable amount of the investment was less than the book value. The impairment was caused mainly due to Timing Pharmaceutical Company's overall profit which was not as good as expected. Therefore, the Company recognized an impairment loss of NTD38,202,000 in investment under the equity method in 2019.

The following financial information was prepared based on the associates' IFRS consolidated financial statements. It also reflected the adjustments made after using the equity method.

	2020	2019
Current assets	$ 841,264	$ 730,975
Non-current assets	1,716,927	1,858,092
Current liabilities	(968,981)	(964,118)
Non-current liabilities	(326,989)	(330,567)
Equity	1,262,221	1,294,382
Non-controlling equity	(326,274)	(336,641)
	$ 935,947	$ 957,741
The Company's shareholding ratio	22.64%	22.64%
The Company's interests	$ 211,917	$ 216,851
Investment book value	$ 211,917	$ 216,851
Operating revenue	$ 798,199	$ 761,813
Current net loss	($ 30,726)	($ 167,643)
Other comprehensive income	7,243	(13,278)
Total comprehensive income	($ 23,483)	($ 180,921)

2. Summary of individual unimportant associates

	2020	2019
The Company's shares		
Current net loss	($ 2,024)	($ 6,106)
Other comprehensive income	-	-
Total comprehensive income	($ 2,024)	($ 6,106)

Investments under the equity method and our shares of profit or loss and other comprehensive income therein were recognized based on each associate's CPA-audited financial statements in the same period other than those in Timing Pharmaceutical Company, which were calculated based on its financial statements not audited by CPAs. However, our management considered that significant impacts would not result from the situation where the aforesaid investees financial statements were not audited by the CPAs.

XIII. Property, plant and equipment

	Land	Premises and buildings	Machine and equipment	Miscellaneous equipment	Total
Cost					
Balance on January 1, 2020	$ 339,557	$ 171,905	$ 23,026	$ 151,508	$ 685,996
Addition	-	-	-	2,800	2,800
Disposal	-	-	(220)	(152)	(372)
Balance on December 31, 2020	$ 339,557	$ 171,905	$ 22,806	$ 154,156	$ 688,424
Accumulated depreciation and impairment					
Balance on January 1, 2020	$ 11,046	$ 80,602	$ 23,026	$ 148,133	$ 262,807
Disposal	-	-	(220)	(152)	(372)
Depreciation expense	-	3,231	-	809	4,040
Balance on December 31, 2020	$ 11,046	$ 83,833	$ 22,806	$ 148,790	$ 266,475
Net amount on December 31, 2020	$ 328,511	$ 88,072	$ -	$ 5,366	$ 421,949
Cost					
Balance on January 1, 2019	$ 339,557	$ 171,905	$ 23,026	$ 150,975	$ 685,463
Addition	-	-	-	2,650	2,650
Disposal	-	-	-	(2,117)	(2,117)
Balance on December 31, 2019	$ 339,557	$ 171,905	$ 23,026	$ 151,508	$ 685,996
Accumulated depreciation and impairment					
Balance on January 1, 2019	$ 11,046	$ 77,370	$ 23,026	148,192	$ 259,634
Disposal	-	-	-	(317)	(317)
Depreciation expense	-	3,232	-	258	3,490
Balance on December 31, 2019	$ 11,046	$ 80,602	$ 23,026	$ 148,133	$ 262,807
Net amount on December 31, 2019	$ 328,511	$ 91,303	$ -	$ 3,375	$ 423,189

The Company's property, plants, and equipment were depreciated on the straight-line basis over the following useful lives:

Premises and buildings	50 to 55 years
Machine and equipment	2 to 9 years
Miscellaneous equipment	
Office equipment	2 to 5 years
Transport equipment	2 to 5 years
Leasehold improvement	4 to 10 years
Passenger and freight elevators	15 years
Computer equipment	1 to 5 years
Others	2 to 8 years

For the amount of our property, plants and equipment pledged as collateral for loans, see Note 26.

XIV. Lease agreement

(I) Right-of-use assets

	December 31, 2020	December 31, 2019
Book value of right-of-use assets		
Building	$ 1,957	$ 15,082
Office equipment	412	550
Transport equipment	629	3,524
	$ 2,998	$ 19,156

	2020	2019
Addition of right-of-use assets	$ -	$ 17,479
Depreciation expense of right-of-use assets		
Building	$ 5,322	$ 888
Office equipment	138	2,745
Transport equipment	2,895	137
	$ 8,355	$ 3,770

(II) Lease liabilities

	December 31, 2020	December 31, 2019
Book value of lease liabilities		
Current	$ 6,044	$ 8,299
Non-current	$ 4,790	$ 10,834

The range of discount rate for lease liabilities is as follows:

	December 31, 2020	December 31, 2019
Building	1.5%	1.5%
Office equipment	1.5%	1.5%
Transport equipment	1.5%	1.5%

(III) Material lease activities and terms

We rented buildings, office equipment, and transport equipment with a lease term from 2019 to 2023 for offices and conduct of business. When the lease term expires, we will not be entitled to renew the lease agreement of the rented properties and the bargain purchase option.

(IV) Other lease information

The Company opted to apply the exemption of recognition to the lease of office equipment which met the short-term lease and lease of low-value assets and did not recognize right-of-use assets and lease liabilities with respect to such lease.

The Company did not have any short-term lease commitments to which the exemption of recognition was applied on December 31, 2020 and 2019.

XV. Accounts payable

Accounts payable did not include interest expenses. The Company established the financial risk management policies to ensure that all payables could be paid back within the pre-agreed term of credit.

XVI. Other receivables – related parties and other payables

The advances provided due to the Company's purchase of materials through KYE Trade Co., Ltd., from a subsidiary of KYE Inc., Dong-Guan Kunying Computer Products Co., Ltd., were recognized respectively in other receivables – related parties and other payables.

XVII. Retirement benefit plans

(I) Defined contribution plan

The pension system specified in the "Labor Pension Act" adopted by the Company is the defined pension appropriation plan managed by the government. A pension equal to 6% of an employee's monthly wage shall be appropriated to the individual labor pension account at the Bureau of Labor Insurance.

The Company recognized the amounts that must be appropriated in accordance with the percentage specified in the defined appropriation plan of 2020 and 2019. The total amounts recognized in the statement of comprehensive income in 2020 and 2019 were NTD2,423,000 and NTD2,791,000, respectively.

(II) Defined benefit plan

The Company is subject to the retirement pension system specified in the "Labor Standards Act." The system defines the payment of pension. Two bases are given for each full year of service rendered if an employee has seniority of less than 15 years. For the rest of the years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. The years of service rendered and the average wage of six months (base) prior to the approved retirement date shall be the reference for calculation of the pension to be paid to the employee. We appropriate 2% of the total wage of an employee as the labor pension fund every month and remit the amount to the labor pension reserve funds account at the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. Before the end of each year, if the assessed balance in the account is inadequate to make a full payment of pensions to the employees who may meet the retirement conditions in the next year, we will make up the difference in one appropriation before the end of March the following year. The account is managed by the Bureau of Labor Funds, Ministry of Labor and we do not have the right to influence the investment management strategies.

Amounts related to the defined benefit plan and included in the individual balance sheet are listed as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	$ 49,794	$ 48,629
Fair value of plan assets	(18,140)	(16,906)
Contribution deficit	31,654	31,723
Net defined benefit liabilities	$ 31,654	$ 31,723

Changes in net defined benefit liabilities (assets) are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
Balance on January 1, 2019	$ 53,047	($ 16,442)	$ 36,605
Current service cost	202	-	202
Previous service cost	(7,687)	-	(7,687)
Interest expenses (income)	597	(189)	408
Recognition in profit or loss	(6,888)	(189)	(7,077)
Remeasurement			
Return on plan assets (except for any amount included in net interest)	-	(592)	(592)
Actuarial loss – changes in demographic assumption	20	-	20
Actuarial loss – changes in financial assumption	2,341	-	2,341
Actuarial loss – experience adjustment	1,009	-	1,009

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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
Recognition in other comprehensive income	3,370	(592)	2,778
Contribution by employer	-	(583)	(583)
Payment of benefits	(900)	900	-
Balance on December 31, 2019	48,629	(16,906)	31,723
Current service cost	208	-	208
Interest expenses (income)	365	(129)	236
Recognition in profit or loss	573	(129)	444
Remeasurement			
Return on plan assets (except for any amount included in net interest)	-	(571)	(571)
Actuarial loss – changes in financial assumption	1,255	-	1,255
Actuarial profit – experience adjustment	(663)	-	(663)
Recognition in other comprehensive income	592	(571)	21
Contribution by employer	-	(534)	(534)
Balance on December 31, 2020	$ 49,794	($ 18,140)	$ 31,654

The amounts related to the defined benefit plan recognized as profit or loss are summarized by function as follows:

	2020	2019
Marketing expenses	$ 118	($ 2,206)
Administrative expense	311	(4,367)
R&D expense	15	(504)
	$ 444	($ 7,077)

The Company was exposed to the following risks due to the pension system under the "Labor Standards Act":

1. Investment risk: The Bureau of Labor Funds, Ministry of Labor has separately invested the labor pension fund in domestic (foreign) equity and debt securities, and bank deposits. The investment is conducted at the discretion of the Bureau or under the mandated management. However, the profit generated from the

Company’s plan assets shall be calculated with an interest rate not below the interest rate for a two-year time deposit with local banks.

2. Interest rate risk: A decrease in the interest rates of government bonds and corporate bonds would increase the present value of the defined benefit obligation, and the return on debt investment of the plan assets would be increased accordingly. The net defined benefit liabilities might be partially offset by both increases.

3. Salary risk: The present value of the defined benefit obligation was calculated by reference to the future salary of the plan participants. Therefore, the present value of the defined benefit obligation would be increased by an increase in the plan participants’ salary.

The Company’s present value of the defined benefit obligation was calculated actuarially by a qualified actuary. The major assumptions on the date of measurement are as follows:

	December 31, 2020	December 31, 2019
Discount rate	0.500%	0.750%
Rate of expected salary increase	2.250%	2.250%

If there were any reasonably possible changes to the major actuarial assumptions separately, the resulting increase (decrease) in the present value of the defined benefit obligation in the situation where all the other assumptions remained the same is as follows:

	December 31, 2020	December 31, 2019
Discount rate		
Increase by 0.25%	($ 1,255)	($ 1,319)
Decrease by 0.25%	$ 1,303	$ 1,369
Rate of expected salary increase		
Increase by 0.25%	$ 1,258	$ 1,325
Decrease by 0.25%	($ 1,218)	($ 1,284)

Since the actuarial assumptions might be correlated to each other and it was unlikely that the changes were only in a single assumption, the aforesaid sensitivity analysis might not reflect the actual changes in the present value of the defined benefit obligation.

	December 31, 2020	December 31, 2019
Expected contribution within 1 year	$ 539	$ 552
Average maturity of defined benefit obligations	10.2 years	11.0 years

XVIII. Equity

(I) Share capital

	December 31, 2020	December 31, 2019
Number of authorized shares (thousand shares)	390,000	390,000
Authorized capital	$ 3,900,000	$ 3,900,000
Number of issued shares with adequate capital received (thousand shares)	224,528	234,538
Issued capital	$ 2,245,285	$ 2,345,385
Issuance in excess of par value	198,950	301,635
	$ 2,444,235	$ 2,647,020

A share of issued common stock had a par value of NTD10 and was entitled to one voting right and dividends.

The number of shares of the authorized capital retained for issuance of the employee stock option warrants was 25,000,000 shares.

(II) Capital reserves

	December 31, 2020	December 31, 2019
Stock issuance in excess of par value	$ 198,950	$ 301,635
Treasury stock trading	160,257	130,039
Long-term investment	23,691	24,532
	$ 382,898	$ 456,206

The excess from stock issuance in excess of par value (including common stock issuance in excess of par value, capital in excess of par from share issuance due to mergers, and treasury stock trading) and the reserve received from donations in capital reserves may be used to offset losses, or to distribute cash dividends or be transferred into the capital if the Company does not incur a loss. However, the amount of the transfer into the capital shall be limited to a certain percentage of the paid-in capital in every year.

The capital reserves deriving from investment under the equity method, employee stock option, and other stock options shall not be used for any purpose.

(III) Retained earnings and dividend policy

According to the Company’s earning distribution policy, if the Company has a profit at the year’s final accounting, it shall first pay the income tax and make up any cumulative losses in accordance with laws, and then make a 10% contribution of the balance to the legal reserve, and also make provision/reversal of special reserves pursuant to the laws. The residual balance shall be added to undistributed earnings for allocation of shareholder dividends and bonuses. The shareholder dividends are allocated in the form of cash dividend or stock dividend. The cash dividend shall be no less than 10% of the total shareholder dividends, and the residual balance is paid in shares. However, all the shareholder dividends shall be distributed in stock dividends when the cash dividend per share is NTD0.1 or lower.

For the policy of distribution of employee and director/supervisor remuneration regulated in the Company's Articles of Incorporation, please refer to (4) Remuneration to employees, directors, and supervisors in Note 20.

The Company approved the amendments to the Articles of Incorporation through the resolution made at the shareholders' meeting on June 21, 2019. The distribution of the Company's profits and the compensation for its losses may be made after the end of each quarter.

Legal reserves shall be prepared to the amount at which the balance of the legal reserves reaches to the total paid-in capital. Legal reserves may be used to make up loss. Where the Company does not sustain loss, the part of the legal reserves that exceeds the total paid-in capital by 25% may be appropriated as capital or distributed by cash.

The Company provides and reverses special reserves according to the letters under Jin-Guan-Zheng-Fa-Zi No. 1010012865 and Jin-Guan-Zheng-Fa-Zi No. 1010047490 as well as "Q&A for Provision of Special Reserve Upon First-Time Adoption of IFRSs." If there is any reversal of the decrease in shareholder' equity, the earnings may be distributed based on the reversal proportion.

The Company held the general shareholders' meetings respectively on June 18, 2020 and June 21, 2019. The proposal for loss compensation in 2019 and the proposal for profit distribution in 2018, respectively approved at the said meetings, are as follows:

	2019	2018
Legal reserves	$ -	$ 9,724
Special reserves	$ -	$ 382,473
Legal reserves for covering losses	($ 24,924)	$ -
Reversal of special reserves	($ 66,778)	$ -

The shareholders decided at the general shareholders' meetings of the Company on June 18, 2020 and June 21, 2019 to distribute the income derived from the issuance of common stocks at a premium as a capital reserve to the amount of NTD93,815,000 and NTD46,908,000 to the shareholders by cash pursuant to Article 241 of the Company Act.

The proposal for profit distribution in 2020 submitted by the Board meeting on March 25, 2021 is as follows:

	2020
Legal reserves	$ 14,461
Special reserves	$ 130,154

The Board of Directors of the Company decided on March 25, 2021 to distribute the income derived from the issuance of common stocks at a premium as a capital reserve to the amount of NTD67,359,000 to the shareholders by cash pursuant to Article 241 of the Company Act.

The proposal for profit distribution in 2020 is expected to be resolved at the general shareholders' meeting to be held on June 23, 2021.

(IV) Other equity

1. Exchange differences from the translation of foreign operations' financial statements

	2020	2019
Balance – beginning of the year	($ 24,935)	$ 207
Amounts incurred in the year		
Exchange differences from foreign operations	(12,624)	(21,831)
Share of associates under the equity method	1,836	(3,311)
Balance – ending of the year	($ 35,723)	($ 24,935)

2. Unrealized profit/loss from the financial assets measured at fair value through other comprehensive income

	2020	2019
Balance – beginning of the year	($ 404,382)	($ 660,956)
Amounts incurred in the year		
Unrealized profit/loss – equity instrument	(108,888)	(117,767)
Share of subsidiaries and associates under the equity method	(113,688)	133,381
Other comprehensive income in the year	(222,576)	15,614
Cumulative profit or loss on disposal of equity instruments transferred to retained earnings	1,604	240,960
Balance – ending of the year	($ 625,354)	($ 404,382)

(V) Treasury stocks

Cause of repurchase	Maintenance of the Company's credit and shareholders' equity (1,000 shares)
Number of shares on January 1, 2020	-
Increase in the year	10,010
Decrease in the year	(10,010)
Number of shares on December 31, 2020	-

To protect the Company's credit and shareholders' equity, the Board of Directors resolved on March 18, 2020 and May 20, 2020 to buy back 10,000,000 and 5,000,000 shares of the Company respectively during the periods from March 19, 2020 to May 17, 2020 and from May 21 to July 17, 2020 pursuant to Article 28-2 of the Securities and Exchange Act, and define the price ranges of the shares to be repurchased respectively at NTD5–8 and NTD6–10 pursuant to Article 2 of the "Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies." In 2020, the Company repurchased 10,010,000 as treasury stocks at a cost of NTD78,752,000.

The Board of Directors of the Company resolved on November 5, 2020 to cancel the 10,010,000 shares repurchased for protection of the Company's credit and shareholders' equity, and set the record date of cancellation to November 6, 2020.

According to the Securities and Exchange Act, the treasury stock held by the Company shall not be pledged and entitled to any dividends and voting rights.

XIX. Revenue

	2020	2019
Revenue from contracts with customers		
Revenue from sale of goods	$ 1,224,519	$ 985,434

(I) Description of contracts with customers

The goods sold to customers were measured at the fair value of considerations received or receivable, and the amount recognized as revenue was determined by subtracting returns, rebates and other similar discounts expected from customers.

(II) Contract balance

	December 31, 2020	December 31, 2019	January 1, 2019
Notes and accounts receivable (Note 9)	$ 102,874	$ 93,555	$ 190,198

(III) Sub-items of revenue from customer contracts

	2020	2019
Mouse	$ 446,836	$ 410,776
Keyboard	338,456	358,728
Speaker	236,406	168,260
Others	202,821	47,670
	$ 1,224,519	$ 985,434

XX. Net profit in the year

(I) Other profits and losses

	2020	2019
Other revenue	$ 25,195	$ 27,665
Exchange loss – net	(21,965)	(7,986)
Rent revenue	2,175	15,581
Profit on valuation of financial assets	1,713	-
Dividend income	1,604	727
Other losses	(8)	(6,772)
Total	$ 8,714	$ 29,215

(II) Depreciation and amortization

	2020	2019
Property, plant and equipment	$ 4,040	$ 3,490
Investment property	-	5,459
Other non-current assets	3,954	11,694
Right-of-use assets	8,355	3,770
	$ 16,349	$ 24,413
Summary of depreciation expenses by function		
Operating expenses	$ 12,395	$ 7,260
Non-operating expenses	-	5,459
	$ 12,395	$ 12,719
Summary of amortization expenses by function		
Operating costs	$ 3,765	$ 9,331
Operating expenses	189	2,363
	$ 3,954	$ 11,694

(III) Employee benefit expense

	2020	2019
Retirement benefits (Note 17)		
Defined contribution plan	$ 2,423	$ 2,791
Defined benefit plan	444	(7,077)
	2,867	(4,286)
Separation benefits	195	9,108
Other employee benefits	73,442	77,185
Total of employee benefit expenses	$ 76,504	$ 82,007
Summarized by function		
Operating expenses	$ 76,504	$ 82,007

(IV) Remuneration for employees, directors and supervisors

After deducting the profit before tax of the current year prior to distribution of the remuneration to employees, directors and supervisors, the amount no less than 1% and no more than 15% was appropriated as the remuneration to employees and no more than 1% was appropriated as remuneration to directors and supervisors. The remuneration for employees, directors and supervisors in 2020 and 2019 was resolved by the Board of Directors on March 25, 2021 and March 26, 2020, respectively, as follows:

Estimated ratio

	2020	2019
Remuneration to employees	3%	3%
Remuneration to directors and supervisors	1%	1%

Amount

	2020	2019
Remuneration to employees	$ 5,663	$ 5,370
Remuneration to directors and supervisors	$ 1,887	$ 1,769

If there were any changes in the amount after the approval and release date of annual individual financial statements, the change was treated as a change in accounting estimates and accounted for in the following year.

There was no discrepancy between the actual distribution of remuneration to employees, directors and supervisors in 2019 and 2018 and the amount recognized in the individual financial statements in 2019 and 2018.

The information about remuneration to employees, directors and supervisors resolved by the Board of Directors may be viewed at the “MOPS” of TWSE.

XXI. Income tax

(I) Income tax recognized in profit or loss

Major components of income tax expenses are as follows:

	2020	2019
Current income tax		
Tax incurred in the year	$ 28,747	$ 10,643
Adjustments for the previous year	(5,396)	(486)
	23,351	10,157
Deferred income tax		
Tax incurred in the year	11,630	8,201
Income tax expense recognized as profit or loss	$ 34,981	$ 18,358

Adjustments to accounting income and income tax expenses are as follow:

	2020	2019
Net profit before tax	$ 181,217	$ 169,838
Income tax expense on net profit before tax calculated at the statutory tax rate	$ 36,243	$ 34,377
Losses not deductible and tax-free income not included when determining taxable income	4,503	(26,743)
Adjustment to income tax expenses of the previous year in the year	(5,396)	(486)
Unrecognized deductible temporary difference	(369)	11,210
Income tax expense recognized as profit or loss	$ 34,981	$ 18,358

(II) Income tax recognized in other comprehensive income

	2020	2019
Deferred income tax		
Amounts incurred in the year		
—Unrealized profit/loss from the financial assets measured at fair value through other comprehensive income	($ 21,951)	$ 26,281
—Translation from foreign operations	4,631	4,297
—Remeasurement of the defined benefit plan	4	556
Income tax profit (expenses) recognized in other comprehensive income	($ 17,316)	$ 31,134

(III) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2020

Deferred income tax assets	Balance – beginning of the year	Recognition in profit or loss	Recognition in other comprehensive income	Balance – ending of the year
Temporary difference				
Inventory	$ 16,980	($ 5,740)	$ -	$ 11,240
Defined retirement benefit plan	8,654	(18)	-	8,636
Other non-current assets	7,990	(340)	-	7,650
Investment under the equity method	20,374	(37)	-	20,337
Financial assets measured at fair value through other comprehensive income	46,837	-	(14,028)	32,809
Deferred loss on purchase commitment	13,180	(1,840)	-	11,340
Exchange differences from foreign operations	11,676	-	4,564	16,240
Others	4,121	(3,641)	-	480
	$ 129,812	($ 11,616)	($ 9,464)	$ 108,732

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Deferred income tax liabilities	Balance – beginning of the year	Recognition in profit or loss	Recognition in other comprehensive income	Balance – ending of the year
Temporary difference				
Exchange differences from foreign operations	$ 3,893	$ -	($ 67)	$ 3,826
Defined retirement benefit plan	2,309	-	(4)	2,305
Investment under the equity method	10,486	(95)	-	10,391
Financial assets measured at fair value through other comprehensive income	-	-	7,923	7,923
Others	-	109	-	109
	$ 16,688	$ 14	$ 7,852	$ 24,554

2019

Deferred income tax assets	Balance – beginning of the year	Recognition in profit or loss	Recognition in other comprehensive income	Balance – ending of the year
Temporary difference				
Inventory	$ 30,620	($ 13,640)	$ -	$ 16,980
Defined retirement benefit plan	10,186	(1,532)	-	8,654
Other non-current assets	7,990	-	-	7,990
Investment under the equity method	17,379	2,995	-	20,374
Financial assets measured at fair value through other comprehensive income	$ 32,810	$ -	$ 14,027	$ 46,837
Deferred loss on purchase commitment	9,466	3,714	-	13,180
Exchange differences from foreign operations	9,563	-	2,113	11,676
Others	4,627	(506)	-	4,121
	$ 122,641	($ 8,969)	$ 16,140	$ 129,812

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Deferred income tax liabilities	Balance – beginning of the year	Recognition in profit or loss	Recognition in other comprehensive income	Balance – ending of the year
Temporary difference				
Exchange differences from foreign operations	$ 6,077	$ -	($ 2,184)	$ 3,893
Defined retirement benefit plan	2,865	-	(556)	2,309
Investment under the equity method	11,254	(768)	-	10,486
Financial assets measured at fair value through other comprehensive income	12,254	-	(12,254)	-
	$ 32,450	($ 768)	($ 14,994)	$ 16,688

(IV) Authorization of income tax

The Company’s income tax returns up to 2018 were audited and approved by the tax authorities. The declared loss from sale of sluggish materials in 2012 was deducted pursuant to the approved adjustment and a tax amount of NTD5,257,000 was exempted as a result. The Company did not accept the said approval and filed an administrative action. On July 8, 2020, the Taipei High Administrative Court issued a final decision for settlement with an approved amount of refundable tax of NTD2,104,000.

XXII. EPS

The earning and the weighted average number of common stocks used for calculating EPS are as follows:

Net profit in the year

	2020	2019
Net profit in the year	$ 146,236	$ 151,480
Effect of potential diluted common stocks:		
Remuneration to employees	-	-
Profit used for calculation of diluted EPS	$ 146,236	$ 151,480

Number of shares	2020	2019
		Unit: 1,000 shares
Weighted average number of common stocks used for calculating basic EPS	228,307	234,538
Effect of potential diluted common stocks:		
Remuneration to employees	657	783
Weighted average number of common stocks used for calculating diluted EPS	228,964	235,321

When the Company could select stocks or cash as the remuneration to employees, it was assumed that the employee's remuneration was paid with stocks when the diluted EPS was calculated. The weighted average outstanding common stocks were added when the potential common stocks had diluting capability to calculate the diluted EPS. The diluting capability of the potential common stocks was referenced in the next year when the Board of Directors resolved to calculate the diluted EPS prior to payment of the employee's remuneration with stocks.

XXIII. Capital risk management

The Company conducted capital management to ensure the companies of the Group could keep operating while maximizing shareholders' return by optimizing the liability and equity balances. The overall strategies of the Company did not have substantial changes.

The capital structure of the Company was comprised of the net liabilities (i.e. loans minus cash and cash equivalents) and shareholders' equity attributable to the owner of the Company (i.e. capital stock, capital reserves, retained earnings, and other equities).

The Company did not need to observe external capital requirements.

The management of the Company conducted annual review of the Group's capital structure. Observing the suggestions of the management, the Company balanced the overall capital structure by paying dividends, issuing new stocks, repurchasing stocks, and issuing new corporate bonds, or repaying existing liabilities.

XXIV. Financial instruments

(I) Fair value information – financial instruments not measured at fair value

Since the book value of the Company's financial instruments not measured at fair value, including cash and cash equivalents, notes and accounts receivable, other receivables, guarantee deposits paid, notes and accounts payable, other payables and guarantee deposits received, was a reasonable approximation of fair value, we did not disclose the fair value.

(II) Fair value information – financial instruments measured at fair value on a repetitive basis

1. Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Investment in equity instruments				
－Domestic non-listed (OTC) stocks	$ -	$ -	$ 1,713	$ 1,713
Financial assets measured at fair value through other comprehensive income				
Investment in equity instruments				
－Domestic listed (OTC) stocks	$ -	$ -	$ 10,950	$ 10,950
－Domestic non-listed (non-OTC) stocks	-	-	71,317	71,317
Total	$ -	$ -	$ 82,267	$ 82,267

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Investment in equity instruments				
－Domestic listed (OTC) stocks	$ 23,039	$ -	$ 101,532	$ 124,571
－Domestic non-listed (non-OTC) stocks	-	-	56,328	56,328
Total	$ 23,039	$ -	$ 157,860	$ 180,899

There was no transfer of fair value measurements between Level 1 and Level 2 in 2020 and 2019.

2. Adjustments to the fair value of financial instruments based on Level 3 measurement

2020

	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
Balance – beginning of the year	$ -	$ 157,860	$ 157,860
Recognition in profit or loss (other profits and losses)	1,713	-	1,713
Recognition in other comprehensive income	-	(75,537)	(75,537)
Disposal	-	(56)	(56)
Balance – ending of the year	$ 1,713	$ 82,267	$ 83,980

2019

	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
Balance – beginning of the year	$ -	$ 543,748	$ 543,748
Recognition in other comprehensive income	-	(142,164)	(142,164)
Purchase	-	44,460	44,460
Disposal	-	(288,184)	(288,184)
Balance – ending of the year	$ -	$ 157,860	$ 157,860

3. Evaluation technology and inputs of Level 3 fair value measurement

For the domestic non-listed (non-OTC) stocks held by the Company and measured at fair value, such fair value was determined with reference to the price supported with the observable market price or estimated using the comparable multiple method. The fair value for the stock private placement for domestic listed companies was determined using the option pricing model based on the observable market price.

(III) Type of financial instruments

	December 31, 2020	December 31, 2019
Financial assets		
Financial assets measured at amortized cost (Note 1)	$ 1,236,976	$ 1,294,838
Measurement at fair value through profit or loss		
Mandatory measurement at fair value through profit or loss	1,713	-
Financial assets measured at fair value through other comprehensive income		
Investment in equity instruments	82,267	180,899
Financial liabilities		
Measurement at amortized cost (Note 2)	164,271	163,592

Note 1: The balance included the financial assets measured at amortized cost, such as cash and cash equivalents, notes and accounts receivable, finance leases receivable, other receivables and guarantee deposits paid.

Note 2: The balance included the financial assets measured at amortized cost, such as notes and accounts payable, other payables and guarantee deposits received.

(IV) Financial risk management purpose and policy

The Company's main financial instruments included investments in equity, accounts receivable, accounts payable, loans, and lease liabilities. Our financial management department was responsible for provision of services for business units, planning and coordination of investments in domestic and international financial markets, analysis of internal risk exposure based on the risk level and scope, and reporting, supervision, and management of the financial risks related to the Company's operations. The said risks included the market risk (such as exchange rate risk, interest rate risk, and other price risks), credit risk, and liquidity risk.

The Company used derivative financial instruments to avoid risk exposure and mitigate the impact of such risks. Derivative financial instruments were used subject to the policies adopted at the meeting of the Board of Directors or shareholders of the Company. These policies included the exchange rate risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and the written current funds investment principle. Internal reviewers reviewed the compliance of the policies and the exposure limits on an ongoing basis. The Company did not conduct transactions of financial instruments (including derivative financial instruments) for speculation purposes.

The finance management department reported to the Board of Directors of the Company every quarter.

1. Market risk

The major financial risk that the operating activities imposed on the Company was the foreign exchange rate risk. (Refer to (1) below.) The Company was engaged in various derivative financial instruments to manage the imposed foreign exchange rate risk.

The Company did not change the risk exposure on the financial instrument market or the methods for management and measurement of such exposure.

(1) Exchange rate risk

The Company was engaged in sales and purchase transactions in foreign currency. These transactions exposed the Company to the exchange rate fluctuation risk. More than 99% of the sales amount of the Company was not valuated with the functional currency. About 40% of the purchase amount was not valuated with the functional currency. The Company used currency options to manage the exchange rate risk within the policies.

For the book value of the monetary assets and liabilities of the Company valued with non-functional currency on the balance sheet date, see Note 29.

<u>Sensitivity analysis</u>

The Company was affected primarily by fluctuation in the exchange rate of USD.

Our sensitivity analysis for the exchange rate of NTD (functional currency) to USD increasing or decreasing by 1% is described in the following table: The sensitivity analysis only included the outstanding foreign currency items. The translation thereof at the end of the period was adjusted by an increase or decrease of 1% in the exchange rate. The positive number in the following table means the reduced amount of the pre-tax net profit when NTD appreciates by 1% against USD; when NTD depreciates by 1% against USD, the effect on the pre-tax net profit is represented with a negative number of the same amount.

	2020	2019
Profit or loss (Note)	$ 2,987	$ 2,726

Note: The profit or loss was mainly generated from the Company's accounts receivable and payable denominated in USD which were outstanding on the balance sheet date and were not hedged against the cash-flow risk.

The management found that the sensitivity analysis could not represent the inherent risk of exchange rate. Since the sales changed in seasons, the foreign currency risk exposure on the balance sheet date could not reflect the exposure in the midyear.

(2) Interest rate risk

The interest rate risk exposure occurred because the Company's entities borrowed funds and deposits with the undertaking bank at fixed and floating rates at the same time.

The book value of the financial assets and liabilities of the Company exposed to the interest rate risk on the balance sheet date are as follows:

	December 31, 2020	December 31, 2019
With fair value interest rate risk		
－Financial assets	$ -	$ 101,512
With cash flow interest rate risk		
－Financial assets	586,582	442,702

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposure of the non-derivative instruments on the balance sheet date. The analysis mainly focuses on the assets and liabilities with floating interest rate and assumes that the amount of outstanding assets and liabilities on the balance sheet date is completely in circulating during the reporting period.

If the interest rate increased/decreased by 25 basis points, with all other variables held constant, the Company's net profit before tax in 2020 and 2019 was increased/decreased by NTD1,287,000 and NTD624,000, respectively, which was mainly due to the Company's loans and deposits at floating rates.

(3) Other price risks

The Company sustained equity price risk exposure due to investment in equity securities. This investment was not held for trading but a strategic investment. The Company's management managed risk by holding different risk investment portfolios. The Company's equity price risk was mainly in the equity instruments offered by the Taiwan Stock Exchange for the electronics industry. The Company designated responsible teams to monitor the price risk.

Sensitivity analysis

The following sensitivity analysis is based on the equity price risk exposure on the balance sheet date.

If the equity price increased/decreased by 1%, the profit or loss before tax in 2020 was increased/decreased by NTD17,000, respectively, due to increases/decreases of the fair value of the financial assets measured at fair value through profit or loss. Other comprehensive income before tax in 2020 and 2019 was increased/decreased by NTD823,000 and NTD1,809,000, respectively, due to increases/decreases of the fair value of the financial assets measured at fair value through other comprehensive income.

2. Credit risk

The credit risk refers to the risk in the financial loss of the Group because the counterparty delays in the fulfillment of the contractual obligations. Up to the balance sheet date, the Company’s potential highest credit risk exposure due to failure of the counterparty to fulfill its obligations was mainly derived from the book value of the financial assets recognized in the balance sheet.

In order to mitigate the credit risk, the Company’s management designated responsible teams to set the line of credit, approve credit, and carry out other control procedures to ensure that appropriate actions were adopted for the recovery of overdue accounts receivable. In addition, the Company reviewed the recoverable amount of accounts receivable separately on the balance sheet date to make sure that the appropriate impairment loss of the accounts receivable that could not be recovered was recognized. As such, our management considered that the Company’s credit risk was reduced.

Since the counterparty of the current funds and derivative financial instruments was a financial institution having good credit rating, no significant credit risk was expected.

Receivables were to be collected from a lot of customers. They belonged to different industries and were located in different geographic areas. The Company continuously assessed the financial status of the customers from which receivables should be recovered and, if necessary, entered into credit insurance contracts.

Up to December 31, 2020 and 2019, the balance of receivables of the Top 10 customers accounted for 71% and 63% of that of the Company, respectively. The credit concentration risk of other receivables was insignificant.

3. Liquidity risk

The Company managed liquidity risk for the purpose to maintain the cash and cash equivalents needed for the operation, securities of high liquidity, and full banking facility to ensure that the Company had adequate financial flexibility.

<u>Liquidity and interest rate risks</u>

The following table describes the remaining contractual maturity analysis of the non-derivative financial liabilities within the agreed repayment period of the Company. The table is compiled based on the earliest repayment date required to the Company and the non-discounted cash flow of the financial liabilities, excluding the cash flow of the interest.

December 31, 2020

	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Non-derivative financial liability				
Non-interest-bearing liabilities	$ 164,721	$ -	$ -	$ -
Lease liabilities	6,164	4,682	143	-
	$ 170,885	$ 4,682	$ 143	$ -

December 31, 2019

	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Non-derivative financial liability				
Non-interest-bearing liabilities	$ 163,592	$ -	$ -	$ -
Lease liabilities	8,527	6,164	4,825	-
	$ 172,119	$ 6,164	$ 4,825	$ -

XXV. Related party transactions

Transactions between the Company and related parties are as follows:

(I) Names of related parties and their relationship with the Company and subsidiaries

Name of Related Party	Relationship with the Company
KYE International Corporation (KYI)	Subsidiary
KYE Systems Europe GmbH	Subsidiary
KYE Systems (Hong Kong) Corp.	Subsidiary
DIGILIFE TECHNOLOGIES CO., LTD. (DigiLife Taiwan)	Subsidiary
KYE Systems America Corporation (KYA)	Subsidiary (It was completely liquidated in February 2020)
KYE Trade (HK) Co., Ltd. (KYE Trade)	Subsidiary
Dong-Guan Kunying Computer Products Co., Ltd. (Dong-Guan Kunying)	Subsidiary
Chung-Chiang Investment Co., Ltd.	Subsidiary
Hung-Cheng Investment Co., Ltd.	Subsidiary
STAR REACH LIMITED	Associate
KAI CHIEH LIMITED	The Company's de facto related party before January 23, 2019

(II) Operating transaction

	2020	2019
Sale		
Subsidiary	$ -	$ 7,329
Purchase		
KYE Trade	$ 484,510	$ 149,765
Subsidiary	7,710	-
Associate	285	6,205
	$ 492,505	$ 155,970

The Company's payment terms for exports were usually T/T, Sight or Usance L/C, and D/P. The payment was collected under O/A 120 days, 60 days, and 30 days for the transactions respectively with KYI, KYA, and DigiLife Taiwan. The Company's sales price offered to the aforesaid related parties, except for KYI and KYA, was approximately same as the price for other individual customers. The Company's sales price offered to KYI and KYA was determined with consideration of the products' manufacturing costs and sales expenses based on the initial cost plus necessary and reasonable profits.

As described in Note 16 of the financial statements, for the purchase trading with KYE Trade, the Company purchased raw materials as entrusted and had them transported to the subsidiary in China for processing to finished products, which were then resold to the Company. Among the losses from material preparation of the subsidiary in China that the Company agreed to bear in the purchase trading with KYE Trade, the Company recognized NTD9,200,000 of profit on reversal of losses from material preparation and NTD18,570,000 of losses from material preparation. As of December 31, 2020 and 2019, the amounts of losses from material preparation recognized by the Company were NTD56,700,000 and NTD65,900,000 respectively, which were accounted for as costs of sales and other current liabilities. The Company's purchase/sale with other related parties was conducted based on the transaction terms same as the terms for non-related parties.

	2020	2019
Manufacturing expense		
De facto related party	$ -	$ 23,215

Balance of accounts receivable from related parties on the balance sheet date is as follows:

	December 31, 2020	December 31, 2019
Subsidiary	$ -	$ 3,434

Balance of other receivables from related parties on the balance sheet date is as follows:

	December 31, 2020	December 31, 2019
Dong-Guan Kunying	$ 534,294	$ 615,283
Subsidiary	2,554	32,750
	$ 536,848	$ 648,033

Balance of accounts payable to related parties on the balance sheet date is as follows:

	December 31, 2020	December 31, 2019
Subsidiary	$ 26,113	$ -
Associate	-	831
	$ 26,113	$ 831

The outstanding balance of the accounts payable to related parties was not guaranteed and to be paid by cash. No guarantee was requested for the accounts receivable from related parties.

Balance of accounts payable to other related parties (including expenses payable) on the balance sheet date is as follows:

	December 31, 2020	December 31, 2019
Subsidiary	$ 5,723	$ 4,636

(III) Remuneration to key management

	2020	2019
Short-term employee benefits	$ 22,063	$ 15,991
Post-employment benefits	330	330
	$ 22,393	$ 16,321

The remuneration to the directors and key management was decided by the Remuneration Committee subject to personal performance and market trend.

XXVI. Pledged and mortgaged assets

The following assets were pledged or mortgaged to the banks as guarantee for issuance of letters of credit and for short-term loans:

	December 31, 2020	December 31, 2019
Property – net	$ 344,974	$ 346,318

XXVII. Significant contingent liability and unrecognized contractual commitment

In addition to those described in other notes, the Company's significant commitments and contingencies on the balance sheet date are as follows:

(I) Significant commitments

The Company's total prices of additional pre-sold house purchase contracts and paid payment are as follows:

	December 31, 2019
Total contract price	$ 173,690
Paid payment (Note)	$ 28,771

Note: The paid payment was recognized in prepayment for equipment.

In May 2020, the Company canceled its purchase of the pre-sold house in Zhonghe District, New Taipei City, and recovered the deposit paid.

(II) Contingencies

The SFIPC claimed that the Company is a corporate director of Unity Opto Technology, Ltd. (hereinafter referred to as "Unity Opto"), and that the financial statements of Unity Opto used circular transactions to inflate the operating revenue and exaggerated the amount of work-in-progress goods to inflate profits, causing a total of NTD569,202,000 in damage to investors. As a result, a claim for damages was filed against Unity Opto and its directors and supervisors (including the Company). The case is being adjudicated in the Taiwan New Taipei District Court, and its result is currently unknown to us. Therefore, no losses related to the case were recognized.

XXVIII. Other matters

Due to spread of the COVID-19 pandemic worldwide, the Dongguan Plant and most of the supply chain suppliers of the Company's subsidiary in China had their Chinese New Year holidays extended to the end of February or the beginning of March when work was resumed. Warehousing and transportation services also delayed the resumption of their work, affecting the progress of consolidation and shipment of goods. As a result, the Company's operating revenue in February 2020 dropped by 48% from the same period of 2019. Shipments have gradually returned to normal since March. Despite the easing of the pandemic in Taiwan, the Company's sales customers in Eastern and Western Europe, Latin America and Asia Pacific were still under closed management. As the global economy continues to recede, consumers are spending their money on web shopping rather than in physical stores, and social life is instead conducted through remote interaction. Nevertheless, since the Company and its customers have promptly made adjustments, the net operating revenue in the period from January 1 to December 31, 2020 increased by NTD239,085,000 (with an annual growth of approximately 24%) from the same period of 2019, and the operating profit of NTD172,300,000 was an increase of approximately 92% from the same period of 2019. The COVID-19 pandemic has not caused significant impact to the going concern ability, working capital liquidity turnover rate, asset impairment and financing risk of the Company.

Due to the possibility that the pandemic will last for some time and continue to affect the global economy and the lifestyle of consumers, the Company plans to take the following measures:

Adjustment to the operational strategy

(I) The Company will engage in the promotion of non-physical web and online marketing jointly with its customers.

(II) The Company will introduce more products relating to the economic and lifestyles that have emerged in the post-pandemic era including stay-at-home economy, remote working and distance education.

XXIX. Information on foreign currency financial assets and liabilities with significant effect

The following information was summarized and stated based on the foreign currencies other than the Company's functional currency. The disclosed exchange rate represents the exchange rate of such foreign currencies to the functional currency. Foreign currency financial assets and liabilities with significant effect are as follows:

December 31, 2020

	Foreign currency	Exchange Rate	Book value
Financial assets			
Monetary items			
USD	$ 11,208	28.480	$ 319,216
RMB	14,673	4.377	64,224
Investment under the equity method			
USD	$ 10,741	28.480	$ 305,915
RMB	2,571	4.377	11,253
HKD	2,413	3.673	8,864
Financial liabilities			
Monetary items			
USD	719	28.480	20,486
RMB	14,778	4.377	64,684

December 31, 2019

Financial assets	Foreign currency	Exchange Rate	Book value
Monetary items			
USD	$ 9,891	29.980	$ 296,517
RMB	9,744	4.305	41,948
Investment under the equity method			
USD	14,783	29.980	443,206
RMB	2,681	4.305	11,543
AUD	4,873	21.005	102,363
HKD	2,413	3.849	9,289
Financial liabilities			
Monetary items			
USD	799	29.980	23,967
HKD	8,482	3.849	32,646
RMB	9,858	4.305	42,440

The realized and unrealized foreign currency exchange losses of the Company in 2020 and 2019 were NTD21,965,000 and NTD7,986,000, respectively. However, it is infeasible to disclose the exchange loss and gain of each significant foreign currency because of numerous functional currencies in foreign currency transactions.

XXX. Disclosures of notes

(I) Information on major transactions:

1. Loans to others: None.
2. Endorsements/guarantees for others: None.
3. Securities – ending (excluding those controlled by invested subsidiaries, associates and joint ventures): Table 1.
4. Aggregate purchases or sales of the same securities reaching NTD300 million or more than 20% of the paid-up capital: None.
5. Acquisition of property reaching NTD300 million or more than 20% of the paid-up capital: None.
6. Disposal of property reaching NTD300 million or more than 20% of the paid-in capital: None.
7. Purchases or sales of goods from and to related parties reaching NTD100 million or more than 20% of the paid-up capital: Table 2.
8. Accounts receivable from related parties reaching NTD100 million or more than 20% of the paid-up capital: Table 3.

9. Trading in derivative instruments: None.

(II) Information on investees: Table 4.

(III) Information on investments in Mainland China:

1. Information about investees in Mainland China, such as the name, main business operations, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, profit or loss from investments, investment book value at the end of the period, profit or loss received from investments, and limit on the amount of investment in Mainland China: Table 5.

2. Any of the following significant transactions with investees in Mainland China, either directly or indirectly through a third-party area, and their prices, payment conditions, and unrealized profits or losses: Tables 2, 3 and 5.

   (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

   (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

   (3) The amount of property transactions and the amount of resulting profits or losses.

   (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

   (5) The highest balance, the end-of-period balance, the interest rate range, and total current interest with respect to financing of funds.

   (6) Other transactions that have a material effect on the profit or loss of the period or on the financial position, such as the rendering or receiving of services.

(IV) Information on major shareholders: The names and the numbers and percentages of shares held by shareholders who hold at least 5% of the total shares. (Table 6)

KYE Systems Corp.
Securities Held at the End of the Period
December 31, 2020

Table 1

Unit: NTD thousand

Holding Company	Type and Name of Securities	Relationship with the Issuer of Securities	Account Title	At the End of the Period			
				Number of shares/Number of units (1,000 shares/1,000 units)	Book value	Shareholding ratio	Fair value (Note 1)
KYE Systems Corp.	Stock						
	Powerchip Semiconductor Manufacturing Corp.	None	Financial assets measured at fair value through profit or loss – current	34	$ 1,713	-	$ 1,713
	Coretek Opto Corporation	The Company's director is the chairman of the company.	Financial assets measured at fair value through other comprehensive income – non-current	6,583	48,467	9.96%	48,467
	Monterey International Corp.	None	Financial assets measured at fair value through other comprehensive income – non-current	2,631	22,820	7.71%	22,820
	Ta Shee Resort Co., Ltd. (preferred stock)	None	Financial assets measured at fair value through other comprehensive income – non-current	-	30	-	30
	Unity Opto Technology Co., Ltd.	The Company's director is the chairman of the company.	Financial assets measured at fair value through other comprehensive income – current	1,913	- (Note 2)	-	- (Note 2)
	AIPTEK (private placement)	None	Financial assets measured at fair value through other comprehensive income – non-current	3,000	10,950	2.36%	10,950
	Unity Opto Technology Co., Ltd. (private placement)	The Company's director is the chairman of the company.	Financial assets measured at fair value through other comprehensive income – non-current	15,789	- (Note 2)	3.42%	- (Note 2)

Note 1: The market price was determined as follows: The price of the private placement of stock, the trade of which was restricted, was estimated using the valuation method. The prices of domestic non-listed and non-OTC stocks were calculated using the valuation method.

Note 2: Unity Opto ceased trading on April 7, 2020, so there were no open market price and verifiable financial figures that could serve as the basis of valuation. The Company assessed that the fair value of Unity Opto's equity was 0 and recognized unrealized valuation losses on investment in equity instruments measured at fair value through other comprehensive income in 2020.

Note 3: The securities held at the end of the period were not provided as guarantees or pledged as collateral for loans.

KYE Systems Corp.
Purchases or sales of goods from and to related parties reaching NTD100 million or more than 20% of the paid-up capital
2020

Table 2

Unit: NTD thousand

Purchaser/Seller	Counterparty	Relationship	Transaction				Trading conditions distinct from those of general transactions and reasons thereof		Notes/Accounts Receivable (Payable)		Remarks
			Purchase (sale)	Amount	Percentage in total purchases (sales)	Loan period	Unit price	Loan period	Balance	Percentage in total notes/accounts receivable (payable)	
KYE Systems Corp.	KYE Trade (HK) Co., Ltd.	The Company's sub-subsidiary	Purchase (Note 1)	$ 484,510	55%	Irregularly offset by accounts receivable	-	—	$ -	-	
KYE Trade (HK) Co., Ltd.	Dong-Guan Kunying Computer Products Co., Ltd.	With the same parent company	Purchase	483,655	55%	Irregularly offset by accounts receivable	-	—	-	-	

Note 1: As for the purchase trading with KYE Trade (HK) Co., Ltd., the Company purchased raw materials as entrusted and had them transported to the subsidiary in China for processing to finished products, which were then resold to the Company.

KYE Systems Corp.
Accounts receivable from related parties reaching NTD100 million or more than 20% of the paid-up capital
December 31, 2020

Table 3

Unit: NTD thousand

Company Booking Accounts Receivable	Counterparty	Relationship	Balance of Accounts Receivable from Related Parties	Turnover Rate	Overdue Accounts Receivable from Related Parties		Subsequent Recovered Amount of Accounts Receivable from Related Parties	Appropriated loss allowance
					Amount	Treatment		
KYE Trade (HK) Co., Ltd.	Dong-Guan Kunying Computer Products Co., Ltd.	With the same parent company	$ 534,294	(Note 1)	(Note 1)	(Note 1)	(Note 1)	$ -

Note 1: They were mainly the receivables from entrusted purchases of raw materials and machine/equipment and intermittently offset by accounts payable.

KYE Systems Corp.
Name and Territory of Investees and Other Relevant Information
2020

Table 4

Unit: NTD and foreign currency (thousand)

Name of Investor	Name of Investee	Territory	Main Business Operation	Original Investment Amount		Held at the End of the Period			Current Profit (Loss) of Investee	Profit (loss) from Investments Recognized in the Current Period	Remarks
				End of the current period	End of the previous year	Number of shares (thousand shares)	Ratio (%)	Book value			
KYE Systems Corp.	Genius Holding Co., Ltd.	British Cayman Islands	Investment holdings	USD 28,467	USD 28,467	21,467	100.00	$ 301,777	USD 359	$ 4,218	Subsidiary
	Chung-Chiang Investment Co., Ltd.	New Taipei City	Investment business	85,000	85,000	6,452	100.00	63,693	21	21	Subsidiary
	Hung-Cheng Investment Co., Ltd.	Taipei City	Investment business	85,000	85,000	9,578	100.00	44,116	2,347	2,347	Subsidiary
	KYE International Corporation	United States of America	Sales of computer peripherals and consumer electronic products	USD 2,610	USD 2,760	235	100.00	4,138	USD 4	132	Subsidiary
	KYE Systems Europe GmbH	Germany	Sales of computer peripherals and consumer electronic products	EUR 2,270	EUR 2,270	-	100.00	630	-	-	Subsidiary; Note 1
	KYE Systems (Hong Kong) Corp.	Hong Kong	Sales of computer peripherals and consumer electronic products	HKD 500	HKD 500	500	100.00	8,864	-	-	Subsidiary
	DIGILIFE TECHNOLOGIES CO., LTD.	Taipei City	Digital video/audio products	652,962	447,367	51,563	94.61	581,062	6,056	5,474	Subsidiary
	DIGILIFE PTY LTD.	Australia	Tourism and real estate development	AUD -	AUD 4,900	-	-	-	(AUD 668)	(5,302)	Subsidiary; Note 2
	SHINYOPTICS CORP.	Tainan City	R&D, design, manufacturing, and sale of optical engines	61,200	61,200	3,400	22.97	9,181	(6,753)	(1,552)	Investment under the equity method
	STAR REACH LIMITED	Samoan Islands	Investment holdings	USD 417	USD 417	-	25.00	11,254	(RMB 441)	(472)	Investment under the equity method
	TIMING PHARMACEUTICAL CO., LTD.	New Taipei City	Manufacturing of Chinese medicine	288,184	288,184	19,446	22.64	211,917	(29,037)	(6,575)	Investment under the equity method

Note 1: KYE Systems Europe GmbH terminated its business operations in December 2017 and is currently under liquidation.

Note 2: In November 2020, the Company sold all the shares of DIGILIFE PTY LTD held by it to Digilife Technologies Co., Ltd. The transaction was deemed by the Company to be an equity transaction since it did not change the Company's control of DIGILIFE PTY LTD.

KYE Systems Corp.
Information on Investments in Mainland China
2020

Table 5

Unit: NTD and foreign currency (thousand)

Name of Chinese Investees	Main Business Operation	Paid-in Capital	Method of Investment	Accumulated Amount of Investments from Taiwan at the Beginning of the Current Period	Amount of Investments Remitted or Recovered in the Current Period		Accumulated Amount of Investments from Taiwan at the End of the Current Period	Current Profit (Loss) of Investee	The Company's Shareholding Ratio of Direct or Indirect Investment	Profit or Loss from Investments Recognized in the Current Period (Note 4)	Investment Book Value – Ending	Profits Received from Investments as of the End of the Current Period
					Remittance	Return						
Dong-Guan Kunying Computer Products Co., Ltd.	Manufacturing and sales of computer mice and computer game consoles	USD 15,965	Indirectly invested in KYE Inc. through Genius Holding Co., Ltd. to have a 100% shareholding	USD 15,965	$ -	$ -	USD 15,965	($ 772)	100%	($ 772)	(USD 11,209)	$ -
Dongguan Gaoying Electronic Technology Co., Ltd.	R&D and sale of computers and computer peripherals	USD 2,706	Indirectly invested in Moustek Investment Co., Ltd. through Genius Holding Co., Ltd. and invested operating funds through the same company	USD 2,706	-	-	USD 2,706	(RMB 1,486)	100%	(RMB 1,486)	USD 380	-
Dongguan Chiaying Electronics Co., Ltd.	Manufacturing and sale of computer accessories, appliances and molds.	RMB 3,722	Indirectly invested in Chia Ying Plastics (HK) Co., Limited through STAR REACH LIMITED and invested 25% operating funds through the same company	USD 417	-	-	USD 417	(RMB 441)	25%	(472)	11,253	-

Accumulated Amount of Investments from Taiwan to Mainland China at the End of the Current Period	Investment Amount Approved by the Investment Commission, MOEA	Limit on the Amount of Investments in Mainland China Specified by the Investment Commission, MOEA
USD 35,431 (Note 2 and 3)	USD 40,520 (Note 2 and 3)	$1,781,461 (Note 1)

Note 1: It was calculated based on 60% of the net value.

Note 2: The amounts of USD 150,000 from Beijing Kunying Technology Ltd. whose registration was canceled on February 28, 2005, USD 6,900,000 from Changying Electronic Factory (Houjie, Dongguan) whose registration was canceled on April 2, 2009, and USD 248,000 from Su-Te Technology (Shanghai) Co., Ltd. whose registration was canceled on November 30, 2009 were included in it.

Note 3: The Company indirectly invested in Shanghai Global Lighting Technologies Inc., Suzhou Global Lighting Technologies Inc, and Suzhou Opto Technologies Inc. through Global Lighting Technologies Inc. Since Global Lighting Technologies Inc. has been traded publicly at Taiwan Stock Exchange since July 28, 2011, please refer to the open financial statements of the company for this information.

Note 4: As for the field of the Profit or Loss from Investments Recognized in the Current Period, the invested companies in China were reviewed and certified by the same CPA's firm in Taiwan.

KYE Systems Corp.
Information on major shareholders
December 31, 2020

Table 6

Names of Major Shareholders	Shares	
	Number of Shares Held	Shareholding percentage
Ching-Hsin Cho	11,959,488	5.32%

Note: The information on major shareholders in this table is based on the data where the total of the common and preferred shares held by a shareholder which have been registered and delivered on a non-physical basis by the Company (including treasury stocks) on the last business day at the end of the quarter, as calculated by the TDCC, is at least 5%. The capital stock recorded in the Company's individual financial statements may differ from the actual number of shares registered and delivered on a non-physical basis due to different bases of preparation and calculation.

§ CONTENTS OF STATEMENTS REGARDING MAJOR ACCOUNTING ITEMS §

KYE Systems Corp.
Statement of cash and cash equivalents
December 31, 2020

Statement 1 Unit: NTD and foreign currency (thousand)

Item	Summary	Amount
Cash		
Cash on hand	Including USD26,000, EUR4,000, HKD44,000, RMB9,000 and NTD102,000	$ 1,181
Bank deposit		
Foreign currency deposit	Including USD7,552,000, EUR25,000, HKD576,000 and RMB14,664,000	282,279
Demand deposit		304,304
Check deposit		717
Total		$ 588,481

Note: USD, EUR, HKD and RMB were exchanged at the rates of US$1=$28.48, EUR$1=$35.02, HK$1=$3.673 and RMB$1=$4.377, respectively.

KYE Systems Corp.
Statement of financial assets measured at fair value through profit or loss – current
December 31, 2020

Statement 2

Unit: NTD thousand, except for the price per share, in NTD.

Name of Financial Instruments	Number of Shares or Pieces	Acquisition Cost	Fair Value	
			Unit Price	Total
Powerchip Semiconductor Manufacturing Corp.	34,277	$ -	49.98	$ 1,713

Note: The aforesaid assets were not provided as guarantees or pledged as collateral for loans.

KYE Systems Corp.
Statement of notes and accounts receivable
December 31, 2020

Statement 3 Unit: NTD thousand

Name of Customer	Amount
A company	$ 19,370
B company	10,336
C company	8,665
D company	8,252
E company	7,900
F company	7,633
G company	7,587
H company	7,093
Others (Note)	26,527
Subtotal	103,363
Less: Loss allowance	(489)
Notes and accounts receivable – net	$ 102,874

Note: The balance of each customer did not exceed 5% of the balance of this item.

KYE Systems Corp.
Statement of inventories
December 31, 2020

Statement 4 | Unit: NTD thousand

Item	Amount	Market Price (Note 1)
Finished good	$ 74,073	$ 107,815
Work in process	60,634	60,624
Raw materials	30,892	31,215
Total	$ 165,599	$ 199,654

Note: The market price was valuated at the net realizable value.

KYE Systems Corp.
Statement of changes in financial assets measured at fair value through other comprehensive income – non-current
January 1 to December 31, 2020

Statement 5

Unit: NTD thousand

Name	Balance at the Beginning of the Period		Increase in the Current Period		Decrease in the Current Period		Balance at the ending of the period		Provided as Guarantees or Pledges	Remarks
	Number of shares	Book value	Number of shares	Amount	Number of shares	Amount	Number of shares	Book value		
CORETEK OPTO CORPORATION	6,593,476	$ 34,022	-	$ 14,543	10,000	$ 98	6,583,476	$ 48,467	None	Common stock (Notes 1 and 2)
Monterey International Corp.	2,630,600	22,276	-	544	-	-	2,630,600	22,820	None	Common stock (Note 1)
Ta Shee Resort Co., Ltd.	3	30	-	-	-	-	3	30	None	Preferred stock
AIPTEK International Inc.	3,000,000	5,850	-	5,100	-	-	3,000,000	10,950	None	Common stock (Note 1)
Unity Opto Technology Co., Ltd.	15,789,000	95,682	-	-	-	95,682	15,789,000	-	None	Common stock (Note 2)
Total		$ 157,860		$ 20,187		$ 95,780		$ 82,267		

Note 1: The increase was recognized in the profit from valuation of the year.

Note 2: The decrease was recognized in the loss from valuation and the disposal of part of shares in the year.

KYE Systems Corp.
Statement of changes in investment under the equity method
January 1 to December 31, 2020

Statement 6

Unit: NTD thousand;
Unit price: NTD

Name	Balance at the Beginning of the Period		Increase in the Current Period (Note 1)		Decrease in the Current Period (Note 2)		Balance at the ending of the period			Market Price or Net Equity (Note 3)		Provided as Guarantees or Pledges
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Shareholding %	Number of shares	Amount	Unit Price	Total amount	
Genius Holding Co., Ltd.	21,467,377	$ 436,031	-	$ 4,224	-	$ 138,478	100.00	21,467,377	$ 301,777	14.71	$ 315,777	None
Chung-Chiang Investment Co., Ltd.	6,451,800	63,717	-	21	-	45	100.00	6,451,800	63,693	9.87	63,693	〃
Hung-Cheng Investment Co., Ltd.	9,578,103	44,130	-	2,347	-	2,361	100.00	9,578,103	44,116	4.61	44,116	〃
KYE International Corporation	250,000	7,175	50,000	16,856	65,000	19,893	100.00	235,000	4,138	17.61	4,138	〃
KYE Systems Europe GmbH	-	605	-	25	-	-	100.00	-	630	-	630	〃
KYE Systems (Hong Kong) Corp.	500,000	9,289	-	-	-	425	100.00	500,000	8,864	17.73	8,864	〃
DIGILIFE TECHNOLOGIES CO., LTD.	31,003,057	363,074	20,559,541	221,896	-	3,908	94.61	51,562,598	581,062	11.27	581,062	〃
SHINYOPTICS CORP.	3,400,000	10,732	-	-	-	1,551	22.97	3,400,000	9,181	2.70	9,181	〃
ADVANCE TOP LIMITED	150,000	-	-	-	-	-	20.00	150,000	-	-	-	〃
STAR REACH LIMITED	-	11,543	-	183	-	472	25.00	-	11,254	-	11,254	〃
DIGILIFE PTY LTD.	4,900,000	102,363	-	-	4,900,000	102,363	-	-	-	-	-	〃
TIMING PHARMACEUTICAL CO., LTD.	19,445,600	216,851	-	1,654	-	6,588	22.64	19,445,600	211,917	10.9	211,917	〃
Total		$ 1,265,510		$ 247,206		$ 276,084			$ 1,236,632		$ 1,250,632	

Note 1: The decrease included capital increase in cash, profits from investment under the equity method, adjustments from foreign currency translation, adjustments to unrealized gross margin, capital reserves, unrealized profits or losses of financial products and sales of the shares held.

Note 2: The decrease included cash dividends, losses from investment under the equity method, adjustments from foreign currency translation, adjustments to unrealized gross margin, capital reserves and unrealized profits or losses of financial products.

Note 3: It was calculated based on the CPA audited financial statements of the investee in the same period.

KYE Systems Corp.
Statement of changes in right-of-use assets
January 1 to December 31, 2020

Statement 7 Unit: NTD thousand

Item	Balance at the Beginning of the Period	Increase in the Current Period	Decrease in the Current Period	Balance at the ending of the period	Remarks
Building	$ 15,970	$ -	$ 7,803	$ 8,167	-
Office equipment	687	-	-	687	-
Transport equipment	6,269	-	4,759	1,510	-
	$ 22,926	$ -	$ 12,562	$ 10,364	

KYE Systems Corp.
Statement of changes in accumulated depreciation of right-of-use assets
January 1 to December 31, 2020

Statement 8 | Unit: NTD thousand

Item	Balance at the Beginning of the Period	Increase in the Current Period	Decrease in the Current Period	Balance at the ending of the period	Remarks
Building	$ 888	$ 5,322	$ -	$ 6,210	Note
Office equipment	137	138	-	275	Note
Transport equipment	2,745	2,895	4,759	881	Note
	$ 3,770	$ 8,355	$ 4,759	$ 7,366	

Note: The depreciation was computed on the straight-line basis over the following useful lives: 3 years for building, 5 years for office equipment, 1 to 2 years for transport equipment.

KYE Systems Corp.
Statement of other non-current assets
December 31, 2020

Statement 9 Unit: NTD thousand

Item	Amount	Remarks
Unamortized expense – others	$ 57	Amortization over 2 years
Unamortized expense – molds	544	Amortization over 1 year
Subtotal	601	
Non-operating assets	9,481	
Guarantee deposits paid	1,878	
Total	$ 11,960	

KYE Systems Corp.
Statement of notes and accounts payable
December 31, 2020

Statement 10 | Unit: NTD thousand

Name of Partner	Amount
Related party	
KYE Trade (HK) Co., Ltd.	$ 26,113
Non-related party	
KAI CHIEH LIMITED	63,168
JOVIAL DAY HOLDINGS LIMITED	8,503
Others (Note)	4,662
Subtotal	76,333
Total	$ 102,446

Note: The balance of each partner did not exceed 5% of the balance of this item.

KYE Systems Corp.
Statement of other payables
December 31, 2020

Statement 11 | Unit: NTD thousand

Item	Amount
Related party	
KYE Systems (Hong Kong) Corp.	$ 3,976
Others (Note)	1,747
Subtotal	5,723
Non-related party	
Salaries and bonuses payable	11,934
Service fees payable	10,908
Market promotion fee payable	6,901
Others (Note)	25,690
Subtotal	55,433
Total	$ 61,156

Note: Each balance did not exceed 5% of the balance of this item.

KYE Systems Corp.
Statement of other current liabilities
December 31, 2020

Statement 12 | Unit: NTD thousand

Item	Amount
Provision for losses on purchase commitments	$ 56,700
Receipts in advance	15,646
Agency receipts	6,413
Temporary receipts	1,796
Sales tax payable	57
Total	$ 80,612

KYE Systems Corp.
Statement of lease liabilities
December 31, 2020

Statement 13 Unit: NTD thousand

Item	Summary	Lease term	Discount rate	Balance at the ending of the period	Remarks
Building – current	Office and parking space	January 2021 – December 2021	1.5%	$ 5,336	
Building – non-current	Office and parking space	January 2022 – November 2022	1.5%	4,508	
Office equipment – current	Printing equipment	January 2021 – December 2021	1.5%	137	
Office equipment – non-current	Printing equipment	January 2022 – December 2023	1.5%	282	
Transport equipment – current	Company car	January 2021 – November 2021	1.5%	571	
				$ 10,834	

KYE Systems Corp.
Statement of net operating revenue
January 1 to December 31, 2020

Statement 14 Unit: NTD thousand

Item	Quantity	Amount
Mouse	4,694,628	$ 446,836
Keyboard	2,019,907	338,456
Speaker	1,437,634	236,406
Others	1,101,159	202,821
Total		$ 1,224,519

KYE Systems Corp.
Statement of operating costs
January 1 to December 31, 2020

Statement 15 | Unit: NTD thousand

Item	Amount
Raw material consumption	
Raw material at beginning of the year	$ 15,134
Plus: Raw material purchased in the year	196,200
Less: Raw material at ending of the year	(30,892)
Cost to sell raw materials	(2)
Consumption in the year	180,440
Transfer to other expenses	1
Plus: Manufacturing expenses	153,833
Input costs in the year	334,274
Plus: Work in process at the beginning of the year	25,539
Work in process purchased in the year	70,599
Less: Work in process at the ending of the year	(60,634)
Costs to sell works in process	(26,879)
Transfer to other titles	(12,270)
Costs of finished goods	330,629
Plus: Finished goods at the beginning of the year	118,673
Finished goods purchased in the year	502,331
Less: Finished goods at the ending of the year	(74,073)
Transfer to other titles	(20,090)
Cost of sale of finished goods	857,470
Cost of sale of raw materials	2
Cost of sale of works in process	26,879
Total operating costs	$ 884,351

KYE Systems Corp.
Statement of operating expenses
January 1 to December 31, 2020

Statement 16 Unit: NTD thousand

Item	Marketing expenses	Administrative expense	R&D Expense	Total
Salary expense	$ 13,464	$ 42,644	$ 1,693	$ 57,801
Service fee	16,371	13,510	-	29,881
Export expenses	17,325	-	-	17,325
Depreciation expense	35	12,360	-	12,395
Others (Note)	14,172	37,406	438	52,016
Total	$ 61,367	$ 105,920	$ 2,131	$ 169,418

Note: Each amount did not exceed 5% of the balance of this item.

KYE Systems Corp.
Statement of current employee benefits, depreciation, and amortization expenses by function
January 1 to December 31, 2020 and 2019

Statement 17

Unit: NTD thousand

	2020				2019			
	Classified as operating costs	Classified as operating expenses	Classified as non-operating expenses	Total	Classified as operating costs	Classified as operating expenses	Classified as non-operating expenses	Total
Employee benefit expense								
Salary expense	$ -	$ 57,801	$ -	$ 57,801	$ -	$ 59,608	$ -	$ 59,608
Labor and health insurance expenses	-	5,086	-	5,086	-	6,040	-	6,040
Pension expenses	-	2,867	-	2,867	-	(4,286)	-	(4,286)
Remuneration to directors	-	2,907	-	2,907	-	2,314	-	2,314
Other employee benefit expenses	-	7,843	-	7,843	-	18,331	-	18,331
Total	$ -	$ 76,504	$ -	$ 76,504	$ -	$ 82,007	$ -	$ 82,007
Depreciation expense	$ -	$ 12,395	$ -	$ 12,395	$ -	$ 7,260	$ 5,459	$ 12,719
Amortization expenses	$ 3,765	$ 189	$ -	$ 3,954	$ 9,331	$ 2,363	$ -	$ 11,694

Notes:

1. The number of employees in the year and in the previous year was 62 and 65, respectively, and the number of directors who were not employees was 7 and 7, respectively.
2. (1) The average employee benefit expenses in the year were NTD1,338,000 (“Total employee benefit expenses in the year - total remuneration to directors” / “Number of employees in the year - number of directors who were not employees”).

   The average employee benefit expenses in the previous year were NTD1,374,000 (“Total employee benefit expenses in the previous year - total remuneration to directors” / “Number of employees in the previous year - number of directors who were not employees”).

   (2) The average employee salary expenses in the year were NTD1,051,000 (Total salary expenses in the year / “Number of employees in the year - number of directors who were not employees”).

   The average employee salary expenses in the previous year were NTD1,028,000 (Total salary expenses in the previous year / “Number of employees in the previous year - number of directors who were not employees”).

   (3) The average employee salary expenses were reduced by about 2% (“Average employee salary expense in the year - average employee salary expense in the previous year” / average employee salary expense in the previous year).

   (4) The Company does not have any supervisors, and it has established the Audit Committee in accordance with the law to perform supervisory functions.

   (5) Subject to Article 25 of the Articles of Incorporation, no more than 1% of the earning in the current year shall be remuneration to directors and independent directors for such year. Also, reasonable remunerations may be provided for directors depending on the operating results and their contribution to the Company’s performance. The remuneration to the General Manager and Vice President is subject to the Company’s personnel regulations, the level of salary for such positions in the market, responsibility of such positions in the Company, and contribution to the performance of business targets. The procedure of determining remuneration not only takes the Company’s overall operating performance, future operating risks, and development trend in the industry into account, but also provides reasonable remuneration based on the individual achievement and the contribution to the Company’s performance. Relevant performance evaluations and review remuneration rationality shall be approved by the Remuneration Committee and Board of Directors, and the remuneration system is also reviewed from time to time according to the actual operation and related laws to ensure a balance between the Company’s sustainable operation and risk control.