Stock Code: 2365

KYE Systems Corp. and Subsidiaries

Consolidated Financial Statements and Independent Auditors' Report

2020 and 2019

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

Address: No. 492, Sec. 5, Chongxin Rd., Sanchong Dist.,
New Taipei City, Taiwan (R.O.C.)
Tel: (02)2995-6645

§TABLE OF CONTENTS§

Declaration Letter of Consolidated Financial Statements of Affiliated Companies

Considering that the companies to be included into the consolidated financial statements of affiliated companies under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises” were the same as those to be included into the consolidated financial statements of the parent and subsidiaries under IFRS 10 in 2020 (from January 1 to December 31, 2020), and the related information to be disclosed in the consolidated financial statements of affiliated companies was already disclosed in said consolidated financial statements of the parent and subsidiaries, no consolidated financial statements of affiliated companies were prepared separately.

In witness thereof, the Declaration is hereby presented.

Company name: KYE Systems Corp.

Owner: SHIH-KUN TSO

March 25, 2021

Independent Auditors' Report

To KYE Systems Corp.:

Audit Opinions

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

In our opinion, the said consolidated financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, interpretations and the statements of interpretation approved and released by the Financial Supervisory Commission, and thus presented fairly, in all material aspects, the consolidated financial position of KYE Systems Corp. and subsidiaries as of December 31, 2020 and 2019, and consolidated business performance and cash flow for the period 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 Consolidated Financial Statements" section in this report. We were independent of KYE Systems Corp. and subsidiaries in accordance with the Norms of Professional Ethics for Certified Public Accountants and fulfilled our 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. and subsidiaries for the year of 2020. Such matters were addressed during the overall audit of the consolidated financial statements and the process of forming the audit opinions, and thus we did not provide opinions separately towards such matters.

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

<u>Occurrence of recognition of sales revenue</u>

The sales revenue of KYE Systems Corp. and subsidiaries 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. and subsidiaries for 2020. For the accounting policy on recognition of revenue, see Notes 4 and 22 to the consolidated 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.

Other Matters

KYE Systems Corp. has prepared the individual financial statements for 2020 and 2019, and an audit report with unqualified opinions was issued by us for reference.

Responsibilities of the Management and Governing Bodies for Consolidated Financial Statements

The management was responsible for preparation of the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, interpretations and the statements of interpretation approved and released by the Financial Supervisory Commission and maintaining the necessary internal control related to preparation of the consolidated financial statements to ensure that the consolidated financial statements were free of material misstatement due to fraud or errors.

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

KYE Systems Corp. and subsidiaries' governance unit (including the Audit Committee) was responsible for supervising the financial reporting procedures.

CPA's responsibility for the audit of the consolidated financial statements

The purpose of our audit of the consolidated financial statements is to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 an extent necessary to design audit procedures applicable to the current circumstance. However, the purpose of such work was not to express opinions towards the effectiveness of KYE Systems Corp. and subsidiaries' 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 might cause major doubts about KYE Systems Corp. and subsidiaries' ability as a going concern had any material uncertainty. If any material uncertainty was deemed to exist in such event or circumstance, we must provide a reminder in the consolidated financial statements for the users to pay attention to the relevant disclosure therein, or amend our audit opinions when such disclosure was 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. and subsidiaries would no longer have the ability as a going concern.
5. We evaluated the overall presentation, structure, and contents of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements presented relevant transactions and events fairly.
6. We acquired sufficient and appropriate audit evidence of the financial information of the entities comprising the Group to provide opinions towards the consolidated financial statements. We were responsible for guidance, supervision and implementation in relation to the Group's audit cases and formation of audit opinions for the Group.

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 consolidated financial statements of KYE Systems Corp. and subsidiaries 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 reasonably expect that the negative impact of the coverage would be greater than the public interest brought.

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. and Subsidiaries
Consolidated 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)	$ 1,403,681	38	$ 1,484,681	39
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)	43,724	1	71,056	2
1170	Notes and accounts receivable (Notes 4, 9 and 22)	126,219	4	97,197	2
1197	Finance leases receivable – current (Notes 4 and 10)	8,159	-	4,378	-
1200	Other receivables (Note 4)	4,735	-	9,354	-
130X	Inventory (Notes 4 and 11)	264,415	7	222,782	6
1470	Other current assets	94,126	3	78,173	2
11XX	Total current assets	1,946,772	53	1,967,621	51
	Non-current assets				
1517	Financial assets measured at fair value through other comprehensive income – non-current (Notes 4, 8, and 13)	199,242	6	375,520	10
1550	Investment under the equity method (Notes 4 and 13)	286,435	8	284,928	8
1600	Property, plant and equipment (Notes 4, 14 and 29)	666,311	18	494,591	13
1755	Right-of-use assets (Notes 4 and 15)	46,541	1	91,301	2
1760	Investment property – net (Notes 4, 16 and 29)	337,099	9	369,143	10
1840	Deferred income tax assets (Notes 4 and 24)	118,889	3	141,022	4
194D	Finance leases receivable – non-current (Notes 4 and 10)	8,783	-	10,093	-
1990	Other non-current assets (Notes 4 and 30)	87,470	2	93,467	2
15XX	Total non-current assets	1,750,770	47	1,860,065	49
1XXX	Total assets	$ 3,697,542	100	$ 3,827,686	100
Code	**Liability and equity**				
	Current liabilities				
2170	Notes and accounts payable (Notes 18 and 28)	$ 145,870	4	$ 139,801	4
2200	Other payables (Note 19)	97,499	2	119,046	3
2230	Current income tax liabilities (Notes 4 and 24)	24,264	1	3,345	-
2280	Lease liabilities – current (Notes 4, 15 and 28)	30,604	1	35,456	1
2320	Long-term loans maturing within one year (Notes 17 and 29)	8,095	-	-	-
2399	Other current liabilities	64,855	2	43,325	1
21XX	Total current liabilities	371,187	10	340,973	9
	Non-current liabilities				
2540	Long-term loans (Notes 17 and 29)	229,905	6	100,000	3
2570	Deferred income tax liabilities (Notes 4 and 24)	24,554	1	16,688	-
2580	Lease liabilities – non-current (Notes 4, 15 and 28)	34,481	1	70,831	2
2640	Net defined benefit liabilities – non-current (Notes 4 and 20)	31,654	1	31,723	1
2670	Other non-current liabilities – others (Note 4)	3,586	-	2,782	-
25XX	Total non-current liabilities	324,180	9	222,024	6
2XXX	Total liabilities	695,367	19	562,997	15
	Equity attributable to the owner of the parent company (Note 21)				
	Share capital				
3110	Common stock	2,245,285	61	2,345,385	61
3200	Capital reserves	382,898	10	456,206	12
	Retained earnings				
3310	Legal reserves	428,064	11	452,988	12
3320	Special reserves	429,317	12	496,095	13
3350	Undistributed earnings (losses to be covered) (Notes 4, 8 and 13)	144,615	4	(91,702)	(3)
3300	Total retained earnings	1,001,996	27	857,381	22
3400	Other equity (Notes 4, 8 and 13)	(661,077)	(18)	(429,317)	(11)
31XX	Total equity of the owner of parent company	2,969,102	80	3,229,655	84
36XX	Non-controlling equity	33,073	1	35,034	1
3XXX	Total equity	3,002,175	81	3,264,689	85
	Total liabilities and equity	$ 3,697,542	100	$ 3,827,686	100

The attached notes are part of the consolidated financial statements.

Chairman: Shih-Kun Tso Manager: Shih-Kun Tso Accounting Manager: An-Min Kao

KYE Systems Corp. and Subsidiaries
Consolidated 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 %
	Operating revenue (Notes 4, 22 and 28)				
4100	Sales revenue	$ 1,643,434	99	$ 1,598,927	100
4800	Other operating revenues	9,835	1	6,552	-
4000	Total operating revenues	1,653,269	100	1,605,479	100
	Operating costs				
5110	Cost of sales (Notes 4, 11, 23 and 28)	1,137,698	69	1,150,387	72
5000	Total operating costs	1,137,698	69	1,150,387	72
5900	Operating gross profit	515,571	31	455,092	28
	Operating expenses (Notes 4, 9, 20 and 23)				
6100	Marketing expenses	106,373	6	143,323	9
6200	Administrative expense	253,154	15	256,004	16
6300	R&D expense	2,131	-	4,308	-
6450	Expected profit on reversal of credit impairment	(7,882)	-	(1,824)	-
6000	Total operating expenses	353,776	21	401,811	25
6900	Net operating profit	161,795	10	53,281	3
	Non-operating revenue and expense				
7020	Other profits and losses (Notes 4, 23 and 32)	28,407	2	67,020	4
7060	Share of profit/loss of associates under equity method (Notes 4 and 13)	1,224	-	(38,050)	(2)

(Continued to next page)

(Continued from previous page)

Code		2020 Amount	2020 %	2019 Amount	2019 %
7100	Interest income (Note 4)	$ 8,954	-	$ 15,743	1
7215	Profit (loss) on disposal of investment property (Notes 4 and 16)	(9,000)	(1)	148,639	9
7510	Interest expense (Notes 4 and 28)	(4,156)	-	(12,739)	(1)
7670	Impairment loss (Notes 4, 13 and 16)	(2,552)	-	(58,702)	(3)
7000	Total of other non-operating revenues and expenses	22,877	1	121,911	8
7900	Net profit before tax	184,672	11	175,192	11
7950	Income tax expense (Notes 4 and 24)	37,767	2	20,528	1
8200	Net profit in the year	146,905	9	154,664	10
	Other comprehensive income (Note 4)				
	Titles not reclassified as profit or loss:				
8311	Remeasurement of the defined benefits plan (Note 20)	(21)	-	(2,778)	-
8316	Unrealized profit/loss on valuation of investment in equity instruments measured at fair value through other comprehensive income	(183,432)	(11)	(7,072)	(1)
8320	Share of other comprehensive income of associates under the equity method (Note 13)	(17,609)	(1)	(3,676)	-
8349	Income tax relating to non-reclassified items (Note 24)	(21,947)	(2)	26,837	2
8310		(223,009)	(14)	13,311	1

(Continued to next page)

(Continued from previous page)

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	($ 24,913)	(1)	($ 27,057)	(2)
8370	Share of other comprehensive income of associates under the equity method (Note 13)	1,654	-	(2,863)	-
8399	Income tax related to items likely to be reclassified as profit or loss (Note 24)	4,631	-	4,297	-
8360		(18,628)	(1)	(25,623)	(2)
8300	Other net comprehensive income	(241,637)	(15)	(12,312)	(1)
8500	Total comprehensive income in the year	($ 94,732)	(6)	$ 142,352	9
	Net profit/loss is attributable to:				
8610	the owner of parent company	$ 146,236	9	$ 151,480	10
8620	non-controlling equity	669	-	3,184	-
8600		$ 146,905	9	$ 154,664	10
	Total comprehensive income attributable to:				
8710	the owner of parent company	($ 95,331)	(6)	$ 139,730	9
8720	non-controlling equity	599	-	2,622	-
8700		($ 94,732)	(6)	$ 142,352	9
	EPS (Note 25)				
9710	Basic EPS	$ 0.64		$ 0.65	
9810	Diluted EPS	$ 0.64		$ 0.64	

The attached notes are part of the consolidated financial statements.

Chairman: Shih-Kun Tso Manager: Shih-Kun Tso Accounting Manager: An-Min Kao

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

Unit: NTD thousand

		Equity attributable to the owner of the parent company										
				Retained earnings			Other equity					
Code		Share capital	Capital reserves	Legal reserves	Special reserves	Undistributed earnings (Losses to be covered)	Exchange differences from the translation of foreign operations' financial statements	Unrealized profit/loss from the financial assets measured at fair value through other comprehensive income	Treasury stocks	Total	Non-controlling equity	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	$ 31,928	$ 3,168,811
	Earning allocation 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)	-	(46,908)
D1	Net profit in 2019	-	-	-	-	151,480	-	-	-	151,480	3,184	154,664
D3	Other comprehensive income in 2019	-	-	-	-	(2,222)	(25,142)	15,614	-	(11,750)	(562)	(12,312)
D5	Total comprehensive income in 2019	-	-	-	-	149,258	(25,142)	15,614	-	139,730	2,622	142,352
M7	Changes in equity ownership in subsidiaries	-	(50)	-	-	-	-	-	-	(50)	-	(50)
O1	Non-controlling equity	-	-	-	-	-	-	-	-	-	484	484
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	35,034	3,264,689
	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)	-	(93,815)
D1	Net profit in 2020	-	-	-	-	146,236	-	-	-	146,236	669	146,905
D3	Other comprehensive income in 2020	-	-	-	-	(17)	(18,974)	(222,576)	-	(241,567)	(70)	(241,637)
D5	Total comprehensive income in 2020	-	-	-	-	146,219	(18,974)	(222,576)	-	(95,331)	599	(94,732)
L1	Purchase of treasury stock	-	-	-	-	-	-	-	(78,752)	(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	-	7,345
O1	Non-controlling equity	-	-	-	-	-	-	-	-	-	(2,560)	(2,560)
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	$ 33,073	$ 3,002,175

The attached notes are part of the consolidated financial statements.

Chairman: Shih-Kun Tso Manager: Shih-Kun Tso Accounting Manager: An-Min Kao

KYE Systems Corp. and Subsidiaries
Consolidated Statement of Cash Flow
January 1 to December 31, 2020 and 2019

Unit: NTD thousand

Code		2020	2019
	Cash flow from operating activities		
A00010	Net profit before tax in the year	$ 184,672	$ 175,192
A20010	Profit and expense/loss:		
A20100	Depreciation expense	61,724	62,955
A29900	Reversal of allowances for inventory devaluation losses	(48,636)	(73,605)
A20200	Amortization expenses	10,086	17,019
A22700	Loss (profit) on disposal of investment property – net	9,000	(148,639)
A21200	Interest income	(8,954)	(15,743)
A20300	Expected profit on reversal of credit impairment	(7,882)	(1,824)
A24100	Unrealized profit (loss) of foreign currency exchange – net	(4,438)	2,448
A21300	Dividend income	(4,164)	(838)
A20900	Interest expenses	4,156	12,739
A20400	Profit on the valuation of financial assets measured at fair value through profit or loss	(1,713)	-
A22300	Share of profit/loss of associates under equity method	(1,224)	38,050
A22500	Loss (profit) on the disposal and obsolescence of property, plants, and equipment – net	590	(21,633)
A23100	Profit on investment disposal – net	(412)	(3,369)
A23500	Impairment loss from financial assets	-	38,202
A23700	Impairment loss from non-financial assets	-	20,500
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets mandatorily measured at fair value through profit or loss	412	21,611
A31150	Notes and accounts receivable	(15,733)	103,477
A31180	Other receivables	4,492	26,709
A31200	Inventory	(2,902)	23,444
A31240	Other current assets	(17,167)	6,501
A32150	Notes and accounts payable	4,091	(19,496)
A32180	Other payables	(18,699)	3,489
A32230	Other current liabilities	942	(15,467)
A32240	Net defined benefit liabilities	(51)	(7,378)
A33000	Cash inflow from operations	148,190	244,344
A33100	Interest received	8,993	15,491
A33200	Dividend received	4,164	838
A33500	Income tax paid	(2,488)	(19,008)
AAAA	Net cash inflow from operating activities	158,859	241,665

(Continued to next page)

(Continued from previous page)

Code		2020	2019
	Cash flows from investing activities		
B02700	Acquisition of property, plants, and equipment	($ 196,939)	($ 39,425)
B05500	Disposal of investment property	26,851	1,150,895
B06700	Increase in other non-current assets	(14,383)	(49,760)
B00020	Disposal of financial assets measured at fair value through other comprehensive income	13,005	-
B06100	Decrease in finance leases receivable	5,519	4,527
B03700	Decrease (increase) in guarantee deposits paid	3,938	(2,244)
B05400	Acquisition of investment property	(2,843)	(148,749)
B02800	Disposal of property, plants, and equipment	95	155,417
B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(34)	(44,460)
BBBB	Net cash inflows (outflows) from investing activities	(164,791)	1,026,201
	Cash flows from financing activities		
C01600	Borrowing of long-term loans	138,000	-
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	(34,927)	(31,103)
C05600	Interest paid	(4,109)	(11,984)
C03000	Increase (Decrease) in guaranteed deposits received	766	(2,481)
C04300	Increase (Decrease) in other liabilities	3	(3)
C00200	Decrease in short-term loans	-	(500,000)
C01700	Repayment of long-term loans	-	(312,576)
C00600	Decrease in short-term notes payable	-	(149,984)
CCCC	Net cash outflow from financing activities	(72,834)	(1,055,039)
DDDD	Effect of changes in exchange rate on cash and cash equivalents	(2,234)	(23,684)
EEEE	Increase (decrease) in cash and cash equivalents in the year	(81,000)	189,143
E00100	Balance of cash and cash equivalents – beginning of the year	1,484,681	1,295,538
E00200	Balance of cash and cash equivalents – ending of the year	$ 1,403,681	$ 1,484,681

The attached notes are part of the consolidated financial statements.

Chairman: Shih-Kun Tso   Manager: Shih-Kun Tso   Accounting Manager: An-Min Kao

KYE Systems Corp. and Subsidiaries
Notes to Consolidated 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 consolidated financial statements were stated in the Company's functional currency, NTD.

II. Approval date and procedures of the financial statements

The consolidated 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 and subsidiaries 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 consolidated financial statements, the Company and subsidiaries assessed the effects of the above-mentioned amendments to the standards and interpretation on 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)

New/Amended/Revised standards and interpretations	Effective date as per the IASB (Note 1)
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 consolidated financial statements, the Company and subsidiaries assessed the effects of the above-mentioned amendments to the standards and interpretation on the financial position and performance on a continuous basis. The relevant effects would be disclosed after the assessment.

IV. Summary of significant accounting policies

(I) Statement of compliance

The consolidated financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs approved and released by the FSC.

(II) Basis for preparation

Except for the financial instruments measured at fair value, the consolidated 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.

(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) Basis for consolidation

The consolidated financial statements were financial statements including the Company and the entities controlled thereby (subsidiaries). The operating profits and losses of acquired or disposed subsidiaries from the acquisition date to the disposal date in the period were included in the consolidated statement of comprehensive income. The subsidiaries' financial statements were adjusted to have their accounting policies be consistent with those of the Company and subsidiaries. All the transactions, account balances, profits, and expenses/losses between entities were removed during preparation of the consolidated financial statements. The subsidiaries' total comprehensive income was attributable to the owner of the Company and the non-controlling equity, even when this resulted in the non-controlling equity having a deficit balance.

Changes to the Company and subsidiaries' equity ownership in a subsidiary were treated as equity transactions when they did not result in a loss of control. The

Company and subsidiaries' book value and the non-controlling equity were adjusted to reflect the changes in their relative equity in the subsidiary. The difference between the adjusted amount of the non-controlling equity and the fair value of any paid or received consideration was directly recognized in equity and attributable to the owner of the Company.

When the Company and subsidiaries lost control of a subsidiary, the profit or loss on disposal was the difference between the following two amounts: (1) The total fair value of the received consideration and the residual investment in the former subsidiary on the loss of the control date, and (2) the total book value of the former subsidiary's assets (including goodwill), liabilities, and the non-controlling equity on the loss of control date. For total amounts related to the subsidiary in other comprehensive income, the Company and subsidiaries treated them with the same accounting treatment as the basis which our direct disposal of relevant assets or liabilities shall be in accordance with.

The amount initially recognized and related to the residual investment in the former subsidiary was the fair value on the loss of control date.

For the subsidiaries' details, shareholding ratios, and business operations, please refer to Note 12 "Subsidiary," Table 5 "Name and Territory of Investees and Other Relevant Information," and Table 6 "Information on Investments in Mainland China."

(V) Foreign currency

During preparation of each entity's financial statements, the transactions using currencies other than the entity's functional currency (foreign currencies) were stated in the functional currency at 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.

During preparation of the consolidated financial statements, the assets and liabilities of foreign operations (including the subsidiaries and associates within countries in which they operate or currencies they used which were different from those of the Company) were translated into NTD at the exchange rate on each balance sheet date. Their profit and expense/loss items were translated at the average exchange rate of the period, and the exchange differences resulting therefrom were recognized in other comprehensive income (and attributable respectively to the owner of the Company and the non-controlling equity).

If the Company and subsidiaries disposed of all the equity of the foreign operations or partially disposed of the equity of the foreign operations subsidiary but lost the control thereover, or the retained equity after disposal of the foreign operation was related to financial assets and treated with the same accounting policy as the one for financial instruments, all the accumulated exchange differences attributable to the owner of the Company and related to the foreign operation would be reclassified as profit or loss.

When partial disposal of the foreign operations subsidiary did not lead to loss of control, any accumulated exchange differences were reattributed in proportion to the subsidiary's non-controlling equity but not recognized in profit or loss. For any other partial disposal of foreign operations, any accumulated exchange differences were reclassified as profit or loss based on the proportion of the disposal.

(VI) 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.

(VII) Investment in associates

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

The Company and subsidiaries adopted the equity method for investment in associates.

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 and subsidiaries' shares of profit/loss and other comprehensive income in associates and joint ventures and the distributed profits. In addition, changes to the Company and subsidiaries' equity in associates were recognized based on our shareholding ratio.

When the acquisition cost exceeded the Company and subsidiaries' 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 and subsidiaries' 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 or loss of the period.

When the Company and subsidiaries did not subscribe for new shares issued by associates based on our shareholding ratios, resulting in changes to the shareholding ratio and consequently the net equity value of investment and the capital reserve – changes in the net equity of associates and joint ventures recognized under equity method was 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 and subsidiaries' shares of losses in the associate were equal to or exceeded our equity in the associate, we stopped further recognition for loss. The Company and subsidiaries recognized additional losses and liabilities only when any legal obligation or constructive obligation was incurred or the Company made payment on behalf of the associate.

For impairment evaluation, the Company and subsidiaries 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 was not allocated to any assets constituting any 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 associates, the Company and subsidiaries stopped using the equity method and measured the retaining earnings of the former associate at fair value. The differences between the fair value of retaining earnings, proceeds from disposal, and the investment book value on the date when the equity method was discontinued were recognized in the profit or loss of the period. Besides, for total amounts related to the associate in other comprehensive income, the basis of accounting treatment thereof was the same as the basis on which the associate's direct disposal of relevant assets or liabilities should be in accordance with. When the investment in associates became the investment in joint ventures, or the investment in joint ventures became the investment in associates, the Company and subsidiaries continued to use the equity method but did not remeasure the retained earnings.

The profit or loss generated from the upstream, downstream, and side stream transactions between the Company and subsidiaries and the associate was recognized in the consolidated financial statements to the extent that such profit or loss was irrelevant to the Company and subsidiaries' equity in the associate.

(VIII) 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 and subsidiaries review the estimated useful life, residual value, and method of amortization at least at the end of each year and prospectively recognize the effect of 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

(IX) 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.

The investment property under construction was recognized based on the cost net of accumulated impairment losses. The cost included professional service fees and the loan costs eligible for capitalization. Depreciation of the assets started when the assets were ready for their intended use.

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

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

The Company and subsidiaries 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 and subsidiaries estimated the recoverable amount of the cash-generating unit to which the asset belonged. Corporate assets were amortized on a reasonable and consistent basis to an individual cash-generating unit or the smallest group of cash-generating units.

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.

(XI) Financial instruments

Financial assets and financial liabilities were recognized in the consolidated balance sheet when the Company or subsidiaries 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.

<u>Financial assets</u>

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 and subsidiaries 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.

(1) Financial assets measured at fair value through profit or loss

The financial assets measured at fair value through profit or loss were measured at fair value, and any profits or losses (excluding any dividends or interest generated from the financial asset) from remeasurement of the financial assets were recognized in profit or loss. For the determination of fair value, see Note 27.

(2) Financial assets measured at amortized cost

When the Company and subsidiaries' investment in financial assets met the following two conditions at the same time, it was 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.

(3) Investment in equity instruments measured at fair value through other comprehensive income

At initial recognition, the Company and subsidiaries 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 and subsidiaries' right of receiving dividends was determined, the dividends from 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 was not able to pay off their debts was determined to exist by the Company and subsidiaries without consideration of the collateral held, the financial assets were deemed to be defaulted on.

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 and subsidiaries 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.

Equity instrument

The debt and equity instruments issued by the Company and subsidiaries 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 or subsidiaries were recognized based on 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.

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.

(XII) Liability reserve

Amounts recognized in liability reserves (including the contractual obligation to maintain or restore infrastructures before they were returned to the grantor, which were specified in service concession arrangements) were the best estimates of the expenses needing to settle the obligation on the balance sheet date with consideration of the risks and uncertainty of the obligation. The liability reserves were measured based on the discounted cash flow estimated to settle the obligation.

(XIII) 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.

(XIV) Lease

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

1. The Company and subsidiaries were the lessors

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 our sublease of right-of-use assets, the classification of the sublease was determined based on the right-of-use asset (instead of the underlying asset). However, when the main lease was recognized in the Company and subsidiaries' 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 our 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 and subsidiaries were the lessees

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 consolidated 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 consolidated balance sheet.

(XV) 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.

(XVI) Income tax

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

1. Current income tax

The Company and subsidiaries determine the current income in accordance with the laws enacted by the authority of the income tax return filing jurisdictions 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 and subsidiaries could control the timing of the reversal of the temporary taxable 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 and subsidiaries take 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 and petty cash	$ 2,733	$ 1,908
Bank check and demand deposit	900,312	856,952
Cash equivalents		
Repurchase of commercial papers	50,426	150,147
Time deposit	450,210	475,674
	$ 1,403,681	$ 1,484,681

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	$ 43,724	$ 71,056
Non-current		
Investment in equity instruments measured at fair value through other comprehensive income		
Overseas non-listed (non-OTC) common stocks	$ 115,501	$ 214,905
Domestic non-listed	72,761	25,031

(non-OTC) common stocks		
Domestic listed (OTC) common stocks	10,950	135,554
Domestic non-listed (non-OTC) preferred stocks	30	30
Total	$ 199,242	$ 375,520

The Company and subsidiaries invested in the equity instruments according to their medium and long-term strategies and expected to gain profits through long-term investment. Since the Company and subsidiaries' 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 be measured at fair value through other comprehensive income.

In July, August, September and November 2020, the Company and subsidiaries made adjustment to their investment positions and sold the shares of Solteam Incorporation and part of those of Coretek Opto Corporation and Link Legend Co., Ltd. at a fair value of NTD13,005,000. Other related equity – unrealized valuation loss on financial assets measured at fair value through other comprehensive income, amounting to NTD1,604,000, 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	$134,613	$113,571
Less: Loss allowance	(8,394)	(16,374)
	$126,219	$ 97,197

We provided an average 60-day loan period for the 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 and subsidiaries 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 and subsidiaries' 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 with 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 and subsidiaries directly wrote off the related accounts receivable, continued to claim for payment, and recognized the recovered amount therefrom in profit or loss.

Our loss allowance 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	$ 105,704	$ 21,108	$ -	$ 7,801	$ 134,613
Loss allowance (lifetime expected credit losses)	(288)	(305)	-	(7,801)	(8,394)
Amortized cost	$ 105,416	$ 20,803	$ -	$ -	$ 126,219

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	$ 92,388	$ 4,892	$ 395	$ 15,896	$ 113,571
Loss allowance (lifetime expected credit losses)	(291)	(148)	(39)	(15,896)	(16,374)
Amortized cost	$ 92,097	$ 4,744	$ 356	$ -	$ 97,197

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

	2020	2019
Balance – beginning of the year	$ 16,374	$ 18,496
Plus: Impairment loss reversed in the year	(7,882)	(1,824)
Differences from the translation of foreign currencies	(98)	(298)
Balance – ending of the year	$ 8,394	$ 16,374

X. Finance leases receivable

	December 31, 2020	December 31, 2019
Undiscounted lease payments		
1st year	$ 8,374	$ 4,527
2nd year	7,740	4,527
3rd year	1,142	4,527
4th year	-	1,132
Lease payments receivable	17,256	14,713
Less: Unearned financial income	(314)	(242)
Net investment in a lease (presented as finance leases receivable)	$ 16,942	$ 14,471
Book value of finance leases receivable		
Current	$ 8,159	$ 4,378
Non-current	8,783	10,093
	$ 16,942	$ 14,471

The Company and subsidiaries subleased the premises and buildings in Neihu District and the plant in Dongguan to another company with a fixed lease payment of

NTD3,807,000 and NTD4,567,000 collected respectively 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%.

We 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, we believed that the aforesaid finance leases receivable was not impaired.

XI. Inventory

	December 31, 2020	December 31, 2019
Finished good	$130,290	$ 96,204
Work in process	80,419	74,710
Raw materials	53,706	51,868
	$264,415	$222,782

The cost of sales related to inventories in 2020 and 2019 was NTD1,137,698,000 and NTD1,150,387,000, respectively. The amounts of NTD48,636,000 and NTD73,605,000 from reversal of allowances for inventory devaluation losses were included in the cost of sales in 2020 and 2019, respectively.

XII. Subsidiary

(I) Subsidiaries included in the consolidated financial statements

Entities in the consolidated financial statements are as follows:

			Shareholding Ratio		
Name of Investor	Name of the Subsidiary	Nature of Business	December 31, 2020	December 31, 2019	Description
The Company	Genius Holding Co., Ltd.	Investment holdings	100.00%	100.00%	—
	Chung-Chiang Investment Co., Ltd.	Investment business	100.00%	100.00%	—
	Hung-Cheng Investment Co., Ltd.	Investment business	100.00%	100.00%	—
	KYE Systems Europe GmbH	Sales of computer peripherals and consumer electronic products	100.00%	100.00%	Note 1
	KYE International Corporation	Sales of computer peripherals and consumer electronic products	100.00%	100.00%	—
	KYE Systems (Hong Kong) Corp.	Sales of computer peripherals and consumer electronic products	100.00%	100.00%	—
	Digilife Technologies Co., Ltd.	Digital video/audio products	94.61%	91.37%	Note 2
	DIGILIFE PTY LTD	Tourism and real estate development	—	39.20%	Note 3
KYE Systems (Hong Kong) Corp.	Genius Labuan Inc.	Sales of computer peripherals and consumer electronic products	100.00%	100.00%	—
Genius Holding Co., Ltd.	Globalink Holding Co., Ltd.	Investment holdings	100.00%	100.00%	—
	KYE Systems America Corporation	Sales of computer peripherals and consumer electronic products	—	98.31%	Note 4
	Moustek Investment Co., Ltd.	Investment holdings	100.00%	100.00%	—
	KYE Trade (HK) Co., Ltd.	Sales of computer peripherals and consumer electronic products	100.00%	100.00%	—
	KYE Inc.	Investment holdings	100.00%	100.00%	—

(Continued to next page)

(Continued from previous page)

Name of Investor	Name of the Subsidiary	Nature of Business	Shareholding Ratio December 31, 2020	Shareholding Ratio December 31, 2019	Description
Digilife Technologies Co., Ltd.	Life Technologies Co., Ltd.	Indirect investments and trading business in third-party countries and in Mainland China	100.00%	100.00%	-
	DIGILIFE PTY LTD.	Tourism and real estate development	100.00%	60.80%	Note 3
Life Technologies Co., Ltd.	LIFE TECHNOLOGIES (HONG KONG) CO., LIMITED	Indirect investments and processing businesses in third-party countries and in Mainland China	100.00%	100.00%	-
LIFE TECHNOLOGIES (HONG KONG) CO., LIMITED	ZISER TECHNOLOGIES (SHENZHEN) CO., LTD.	Sale of digital video/audio products	100.00%	100.00%	-
KYE Inc.	Dong-Guan Kunying Computer Products Co., Ltd.	Manufacturing and sales of computer mice and computer game consoles	100.00%	100.00%	-
Dong-Guan Kunying Computer Products Co., Ltd.	Suo-Yi Technology (Shanghai) Ltd.	-	—	—	Note 5
	You-Xiang Technology (Shanghai) Ltd.	-	—	—	Note 5
Moustek Investment Co., Ltd.	Dongguan Gaoying Electronic Technology Co., Ltd.	Sales of computer peripherals and consumer electronic products	100.00%	100.00%	-

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

Note 2: 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%.

Note 3: 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.

Note 4: KYE Systems America Corporation was completely liquidated in February 2020.

Note 5: So-Yi Technology (Shanghai) Ltd., and You-Xiang Technology (Shanghai) Ltd., applied for establishment in January 2015. However, as of December 31, 2020, no capital had been invested in both companies, and both companies had not operated.

(II) Subsidiaries not included in the consolidated financial statements: None.

(III) Information on subsidiaries holding important non-controlling equity: None.

XIII. Investment under the equity method

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	74,518	68,077
	$286,435	$284,928

(I) Important associates

Company Name	Ratio of shareholdings and voting rights	
	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 and subsidiaries 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 and subsidiaries recognized an impairment loss of NTD38,202,000 using the investment under the equity method in 2019.

The following financial information summary was prepared based on our 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 and subsidiaries' shareholding ratio	22.64%	22.64%
The Company and subsidiaries' 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)

(II) Summary of individual unimportant associates

	2020	2019
The Company and subsidiaries' shares		

Net profit (loss) in the year	$ 7,799	($ 7,927)
Other comprehensive income	(17,596)	(3,533)
Total comprehensive income	($ 9,797)	($ 11,460)

Our shares of profit or loss and other comprehensive income using the investments under equity method were calculated based on the CPA-audited financial statements in the same period other than those in Digilife (Thailand) Co., Ltd., and Timing Pharmaceutical Company, which were calculated based on their financial statements not audited by CPAs. However, our management considered that significant impacts would not result from a situation where the investees' financial statements were not audited by CPAs.

XIV. Property, plant and equipment

	Land	Premises and buildings	Machine and equipment	Leasehold improvement	Miscellaneous equipment	Total
Cost						
Balance on January 1, 2020	$ 339,557	$ 174,704	$ 258,471	$ 68,589	$ 217,460	$ 1,058,781
Addition	130,074	46,493	3,832	10,086	6,454	196,939
Disposal	-	-	(59,742)	(163)	(9,241)	(69,146)
Net exchange differences	-	119	528	(2)	(757)	(112)
Transfer of account titles	-	-	-	3,185	-	3,185
Balance on December 31, 2020	$ 469,631	$ 221,316	$ 203,089	$ 81,695	$ 213,916	$ 1,189,647
Accumulated depreciation and impairment						
Balance on January 1, 2020	$ 11,046	$ 83,367	$ 220,999	$ 42,184	$ 206,594	$ 564,190
Disposal	-	-	(59,062)	(163)	(9,236)	(68,461)
Depreciation expense	-	3,998	8,259	14,245	2,170	28,672
Net exchange differences	-	118	(444)	(2)	(737)	(1,065)
Balance on December 31, 2020	$ 11,046	$ 87,483	$ 169,752	$ 56,264	$ 198,791	$ 523,336
Net amount on December 31, 2020	$ 458,585	$ 133,833	$ 33,337	$ 25,431	$ 15,125	$ 666,311
Cost						
Balance on January 1, 2019	$ 429,714	$ 218,654	$ 323,492	$ 68,344	$ 224,470	$ 1,264,674
Addition	-	-	34,692	917	3,816	39,425
Disposal	(90,157)	(43,816)	(99,704)	(667)	(10,483)	(244,827)
Net exchange differences	-	(134)	(33)	(5)	(343)	(515)
Transfer of account titles	-	-	24	-	-	24
Balance on December 31, 2019	$ 339,557	$ 174,704	$ 258,471	$ 68,589	$ 217,460	$ 1,058,781
Accumulated depreciation and impairment						
Balance on January 1, 2019	$ 11,046	$ 82,409	$ 310,323	$ 29,206	$ 213,320	$ 646,304
Disposal	-	(2,906)	(99,669)	(667)	(7,801)	(111,043)
Depreciation expense	-	3,996	10,448	13,649	1,420	29,513
Net exchange differences	-	(132)	(103)	(4)	(345)	(584)
Balance on December 31, 2019	$ 11,046	$ 83,367	$ 220,999	$ 42,184	$ 206,594	$ 564,190
Net amount on December 31, 2019	$ 328,511	$ 91,337	$ 37,472	$ 26,405	$ 10,866	$ 494,591

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

Premises and buildings	10 to 55 years
Machine and equipment	2 to 12 years
Leasehold improvement	4 to 15 years
Miscellaneous equipment	
Transport equipment	2 to 10 years
Office equipment	1 to 13 years
Passenger and freight elevators	15 years
Others	2 to 10 years

For the amount of property, plants and equipment pledged by the Company and subsidiaries as collateral for loans, see Note 29.

XV. Lease agreement

(I) Right-of-use assets

	December 31, 2020	December 31, 2019
Book value of right-of-use assets		
Building	$ 41,228	$ 83,102
Office equipment	412	550
Transport equipment	4,901	7,649
	$ 46,541	$ 91,301

	2020	2019
Addition of right-of-use assets	$ 2,095	$ 24,095
Depreciation expense of right-of-use assets		
Building	$ 25,835	$ 22,203
Office equipment	138	137
Transport equipment	4,843	3,422
	$ 30,816	$ 25,762

(II) Lease liabilities

	December 31, 2020	December 31, 2019
Book value of lease liabilities		
Current	$ 30,604	$ 35,456
Non-current	$ 34,481	$ 70,831

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

	December 31, 2020	December 31, 2019
Building	1.50%–1.69%	1.50%–1.69%
Office equipment	1.50%	1.50%
Transport equipment	1.25%–1.69%	1.50%–1.69%

(III) Material lease activities and terms

We rented buildings, office equipment, and transport equipment with a lease term from 2019 to 2023 for manufacturing, offices, and conducting 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

	2020	2019
Short-term lease expense	$ 1,970	$ 5,247
Expense on lease of low-value assets	$ 30	$ 30
Total cash outflow from lease	$ 10,328	$ 36,380

The Company and subsidiaries 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 lease commitments beginning after the balance sheet date during the lease term are as follows:

	December 31, 2020	December 31, 2019
Lease commitments	$ 147	$ 2,240

XVI. Investment property

	Investment property
Cost	
Balance on January 1, 2020	$ 398,597
Addition	2,843
Disposal	(36,208)
Net exchange differences	6,039
Balance on December 31, 2020	$ 371,271
Accumulated depreciation and impairment	
Balance on January 1, 2020	($ 29,454)
Depreciation expense	(2,236)
Disposal	357
Recognized impairment loss	(2,552)
Net exchange differences	(287)
Balance on December 31, 2020	($ 34,172)
Balance on December 31, 2020	$ 337,099
Cost	
Balance on January 1, 2019	$ 1,345,265
Addition	148,749
Disposal	(1,090,301)
Net exchange differences	(5,116)
Balance on December 31, 2019	$ 398,597
Accumulated depreciation and impairment	
Balance on January 1, 2019	($ 89,335)
Depreciation expense	(7,680)
Disposal	88,045
Recognized impairment loss	(20,500)

Net exchange differences	16
Balance on December 31, 2019	($ 29,454)
Balance on December 31, 2019	$ 369,143

Except for the part of our investment properties whose fair value on December 31, 2020 and 2019 was not evaluated by an independent evaluator but evaluated by our management using the evaluation model commonly used among market participants, the fair value of other investment properties was evaluated by an independent evaluation company using the comparative method and income method. Under the comparative method, the fair value was calculated and evaluated based on the closing price and determined sales price of the comparable properties. Under the income method, the fair value was calculated and evaluated based on the estimated net profit and capitalization rate of profit. The fair value of the investment properties on December 31, 2020 and 2019 was NTD178,899,000 and NTD179,016,000, respectively. The fair value of the investment properties evaluated by the Company and subsidiaries was NTD159,092,000 and NTD190,066,000, respectively. The evaluation was performed by reference to the market evidence related to the transaction price of similar properties.

Since the fair value of part of the investment properties was less than the book value, the Company and subsidiaries recognized impairment losses of NTD2,552,000 and NTD20,500,000 in 2020 and 2019, respectively.

The investment properties were depreciated on the straight-line basis over a 50-year useful life.

For the amount of investment property pledged by the Company and subsidiaries as collateral for loans, see Note 29.

XVII. Loan

Long-term loans

	December 31, 2020	December 31, 2019
Loans with floating interest rate:		
China Trust Commercial Bank		
Pledged loans, due in February 2040 (Note 1)	$138,000	$ -
Pledged loans, due in August 2024 (Note 2)	100,000	100,000
Total	238,000	100,000
Less: Long-term loans maturing within 1 year	8,095	-
	$229,905	$100,000

Note 1: The interest rate on December 31, 2020 was 1.2%. The principal and interest will be amortized on a monthly basis from March 2022.

Note 2: The interest rates on December 31, 2020 and 2019 were 1.2% and 1.5% respectively. The principal and interest will be amortized on a monthly basis from August 2021.

For the amount of property and investment property pledged by the Company and subsidiaries as collateral for loans, see Note 29.

XVIII. Notes and accounts payable

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

XIX. Other payables

	December 31, 2020	December 31, 2019
Salaries and bonuses payable	$ 37,326	$ 43,308
Service fees payable	10,324	7,965
Market promotion fees payable	6,967	4,485
Royalties payable	4,277	6,292
Others	38,605	56,996
	$ 97,499	$119,046

XX. Post-employment benefit plan

(I) Defined contribution plan

The pension system specified in the "Labor Pension Act" adopted by the Company and domestic subsidiaries 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 subsidiaries in Mainland China shall be subject to relevant local pension insurance system and shall annually appropriate a fixed percentage of the salary as the pension to the designated responsible institution.

(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. The Company contributes 2% of the employee's total wage as the pension fund on a monthly basis and remits it

to the special account at the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. Before the end of the 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 benefits plan and included in the consolidated 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
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

XXI. 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	224,528	234,538

adequate capital received (thousand shares)		
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 Articles of Incorporation, 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 23.

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 loss compensation 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	(204,967)	19,290
Share of associates under the equity method	(17,609)	(3,676)
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.

XXII. Revenue

	2020	2019

Revenue from contracts with customers		
Revenue from sale of goods	$ 1,643,434	$ 1,598,927
Other operating revenues		
Other revenue	9,835	6,552
	$ 1,653,269	$ 1,605,479

(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)	$ 123,573	$ 97,197	$ 200,250

(III) Sub-items of revenue from customer contracts

	2020	2019
Computer Peripheral	$ 1,015,318	$ 925,175
Video Images	600,662	646,314
Consumer Electronics	10,782	23,983
Others	26,507	10,007
	$ 1,653,269	$ 1,605,479

XXIII. Net profit in the year

(I) Other profits and losses

	2020	2019
Other revenue	$ 50,055	$ 45,111
Exchange loss – net	(32,161)	(16,841)
Rent revenue	11,024	20,861
Other losses	(2,046)	(7,113)
Profit on the valuation of financial assets measured at fair value through profit or loss	1,713	-
Loss or profit on disposal and obsolescence of property, plants, and equipment – net	(590)	21,633
Profit on investment disposal – net	412	3,369
Total	$ 28,407	$ 67,020

(II) Depreciation and amortization

	2020	2019
Property, plant and equipment	$ 28,672	$ 29,513
Investment property	2,236	7,680
Other non-current assets	10,086	17,019
Right-of-use assets	30,816	25,762
	$ 71,810	$ 79,974

Summary of depreciation expenses by function		
Operating costs	$ 18,751	$ 22,248
Operating expenses	40,737	33,027
Non-operating expenses	2,236	7,680
	$ 61,724	$ 62,955
Summary of amortization expenses by function		
Operating costs	$ 7,880	$ 13,508
Operating expenses	2,206	3,511
	$ 10,086	$ 17,019

(III) Employee benefit expense

	2020	2019
Post-employment benefits		
Defined contribution plan	$ 3,679	$ 3,919
Defined benefit plan (Note 20)	444	(7,077)
	4,123	(3,158)
Separation benefits	1,648	9,111
Other employee benefits	198,555	217,712
Total of employee benefit expenses	$204,326	$223,665
Summarized by function		
Operating costs	$ 35,381	$ 43,678
Operating expenses	168,945	179,987
	$204,326	$223,665

(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 consolidated financial statements, the change was treated as a change in accounting estimate and accounted 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 consolidated 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.

XXIV. 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	$ 31,125	$ 11,046
Adjustments for the previous year	(5,396)	(585)
	25,729	10,461
Deferred income tax		
Tax incurred in the year	12,683	10,183
Foreign exchange rate effect	(645)	(116)
	12,038	10,067
Income tax expense recognized as profit or loss	$ 37,767	$ 20,528

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

	2020	2019
Net profit before tax	$184,672	$175,192
Income tax expense on net profit before tax calculated at the statutory tax rate	$ 39,478	$ 43,520
Losses not deductible and tax-free income not included when determining taxable income	3,087	(26,323)
Unrecognized deductible temporary difference	3,220	9,997
Unrecognized loss carryforwards	(2,622)	(6,081)
Adjustment to income tax expenses of the previous year in the year	(5,396)	(585)
Income tax expense recognized as profit or loss	$ 37,767	$ 20,528

(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	($ 21,951)	$ 26,281

measured at fair value through other comprehensive income		
－Translation from foreign operations	4,631	4,297
－Remeasurement of defined benefits plans	4	556
Income tax 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

	Balance – beginning of the year	Recognition in profit or loss	Recognition in other comprehensive income	Balance – ending of the year
Deferred income tax assets				
Temporary difference				
Inventory	$ 20,064	($ 8,784)	$ -	$ 11,280
Defined retirement benefit plan	8,654	(18)	-	8,636
Other non-current assets	13,617	(1,235)	-	12,382
Others	6,620	(3,611)	-	3,009
Financial assets measured at fair value through other comprehensive income	46,837	-	(14,028)	32,809
Investment under the equity method	32,050	2,819	4,564	39,433
Deferred loss on purchase commitment	13,180	(1,840)	-	11,340
	$ 141,022	($ 12,669)	($ 9,464)	$ 118,889
Deferred income tax liabilities				
Temporary difference				
Investment under the equity method	$ 14,379	($ 95)	($ 67)	$ 14,217
Defined retirement benefit plan	2,309	-	(4)	2,305
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

	Balance – beginning of the year	Recognition in profit or loss	Recognition in other comprehensive income	Balance – ending of the year
Deferred income tax assets				
Temporary difference				
Inventory	$ 33,018	($ 12,954)	$ -	$ 20,064
Defined retirement benefit plan	10,186	(1,532)	-	8,654
Other non-current assets	18,758	(5,141)	-	13,617
Others	5,647	973	-	6,620
Financial assets measured at fair value through other comprehensive income	32,810	-	14,027	46,837
Investment under the equity method	26,942	2,995	2,113	32,050
Deferred loss on purchase commitment	9,466	3,714	-	13,180
	$ 136,827	($ 11,945)	$ 16,140	$ 141,022
Deferred income tax liabilities				
Temporary difference				
Investment under the equity method	$ 18,325	($ 1,762)	($ 2,184)	$ 14,379
Defined retirement benefit plan	2,865	-	(556)	2,309
Financial assets measured at fair value through other comprehensive income	12,254	-	(12,254)	-
	$ 33,444	($ 1,762)	($ 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.

The income tax returns of Chung-Chiang Investment Co., Ltd. and Hung-Cheng Investment Co., Ltd. up to 2018 and of the Digilife Technologies Co., Ltd. up to 2017 were audited and approved by the tax authorities.

XXV. 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
Earnings attributable to the owner of the Company	$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

Unit: 1,000 shares

	2020	2019
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 and subsidiaries 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.

XXVI. Capital risk management

The Company and subsidiaries 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 and subsidiaries did not have substantial changes.

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

The Company and subsidiaries 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 and subsidiaries balanced the overall capital structure by paying dividends, issuing new stocks, repurchasing stocks, and issuing new corporate bonds, or repaying existing liabilities.

XXVII. Financial instruments

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

Since the book value of the Company and subsidiaries' financial instruments not measured at fair value, including cash and cash equivalents, notes and accounts receivable, finance leases receivable, other receivables, guarantee deposits paid, notes and accounts payable, other payables, long-term liabilities maturing within 1 year, long-term loans 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	$ 43,724	$ -	$ 10,950	$ 54,674
－Domestic non-listed (non-OTC) stocks	-	-	72,791	72,791
－Overseas non-listed (non-OTC) stocks	-	-	115,501	115,501
Total	$ 43,724	$ -	$ 199,242	$ 242,966

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	$ 71,056	$ -	$ 101,532	$ 172,588
－Domestic non-listed (non-OTC) stocks	-	-	59,083	59,083
－Overseas non-listed (non-OTC) stocks	-	-	214,905	214,905
Total	$ 71,056	$ -	$ 375,520	$ 446,576

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	$ -	$ 375,520	$ 375,520
Recognition in profit or loss (other profits and losses)	2,125	-	2,125
Recognition in other comprehensive income	-	(164,346)	(164,346)
Purchase	55,315	-	55,315
Disposal	(55,574)	(1,355)	(56,929)
Exchange differences from foreign operations	(153)	(10,577)	(10,730)
Balance – ending of the year	$ 1,713	$ 199,242	$ 200,955

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	$ 18,242	$ 632,506	$ 650,748
Recognition in profit or loss (other profits and losses)	3,369	-	3,369
Recognition in other comprehensive income	-	(11,288)	(11,288)
Purchase	59,540	44,460	104,000
Disposal	(77,914)	(288,184)	(366,098)
Exchange differences from foreign operations	(3,237)	(1,974)	(5,211)
Balance – ending of the year	$ -	$ 375,520	$ 375,520

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

For the domestic and overseas non-listed (non-OTC) stocks held by the Company and subsidiaries 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.

For the investment products for which no market price could be used as a reference, the cash flow discounting method was used to estimate the cash flow in the future based on the observable interest rate at the end of the period. 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)	$ 1,563,805	$ 1,622,269
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	242,966	446,576
<u>Financial liabilities</u>		
Measurement at amortized cost (Note 2)	482,838	359,550

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 liabilities measured at amortized cost, such as notes and accounts payable, other payables, long-term loans maturing within 1 year, long-term loans and guarantee deposits received.

(IV) Financial risk management purpose and policy

The Company and subsidiaries' 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 and subsidiaries' 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.

We 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 and subsidiaries. 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 and subsidiaries 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 and subsidiaries every quarter.

1. Market risk

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

The Company and subsidiaries 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 and subsidiaries were engaged in sales and purchase transactions in foreign currency. These transactions exposed the Company and subsidiaries to the exchange rate fluctuation risk. More than 99% of the sales amount of the Company and subsidiaries were not valuated with the functional currency of the Company; about 99% of the purchase amount were not valuated with the functional currency of the Company. The Company and subsidiaries 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 and subsidiaries valued with non-functional currency on the balance sheet date, see Note 32.

<u>Sensitivity analysis</u>

The Company and subsidiaries were affected primarily by fluctuations 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)	$ 8,717	$ 8,880

Note: The profit or loss was mainly generated from the Company and subsidiaries' 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 and subsidiaries' 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 and subsidiaries 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	$ 499,271	$ 594,390
－Financial	65,085	106,287

liabilities		
With cash flow interest rate risk		
－Financial assets	830,173	880,089
－Financial liabilities	238,000	100,000

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 and subsidiaries' net profit before tax in 2020 and 2019 was increased/decreased by NTD1,715,000 and NTD1,346,000, respectively.

(3) Other price risks

The Company and subsidiaries sustained equity price risk exposure due to investment in equity securities. This investment was not held for trading but a strategic investment. The management of the Company and subsidiaries managed risk by holding different risk investment portfolios. The equity price risk of the Company and subsidiaries was mainly in the equity instruments for the electronic 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 NTD2,430,000 and NTD4,466,000, 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 potential highest credit risk exposure of the Company and subsidiaries due to failure of the counterparty to fulfill the obligations was mainly derived from the book value of the financial assets recognized in the consolidated balance sheet.

In order to mitigate the credit risk, the management of the Company and subsidiaries 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 and subsidiaries 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 and subsidiaries' 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 and subsidiaries 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 49% and 63% of that of the Company and subsidiaries, respectively. The credit concentration risk of other receivables was insignificant.

3. Liquidity risk

The Company and subsidiaries 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 and subsidiaries had adequate financial flexibility.

Liquidity and interest rate risks

The following table describes the remaining contractual maturity analysis of the non-derivative financial liabilities within the agreed repayment period of the Company and subsidiaries. The table is compiled based on the earliest repayment date required to the Company and subsidiaries 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	$ 244,838	$ -	$ -	$ -
Lease liabilities	31,368	28,717	6,093	-
Floating interest rate instruments	8,095	24,688	79,071	126,146
	$ 284,301	$ 53,405	$ 85,164	$ 126,146

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	$ 259,550	$ -	$ -	$ -
Lease liabilities	36,810	33,987	38,059	-
Floating interest rate instruments	-	8,043	59,463	32,494
	$ 296,360	$ 42,030	$ 97,522	$ 32,494

XXVIII. Related party transactions

Since all the transactions, account balances, profits and expenses/losses between the Company and the subsidiaries (namely, the Company's related parties) were removed after the merger, they were not disclosed in the Note. Transactions between the Company and subsidiaries and other 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 and Subsidiaries
STAR REACH LIMITED	Associate
DigiLife (Thailand) Co., Ltd.	Associate
KAI CHIEH LIMITED	The Company's de facto related party before January 23, 2019
Shih-Kun Tso	The Company's Chairman
Yung-Far Wei	De facto related party

(II) Operating transaction

	2020	2019
Revenue on processing		
De facto related party	$ -	$ 510

The Company and subsidiaries' revenue on processing from KAI CHIEH LIMITED is credited on a monthly basis every 30 days. The sales price of the Company and subsidiaries offered to the aforesaid related parties was approximately same as the price for other individual customers.

	2020	2019
Purchase		
Associate	$ 285	$ 8,890
De facto related party	-	7,497
	$ 285	$ 16,387

The purchase transactions of the Company and subsidiaries with STAR REACH LIMITED and KAI CHIEH LIMITED were conducted under O/A 30 days. Except for the aforesaid transactions, all the transactions of the Company and subsidiaries with related parties were conducted under the conditions same as those for the transactions with non-related parties.

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

	Disposal proceeds		Profit on disposal	
	2020	2019	2020	2019
Disposal of property, plants, and equipment				
De facto related party	$ -	$ 1,495	$ -	$ 663

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

	December 31, 2020	December 31, 2019
Associate	$ -	$ 831

The outstanding balance of the accounts payable to related parties was not guaranteed and to be paid by cash.

(III) Lease agreement

	December 31, 2020	December 31, 2019
Lease liabilities		
Shih-Kun Tso	$ -	$ 9,807

	2020	2019
Interest expenses		
Shih-Kun Tso	$ 108	$ 174

The Company and subsidiaries rented offices from Shih-Kun Tso with the lease terms and conditions equivalent to non-related parties.

(IV) Remuneration to key management

	2020	2019
Short-term employee benefits	$ 41,811	$ 42,952
Post-employment benefits	438	541
	$ 42,249	$ 43,493

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

XXIX. Pledged and mortgaged assets

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

	December 31, 2020	December 31, 2019
Property – net	$ 516,047	$ 346,318
Investment property – net	178,007	179,077
	$ 694,054	$ 525,395

XXX. Significant contingent liability and unrecognized contractual commitment

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

(I) Significant commitments

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

	December 31, 2020	December 31, 2019
Total contract price	$ 168,000	$ 346,770
Paid payment (Note)	$ 58,000	$ 53,731

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. In March 2020, the prepayment for equipment made by the Company and subsidiaries for purchase of the pre-sold house in Shilin District, Taipei City was reclassified as property, plant and equipment. See Note 14.

(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.

XXXI. Other matters

The Company and subsidiaries have been affected by the spread of the COVID-19 pandemic worldwide. The Dongguan Plant and most of the supply chain suppliers of the 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 and subsidiaries' operating revenue in February 2020 dropped by 49% from the same period of 2019. Shipments have gradually returned to normal since March. Despite the easing of the pandemic in Taiwan, the Company and subsidiaries' 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 subsidiaries and their customers have promptly made adjustments, the net operating revenue in 2020 increased by NTD47,790,000 (with an annual growth of approximately 3%) from the same period of 2019, and the operating profit of NTD161,795,000 was an increase of approximately 204% 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 and subsidiaries.

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 and subsidiaries plan 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.

XXXII. 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 and subsidiaries' 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

Financial assets	Foreign currency	Exchange Rate	Book value
Monetary items			
USD	$ 31,579	28.480	$ 899,357
RMB	28,931	4.377	126,632
AUD	3,238	21.950	71,065
Investment under the equity method			

USD	1,813	28.480	51,623
RMB	2,571	4.377	11,253
THB	737	0.956	704
Financial assets measured at fair value through other comprehensive income			
RMB	25,658	4.377	111,994
THB	3,800	0.923	3,507
Financial liabilities			
Monetary items			
RMB	35,919	4.377	157,219
USD	972	28.480	27,674

December 31, 2019

	Foreign currency	Exchange Rate	Book value
Financial assets			
Monetary items			
USD	$ 31,557	29.980	$ 946,071
RMB	25,239	4.305	108,655
AUD	1,937	21.005	40,694
EUR	271	33.590	9,203
Investment under the equity method			
USD	$ 1,441	29.980	$ 43,209
RMB	2,681	4.305	11,543
THB	737	1.010	744
Financial assets measured at fair value through other comprehensive income			
RMB	49,191	4.305	211,398
THB	3,800	0.923	3,507
Financial liabilities			
Monetary items			
RMB	18,511	4.305	79,688
USD	1,938	29.980	58,111
HKD	9,503	3.849	36,578

The realized and unrealized foreign currency exchange losses of the Company and subsidiaries in 2020 and 2019 were NTD32,161,000 and NTD16,841,000, respectively. However, it is infeasible to disclose the exchange loss and gain of each significant foreign currencies because of numerous foreign currency transactions and functional currencies of the Group.

XXXIII. 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.
10. Others: The business relationship and important transactions between the parent company and its subsidiaries, and between subsidiaries: Table 4.

(II) Information on investees: Table 5.

(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 6.
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: Table 6.
   (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 7)

XXXIV. Segment information

The information was provided for the chief operating decision maker to distribute resources and evaluate the performance of each department. It focused on the type of each batch of products or services delivered or provided. The reportable segments of the Company and subsidiaries were the electronic and other segments.

(I) Segment revenue and operating result

Analysis of the Company and subsidiaries’ revenues and operating results from continuing operations by reportable segment is as follows:

Domestic and overseas operating segments	2020 Electronic products	2020 Others	2020 Total
Revenues from clients other than the parent company and merged subsidiaries	$ 1,650,825	$ 2,444	$ 1,653,269
Segment profits (losses)	$ 174,658	($ 12,863)	$ 161,795
Loss on disposal of investment property	(9,000)	-	(9,000)
Other profits and losses	28,367	40	28,407
Impairment loss	-	(2,552)	(2,552)
Share of profit/loss of associates under equity method	1,224	-	1,224
Interest income	8,708	246	8,954
Interest expenses	(4,156)	-	(4,156)
Net profit (loss) before tax	$ 199,801	($ 15,129)	$ 184,672

Domestic and overseas operating segments	2019 Electronic products	2019 Others	2019 Total
Revenues from clients other than the parent company and merged subsidiaries	$ 1,602,809	$ 2,670	$ 1,605,479
Segment profits (losses)	$ 56,803	($ 3,522)	$ 53,281
Profit on disposal of investment property	148,639	-	148,639
Other profits and losses	67,020	-	67,020
Impairment loss	(58,702)	-	(58,702)
Share of profit/loss of associates under equity method	(38,050)	-	(38,050)
Interest income	15,183	560	15,743
Interest expenses	(12,739)	-	(12,739)
Net profit (loss) before tax	$ 178,154	($ 2,962)	$ 175,192

The segment profit was the earnings of each segment excluding the administration costs of the head office to be shared and the compensation of the directors and supervisors, the portion of the affiliate accounted for under the equity method, loss and gain from disposal of any affiliate, rent income, interest income, loss and gain from disposal of property, plants, and equipment, loss and gain from disposal of investments, net foreign currency exchange gain (loss), financial tool valuation gain (loss), financial costs and income tax. These estimated amounts were provided for the chief operating decision maker to distribute resources to departments and evaluate their performance.

(II) Total segment assets and liabilities

Segment asset	December 31, 2020	December 31, 2019

Electronic segment	$ 3,332,615	$ 3,427,964
Others	364,927	399,722
Total consolidated assets	$ 3,697,542	$ 3,827,686
Segment liability		
Electronic segment	$ 694,079	$ 532,253
Others	1,288	30,744
Total consolidated liabilities	$ 695,367	$ 562,997

(III) Revenue from main products and services

Analysis of the Company's revenue from main products and services is as follows:

	2020	2019
Electronic products	$ 1,650,825	$ 1,602,809
Investment	2,444	2,670
	$ 1,653,269	$ 1,605,479

(IV) Information by territory

The Company primarily operates in four regions: Asia, America, Europe, and Taiwan.

The Company's revenue of continuing operations from external clients and non-current assets was classified respectively by territory and the location where the assets were located. The relevant information is listed as follows:

	Income from external clients		Non-current assets	
	2020	2019	2020 December 31	2019 December 31
Asia	$ 558,586	$ 813,399	$ 80,910	$ 104,409
America	555,171	423,671	43	10,003
Europe	436,675	337,954	43	41
Taiwan	61,379	8,229	1,043,797	917,483
Others	41,458	22,226	-	-
	$ 1,653,269	$ 1,605,479	$ 1,124,793	$ 1,031,936

The non-current assets did not include financial instruments and deferred income tax assets.

(V) Information about major clients

The income of the electronic segment in 2020 and 2019 was NTD1,650,825,000 and NTD1,602,809,000, respectively, and of which NTD256,672,000 and NTD435,643,000 came from the largest customer of the Group. Except for the above-mentioned largest customer, no income earned from any single customer reached more than 10% of the Group's total income in 2020 and 2019.

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

Table 1

Unit: NTD and foreign currency (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 3)	-	- (Note 3)
	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 3)	3.42%	- (Note 3)
Globalink Holding Co., Ltd.	Stock						
	Shenzhen CMK Technology Co., Ltd.	None	Financial assets measured at fair value through other comprehensive income – non-current	-	USD 3,932	8.61%	USD 3,932
Hung-Cheng Investment Co., Ltd.	Stock						
	Solteam Incorporation	None	Financial assets measured at fair value through other comprehensive income – current	156	9,363	-	9,363
	FLYTECH	None	Financial assets measured at fair value through other comprehensive income – current	486	30,405	-	30,405
	Dynamic Medical Technologies, Inc.	None	Financial assets measured at fair value through other comprehensive income – current	11	540	-	540
	CORETEK OPTO CORPORATION	The chairman of the company is a director of KYE Systems Corp.	Financial assets measured at fair value through other comprehensive income – non-current	10	74	-	74
Digilife Technologies Co., Ltd.	Stock						
	Cheng-Shih International Co., Ltd.	None	Financial assets measured at fair value through other comprehensive income – non-current	50	500	2.55%	500
	MOTOMOTO Ltd.	None	Financial assets measured at fair value through other comprehensive income – non-current	38	3,507	19.00%	3,507

(Continued to next page)

(Continued from previous page)

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)
	LIAN, JU Biotechnology Co., Ltd	The directors of the company are also directors of Digilife Technologies Co., Ltd.	Financial assets measured at fair value through other comprehensive income – non-current	90	$ 900	18.00%	$ 900
	Unity Opto Technology Co., Ltd.	The chairman of the company is a director of KYE Systems Corp.	Financial assets measured at fair value through other comprehensive income – current	597	- (Note 3)	-	- (Note 3)
	Shin Kong Financial Holding Co., Ltd.	None	Financial assets measured at fair value through other comprehensive income – current	176	1,547	-	1,547
	China Petrochemical Development Corporation	None	Financial assets measured at fair value through other comprehensive income – current	160	1,869	-	1,869

Note 1: The market price was determined as follows: The price of the listed and OTC stocks was calculated based on the closing price of Taiwan Stock Exchange and Taipei Exchange at the end of December 2020; the price of the stock private placement the trade of which was restricted was estimated using the valuation method; the price of the non-listed and non-OTC stocks was calculated using the valuation method.

Note 2: The securities held at the end of the period were not provided as guarantees or pledged as collateral for loans.

Note 3: 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.

KYE Systems Corp. and Subsidiaries
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 (Note 2)	43%	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 (Note 2)	43%	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 then resold to the Company.

Note 2: The amount was entirely written off during preparation of the consolidated financial statements.

KYE Systems Corp. and Subsidiaries
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 2)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	$ -

Note 1: They were mainly the receivables from the entrusted purchase of raw materials and machine/equipment and intermittently offset by accounts payable.
Note 2: The amount was entirely written off during preparation of the consolidated financial statements.

KYE Systems Corp. and Subsidiaries

The business relationship and important transactions between the parent company and its subsidiaries, and between subsidiaries

2020

Table 4

Unit: NTD thousand

No.	Name of Trader	Counterparty	Relationship with Traders (Note 1)	Transaction			
				Title	Amount	Trading conditions	Percentage of consolidated total operating revenue or total assets
0	The Company	KYE Trade	1	Purchase	$ 484,510	Note 2	29%
		KYE Trade	1	Other receivables	534,294	Note 2	14%
1	Dong-Guan Kunying	KYE Trade	3	Operating revenue	483,655	Note 2	29%
		KYE Trade	3	Other current liabilities	534,294	Note 2	14%

Note 1: Relationships with traders can be classified into the following three types:
1: Parent company to subsidiary; 2: Subsidiary to parent company; 3: Subsidiary to subsidiary

Note 2: As 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 then resold to the Company. The payables deriving from the purchase trading were offset against the receivables deriving from the entrusted purchase of raw materials on an irregular basis.

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

Table 5

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 (Note 1)	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 (Note 1)	21	21	Subsidiary
	Hung-Cheng Investment Co., Ltd.	Taipei City	Investment business	85,000	85,000	9,578	100.00	44,116 (Note 1)	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 (Note 1)	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 (Note 1)	-	-	Subsidiary; Note 2
	KYE Systems (Hong Kong) Corp.	Hong Kong	Sales of computer peripherals and consumer electronic products	HKD 500	HKD 500	500	100.00	8,864 (Note 1)	-	-	Subsidiary
	DIGILIFE TECHNOLOGIES CO., LTD.	Taipei City	Digital video/audio products	652,962	447,367	51,563	94.61	581,062 (Note 1)	6,056	5,474	Subsidiary
	DIGILIFE PTY LTD	Australia	Tourism and real estate development	AUD -	AUD 4,900	-	-	-	(AUD 668)	(5,302)	Subsidiary; Note 3
	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
KYE Systems (Hong Kong) Corp.	Genius Labuan Inc.	Malaysia	Sales of computer peripherals and consumer electronic products	USD 10	USD 10	10	100.00	-	USD -	N/A	Indirect subsidiary
Genius Holding Co., Ltd.	Globalink Holding Co., Ltd.	British Virgin Islands	Investment holdings	USD 8,289	USD 8,289	5,250	100.00	USD 4,335 (Note 1)	(USD 1)	N/A	Indirect subsidiary
	KYE Systems America Corporation	United States of America	Sales of computer peripherals and consumer electronic products	USD -	USD 14,992	-	-	USD - (Note 1)	USD 259	N/A	Sub-subsidiary, Note 4
	Moustek Investment Co., Ltd.	British Virgin Islands	Investment holdings	USD 2,806	USD 2,806	1	100.00	USD 441 (Note 1)	(USD 217)	N/A	Indirect subsidiary
	KYE Trade (HK) Co., Ltd.	Hong Kong	Sales of computer peripherals and consumer electronic products	HKD 10	HKD 10	10	100.00	(USD 186) (Note 1)	(253)	N/A	Indirect subsidiary
	KYE Inc.	British Virgin Islands	Investment holdings	USD 16,065	USD 16,065	3	100.00	(USD 11,162) (Note 1)	(USD 27)	N/A	Indirect subsidiary
	Maxfar Limited	Samoan Islands	Investment business	USD 1,575	USD 1,575	1,575	44.37	USD 1,813	22,344	N/A	Investment under the equity method
Digilife Technologies Co., Ltd.	Life Technologies Co., Ltd.	Samoan Islands	Investment holdings	USD 300	USD 300	455	100.00	11,915 (Note 1)	USD 45	N/A	Indirect subsidiary
	DIGILIFE PTY LTD	Australia	Tourism and real estate development	AUD 12,500	AUD 7,600	12,500	100.00	255,830 (Note 1)	(AUD 777)	N/A	Indirect subsidiary; Note 3
	SHINYOPTICS CORP.	Tainan City	R&D, design, manufacturing, and sale of optical engines	3,600	3,600	200	1.35	1,757	(6,753)	N/A	Investment under the equity method
	DigiLife (Thailand) Co., Ltd.	Thailand	Sale of digital video/audio products	THB 1,500	THB 1,500	15	30.00	704	THB -	N/A	Investment under the equity method
Life Technologies Co., Ltd.	LIFE TECHNOLOGIES (HONG KONG) CO., LIMITED	Hong Kong	Design, processing, and sale of digital video/audio products	USD 455	USD 455	455	100.00	USD 418 (Note 1)	HKD 349	N/A	Indirect subsidiary

Note 1: The amount was entirely written off during preparation of the consolidated financial statements.
Note 2: KYE Systems Europe GmbH terminated its business operations in December 2017 and is currently under liquidation.
Note 3: 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.
Note 4: KYE America Corporation was completely liquidated in February 2020.

KYE Systems Corp. and Subsidiaries
Information on Investments in Mainland China
2020

Table 6

Unit: NTD and foreign currency (thousand)

KYE Systems Corp.

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) (Note 5)	(USD 11,209) (Note 5)	$ -
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) (Note 5)	USD 380 (Note 5)	-
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.

Note 5: The amount was entirely written off during preparation of the consolidated financial statements.

Digilife Technologies Co., Ltd.

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	Name of Investee Profit (Loss) of the year	The Company's Shareholding Ratio of Direct or Indirect Investment	Profit or Loss from Investments Recognized in the Current Period (Note 3)	Investment Book value – Ending	Profits Received from Investments as of the End of the Current Period
					Remittance	Return						
ZISER TECHNOLOGIES (SHENZHEN) CO., LTD.	Sale of digital video/audio products	USD 200	Investment through LIFE TECHNOLOGIES (HONG KONG) CO., LIMITED to have a 100% shareholding	USD 200	$ -	$ -	USD 200	RMB 1,251	100%	HKD 1,407 (Note 4)	HKD 2,273 (Note 4)	$ -

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 334 (Note 2)	USD 500 (Note 2)	$368,482 (Note 1)

Note 1: It was calculated based on 60% of the net value.
Note 2: KYE Trade (Shenzhen) Co., Ltd. canceled the registered USD29,000 on January 4, 2013 and withdrew the investment amount of USD351,000 on December 25, 2014, which had been approved by the Investment Commission of the Ministry of Economic Affairs.
Note 3: The profit or loss from investments was recognized based on the CPA-audited financial statements in the same period.
Note 4: The amount was entirely written off during preparation of the consolidated financial statements.

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

Table 7

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 consolidated 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.