

Elitegroup Computer Systems Co., Ltd.

**Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Elitegroup Computer Systems Co., Ltd.

Opinion

We have audited the accompanying financial statements of Elitegroup Computer Systems Co., Ltd. (the Company), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, based on our audits and the report of other auditors (refer to the Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. We conducted our audit of the financial statements for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion based on our audits and the report of other auditors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters in the audit of the Company's financial statements for the year ended December 31, 2019 are stated as follows:

Recognition of Specific Sales Revenue

Refer to Note 4 to the financial statements for the accounting policy on revenue recognition.

The Company's sales revenue in 2019 was NT\$25,612,724 thousand, which represented a decrease of approximately 12% from that of NT\$29,108,941 thousand in 2018. However, the sales revenue of certain specific products increased by approximately 49% on average compared to previous year. The sales revenue of specific products in 2019 was NT\$5,289,582 thousand, accounting for 21% of the net sales revenue; thus, the recognition of these specific products' sales revenue was identified as one of the key audit matters.

Our audit procedures performed in respect of the above key audit matter include the following:

1. We understood and tested the design and operating effectiveness of the internal controls over revenue recognition, and evaluated the appropriateness of accounting policies for revenue recognition used by the management.
2. We sampled details of sales revenue from the specific products and inspected the relevant transaction documents including sales orders, shipping and receipt documents, and verified that the revenue was recognized upon satisfying the performance obligation.
3. We checked for any occurrence of subsequent sales returns and allowances, and obtained sufficient evidence regarding subsequent cash receipts from the specific sales in identifying the existence of unusual circumstances.

Assessment of Allowance for Inventory Valuation Loss

Refer to Note 4 to the financial statements for the accounting policy on assessment of allowance for inventory valuation. Refer to Note 10 to the financial statements for the detailed information on inventory.

The inventories of the Company were stated at the lower of cost or net realizable value and amounted to NT\$746,981 thousand for the year ended December 31, 2019, accounting for 4% of the total assets. Because the inventory assessment of net realizable value is subject to uncertainty in estimation which involves management's subjective judgments; therefore, the assessment of allowance for inventory loss was identified as one of the key audit matters.

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

1. We obtained an understanding of the reasonableness of the Company's policy and methods used in the valuation of allowance for losses on obsolete inventory.
2. We obtained the valuation documents of the allowance for losses on obsolete inventory from management. We sampled and inspected the original documents of net realizable value of inventories at year end to assess the basis and appropriateness of management evaluation process.
3. We performed a year-end observations of inventory counts to understand the inventory status and evaluated the reasonableness of an allowance for losses on obsolete inventory.

Other Matter

As of and for the year ended December 31, 2019, we did not audit the financial statements of ECS Holding (America) Co., Elitegroup Computer Systems (HK) Co., Ltd., Elitegroup Computer Systems (Korea) Co., Ltd., Elitegroup Computer Systems Holding Co., Ltd. (HK), Alpha Leader Limited (HK), and Elitegroup Technology (Thailand) Co., Ltd. which were investees included in the financial statements, such statements were audited by the other auditors instead. Also, as of and for the year ended December 31, 2018, we did not audit the financial statements of ECS Holding (America) Co., Elitegroup Computer Systems (HK) Co., Ltd., Elitegroup Computer Systems (Korea) Co., Ltd., Elitegroup Computer Systems Holding Co., Ltd. (HK), and Alpha Leader Limited (HK) which were investments accounted for using the equity method included in the financial statements, such statements were audited by the other auditors instead. Our opinion, insofar as it relates to the amounts included for such subsidiaries is based solely on the report of other auditors. The total assets of the abovementioned investments accounted for using the equity method were \$1,788,720 thousand and \$1,837,984 thousand, respectively, which constituted 9% of the total assets as of December 31, 2019 and 2018, and other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method amounted to \$(23,033) thousand and \$29,919 thousand, respectively, which constituted 25% and (74%) of total comprehensive loss for the years then ended, respectively.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hsiu-Chun Huang and Shih-Tsung Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2020

Notice to Readers

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

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

ELITEGROUP COMPUTER SYSTEMS CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,076,141	16	\$ 3,036,802	15
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	583,562	3	638,614	3
Financial assets at amortized cost - current (Notes 4, 8 and 30)	2,655,266	14	1,935,902	10
Accounts receivable (Notes 4, 5 and 9)	3,054,370	16	3,923,079	20
Accounts receivable from related parties (Notes 4, 5, 9 and 29)	300,119	1	443,110	2
Other receivables (Notes 4, 9, 11 and 29)	2,162,817	11	2,216,104	11
Inventories (Notes 4, 5 and 10)	746,981	4	855,746	4
Prepayments	89,073	-	77,913	1
Other current assets	3,458	-	4,428	-
Total current assets	12,671,787	65	13,131,698	66
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	44,108	-	44,118	-
Investments accounted for using the equity method (Notes 3, 4, 11 and 19)	4,350,825	22	4,708,355	24
Property, plant and equipment (Notes 4, 12 and 29)	59,757	-	74,985	-
Right-of-use assets (Notes 3, 4, 5 and 13)	401,492	2	-	-
Investment properties (Notes 4 and 14)	549,788	3	409,685	2
Goodwill (Notes 4, 5 and 15)	386,205	2	386,205	2
Other intangible assets (Notes 4, 16 and 29)	6,889	-	16,976	-
Deferred tax assets (Notes 4, 5 and 25)	695,245	4	734,213	4
Refundable deposits	192,026	1	200,400	1
Net defined benefit assets (Notes 4, 5 and 21)	123,284	1	111,485	1
Other non-current assets	3,575	-	12,431	-
Total non-current assets	6,813,194	35	6,698,853	34
TOTAL	\$ 19,484,981	100	\$ 19,830,551	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	\$ -	-	\$ 307,150	2
Accounts payable (Note 18)	1,158,659	6	1,167,597	6
Accounts payable to related parties (Notes 18 and 29)	1,735,206	9	1,691,248	8
Other payables (Notes 19 and 29)	760,733	4	904,755	5
Current tax liabilities (Notes 4, 5 and 25)	125,952	1	185,098	1
Provisions - current (Notes 4, 5 and 20)	220,360	1	243,799	1
Lease liabilities - current (Notes 3, 4, 5, 13 and 14)	186,916	1	-	-
Other advances received (Notes 11 and 19)	2,751,737	14	2,751,737	14
Other current liabilities (Notes 4, 5 and 19)	955,441	5	1,097,300	5
Total current liabilities	7,895,004	41	8,348,684	42
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4, 5 and 25)	33,356	-	171,861	1
Lease liabilities - non-current (Notes 3, 4, 5, 13 and 14)	594,353	3	-	-
Guarantee deposit received	12,264	-	9,836	-
Unrealized gain on sale and leaseback (Notes 4 and 12)	-	-	289,465	1
Total non-current liabilities	639,973	3	471,162	2
Total liabilities	8,534,977	44	8,819,846	44
EQUITY (Notes 4, 21, 22, and 25)				
Share capital				
Common shares	5,574,030	29	5,574,030	28
Capital surplus	5,913,183	30	5,881,933	30
Retained earnings				
Legal reserve	24,217	-	22,176	-
Special reserve	203,879	1	185,310	1
Unappropriated earnings	51,766	-	20,610	-
Total retained earnings	279,862	1	228,096	1
Other equity	(817,071)	(4)	(673,354)	(3)
Total equity	10,950,004	56	11,010,705	56
TOTAL	\$ 19,484,981	100	\$ 19,830,551	100

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

(With Deloitte & Touche auditors' report dated March 25, 2020)

ELITEGROUP COMPUTER SYSTEMS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 5, 19, 23 and 29)	\$ 25,612,724	100	\$ 29,108,941	100
OPERATING COSTS (Notes 10 and 29)	<u>23,416,717</u>	<u>91</u>	<u>27,428,369</u>	<u>94</u>
GROSS PROFIT	2,196,007	9	1,680,572	6
UNREALIZED GAIN (LOSS) ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	<u>2,092</u>	<u>-</u>	<u>(3,562)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>2,198,099</u>	<u>9</u>	<u>1,677,010</u>	<u>6</u>
OPERATING EXPENSES (Notes 12, 21, 24 and 29)				
Marketing	523,100	2	515,614	2
General and administrative	517,839	2	576,541	2
Research and development	<u>696,117</u>	<u>3</u>	<u>794,319</u>	<u>3</u>
Total operating expenses	<u>1,737,056</u>	<u>7</u>	<u>1,886,474</u>	<u>7</u>
INCOME (LOSS) FROM OPERATIONS	<u>461,043</u>	<u>2</u>	<u>(209,464)</u>	<u>(1)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 11, 13, 24 and 29)				
Other gains and losses	(149,448)	-	228,775	1
Finance costs	(23,640)	-	(1,776)	-
Share of profit or loss of associates	(413,657)	(2)	(136,322)	-
Interest income	105,300	-	84,455	-
Other income	<u>79,723</u>	<u>-</u>	<u>61,862</u>	<u>-</u>
Total non-operating income and expenses	<u>(401,722)</u>	<u>(2)</u>	<u>236,994</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	59,321	-	27,530	-
INCOME TAX EXPENSE (Notes 4, 5 and 25)	<u>13,542</u>	<u>-</u>	<u>7,118</u>	<u>-</u>
NET PROFIT	<u>45,779</u>	<u>-</u>	<u>20,412</u>	<u>-</u>

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 4, 21, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 7,484	-	\$ 11,885	-
Unrealized gain(loss) on investments in equity instruments at fair value through other comprehensive income	1,933	-	(2,087)	-
Income tax benefit related to items that will not be reclassified subsequently	<u>(1,497)</u>	<u>-</u>	<u>(1,721)</u>	<u>-</u>
	<u>7,920</u>	<u>-</u>	<u>8,077</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(182,063)	-	(113,313)	-
Income tax relating to components of other comprehensive income	<u>36,413</u>	<u>-</u>	<u>44,524</u>	<u>-</u>
	<u>(145,650)</u>	<u>-</u>	<u>(68,789)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(137,730)</u>	<u>-</u>	<u>(60,712)</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (91,951)</u>	<u>-</u>	<u>\$ (40,300)</u>	<u>-</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 26)				
Basic	<u>\$ 0.08</u>		<u>\$ 0.04</u>	
Diluted	<u>\$ 0.08</u>		<u>\$ 0.04</u>	

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

(With Deloitte & Touche auditors' report dated March 25, 2020)

(Concluded)

ELITEGROUP COMPUTER SYSTEMS CO., LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

	Other Equity (Notes 4, 22 and 25)							Total Equity	
	Share Capital (Notes 22 and 27)	Capital Surplus (Notes 4, 22 and 27)	Retained Earnings (Notes 21, 22 and 25)		Exchange Differences on Translating Foreign Operations	(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			Unrealized Gain (Loss) on Available-for-sale Financial Assets
			Legal Reserve	Special Reserve		Unappropriated Earnings	Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2018	\$ 5,574,030	\$ 6,427,295	\$ -	\$ -	\$ 207,486	\$ (604,818)	\$ 2,340	\$ 2,340	\$ 11,606,333
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	2,340	(2,340)	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	5,574,030	6,427,295	-	-	207,486	(604,818)	2,340	-	11,606,333
Appropriation of the 2017 earnings	-	-	22,176	-	(22,176)	-	-	-	-
Legal reserve	-	-	-	185,310	(185,310)	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-
Other changes in capital surplus	-	-	-	-	-	-	-	-	-
Cash dividends distributed from capital surplus	-	(557,403)	-	-	-	-	-	-	(557,403)
Other changes in capital surplus - dividends unclaimed by shareholders	-	12,041	-	-	-	-	-	-	12,041
Changes in capital surplus from investments in subsidiaries and associates accounted for using the equity method	-	-	-	-	(9,966)	-	-	-	(9,966)
Net profit for the year ended December 31, 2018	-	-	-	-	20,412	-	-	-	20,412
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	10,164	(68,789)	(2,087)	-	(60,712)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	30,576	(68,789)	(2,087)	-	(40,300)
BALANCE AT DECEMBER 31, 2018	5,574,030	5,881,933	22,176	185,310	20,610	(673,607)	253	-	11,010,705
Appropriation of the 2018 earnings	-	-	2,041	-	(2,041)	-	-	-	-
Legal reserve	-	-	-	18,569	(18,569)	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-
Other changes in capital surplus - from investments in associates accounted for using the equity method	-	31,250	-	-	-	-	-	-	31,250
Net profit for the year ended December 31, 2019	-	-	-	-	45,779	-	-	-	45,779
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	5,987	(145,650)	1,933	-	(137,730)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	51,766	(145,650)	1,933	-	(91,951)
BALANCE AT DECEMBER 31, 2019	\$ 5,574,030	\$ 5,913,183	\$ 24,217	\$ 203,879	\$ 51,766	\$ (819,257)	\$ 2,186	\$ -	\$ 10,950,004

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated March 25, 2020)

ELITEGROUP COMPUTER SYSTEMS CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 59,321	\$ 27,530
Adjustments for:		
Depreciation expenses	168,390	28,411
Amortization expenses	11,815	13,258
Impairment loss reversed on accounts receivable	(2,515)	(6,734)
Net (gain) loss on fair value change of financial assets at fair value through profit or loss	(24,434)	17,058
Interest expense	23,640	1,776
Interest income	(105,300)	(84,455)
Share of loss of subsidiaries	413,657	136,322
Loss on disposal of associates	-	332
Recognition (reversal) of impairment loss on non-financial assets	5,796	(2,358)
Realized gross profit on transactions with subsidiaries	(2,092)	-
Unrealized gross profit on transactions with subsidiaries	-	3,562
Unrealized net loss (gain) on foreign currency exchange	100,732	(72,067)
Amortization of unrealized gain on sale and leaseback	-	(58,175)
Net changes in operating assets and liabilities		
Decrease (increase) in financial assets mandatorily classified as at fair value through profit or loss	79,496	(194,941)
Accounts receivable	873,130	(28,085)
Other receivables	22,773	(28,220)
Inventories	102,969	349,316
Prepayments	(11,160)	(5,568)
Other current assets	970	(1,707)
Overdue receivables	-	12,387
Net defined benefit assets	(4,315)	(4,421)
Accounts payable	144,578	(1,015,250)
Other payables	(137,297)	(60,145)
Provisions	(23,439)	(59,585)
Other current liabilities	(112,185)	103,776
Cash generated from (used in) operations	1,584,530	(927,983)
Interest received	103,449	77,653
Interest paid	(4,088)	(1,540)
Income tax paid	(158,354)	(180,855)
Net cash generated from (used in) operating activities	1,525,537	(1,032,725)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in other advance received	-	2,751,737
Purchase of financial assets measured at amortized cost	(8,694,922)	(5,457,397)
Proceeds from sale of financial assets measured at amortized cost	7,922,533	3,769,133
Payments for investments accounted for using the equity method	(202,915)	-
Net cash inflow on disposal of associates	-	341
Payments for property, plant and equipment	(11,307)	(42,119)

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	2019	2018
Decrease in refundable deposits	\$ -	\$ 1,474
Payments for intangible assets	(1,728)	(1,220)
Acquisition of investment properties	(390)	-
Decrease in other non-current assets	<u>8,856</u>	<u>5,922</u>
Net cash (used in) generated from investing activities	<u>(979,873)</u>	<u>1,027,871</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease (increase) in short-term borrowings	(307,300)	8,350
Guarantee deposits received	2,428	99
Repayment of the principal portion of lease liabilities	(201,453)	-
Cash dividends paid to owners of the Company	-	(557,403)
Dividends unclaimed by shareholders recognized as the capital reserve	<u>-</u>	<u>12,041</u>
Net cash used in financing activities	<u>(506,325)</u>	<u>(536,913)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,339	(541,767)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,036,802</u>	<u>3,578,569</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,076,141</u>	<u>\$ 3,036,802</u>

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

(With Deloitte & Touche auditors' report dated March 25, 2020)

(Concluded)

ELITEGROUP COMPUTER SYSTEMS CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1. GENERAL INFORMATION

Elitegroup Computer Systems Co., Ltd. (the “Company”) was established in May 1987 and began operations in June 1987. The Company designs, develops, and sells motherboards, desktop computers, notebook computers, tablet computers, barebone systems and add-on cards.

The common shares of the Company have been listed on the Taiwan Stock Exchange since September 21, 1994.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors and authorized for issue on March 20, 2020.

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

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

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company’s accounting policies:

- IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Company elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

The Company recognizes right-of-use assets or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the statements of cash flows.

The Company elected to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information was not restated. However, it did not result in adjustment to retained earnings when the Company applied IFRS 16 on January 1, 2019.

The leases previously classified as operating leases under IAS 17 on January 1, 2019. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

- 1) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

If the Company determines that a sale and leaseback transaction does not satisfy the requirements of IFRS 15 "Revenue from Contracts with Customers" to be accounted for as a sale of an asset, it is accounted for as a financing transaction. If it satisfies the requirements to be accounted for as a sale of an asset, the Company recognizes only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor. Prior to the application of IFRS 16, the leaseback portion is classified as either a finance lease or an operating lease and accounted for differently.

The Company does not reassess sale and leaseback transactions entered into before January 1, 2019 to determine whether the transfer of an underlying asset satisfies the requirements of IFRS 15 to be accounted for as a sale. Upon initial application of IFRS 16, the aforementioned transitional provision for a lessee applies to the leaseback portion. In addition, for the land and building located in Neihu previously accounted for as a sale and an operating lease under IAS 17, the Company adjusts the leaseback right-of-use assets for any deferred gains or losses recognized on January 1, 2019.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 2.33%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 1,045,643
Add: Others	<u>920</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 1,046,563</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 945,917</u>

The Company as lessor

The Company does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The Company subleased its leasehold land and building located in Neihu to a third party in 2013. Such sublease was classified as an operating lease under IAS 17. The Company determines the sublease is classified as an operating lease on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	\$ -	\$ 541,990	\$ 541,990
Investment properties	-	124,874	124,874
Refundable deposits	<u>200,400</u>	<u>(10,412)</u>	<u>189,988</u>
Total effect on assets	<u>\$ 200,400</u>	<u>\$ 656,452</u>	<u>\$ 856,852</u>
Lease liabilities - current	\$ -	\$ 177,103	\$ 177,103
Lease liabilities - non-current	-	768,814	768,814
Unrealized gain on sale and leaseback	<u>289,465</u>	<u>(289,465)</u>	<u>-</u>
Total effect on liabilities	<u>\$ 289,465</u>	<u>\$ 656,452</u>	<u>\$ 945,917</u>

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the financial statements were authorized for issue, the Company continues assessing other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Company's financial position and financial performance and will disclose these other impacts when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

1) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulate that, when the Company sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate, the gain or loss resulting from the transaction is recognized in full. Also, when the Company loses control of a subsidiary that contains a business but retains significant influence, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Company sells or contributes assets that do not constitute a business to an associate, the gain or loss resulting from the transaction is recognized only to the extent of the Company's interest as an unrelated investor in the associate, i.e., the Company's share of the gain or loss is eliminated. Also, when the Company loses control of a subsidiary that does not contain a business but retains significant influence over an associate, the gain or loss resulting from the transaction is recognized only to the extent of the Company's interest as an unrelated investor in the associate, i.e., the Company's share of the gain or loss is eliminated.

2) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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

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

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and retained earnings in these parent company only financial statements.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

d. Foreign currencies

In preparing the financial statements, transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

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

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

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

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

A subsidiary is an entity over which the Company has controlling interest.

Under the equity method, investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of the equity of subsidiaries attributable to the Company.

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

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company continues recognizing its share of further losses.

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

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

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

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investment in associates

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

The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates and joint ventures attributable to the Company.

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

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

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

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

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the parent company only financial statements only to the extent that interests in the associate are not related to the Company.

h. Property, plant and equipment

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

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

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

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Beginning January 1, 2019, investment properties include right-of-use assets. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Beginning January 1, 2019, investment properties acquired through leases were initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made on or before the commencement date, plus initial direct costs incurred and an estimate of costs needed to restore the underlying assets, less any lease incentives received. These investment properties are subsequently measured at cost less accumulated depreciation and accumulated impairment loss and adjusted for any remeasurement of the lease liabilities.

Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Goodwill

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

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

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a CGU was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying

amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 28.

ii. Financial assets at amortized cost

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

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

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

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

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

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

b) Impairment of financial assets

The Company assessed for indicators of impairment by expected credit losses on financial assets at amortized cost (including accounts receivable) at the end of each reporting period.

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

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

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at fair value through profit or loss are stated at fair value, and any interest paid on such financial liabilities is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 28.

b) Derecognition of financial liabilities

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

n. Provisions

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Warranties

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the best estimate by the management of the Company of the expenditure required to settle the Company's obligation.

o. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of computer equipment. Sales of computer equipment are recognized as revenue when the goods are delivered to the customer's specific location or the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods and has the primary responsibility for sales to future customers and bears the risks of obsolescence.

2) Revenue from the rendering of services

Revenue from the rendering of services mainly comes from the maintenance services of computer equipment. The effort of technical personnel is required to perform maintenance services. Since the length of the maintenance service provided to each contract is only for a short duration, the Company recognizes revenue upon completion of service contracts.

p. Leasing

2019

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

1) The Company as lessor

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

When the Company subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Company, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

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

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets. With respect to the recognition and measurement of right-of-use assets that meet the definition of investment properties, refer to caption i for the accounting policies of investment properties.

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

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

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

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

2018

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

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Taxation

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

1) Current taxes

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

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

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods.

Critical Accounting Judgements

a. Estimated impairment of financial assets

The provision for impairment of accounts receivables is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

c. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

d. Income taxes

The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. If actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which the reversal takes place.

e. Recognition and measurement of provisions

The Company estimates the cost of product warranties at the time the revenue is recognized, and the estimation is based on the quantities of products still under warranty, and those products' historical and expected repair rate, as well as unit repair costs. Management continuously reviews the estimation used and appropriately revises it if needed, any changes of the above assumptions may have a material impact on the estimation of the provision for the expected cost of product warranties.

f. Recognition and measurement of defined benefit plans

The resulting defined benefit costs under defined benefit pension plans and the net defined benefit liabilities (assets) are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

g. Lessees' incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Petty cash and foreign cash	\$ 1,053	\$ 972
Checking accounts and demand deposits	1,182,862	867,367
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	1,742,326	2,101,970
Repurchase agreements collateralized by bonds	<u>149,900</u>	<u>66,493</u>
	<u>\$ 3,076,141</u>	<u>\$ 3,036,802</u>

As of December 31, 2019 and 2018, the market rate interval of time deposits with original maturities of less than 3 months was ranging from 0.59% to 2.33% and from 0.59% to 3.25%, respectively.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	December 31	
	2019	2018
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ 583,562</u>	<u>\$ 638,614</u>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Foreign unlisted shares - equity securities	\$ 8	\$ 18
Domestic unlisted shares - equity securities	<u>44,100</u>	<u>44,100</u>
Foreign unlisted shares - equity securities	<u>\$ 44,108</u>	<u>\$ 44,118</u>

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	2018
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months (a)	\$ 2,498,367	\$ 1,931,934
Repurchase agreement with original maturities of more than 3 months	149,900	-
Pledged time deposits (b)	<u>6,999</u>	<u>3,968</u>
	<u>\$ 2,655,266</u>	<u>\$ 1,935,902</u>

- a. As of December 31, 2019 and 2018, the interest rates for time deposits with original maturities of more than 3 months were ranging from 0.63% to 2.3% and from 0.6% to 3.5%, respectively.

- b. Refer to Note 30 for information related to pledged financial assets at amortized cost.
- c. Refer to Note 9 for information related to credit risk management and impairment valuation of other financial assets at amortized cost.

9. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OVERDUE RECEIVABLES

	December 31	
	2019	2018
<u>Accounts receivables</u>		
At amortized cost		
Gross carrying amount - third parties	\$ 3,062,320	\$ 3,933,544
Less: Allowance for impairment loss	<u>(7,950)</u>	<u>(10,465)</u>
	3,054,370	3,923,079
At amortized cost		
Gross carrying amount - related parties	<u>300,119</u>	<u>443,110</u>
	<u>\$ 3,354,489</u>	<u>\$ 4,366,189</u>
<u>Other receivables</u>		
Other receivables - related parties (Notes 11 and 29)	\$ 2,097,675	\$ 2,175,508
Income tax refund receivables	59,620	38,599
Others	22,449	18,924
Less: Allowance for impairment loss	<u>(16,927)</u>	<u>(16,927)</u>
	<u>\$ 2,162,817</u>	<u>\$ 2,216,104</u>
<u>Overdue receivables</u>		
Overdue receivables	\$ 159,257	\$ 159,257
Less: Allowance for impairment loss	<u>(159,257)</u>	<u>(159,257)</u>
	<u>\$ -</u>	<u>\$ -</u>

a. Accounts receivable

Before accepting a new customer, the Company takes both the client evaluation results generated by the internal credit rating system and the evaluation report provided by the external hedging institution into consideration to measure the potential customer's credit quality and define its credit limit. Customer credit limits and ratings are reviewed twice a year. For fair presentation of the accounts receivable, the Company reviews the aging and recovery of accounts receivable on a weekly basis.

The average credit period of sales of goods was 30 days to 120 days. No interest was charged on trade receivables since the credit period is short. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivables. The expected credit losses on accounts receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, and adjusted for general economic conditions of the industry in which the debtors operate. Based on the Company's historical credit loss experience which shows different loss patterns for different customer segments, the provision for loss allowance based on past due status is further distinguished according to the Company's different customer base.

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

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

December 31, 2019

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 3,233,582	\$ 58,168	\$ 7	\$ 5,596	\$ 65,086	\$ 3,362,439
Loss allowance (Lifetime ECL)	-	(570)	-	(112)	(7,268)	(7,950)
Amortized cost	<u>\$ 3,233,582</u>	<u>\$ 57,598</u>	<u>\$ 7</u>	<u>\$ 5,484</u>	<u>\$ 57,818</u>	<u>\$ 3,354,489</u>

December 31, 2018

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 4,046,626	\$ 320,364	\$ 756	\$ -	\$ 8,908	\$ 4,376,654
Loss allowance (Lifetime ECL)	-	(1,542)	(15)	-	(8,908)	(10,465)
Amortized cost	<u>\$ 4,046,626</u>	<u>\$ 318,822</u>	<u>\$ 741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,366,189</u>

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ 10,465	\$ 4,812
Add: Net remeasurement of loss allowance	-	5,653
Less: Net remeasurement of loss allowance reversed	<u>(2,515)</u>	<u>-</u>
Balance at December 31	<u>\$ 7,950</u>	<u>\$ 10,465</u>

For other receivables that have indications of impairment, the Company recognizes loss allowance in full amount.

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

	December 31	
	2019	2018
Balance at January 1	\$ 16,927	\$ 16,927
Add: Net remeasurement of loss allowance	<u>-</u>	<u>-</u>
Balance at December 31	<u>\$ 16,927</u>	<u>\$ 16,927</u>

c. Overdue receivables

For overdue receivables that have indications of impairment, the Company recognizes loss allowance at full amount after deducting the value of related collateral.

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

	December 31	
	2019	2018
Balance at January 1	\$ 159,257	\$ 171,644
Less: Net remeasurement of loss allowance reversed	<u>-</u>	<u>(12,387)</u>
Balance at December 31	<u>\$ 159,257</u>	<u>\$ 159,257</u>

10. INVENTORIES

	December 31	
	2019	2018
Finished goods	\$ 454,683	\$ 511,101
Work in progress	1,532	573
Raw materials	<u>290,766</u>	<u>344,072</u>
	<u>\$ 746,981</u>	<u>\$ 855,746</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 were \$23,416,717 thousand and \$27,428,369 thousand, respectively.

The cost of goods sold for the years ended December 31, 2019 and 2018 included inventory write-down of \$5,796 thousand and reversals of inventory write-down of \$2,358 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY-METHOD

a. Investments in subsidiaries

	December 31	
	2019	2018
Unlisted companies		
Elitegroup Computer Systems (HK) Co., Ltd.	\$ 271,507	\$ 277,008
Elitegroup Computer Systems (Japan) Co., Ltd.	22,559	23,602
Elitegroup Computer Systems Holding Co., Ltd. (BVI)	404,795	411,349
ECS Holding (USA)	767,921	750,922
Elitegroup Computer Systems (Korea) Co., Ltd.	9,229	8,906
Dragon Asia Trading Co., Ltd. (BVI)	1,208,201	1,628,787
Unitop International Corp.	927,987	1,005,600
Unity Investments Limited	75,968	75,295
Elitegroup Computer Systems Holding Co., Ltd. (HK)	500,367	526,886
Elitegroup Technology (Thailand) Co., Ltd.	162,291	-
	<u>\$ 4,350,825</u>	<u>\$ 4,708,355</u>

At the end of the reporting period, the percentages of ownership and voting rights in subsidiaries held by the Company were as follows:

	Proportion of Ownership and Voting Rights December 31		
	2019	2018	Note
Elitegroup Computer Systems (HK) Co., Ltd.	100%	100%	
Elitegroup Computer Systems (Japan) Co., Ltd.	100%	100%	
Elitegroup Computer Systems Holding Co., Ltd. (BVI)	100%	100%	
ECS Holding (USA)	100%	100%	
Elitegroup Computer Systems (Korea) Co., Ltd.	100%	100%	
Dragon Asia Trading Co., Ltd. (BVI)	100%	100%	1), 2)
Unitop International Corp.	100%	100%	
Unity Investments Limited	100%	100%	
ECS Holding (HK) Co., Ltd.	100%	100%	1)
Elitegroup Technology (Thailand) Co., Ltd.	99.99%	-	3)

- 1) The board of directors of the Company approved the Plan of Activating the Assets Located in People's Republic of China ("Mainland Assets Activation Plan") on April 7, 2017. It was approved by the board of directors that US\$101,000 thousand be invested in a 100%-owned subsidiary ECS Holding (HK) Co., Ltd., and through which US\$100,000 thousand be invested in ECS Digital Technology (Shenzhen) Ltd. (referred to as "ECS Digital Technology" hereon), a wholly-owned subsidiary of ECS Holding (HK) Co., Ltd. The two aforementioned subsidiaries were legally registered in April and June 2017, respectively. The Company already remitted US\$17,000 thousand to ECS Holding (HK) Co., Ltd., US\$5,500 thousand and US\$10,000 thousand were then remitted to ECS Digital Technology by ECS Holding (HK) Co., Ltd. in 2017 and 2019, respectively. After finishing the transfer of the operations and related assets and liabilities of Golden Elite Technology (Shenzhen) Co., Ltd. (the "Golden Elite Technology"), a subsidiary of Dragon Asia Trading Co., Ltd. (BVI) (the "Dragon Asia") to ECS Digital Technology, the Company will sell its interest in Dragon Asia to an unrelated party for future business expansion funds.

In April 2017, the Company entered into a contract with Ever Unicorn Estate Limited ("Ever Unicorn"), which was to be executed in two-step approach.

a) Transfer of interests in Dragon Asia:

After finishing the transfer of the operations and related assets and liabilities of Golden Elite Technology, Ever Unicorn will make an estimated payment between RMB1,150,000 thousand and RMB1,375,000 thousand for a 100% equity interest in Dragon Asia.

b) Relocation compensation for ECS Digital Technology's operations:

ECS Digital Technology is expected to relocate its operations to another site during 2021 to 2023. A compensation of RMB2,500,000 thousand is expected to be paid by Ever Unicorn in accordance with the progress of the relocation.

The relocation income, after deducting the related relocation costs and expenses will be used for landscaping, constructing plant, and installing equipment as well as for the funds required for operations.

Due to the modifications on transaction terms and payment arrangements, the board of directors of the Company approved and entered into a supplementary contract with Ever Unicorn on January 23, 2018.

In accordance with the supplementary contract, the transfer of interests in Dragon Asia was divided into two phases. During phase 1, the Company will complete the transfer of 52% interest in Dragon Asia to Ever Unicorn for RMB600,000 thousand. After the Company completed the stripping of other non-target assets and liabilities from Golden Elite Technology, with both parties reaching a consensus on the prerequisites including the change in procedure to the land category completed by Golden Elite Technology, phase 2 of the transaction will thence commence. However, if the phase 1 of Golden Elite Technology's (興英科技) change in procedure to the land category has not been completed, but the non-target asset and liability divestiture has been completed for 90 days and 52% interest in Dragon Asia has been transferred for one year, the Company can transfer the remaining 48% interest of Dragon Asia in stages according to the supplementary contract. During phase 2, the Company will complete the transfer of remaining 48% interest in Dragon Asia to Ever Unicorn for RMB550,000 thousand. According to the supplementary contract, the Company can settle the remaining 48% shares of Dragon Asia at hand in different stages, if the phase 1 procedure of Golden Elite Technology's (興英科技) land usage modification is not completed within 90 days after the divestiture of non-target assets and liabilities and 1 year after the settlement of 52% shares of Dragon Asia. The Company obtained the phase 1 share price for RMB600,000 thousand, recognized as other advances received (refer to Note 19), and finished the 52% share transfer process of Dragon Asia. The foregoing 52% transacted shares of Dragon Asia had received the approval for reference letter from the Investment Commission, Ministry of Economic Affairs.

The terms of the above-mentioned trading contract stipulate that if the buyer or seller are involved in breach of contract, the non-defaulting party shall have the right to decide whether to terminate the contract, in addition to the actual damages and related expenses that the defaulting party should pay to the non-defaulting party.

According to the contract signed with Ever Unicorn, the Company should strip non-target assets and liabilities. The board of directors of subsidiary Golden Elite Technology approved on April 26, 2018 to proceed with the splitting process, by means of dividing non-target assets and liabilities to newly registered company Golden Elite Technology (Shenzhen) Co., Ltd. ("Golden Elite Technology Shenzhen"). Golden Elite Technology and Golden Elite Technology Shenzhen will be 100%-owned subsidiaries of Million Up Finance Ltd., and the original shareholders' rights and interests shall not be affected.

In order to facilitate the splitting process, the board of directors of the Company approved the employees' economic compensation of Golden Elite Technology (興英科技) on June 24, 2018. The Company was paid RMB113,548 thousand in 2019, and will pay the remaining RMB415 thousand in 2020. Golden Elite Technology (興英科技) completed the splitting process on July 1, 2019, transferring non-target net assets RMB454,051 thousand to Golden Elite Technology (興英數位科技) as capital.

Due to the adjustment to the investment structure, the board of directors of the Company approved the transaction of selling 100% of Golden Elite Technology's shares (興英數位科技) to Elitegroup Computer Systems Holding Co., Ltd. (HK) by Million Up Finance Limited on August 12, 2019. The transaction price will be determined according to Golden Elite Technology's net value at the time of execution. As of the approval date of the auditor's report, the transaction has not been completed.

As of the end of 2019, ECS had not 100% completed the transfer of significant risks and rewards of related assets and the advance receipts of Ever Unicorn's phase 1 share price would be classified as other advance receipts.

- 2) In order to cooperate with Mainland Assets Activation Plan, the board of directors of the Company approved the capital reduction of its subsidiary, Dragon Asia Trading Co., Ltd., by US\$69,327 thousand. As of February 2020, the amount had not been remitted to the Company and was recognized as other receivables.
- 3) The board of directors of the Company approved on December 24, 2018 to establish Elitegroup Technology (Thailand) Co., Ltd., and the registration was completed on January 18, 2019. The Company's shareholding ratio is 99.99% and is expected to invest capital of THB270,000 thousand. The Company had invested THB203,152 thousand (approximately NT\$202,915 thousand) in 2019. For details of the investments in indirect holding subsidiaries by the Company, refer to Note 33.

b. Investments in associates (December 31, 2019: None)

The Company invested \$9,450 thousand in March 2017 in Trid Pacific Inc., hence acquiring a 29.53% interest in the aforementioned company. Trid Pacific Inc., an unrelated party, is mainly engaged in the research, development, design and sales of artificial satellite integration and image data processing. On December 19, 2017, shareholders of Trid Pacific Inc. made a resolution in a special meeting regarding capital reduction plan, whereby the Company's holding interest in Trid Pacific Inc. had been increased from 29.53% to 29.82%. The Company disposed its 29.82% holding interest, which amounted to 945 thousand shares for a total amount of \$341 thousand.

Investments accounted for using the equity method of Elitegroup Computer Systems (Japan) Co., Ltd. in 2019 and 2018, and Trid Pacific Inc. in 2018, and those profit, loss and other comprehensive income share of the Company were calculated based on financial statements which have not been audited by the auditor. However, the Company's management believed that such unaudited financial statements will not lead to material influence. Except for the foregoing mentioned company, the other subsidiaries and associates are recognized by the financial statements audited by the auditor.

12. PROPERTY, PLANT AND EQUIPMENT

	Equipment	Transportation Equipment	Other Equipment	Total
<u>Cost</u>				
Balance at January 1, 2019	\$ 39,468	\$ 719	\$ 317,764	\$ 357,951
Additions	-	-	10,551	10,551
Disposals	(78)	-	(17,378)	(17,456)
Balance at December 31, 2019	<u>39,390</u>	<u>719</u>	<u>310,937</u>	<u>351,046</u>
<u>Accumulated depreciation and impairment</u>				
Balance at January 1, 2019	38,570	719	243,677	282,966
Depreciation	450	-	25,329	25,779
Disposals	(78)	-	(17,378)	(17,456)
Balance at December 31, 2019	<u>38,942</u>	<u>719</u>	<u>251,628</u>	<u>291,289</u>
Carrying amounts at December 31, 2019	<u>\$ 448</u>	<u>\$ -</u>	<u>\$ 59,309</u>	<u>\$ 59,757</u>
<u>Cost</u>				
Balance at January 1, 2018	\$ 44,532	\$ 719	\$ 296,223	\$ 341,474
Additions	-	-	31,996	31,996
Disposals	(5,064)	-	(10,455)	(15,519)
Balance at December 31, 2018	<u>39,468</u>	<u>719</u>	<u>317,764</u>	<u>357,951</u>
<u>Accumulated depreciation and impairment</u>				
Balance at January 1, 2018	43,184	719	230,747	274,650
Depreciation	450	-	23,385	23,835
Disposals	(5,064)	-	(10,455)	(15,519)
Balance at December 31, 2018	<u>38,570</u>	<u>719</u>	<u>243,677</u>	<u>282,966</u>
Carrying amounts at December 31, 2018	<u>\$ 898</u>	<u>\$ -</u>	<u>\$ 74,087</u>	<u>\$ 74,985</u>

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

Equipment	3 to 10 years
Transportation equipment	4 years
Other equipment	2 to 10 years

There was no capitalization of interests for the years ended December 31, 2019 and 2018.

In the meeting held on June 20, 2013, the Company's shareholders authorized the board of directors to sell the headquarters land and building located in Neihu; thus, in December 2013, the Company signed a contract with third party for the sale of these items and then leased them back under an operating lease. The rental period is 10 years from December 23, 2013 to December 22, 2023. The gain in which selling price was in excess of fair value amounted to \$581,747 thousand and is deferred and amortized periodically over the lease term. The amortized amount of \$58,175 thousand was reported as a deduction from rental costs in

2019 and 2018. As of December 31, 2018, the unamortized unrealized gain on this sale and leaseback was \$289,465 thousand.

Refer to Note 13 for the reclassification of unrealized gain on sale and leaseback to the deduction of right-of-use assets with the application of IFRS 16 starting from January 1, 2019.

13. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Land	\$ 276,117
Buildings	112,380
Office equipment	571
Transportation equipment	<u>12,424</u>
	<u>\$ 401,492</u>
	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 16,952</u>
Depreciation charge for right-of-use assets	
Land	\$ 73,302
Buildings	29,834
Office equipment	298
Transportation equipment	<u>4,528</u>
	<u>\$ 107,962</u>

The Company has been partially subleasing its headquarters located in Neihu under operating leases. The related right-of-use assets are presented as investment properties (refer to Note 14). The amounts disclosed above with respect to the right-of-use assets do not include right-of-use assets that meet the definition of investment properties.

b. Lease liabilities - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Current	<u>\$ 186,916</u>
Non-current	<u>\$ 594,353</u>

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings	2.33%
Office equipment	0.61%
Transportation equipment	0.61%

c. Material lease-in activities and terms

The Company leases land and buildings for office use, and the lease period is 10 years.

The lease of buildings in Taiwan is that the Company sold and leased back headquarters building located in Neihu in December 2013 (refer to Note 12) through negotiating to pay rent by prepaying checks annually. The rental term is 10 years, and if the monthly rent of the first three years aligns with the floating rates of two-year time deposits of Chunghwa Post plus a few percentage points, the rent for the following month will consequentially increase. The monthly rents for the forth to seventh year and the eighth to tenth year are adjusted to increase by a certain multiplier. At the third month before expiration, if the Company intends to continue renting, it has the right of first refusal with the same renting terms, and should negotiate related terms of contract extension. If both of them do not complete the negotiations by one month before the expiration, the Company is regarded as abandoning the right of first refusal, and the rental relations would be terminated automatically upon the completion of the contract. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

Lease arrangements under operating leases for the leasing out of the freehold and subleases its investment properties are set out in Note 14.

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	<u>\$ 1,583</u>
Expenses relating to low-value asset leases	<u>\$ 34</u>
Total cash outflow for leases	<u>\$ (202,826)</u>

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

The amount of cash outflow for leases disclosed above including the lease expense of charge for subleased investment properties.

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	December 31, 2018
Not later than 1 year	\$ 206,412
Later than 1 year and not later than 5 years	<u>839,231</u>
	<u>\$ 1,045,643</u>

14. INVESTMENT PROPERTIES

	Land	Buildings and Improvements	Right-of-use Assets	Total
<u>Cost</u>				
Balance at January 1, 2019	\$ 377,129	\$ 154,816	\$ -	\$ 531,945
Adjustments on initial application of IFRS 16	<u>-</u>	<u>-</u>	<u>124,874</u>	<u>124,874</u>
Balance at January 1, 2019 (restated)	377,129	154,816	124,874	656,819
Additions	-	390	-	390
Reclassification	<u>-</u>	<u>-</u>	<u>55,500</u>	<u>55,500</u>
Balance at December 31, 2019	<u>377,129</u>	<u>155,206</u>	<u>180,374</u>	<u>712,709</u>

Accumulated depreciation

Balance at January 1, 2019		107,587	-	107,587
Depreciation expense		4,586	30,063	34,649
Reclassification		<u>-</u>	<u>6,012</u>	<u>6,012</u>
Balance at December 31, 2019		<u>112,173</u>	<u>36,075</u>	<u>148,248</u>

Accumulated impairment

Balance at January 1 and December 31, 2019	<u>14,673</u>	<u>-</u>	<u>-</u>	<u>14,673</u>
Carrying amounts at December 31, 2019	<u>\$ 362,456</u>	<u>\$ 43,033</u>	<u>\$ 144,299</u>	<u>\$ 549,788</u>

Cost

Balance at January 1, 2018 and December 31, 2018	<u>\$ 377,129</u>	<u>\$ 154,816</u>	<u>\$ -</u>	<u>\$ 531,945</u>
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Accumulated depreciation

Balance at January 1, 2018		103,011	-	103,011
Depreciation expense		<u>4,576</u>	<u>-</u>	<u>4,576</u>
Balance at December 31, 2018		<u>107,587</u>	<u>-</u>	<u>107,587</u>

(Continued)

	Land	Buildings and Improvements	Right-of-use Assets	Total
<u>Accumulated impairment</u>				
Balance at January 1 and December 31, 2018	\$ 14,673	\$ -	\$ -	\$ 14,673
Carrying amounts at December 31, 2018	<u>\$ 362,456</u>	<u>\$ 47,229</u>	<u>\$ -</u>	<u>\$ 409,685</u> (Concluded)

The investment properties held by the Company mainly consisted of buildings and improvements which are depreciated using the straight-line method over their estimated useful lives of 20 to 45 years and 3 to 25 years, respectively.

The investment properties held by the Company are located at Tamsui and Guandu; the fair values were not reliably determined because the market for comparable properties is inactive and alternative reliable measurements of fair value are not available.

Land and buildings included in investment properties were leased out for 5 to 7 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods for partial lease.

Right-of-use assets included in investment properties were leased out for 2 to 9 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2019 was as follows:

	December 31, 2019
Year 1	\$ 66,762
Year 2	57,984
Year 3	53,428
Year 4	22,033
Year 5 onwards	-
	<u>\$ 200,207</u>

The future minimum lease payments of non-cancellable operating lease commitments at December 31, 2018 are as follows:

	December 31, 2018
Not later than 1 year	\$ 53,893
Later than 1 year and not later than 5 years	154,511
Later than 5 years	-
	<u>\$ 208,404</u>

15. GOODWILL

	For the Year Ended December 31	
	2019	2018
<u>Cost</u>		
Balances at January 1 and December 31	\$ 539,663	\$ 539,663
<u>Accumulated impairment losses</u>		
Balances at January 1 and December 31	<u>(153,458)</u>	<u>(153,458)</u>
Carrying amounts at December 31	<u>\$ 386,205</u>	<u>\$ 386,205</u>

Goodwill is the premium generated from the acquisition of mobile products businesses.

Net operating assets of cash-generating units (CGUs) to which the goodwill of mobile products businesses has been allocated are tested for impairment annually.

The calculation of the recoverable amount of the above CGUs was based on their value in use. In this calculation, the Company used cash flow projections for a budget period based on the key asset's remaining durable years, which was determined as 7 years. The cash flows beyond that five-year period have been extrapolated using a steady 2% to 3% per annum growth rate. For the CGUs impairment test made on December 31, 2019 and 2018, the discount rate used was 13.23% and 13.18%, respectively.

Key assumptions and the methods used to calculate the major data of the CGU were as follows:

- Estimate of the growth rate: The estimation of sales was based on the expected future global growth rate of the market trend for similar products.
- Estimate of gross margin: The estimate was based on the actual ratio for 2019 and historical operating performance.
- Estimate of operating profit: The operating expenses were estimated on the basis of the actual ratio of operating expenses to revenue for 2019.

The CGUs used each the above key assumptions to calculate their recoverable amounts, which were higher than their carrying values as of December 31, 2019; thus there was no indication of impairment.

16. OTHER INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2019	\$ 35,505
Additions	1,728
Disposals	<u>(5,670)</u>
Balance at December 31, 2019	<u>31,563</u>
	(Continued)

	Computer Software
<u>Accumulated amortization</u>	
Balance at January 1, 2019	\$ 18,529
Amortization expenses	11,815
Disposals	<u>(5,670)</u>
Balance at December 31, 2019	<u>24,674</u>
Carrying amounts at December 31, 2019	<u>\$ 6,889</u>
<u>Cost</u>	
Balance at January 1, 2018	\$ 39,795
Additions	1,220
Disposals	<u>(5,510)</u>
Balance at December 31, 2018	<u>35,505</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2018	10,781
Amortization expenses	13,258
Disposals	<u>(5,510)</u>
Balance at December 31, 2018	<u>18,529</u>
Carrying amounts at December 31, 2018	<u>\$ 16,976</u> (Concluded)

The amortization expense is recognized on a straight-line basis per annum at the following useful lives:

Computer software	2 to 3 years
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17. SHORT-TERM BORROWINGS

	<u>December 31</u>	
	2019	2018
Line of credit borrowings	\$ <u>-</u>	\$ <u>307,150</u>

The interest rates on revolving bank loans was 3.48% per annum as of December 31, 2018.

18. ACCOUNTS PAYABLE

	<u>December 31</u>	
	2019	2018
<u>Accounts payable</u>		
Third parties - operating	\$ 1,158,659	\$ 1,167,597
Related parties - operating	<u>1,735,206</u>	<u>1,691,248</u>
	<u>\$ 2,893,865</u>	<u>\$ 2,858,845</u>

Accounts payable generated principally from the purchase of components, including motherboards, notebooks, CPUs, IC chip-sets, LCD panels, CD-ROM drives, hard disks, and memory modules.

19. OTHER ADVANCES RECEIVED AND OTHER LIABILITIES

	December 31	
	2019	2018
<u>Current</u>		
Other payables		
Salaries and bonus	\$ 433,218	\$ 507,435
Royalty expense	107,988	176,835
Service expense	47,000	43,495
Payables for export costs	28,492	24,142
Others	<u>144,035</u>	<u>152,848</u>
	<u>\$ 760,733</u>	<u>\$ 904,755</u>
Other advances received (a)	<u>\$ 2,751,737</u>	<u>\$ 2,751,737</u>
Other liabilities		
Financial guarantee contracts (b)	\$ 680,819	\$ 977,446
Contracts liability (c)	226,225	99,760
Temporary receipts	12,433	11,511
Others	<u>35,964</u>	<u>8,583</u>
	<u>\$ 955,441</u>	<u>\$ 1,097,300</u>

- a. The Company has completed the transfer of 52% interest in Dragon Asia for an amount of RMB600,000 thousand according to the phase 1 of the Mainland Assets Activation Plan.

The relevant amount and timing of recognition of the transaction gains will be affected by the actual progress and execution of the contract. For details of the transaction, refer to Note 11.

- b. Under IFRS 15, the financial guarantee of quantity discount is not included in the provisions.
- c. Contract liabilities are made up of unearned sales revenue.

20. PROVISIONS - CURRENT

	December 31	
	2019	2018
Warranties (a)	<u>\$ 220,360</u>	<u>\$ 243,799</u>

	Warranties
Balance at January 1, 2019	\$ 243,799
Additional provisions recognized	85,965
Usage	(90,656)
Reversal of unused balances	<u>(18,748)</u>
Balance at December 31, 2019	<u>\$ 220,360</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's obligations for warranties under the legislation for the local sale of goods. The estimate has been made on the basis of historical warranty trends and may vary as a result of the use of new materials or altered manufacturing processes as well as other events affecting product quality.

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

	December 31	
	2019	2018
Present value of defined benefit obligation	\$ (171,264)	\$ (166,918)
Fair value of plan assets	<u>294,548</u>	<u>278,403</u>
Net defined benefit assets	<u>\$ 123,284</u>	<u>\$ 111,485</u>

Movements in net defined benefit assets (liabilities) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets
Balance at January 1, 2018	<u>\$ (184,241)</u>	<u>\$ 279,420</u>	<u>\$ 95,179</u>
Current service cost	(424)	-	(424)
Net interest (expense) income	<u>(2,533)</u>	<u>3,868</u>	<u>1,335</u>
Recognized in profit or loss	<u>(2,957)</u>	<u>3,868</u>	<u>911</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	7,391	7,391
Actuarial gain (loss)			
Changes in demographic assumptions	(5,451)	-	(5,451)
Changes in financial assumptions	(2,756)	-	(2,756)
Experience adjustments	<u>12,701</u>	<u>-</u>	<u>12,701</u>
Recognized in other comprehensive income	<u>4,494</u>	<u>7,391</u>	<u>11,885</u>
Contributions from the employer	-	3,510	3,510
Benefits paid	<u>15,786</u>	<u>(15,786)</u>	<u>-</u>
Balance at December 31, 2018	<u>(166,918)</u>	<u>278,403</u>	<u>111,485</u>
Current service cost	(326)	-	(326)
Net interest (expense) income	<u>(2,087)</u>	<u>3,501</u>	<u>1,414</u>
Recognized in profit or loss	<u>(2,413)</u>	<u>3,501</u>	<u>1,088</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	9,417	9,417
Actuarial gain (loss)			
Changes in financial assumptions	(8,083)	-	(8,083)
Experience adjustments	<u>6,150</u>	<u>-</u>	<u>6,150</u>
Recognized in other comprehensive income	<u>(1,933)</u>	<u>9,417</u>	<u>7,484</u>
Contributions from the employer	<u>-</u>	<u>3,227</u>	<u>3,227</u>
Balance at December 31, 2019	<u>(\$ 171,264)</u>	<u>\$ 294,548</u>	<u>\$ 123,284</u>

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

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

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

	December 31	
	2019	2018
Discount rate(s)	0.875%	1.250%
Expected rate(s) of salary increase	2.500%	2.500%

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

	December 31	
	2019	2018
Discount rate(s)		
0.25% increase	<u>\$ (5,446)</u>	<u>\$ (5,611)</u>
0.25% decrease	<u>\$ 5,685</u>	<u>\$ 5,867</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 5,500</u>	<u>\$ 5,699</u>
0.25% decrease	<u>\$ (5,298)</u>	<u>\$ (5,480)</u>

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

	December 31	
	2019	2018
Expected contributions to the plans for the next year	<u>\$ 3,285</u>	<u>\$ 3,373</u>
Average duration of the defined benefit obligation	12.9 years	13.7 years

22. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands)	<u>1,750,000</u>	<u>1,750,000</u>
Shares authorized	<u>\$ 17,500,000</u>	<u>\$ 17,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>557,403</u>	<u>557,403</u>
Shares issued	<u>\$ 5,574,030</u>	<u>\$ 5,574,030</u>

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

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as <u>cash dividends or transferred to share capital*</u>		
Share premium	\$ 5,614,494	\$ 5,614,494
Treasury share transaction	216,663	216,663
<u>May be used to offset a deficit only</u>		
Employee share options - expired	38,735	38,735
Dividends unclaimed by shareholders	12,041	12,041
Changes in percentage of ownership interest in associates	<u>31,250</u>	<u>-</u>
	<u>\$ 5,913,183</u>	<u>\$ 5,881,933</u>

* The capital surplus may be used offsetting a deficit; in addition, when the Company has no deficit, this capital surplus may be distributed as cash dividends or may be transferred once a year to share capital within a certain percentage of the Company's capital surplus.

c. Retained earnings and dividend policy

In the annual shareholder meeting on June 20, 2019, the amendment to the Company's Articles of Incorporation (the "Articles") was approved. According to the new amendment, the Company's board of directors can propose surplus distribution and deficit compensation in compliance with Article 18 of the Article within six months after the end of the fiscal period. After approval by audit committee and shareholders, surplus distribution and deficit compensation can be implemented.

Under the dividends policy as set forth in the amended Articles, profits of the first six months in a fiscal year shall first be utilized for paying taxes, compensating accumulated deficits, appropriating employees' compensation and directors' remuneration, and setting aside 10% of the remaining profits unless the amount of legal reserve is equal to that of contributed capitals. After provision or reversal of special reserve in compliance with laws and regulations, remaining profits and retained earnings can be proposed to earning distribution by the Company's board of directors. The proposal shall be approved by shareholders if earnings will be distributed by issuance of new stocks, and approved by the Company's board of directors if distributed in cash. Profits of the fiscal year shall first be utilized for paying taxes, compensating accumulated deficits, and setting aside 10% of the remaining profits unless the amount of legal reserve is equal to that of contributed capitals. After provision or reversal of special reserve in compliance with laws and regulations, remaining profits and retained earnings (including the first six months of retained earnings) can be proposed to earning distribution by the Company's board of directors. The proposal shall be approved by shareholders if earnings will be distributed by issuance of new stocks. According to the Article 240-5 of the Company Act, if two-thirds or more of all the directors attending the meeting and over half of attended directors approve the resolution, the Company can authorize the board of directors to appropriate accrued dividends or bonuses, part or all of legal reserve and paid-in capital as stated by the Article 241-1 of the Company Act by cash, and a report shall be submitted at the shareholders' meeting. Refer to Note 24(7) "Employee and Director Remuneration" for the distribution policy of employees' and directors' remuneration under the revised Articles of Incorporation.

The Company's dividend policy takes into account the results of the Company's current and future development plans, investment environment, demand for funds, domestic and international competition, and shareholders' benefits, etc. The annual distribution should be at least 50% of distributable earnings although the Company is allowed to make no distribution when the accumulated distributable earnings are less than 10% of the paid-in capital. The Articles also stipulate that the dividends can be distributed in cash or shares, whereby the distributed cash dividends are no less than 20% of the total dividends distributed.

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

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2018 were approved in the shareholders' meeting on June 20, 2019, and the profit shall first be setting aside as legal reserve of \$2,041 thousand, and then any remaining profit shall be set aside as a special reserve.

The appropriations of earnings for 2017 were approved in the shareholders' meeting on June 25, 2018, and the profit shall first be utilized for paying taxes, offsetting the adjustments relating to undistributed retained earnings, setting aside as legal reserve of \$22,176 thousand, and then any remaining profit shall be set aside as a special reserve.

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2018	2017	2018	2017
Legal reserve	\$ 2,041	\$ 22,176	\$ -	\$ -
Special reserve	18,569	185,310	-	-

Cash dividends was distributed from the capital surplus of \$557,403 thousand (\$1 per share) on June 25, 2018.

The appropriations of earnings for 2019 proposed in the Board of Directors' meeting on March 20, 2020 are as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 5,177	\$ -
Special reserve	46,590	-

The Company's board of directors resolved not to distribute cash dividend for the year ended December 31, 2019, and the rest is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 22, 2020.

d. Unrealized gain (loss) on financial assets at FVTOCI

The Company recognized unrealized gain (loss) of \$1,933 thousand and \$(2,807) thousand in 2019 and 2018, respectively, due to change in fair value of financial assets at FVTOCI.

23. REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 25,481,126	\$ 28,978,598
Revenue from the rendering of services	<u>131,598</u>	<u>130,343</u>
	<u>\$ 25,612,724</u>	<u>\$ 29,108,941</u>

Under IFRS 15, the Company will recognize revenue at the time of satisfying performance obligations, which consist of contracts entered into with customers for the goods or services delivered or provided.

The Company mainly produces and sells computer equipment. As the market for computer equipment launches new products frequently and the related price is highly volatile, the amount of expected discount is estimated using the most likely amount, by taking into consideration the situation of sales and the range of discount previously given.

24. NET PROFIT

The components of net income were as follow:

a. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Net foreign exchange gains (losses)	\$ (143,716)	\$ 253,777
Loss on disposal of associates	-	(332)
Net gains (losses) arising on financial assets designated as at FVTPL	30,283	(10,908)
Others	<u>(36,015)</u>	<u>(13,762)</u>
	<u>\$ (149,448)</u>	<u>\$ 228,775</u>

b. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bank overdrafts and loans	\$ 3,673	\$ 1,674
Interest on lease liabilities	19,853	-
Other interest expense	<u>114</u>	<u>102</u>
	<u>\$ 23,640</u>	<u>\$ 1,776</u>

c. Other income

	For the Year Ended December 31	
	2019	2018
Rental income	\$ 57,000	\$ 51,275
Others	<u>22,723</u>	<u>10,587</u>
	<u>\$ 79,723</u>	<u>\$ 61,862</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	\$ 25,779	\$ 23,835
Right-of-use assets	107,962	-
Investment property	34,649	4,576
Other intangible assets	<u>11,815</u>	<u>13,258</u>
	<u>\$ 180,205</u>	<u>\$ 41,669</u>
An analysis of depreciation by function		
Operating expenses	\$ 133,741	\$ 23,835
Non-operating expenses	<u>34,649</u>	<u>4,576</u>
	<u>\$ 168,390</u>	<u>\$ 28,411</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 11,815</u>	<u>\$ 13,258</u>

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2019	2018
Direct operating expenses from investment properties that generated rental income	\$ 35,921	\$ 5,836
Direct operating expenses from investment properties that did not generate rental income	<u>-</u>	<u>-</u>
	<u>\$ 35,921</u>	<u>\$ 5,836</u>

f. Employee benefit expense

	For the Year Ended December 31	
	2019	2018
Post-employment benefits (Note 21)		
Defined contribution plans	\$ 36,005	\$ 39,573
Defined benefit plans	<u>(1,088)</u>	<u>(911)</u>
	34,917	38,662
Other employee benefits		
Payroll	705,506	837,656
Labor and health insurance	62,706	66,603
Other employee costs	<u>34,090</u>	<u>36,653</u>
Total employee benefit expense	<u>\$ 837,219</u>	<u>\$ 979,574</u>
An analysis of employee benefit expense by function		
Operating expenses	<u>\$ 837,219</u>	<u>\$ 979,574</u>

g. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of 6% and no higher than 0.6%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the years ended December 31, 2019 and 2018, which were approved by the Company's board of directors on March 20, 2020 and March 25, 2019, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2019	2018
Employees' compensation	6.0%	6.0%
Remuneration of directors	0.6%	0.6%

Amount

	For the Year Ended December 31			
	2019		2018	
	Cash	Shares	Cash	Shares
Employees' compensation	\$ 3,811	\$ -	\$ 1,769	\$ -
Remuneration of directors	381	-	177	-

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

The Company accumulated deficits for the year ended December 31, 2018 and 2017; thus, no compensation of employees and remuneration of directors and supervisors needed to be accrued.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

25. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense (benefit) were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
Current year	\$ 45,031	\$ 273,746
Prior periods	<u>33,132</u>	<u>18,364</u>
	<u>78,163</u>	<u>292,110</u>
Deferred tax		
Current year	(59,059)	(260,555)
Adjustments to deferred tax attributable to changes in tax rates and laws	-	(18,875)
Adjustments for prior periods	<u>(5,562)</u>	<u>(5,562)</u>
	<u>(64,621)</u>	<u>(284,992)</u>
Income tax expense recognized in profit or loss	<u>\$ 13,542</u>	<u>\$ 7,118</u>

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

	For the Year Ended December 31	
	2019	2018
Profit before tax	<u>\$ 59,321</u>	<u>\$ 27,530</u>
Income tax expense calculated at the statutory rate	\$ 11,864	\$ 5,506
Nondeductible expenses in determining taxable income	-	2
Tax-exempt income	(794)	(803)
Recognized taxable (deductible) temporary differences	(25,098)	8,486
Adjustment of deferred tax from the prior years	(5,562)	(5,562)
Adjustments for prior years' tax	33,132	18,364
Effect of tax rate changes	<u>-</u>	<u>(18,875)</u>
Income tax expense recognized in profit or loss	<u>\$ 13,542</u>	<u>\$ 7,118</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

b. Income tax recognized directly in other comprehensive income

	For the Year Ended December 31	
	2019	2018
<u>Deferred tax</u>		
Effect of change in tax rate	\$ -	\$ (22,517)
In respect of the current year		
Effect of translating foreign currency exchange differences	(36,413)	(22,663)
Remeasurement on defined benefit plans	<u>1,497</u>	<u>2,377</u>
	<u>\$ (34,916)</u>	<u>\$ (42,803)</u>

c. Income tax assets and liabilities

	December 31	
	2019	2018
Current income tax liabilities		
Income tax payable	<u>\$ 125,952</u>	<u>\$ 185,098</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized loss on inventories	\$ 6,117	\$ 1,159	\$ -	\$ 7,276
Provisions	244,250	(64,014)	-	180,236
Effect of foreign currency exchange differences	168,402	-	36,413	204,815
Gain on disposal of property, plant and equipment	45,786	(9,202)	-	36,584
Financial assets at FVTPL	4,489	(4,489)	-	-
Unrealized exchange loss	-	1,453	-	1,453
Disposal of subsidiaries	258,138	-	-	258,138
Others	<u>7,031</u>	<u>(288)</u>	<u>-</u>	<u>6,743</u>
	<u>\$ 734,213</u>	<u>\$ (75,381)</u>	<u>\$ 36,413</u>	<u>\$ 695,245</u>

Deferred tax liabilities

Temporary differences				
Goodwill	\$ (5,563)	\$ 5,563	\$ -	\$ -
Unrealized exchange gain	(23,909)	23,909	-	-
Defined benefit plan	(22,297)	(863)	(1,497)	(24,657)
Financial assets at FVTPL	-	(400)	-	(400)
Gain on investment in equity	<u>(120,092)</u>	<u>111,793</u>	<u>-</u>	<u>(8,299)</u>
	<u>\$ (171,861)</u>	<u>\$ 140,002</u>	<u>\$ (1,497)</u>	<u>\$ (33,356)</u>

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized loss on inventories	\$ 5,600	\$ 517	\$ -	\$ 6,117
Provisions	182,524	61,726	-	244,250
Effect of foreign currency exchange differences	123,878	-	44,524	168,402
Gain on disposal of property, plant and equipment	46,739	(953)	-	45,786
Loss on investment in equity	11,338	(11,338)	-	-
Financial assets at FVTPL	914	3,575	-	4,489
Disposal of subsidiaries	-	258,138	-	258,138
Others	<u>5,558</u>	<u>1,473</u>	<u>-</u>	<u>7,031</u>
	376,551	313,138	44,524	734,213
Loss carryforwards	<u>18,426</u>	<u>(18,426)</u>	<u>-</u>	<u>-</u>
	<u>\$ 394,977</u>	<u>\$ 294,712</u>	<u>\$ 44,524</u>	<u>\$ 734,213</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Goodwill	\$ (9,456)	\$ 3,893	\$ -	\$ (5,563)
Unrealized exchange gain	(7,405)	(16,504)	-	(23,909)
Defined benefit plan	(16,180)	(4,396)	(1,721)	(22,297)
Allowance for doubtful accounts	(1)	1	-	-
Gain on investment in equity	<u>(127,378)</u>	<u>7,286</u>	<u>-</u>	<u>(120,092)</u>
	<u>\$ (160,420)</u>	<u>\$ (9,720)</u>	<u>\$ (1,721)</u>	<u>\$ (171,861)</u>

- e. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

	<u>December 31</u>	
	2019	2018
Deductible temporary differences		
Allowance for doubtful accounts	\$ 104,429	\$ 84,624
Financial assets at FVTPL	<u>-</u>	<u>-</u>
	<u>\$ 104,429</u>	<u>\$ 84,624</u>

f. Income tax assessment

The Company's income tax returns through 2017, have been assessed by the tax authorities.

26. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2019	2018
Basic earnings per share	<u>\$ 0.08</u>	<u>\$ 0.04</u>
Diluted earnings per share	<u>\$ 0.08</u>	<u>\$ 0.04</u>

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

Net Profit for the Year

	For the Year Ended December 31	
	2019	2018
Profit for the period attributable to owners of the Company	<u>\$ 45,779</u>	<u>\$ 20,412</u>
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 45,779</u>	<u>\$ 20,412</u>

Weighted Average Number of Ordinary Shares Outstanding (In Thousands of Shares)

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares in computation of basic earnings per share	557,403	557,403
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonuses issued to employees	<u>309</u>	<u>344</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>557,712</u>	<u>557,747</u>

If the Company offered to settle bonuses paid to employees in cash or shares, the Company assumed the entire amount of the bonus will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

27. CAPITAL MANAGEMENT

The policy of the board of directors is to maintain a sound capital structure and the confidence of investors, creditors and market, in order to support the development of future operations.

The gearing ratio at end of the reporting period was as follows.

	December 31	
	2019	2018
Debt	\$ 8,534,977	\$ 8,819,846
Less: Cash and cash equivalents	<u>(3,076,141)</u>	<u>(3,036,802)</u>
Net debt	5,458,836	5,783,044
Equity	<u>10,950,004</u>	<u>11,010,705</u>
Total capital*	<u>\$ 16,408,840</u>	<u>\$ 16,793,749</u>
Net debt to equity ratio	<u>33.27%</u>	<u>34.44%</u>

* Total capital is equivalent to total equity which includes share capital, capital surplus, retained earnings and other equity of the Company plus net debt.

As of December 31, 2019, the Company's capital management approach had not changed.

28. FINANCIAL INSTRUMENTS

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

Management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

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

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 583,562	\$ -	\$ -	\$ 583,562
Domestic unlisted shares - equity securities	-	-	44,100	44,100
Foreign unlisted shares - equity securities	<u>-</u>	<u>-</u>	<u>8</u>	<u>8</u>
	<u>\$ 583,562</u>	<u>\$ -</u>	<u>\$ 44,108</u>	<u>\$ 627,670</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 638,614	\$ -	\$ -	\$ 638,614
Domestic unlisted shares - equity securities	-	-	44,100	44,100
Foreign unlisted shares - equity securities	<u>-</u>	<u>-</u>	<u>18</u>	<u>18</u>
	<u>\$ 638,614</u>	<u>\$ -</u>	<u>\$ 44,118</u>	<u>\$ 682,732</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

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

Balance at January 1, 2019	\$ 44,118
Recognized in profit or loss (included in other gains and losses)	<u>(10)</u>
Balance at December 31, 2019	<u>\$ 44,108</u>
Balance at January 1, 2018	\$ 44,105
Recognized in profit or loss (included in other gains and losses)	<u>13</u>
Balance at December 31, 2018	<u>\$ 44,118</u>

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

The fair values of financial assets and financial liabilities were determined as follows:

- a) The fair value of domestic unlisted shares are determined using the market approach and net value of investees' major assets. The significant unobservable inputs used by the Company as of December 31, 2019 was 10% of discount rate. If the inputs to the valuation model and discount rate were increased by 1% to reflect reasonably possible alternative assumptions while all other variables were held constant, the fair value of the shares would decrease by \$490 thousand.
- b) The fair values of unlisted equity securities are determined using the closing price from public trading sessions and net value of investees' major assets. The significant unobservable inputs used by the Company as of December 31, 2019 was 10% of discount rate. If the inputs to the valuation model and discount rate were increased by 10% to reflect reasonably possible alternative assumptions while all other variables were held constant, the fair value of the shares would decrease by less than \$1 thousand.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Financial assets</u>		
Financial assets at FVTPL		
Designated as at FVTPL	\$ 627,670	\$ 682,732
Financial assets at amortized cost (1)	11,381,119	11,716,798
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	3,233,642	3,573,151

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, accounts receivable (including related parties), other receivables (excluding income tax refund receivables), refundable deposits.
- 2) The balances include financial liabilities at amortized cost, which comprise short-term loans, accounts payable (including related parties) other payables, and guarantee deposit received.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, accounts receivable, accounts payables, and payables. The Company's corporate treasury function provides, coordinates access to domestic and international financial markets, and monitors and manages each business unit's financial risks relating to the operations of the Company through internal risk reports, which provide an analysis of exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors continually. The Company does not enter into financial contracts or trade financial instruments, including derivative financial instruments, for speculative purposes.

The material financial activities were reviewed by the Company's board of directors in accordance with the internal control system and related rules. The Company should implement the overall financial management objective as well as observe the levels of delegated authority to ensure that those with delegated authorities carry out their duties.

1) Market risk

The Company's activities are primarily exposed to the financial risks of changes in foreign currency exchange rates (refer to (a) below) and interest rates (refer to (b) below).

a) Foreign currency risk

The Company is exposed to foreign currency risk because it owns assets and liabilities denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters by using financial instruments such as foreign exchange spot transactions, foreign currency forward contracts, etc.

For the Company, the main purpose of using foreign currency forward contracts is to eliminate the financial risks of fluctuation in currency exchange rates.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Company measured the risks of financial assets and liabilities with significant influence, and take the net position of outstanding foreign exchange forward contracts into consideration.

The Company was mainly exposed to the U.S. dollar.

The following table shows the Company's sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency) against the U.S. dollar. The 5% sensitivity rate is used in reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency-denominated monetary items, for which their translation at the end of the reporting period is adjusted for a 5% change in foreign currency rates. A positive (negative) number below indicates an increase in pretax profit and other equity associated with the New Taiwan dollar strengthening (weakening) by 5% against the relevant currency. For a 5% weakening (strengthening) of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pretax profit and other equity, and the balance below would be negative (positive).

	U.S. Dollars Impact	
	For the Year Ended December 31	
	2019	2018
Profit or loss	<u>\$ (294,234)</u>	<u>\$ (252,976)</u>

b) Interest rate risk

The Company was exposed to interest rate risk because entities in the Company borrowed funds at fixed interest rates.

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

	December 31	
	2019	2018
Fair value interest rate risk		
Financial assets	\$ 4,342,130	\$ 4,102,721
Financial liabilities	-	307,150
Cash flow interest rate risk		
Financial assets	1,387,603	859,837
Financial liabilities	-	-

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 1 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1 basis point higher and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2019 and 2018 would increase by \$13,876 thousand and \$8,598 thousand, respectively. Had market interest rates been 1 basis point lower, the impact would have been negative but at the same amounts.

c) Other price risk

The Company was exposed to equity price risks through its holding of investments in equity securities and mutual funds.

Sensitivity analysis

The Company measured risks of financial assets based on the changes in equity price.

Sensitivity analyses were used to measure equity price risks at the end of the reporting period. Had the positions of domestic and foreign equity investments been 5% higher/lower, the Company's pre-tax profit for the years ended December 31, 2019 and 2018 would increase/decrease by \$31,384 thousand and \$34,137 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL.

2) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Company. As of the end of the reporting period, the Company's maximum exposure to credit risk which could cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company could consist of:

- a) The carrying amounts of the financial assets stated in the balance sheets; and
- b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

The evaluation results generated by the internal system and the evaluation report provided by the external hedging institution are both taken into consideration before granting the appropriate credit line to counterparties. The counterparties' transaction type, financial position and collaterals are also taken into consideration. All credit lines have expiration dates and are subject to reexamination before the granting of any extensions.

As of December 31, 2019 and 2018, the Company's five largest customers (including the transaction of the Company and its related parties) accounted for 75% and 72% of accounts receivable, respectively, and the concentration of credit risk was relatively insignificant for the remaining accounts receivable. After considering specific factors and conducting risk evaluation, the credit risks of the Company's five largest customers would not have had any material impact on the Company.

3) Liquidity risk

The Company manages liquidity risk by maintaining and monitoring a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. Since the Company has sufficient equity and working capital, which ensure the compliance with loan covenants, the Company has no liquidity risk.

The following tables show the Company's remaining contractual maturity for its financial liabilities with agreed-upon repayment periods:

December 31, 2019

	Less than 1 Year	2 to 3 Years	More than 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Accounts payable	\$ 2,893,865	\$ -	\$ -	\$ 2,893,865
Lease liabilities	<u>202,587</u>	<u>412,073</u>	<u>202,480</u>	<u>817,140</u>
	<u>\$ 3,096,452</u>	<u>\$ 412,073</u>	<u>\$ 202,480</u>	<u>\$ 3,711,005</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1 to 5 Years	5 to 10 Years	10 to 15 Years	15 to 20 Years	More than 20 Years
Lease liabilities	<u>\$ 202,587</u>	<u>\$ 614,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2018

	Less than 1 Year	2 to 3 Years	More than 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Accounts payable	\$ 2,858,845	\$ -	\$ -	\$ 2,858,845
Short-term debts	<u>307,150</u>	<u>-</u>	<u>-</u>	<u>307,150</u>
	<u>\$ 3,165,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,165,995</u>

e. Offsetting financial assets and financial liabilities

The Company is eligible to present certain financial assets and financial liabilities on a net basis on the balance sheets since the offsetting criteria are met.

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheet.

December 31, 2019

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheets	Net Amounts of Financial Assets Presented in the Balance Sheets
Accounts receivable	<u>\$ 4,537,093</u>	<u>\$ (1,474,773)</u>	<u>\$ 3,062,320</u>
Accounts receivable - related parties	\$ 300,523	\$ (404)	\$ 300,119
Other receivable - related parties	<u>4,514,098</u>	<u>(2,416,423)</u>	<u>2,097,675</u>
	<u>\$ 4,814,621</u>	<u>\$ (2,416,827)</u>	<u>\$ 2,397,794</u>
Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheets	Net Amounts of Financial Liabilities Presented in the Balance Sheets
Accounts payable	<u>\$ 2,633,432</u>	<u>\$ (1,474,773)</u>	<u>\$ 1,158,659</u>
Accounts payable - related parties	<u>\$ 4,152,033</u>	<u>\$ (2,416,827)</u>	<u>\$ 1,735,206</u>

December 31, 2018

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheets	Net Amounts of Financial Assets Presented in the Balance Sheets
Accounts receivable	<u>\$ 6,023,166</u>	<u>\$ (2,089,622)</u>	<u>\$ 3,933,544</u>
Accounts receivable - related parties	\$ 443,641	\$ (531)	\$ 443,110
Other receivable - related parties	<u>5,200,109</u>	<u>(3,024,601)</u>	<u>2,175,508</u>
	<u>\$ 5,643,750</u>	<u>\$ (3,025,132)</u>	<u>\$ 2,618,618</u>
Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheets	Net Amounts of Financial Liabilities Presented in the Balance Sheets
Accounts payable	<u>\$ 3,257,219</u>	<u>\$ (2,089,622)</u>	<u>\$ 1,167,597</u>
Accounts payable - related parties	<u>\$ 4,716,380</u>	<u>\$ (3,025,132)</u>	<u>\$ 1,691,248</u>

29. TRANSACTIONS WITH RELATED PARTIES

Besides disclosed in other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party name and category

Related Party Name	Related Party Category
Elitegroup Computer Systems (HK) Co., Ltd.	Subsidiaries
Elitegroup Computer Systems (Japan) Co., Ltd.	Subsidiaries
Elitegroup Computer Systems Holding Co., Ltd. (BVI)	Subsidiaries
Elitegroup Computer Systems (Korea) Co., Ltd.	Subsidiaries
Dragon Asia Trading Co., Ltd. (BVI)	Subsidiaries
Elitegroup International Holding (HK) Co., Ltd.	Subsidiaries
Elitegroup Technology (Thailand) Co., Ltd.	Subsidiaries
Unitop International Corp.	Subsidiaries
Golden Elite Technology (Shenzhen) Co., Ltd. (興英科技(深圳)有限公司)	Indirect holding subsidiaries
Elitegroup Computer (Suzhou Industrial Park) Ltd.	Indirect holding subsidiaries
Elitegroup Computer Systems Inc. (USA)	Indirect holding subsidiaries
Super ECS USA, Inc.	Indirect holding subsidiaries
Alpha Leader Limited (HK)	Indirect holding subsidiaries
Xun Rui Electron (Shenzhen) Co., Ltd.	Indirect holding subsidiaries
Beijing Xun Ron Technology Co., Ltd.	Indirect holding subsidiaries
Beijing Advazone Electronic Co., Ltd.	Indirect holding subsidiaries
ECS Trading (Shenzhen) Co., Ltd.	Indirect holding subsidiaries
ECS Digital Technology (Shenzhen) Ltd.	Indirect holding subsidiaries
Golden Elite Technology (Shenzhen) Co., Ltd. (興英數位科技(深圳)有限公司)	Indirect holding subsidiaries
Protac International Computer, S.L.	Indirect holding subsidiaries
Tatung Co.	Investors with significant influence over the Company
Tatung System Technologies Inc.	Subsidiaries of the investors with significant influence over the Company
Chunghwa Picture Tubes, Ltd.	Subsidiaries of the investors with significant influence over the Company
Central Research Technology Co.	Subsidiaries of the investors with significant influence over the Company
TATUNG Company of America, Inc.	Subsidiaries of the investors with significant influence over the Company
TISNet Technology Inc.	Subsidiaries of the investors with significant influence over the Company
Forward Electronics Co., Ltd.	Subsidiaries of the investors with significant influence over the Company
IoTecha Corp.	Associates

b. Sales of goods

Related Party Category	For the Year Ended December 31	
	2019	2018
Subsidiaries	\$ 1,465,367	\$ 1,692,530
Investors with significant influence over the Company	463,579	489,902
Associates	7,494	7,964
Subsidiaries of the investors with significant influence over the Company	<u>6,547</u>	<u>24</u>
	<u>\$ 1,942,987</u>	<u>\$ 2,190,420</u>

The terms and conditions of sales transactions with related parties were not significantly different from those for third parties.

For the years ended December 31, 2019 and 2018, deferred unrealized sales revenue of the Company to its subsidiaries were \$6,920 thousand and \$9,013 thousand, respectively.

c. Purchases of goods

Related Party Category	For the Year Ended December 31	
	2019	2018
Subsidiaries		
Golden Elite Technology (Shenzhen) Co., Ltd. (興英科技(深圳)有限公司)	\$ 10,080,366	\$ 11,062,367
Others	<u>349,705</u>	<u>-</u>
	10,430,071	11,062,367
Subsidiaries of the investors with significant influence over the Company	-	31
Investors with significant influence over the Company	<u>314</u>	<u>1,631</u>
	<u>\$ 10,430,385</u>	<u>\$ 11,064,029</u>

d. Receivables from related parties

Line Items	Related Party Category	December 31	
		2019	2018
Accounts receivable	Subsidiaries		
	ECS Trading (Shenzhen) Co., Ltd.	\$ 74,414	\$ 116,115
	Super ECS USA, Inc.	86,274	86,991
	Others	<u>1,423</u>	<u>-</u>
		162,111	203,106
Accounts receivable	Investors with significant influence over the Company	131,603	239,151
	Associates	2,289	853
	Subsidiaries of the investors with significant influence over the Company	<u>4,116</u>	<u>-</u>
		<u>\$ 300,119</u>	<u>\$ 443,110</u>

Line Items	Related Party Category	December 31	
		2019	2018
Other accounts receivable	Subsidiaries		
	Dragon Asia Trading Co., Ltd. (BVI) (Note 11)	\$ 2,078,423	\$ 2,129,379
	Others	<u>18,556</u>	<u>45,301</u>
		2,096,979	2,174,680
	Investors with significant influence over the Company	696	301
	Associates	-	527
	Less: Allowance for doubtful account	<u>(11,821)</u>	<u>(11,821)</u>
		<u>\$ 2,085,854</u>	<u>\$ 2,163,687</u>

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2019 and 2018, no impairment loss was recognized for receivables from related parties.

e. Payables to related parties

Line Items	Related Party Category	December 31	
		2019	2018
Accounts payable	Subsidiaries		
	Golden Elite Technology (Shenzhen) Co., Ltd. (興英科技(深圳)有限公司)	\$ 1,266,164	\$ 1,392,075
	Elitegroup Computer (Suzhou Industrial Park) Ltd.	292,014	299,173
	Golden Elite Technology (Shenzhen) Co., Ltd. (興英數位科技(深圳)有限公司)	175,414	-
	Others	<u>1,614</u>	<u>-</u>
		<u>\$ 1,735,206</u>	<u>\$ 1,691,248</u>
Other accounts payable	Subsidiaries	\$ 74,153	\$ 85,253
	Subsidiaries of the investors with significant influence over the Company	75	77
	Investors with significant influence over the Company	<u>156</u>	<u>1,468</u>
		<u>\$ 74,384</u>	<u>\$ 86,798</u>
Payables for equipment	Subsidiaries	<u>\$ 335</u>	<u>\$ 343</u>

The outstanding payables from related parties are unsecured and will be settled in cash.

f. Acquisition of other assets (classified as other intangible assets)

Related Party Category	Line Item	Purchase Price For the Year Ended December 31	
		2019	2018
Subsidiaries of the investors with significant influence over the Company	Other intangible assets	\$ <u>590</u>	\$ <u>-</u>

g. Acquisition of property, plant and equipment

Related Party Category	Line Item	Purchase Price For the Year Ended December 31	
		2019	2018
Subsidiaries of the investors with significant influence over the Company	Property, plant and equipment	\$ <u>2,300</u>	\$ <u>-</u>

h. Other operating expenses

Related Party Category	Line Item	For the Year Ended December 31	
		2019	2018
Subsidiaries	Products repair fee	\$ 48,396	\$ 53,556
	R&D materials	21,497	39,178
	Service expense	34,313	34,760
	Commission expense	26,204	11,525
	Miscellaneous expense	99	294
	Others	<u>-</u>	<u>15</u>
		<u>\$ 130,509</u>	<u>\$ 139,328</u>
Subsidiaries of the investors with significant influence over the Company	Service expense	\$ 59	\$ 459
	Repair expense	8564	8,486
	Products repair fee	1,136	-
	Others	<u>126</u>	<u>-</u>
		<u>\$ 9,885</u>	<u>\$ 8,945</u>
Investors with significant influence over the Company	Service expense	\$ 95	\$ 85
	Others	<u>47</u>	<u>-</u>
		<u>\$ 142</u>	<u>\$ 85</u>

i. Other transactions with related parties

Related Party Category	Line Item	For the Year Ended December 31	
		2019	2018
Subsidiaries	Other revenue	\$ -	\$ 80
	Service revenue (classified as the deduction of service expense)	\$ 7,471	\$ 7,265
Associates	Other revenue	\$ -	\$ 215
Investors with significant influence over the Company	Other revenue	\$ 3	\$ 14

j. Endorsements and guarantees

Endorsements and guarantees received

Related Party Category	December 31	
	2019	2018
Subsidiaries		
Amount endorsed	\$ -	\$ 7,679

k. Compensation of key management personnel

The compensation of key management personnel for the years ended December 31, 2019 and 2018 is as follows:

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 52,617	\$ 46,587
Post-employment benefits	702	660
	<u>\$ 53,319</u>	<u>\$ 47,247</u>

The remuneration of directors and key executives was determined by the remuneration committee with regard to the performance of individuals and market trends.

30. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as guarantees for the tariff of imported raw materials:

	December 31	
	2019	2018
Pledge deposits (classified as financial assets at amortized cost - current)	<u>\$ 6,999</u>	<u>\$ 3,968</u>

31. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Since the outbreak of COVID-19 pandemic in January 2020, the Company's subsidiaries in Shenzhen, Guangdong, People's Republic of China has resumed operations. However, due to the subsequent major outbreaks in various countries around the world, as of the date the financial statements were released, it was not possible to assess the control of such outbreak situations. Therefore, the Company is unable to reasonably assess the extent to which the overall industry and operations have been affected by the COVID-19 crisis.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2019

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 325,187	29.98	\$ 9,749,111
JPY	1,586	0.276	438
HKD	668	3.849	2,572
Non-monetary items			
Financial assets held for trading			
USD	2,105	29.98	63,104
Investments accounted for using the equity method			
USD	138,651	29.98	4,156,746
JPY	81,734	0.276	22,559
KRW	356,326	0.0259	9,229
THB	163,238	0.9942	162,291
<u>Financial liabilities</u>			
Monetary items			
USD	128,900	29.98	3,864,429
JPY	5,257	0.276	1,451
HKD	2,429	3.849	9,348
EUR	14	33.59	472

December 31, 2018

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 311,731	30.715	\$ 9,574,819
JPY	5,689	0.2782	1,583
HKD	296	3.921	1,161
Non-monetary items			
Financial assets held for trading			
USD	2,095	30.715	64,355
Investments accounted for using the equity method			
USD	152,233	30.715	4,675,847
JPY	84,839	0.2782	23,602
KRW	323,868	0.0275	8,906

Financial liabilities

Monetary items			
USD	147,006	30.715	4,515,301
JPY	5,600	0.2782	1,557
HKD	2,407	3.921	9,440
EUR	10	35.200	358

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange gains (losses) were \$(143,716) thousand and \$253,777 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Company.

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (Table 2)
- 4) Marketable securities acquired and disposed at costs or prices at least \$300 million or 20% of the paid-in capital (Table 3)
- 5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital (Table 4)

8) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital (Table 5)

9) Trading in derivative instruments (None)

10) Information on investees (Table 6)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 7)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 8):

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

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

c) The amount of property transactions and the amount of the resultant gains or losses.

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

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

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2019

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

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
1	Elitegroup Computer (Suzhou Industrial Park) Ltd.	Golden Elite Technology Co., Ltd. (蘇美數位科技(深圳)有限公司)	Other receivables	Y	\$ 45,990 (RMB10,000,000) (Note 2)	\$ (RMB -) (Note 3)	\$ -	1.755	Short-term financing	\$ -	Operational needs	\$ -	N/A	\$ -	\$ 44,613 (Note 4)	\$ 178,453 (Note 4)	

Note 1: The nature of financing is provided as follows:

- a. The Company indicated by "0".
- b. The invested companies were marked from 1 in ascending order of numerals.

Note 2: The calculation of the amount was based on the highest exchange rate during 2019.

Note 3: The calculation of the amount was based on the closing rate on December 31, 2019.

Note 4: The total amount of lending to borrower for funding of short-term period shall not exceed twenty percent of lender's net worth. Individual amount of lending shall not exceed five percent of lender's net worth.

TABLE 2

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019			Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value/ Net Asset Value (Note)
Elitegroup Computer Systems Co., Ltd.	Common shares Lu-Chu Development Corporation	No	Financial assets at fair value through profit or loss - non-current	4,612,240	\$ 44,100	2.24	\$ 44,100
	Trigem Computer Inc.	No	Financial assets at fair value through profit or loss - non-current	16	8	-	8
	Beneficiary certificate FSITC Taiwan Money Market	No	Financial assets at fair value through profit or loss - current	6,542,512	100,513	-	100,513
	Taishin 1699 Money Market Fund	No	Financial assets at fair value through profit or loss - current	5,923,305	80,463	-	80,463
	Nomura Global Short Duration Bond Fund-TWD	No	Financial assets at fair value through profit or loss - current	9,461,365	102,255	-	102,255
	Franklin Templeton Sinoam Money Market Fund	No	Financial assets at fair value through profit or loss - current	9,684,041	100,512	-	100,512
	Franklin Templeton SinoAm Asia Pacific Balanced Fund-Accu-TWD	No	Financial assets at fair value through profit or loss - current	1,846,722	19,464	-	19,464
	Prudential Financial Strategic Return ETF Fund of Funds	No	Financial assets at fair value through profit or loss - current	498,867	5,291	-	5,291
	JPMorgan (Taiwan) China Income Fund - Accumulation Share Class	No	Financial assets at fair value through profit or loss - current	1,514,727	20,718	-	20,718
	Fuh Hwa Global Balanced Fund-TWD	No	Financial assets at fair value through profit or loss - current	1,495,081	30,201	-	30,201
	Fuh Hwa Olympic II Global Fund of Funds-TWD	No	Financial assets at fair value through profit or loss - current	1,037,344	15,394	-	15,394
	Taishin Senior Secured High Yield Bond Fund A TWD	No	Financial assets at fair value through profit or loss - current	2,000,000	20,456	-	20,456
	Union Advantage Global Fixed Income Portfolio Fund.	No	Financial assets at fair value through profit or loss - current	296,579	4,891	-	4,891
	KGI Taiwan Multi-Asset Income Fund A TWD	No	Financial assets at fair value through profit or loss - current	2,000,000	20,300	-	20,300
Elitegroup Computer Systems (HK) Co., Ltd.	SinoPac Greater China Convertible Bond Fund	No	Financial assets at fair value through profit or loss - current	20,339	63,104	-	63,104
	Beneficiary certificate SinoPac Greater China Convertible Bond Fund	No	Financial assets at fair value through profit or loss - current	7,882	24,455 (US\$ 815,722)	-	24,455 (US\$ 815,722)

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value/ Net Asset Value (Note)	
Elitegroup Computer Systems Inc. (USA)	Share MiTAC Holdings Corporation	No	Financial assets at fair value through other comprehensive income - non-current	306,760	\$ 8,896 (US\$ 296,732)	0.03	\$ 8,896 (US\$ 296,732)	
Beijing Advazone Electronic Co., Ltd.	Share Beijing Beareyes Info Systems Co., Ltd.	No	Financial assets at fair value through profit or loss - non-current	-	- (RMB -)	-	- (RMB -)	

Note: The above marketable securities had not been used as guarantees or collaterals for borrowing and were not subject to other restrictions.

(Concluded)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
Elitegroup Computer Systems Co., Ltd. and subsidiaries	Beneficiary certificate Taishin 1699 Money Market Fund	Financial assets at FVTPL - current	-	-	5,924,790	\$ 80,000	22,132,065	\$ 300,000	22,133,550	\$ 300,415	\$ 299,578	\$ 837	5,923,305	\$ 80,422
ECS Holding (HK) Co., Limited	Share ECS Digital Technology (Shenzhen) Ltd.	Investment accounted for using the equity method	Note 2	Subsidiaries	-	US\$ 5,550,000	-	US\$10,000,000	-	-	-	-	-	US\$15,500,000

Note 1: The book amount was the original acquisition cost.

Note 2: The cash capital increase of subsidiary, Elite technology (Thailand) Co., Ltd.

TABLE 4

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	
Elitegroup Computer Systems Co., Ltd.	Elitegroup Computer Systems Inc. (USA)	Subsidiary of ECS Holding (America) Co. (USA)	Sale	\$ 389,077	2	OA 60 days	\$ -	-	\$ 1,423	-
	Super ECS USA Inc.	Subsidiary of ECS Holding (America) Co. (USA)	Sale	689,229	3	OA 90 days	-	-	86,274	3
	Tatung Co.	Investors with significant influence over the Company	Sale	463,579	2	Open account 90 days	-	-	131,603	4
	ECS Trading (Shenzhen) Co., Ltd.	Subsidiary of Unique Sino Limited	Sale	385,048	2	OA 90 days	-	-	74,414	2
	Golden Elite (Shenzhen) Co., Ltd. (興英科技(深圳)有限公司)	Subsidiary of Million Up Finance Limited	Purchase	(10,080,366)	(43)	OA 75 days	-	-	(1,266,164)	(44)
	Golden Elite (Shenzhen) Co., Ltd. (興英數位科技(深圳)有限公司)	Subsidiary of Million Up Finance Limited	Purchase	(346,820)	(1)	OA 90 days	-	-	(175,414)	(6)
Golden Elite (Shenzhen) Co., Ltd. (興英科技(深圳)有限公司)	Elitegroup Computer Systems Co., Ltd.	Ultimate parent company	Sale	10,080,366	90	OA 75 days	-	-	1,266,164	73
Golden Elite (Shenzhen) Co., Ltd. (興英數位科技(深圳)有限公司)	Elitegroup Computer Systems Co., Ltd.	Ultimate parent company	Sale	346,820	18	OA 90 days	-	-	175,414	26
Elitegroup Computer Systems Inc. (USA)	Elitegroup Computer Systems Co., Ltd.	Ultimate parent company	Purchase	(389,077)	(100)	OA 60 days	-	-	(1,423)	(100)
Super ECS USA Inc.	Elitegroup Computer Systems Co., Ltd.	Ultimate parent company	Purchase	(689,229)	(100)	OA 90 days	-	-	(86,274)	(100)
ECS Trading (Shenzhen) Co., Ltd.	Elitegroup Computer Systems Co., Ltd.	Ultimate parent company	Purchase	(385,048)	(99)	OA 90 days	-	-	(74,414)	(99)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019**
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Receivables from Related Parties Ending Balance	Turnover Rate (Note 3)	Overdue		Amount Received in Subsequent Period (Note 1)	Allowance for Impairment Loss
					Amount	Actions Taken		
Elitegroup Computer Systems Co., Ltd.	Tatung Co.	Investors with significant influence over the Company	\$ 131,299	2.50	\$ -	-	\$ 46,261	\$ -
	Dragon Asia Trading Co., Ltd. (BVI)	Subsidiary of Elitegroup Computer Systems Co., Ltd	2,078,423 (Note 2)	-	-	-	-	-
Dragon Asia Trading Co., Ltd. (BVI)	Million Up Finance Limited	Subsidiary of Dragon Asia Trading Co., Ltd. (BVI)	2,078,423 (Note 2)	-	-	-	-	-
Golden Elite (Shenzhen) Co., Ltd. (興英科技(深圳)有限公司)	Elitegroup Computer Systems Co., Ltd.	Ultimate parent company	1,266,164	7.58	-	-	1,266,164	-
Golden Elite (Shenzhen) Co., Ltd. (興英數位科技(深圳)有限公司)	Elitegroup Computer Systems Co., Ltd.	Ultimate parent company	175,414	3.95	-	-	103,491	-
Elitegroup Computer (Suzhou Industrial Park) Ltd.	Elitegroup Computer Systems Co., Ltd.	Ultimate parent company	297,477	-	297,477	Strengthen the collection	-	-
	Golden Elite (Shenzhen) Co., Ltd. (興英科技(深圳)有限公司)	Subsidiary of Million Up Finance Limited	135,620	0.10	134,860	Strengthen the collection	-	-

Note 1: The subsequent period is between January 1 and February 29, 2020.

Note 2: The amount of US\$69,327 thousand was the capital reduction of Dragon Asia Trading Co., Ltd. (BVI) and Million Up Finance Limited due to the Mainland Assets Activation Plan.

Note 3: The calculation of turnover days excludes other receivables.

TABLE 6

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount (Note 1)		As of December 31, 2019		Carrying Amount (Note 1)	Net Income (Loss) of the Investee (Note 2)	Share of Profit (Loss) (Note 2)	Note
				December 31, 2019	December 31, 2018	Shares	%				
Elitegroup Computer Systems Co., Ltd.	Elitegroup Computer Systems (HK) Co., Ltd.	Hong Kong	Sale of motherboards, computer peripheral products and related components	\$ 62,413	\$ 62,413	16,560,000	100.00	\$ 271,507	\$ 2,749	\$	Note 3
	Elitegroup Computer Systems (Japan) Co., Ltd.	Japan	Sale of motherboards, computer peripheral products and related components	19,078	19,078	1,136	100.00	22,559	140	(861)	Note 3
	Elitegroup Computer Systems Holding Co., Ltd. (BVI)	British Virgin Islands	Investment holding	965,081	965,081	25,225,805	100.00	404,795	4,589	4,589	Note 3
	ECS Holding (America) Co. (USA)	USA	Investment holding	830,259	830,259	3,362	100.00	767,921	(975)	(971)	Note 3
	Elitegroup Computer Systems (Korea) Co., Ltd.	Korea	Sale of motherboards, maintenance and intermediary of products	66,780	66,780	469,000	100.00	9,229	860	860	Note 3
	Dragon Asia Trading Co., Ltd. (BVI)	British Virgin Islands	Investment holding	3,611,459	3,611,459	99,635,512	100.00	1,208,201	(299,579)	(342,879)	Notes 3, 5, 6 and 7
	Unitop International Corp. Samoa	British Virgin Islands	Investment holding	399,151	399,151	2,600	100.00	927,987	(39,829)	(39,829)	Note 3
	Unity Investments Limited	Samoa	Investment holding	62,052	62,052	1,905,000	100.00	75,968	3,744	3,744	Note 3
	ECS Holding (HK) Co., Ltd.	Hong Kong	Investment holding	511,599	511,599	17,000,000	100.00	500,367	(1,288)	(1,288)	Note 3
	Elitegroup Computer Systems (Thailand) Co., Ltd.	Thailand	Investment holding	202,915	-	2,699,996	99.99	162,291	(39,771)	(39,771)	Notes 3 and 9
Elitegroup Computer Systems Holding Co., Ltd. (BVI)	Venture Well Holdings Limited (BVI)	British Virgin Islands	Investment holding	452,994 (US\$ 15,109,864)	658,192 (US\$ 21,954,373)	15,109,864	68.45	149,180 (US\$ 4,975,968)	23,082 (US\$ 746,410)	(US\$ 510,918)	Notes 3 and 11
	Elitegroup Computer Systems Inc. (USA)	USA	Sale of motherboards, notebook computers, computer peripheral products, related components and systems assembled	502,844 (US\$ 16,772,643)	502,844 (US\$ 16,772,643)	47,552	100.00	607,644 (US\$ 20,268,319)	9,717 (US\$ 314,212)	(US\$ 314,212)	Note 3
	Super ECS USA, Inc.	USA	Sale of motherboards, computer peripheral products and related components	14,990 (US\$ 500,000)	14,990 (US\$ 500,000)	2,500,000	100.00	118,082 (US\$ 3,938,676)	10,117 (US\$ 327,173)	(US\$ 327,173)	Note 3
	IoTecha Corp.	USA	Design and development of intelligent charging system and software	29,980 (US\$ 1,000,000)	29,980 (US\$ 1,000,000)	Ordinary share 2,000,000 Preferred share 1,108,942	21.29 15.38	- (US\$ -) 10,165 (US\$ 339,051)	(121,365) (US\$ -3,924,608)	(US\$ -686,509)	Notes 3 and 8
	Million Up Finance Limited (BVI)	British Virgin Islands	Investment holding	1,463,714 (US\$ 48,823,000)	1,463,714 (US\$ 48,823,000)	29,823,000	100.00	1,057,981 (US\$ 35,289,549)	(275,555) (US\$ -8,910,707)	(US\$ -9,687,602)	Notes 3, 5, 6 and 7
	Unique Sino Limited	Samoa	Investment holding	56,662 (US\$ 1,890,000)	56,662 (US\$ 1,890,000)	1,890,000	100.00	75,949 (US\$ 2,533,332)	3,744 (US\$ 121,055)	(US\$ 121,055)	Note 3
	Alpha Leader Limited (HK)	Hong Kong	Trading of IC and electric components	91,288 (US\$ 3,044,947)	599,600 (US\$ 20,000,000)	23,689,688	100.00	113,082 (US\$ 3,771,914)	22,481 (US\$ 726,966)	(US\$ 726,966)	Notes 3 and 10
	Advazone International Ltd. (BVI)	British Virgin Islands	Investment holding	556,129 (US\$ 18,550,000)	556,129 (US\$ 18,550,000)	18,550,000	100.00	101,960 (US\$ 3,400,941)	438 (US\$ 14,152)	(US\$ 14,152)	Note 3
	Affirm International Ltd. (BVI)	British Virgin Islands	Investment holding	131,312 (US\$ 4,380,000)	131,312 (US\$ 4,380,000)	4,380,000	100.00	44 (US\$ 1,453)	- (US\$ 6)	(US\$ 6)	Note 3
	Protec International Computer, S.L.	Spain	Sale of computer peripheral products	- (US\$ -)	- (US\$ -)	-	100.00	- (US\$ -)	- (US\$ -)	(US\$ -)	Notes 3 and 4

(Continued)

- Note 1: The amount was calculated based on the closing rate on December 31, 2019.
- Note 2: The amount was calculated using the average exchange rates from January to December 2019.
- Note 3: The financial statements used as a basis for calculating investment income had all been audited, except those of Protac International Computer, S.L., IoTecha Corp. and Elitegroup Computer Systems (Japan) Co., Ltd.
- Note 4: The Company is in the process of liquidation.
- Note 5: The board of directors of the Company approved the capital reduction of its subsidiaries, Dragon Asia Trading, Ltd. and Million Up Finance Limited, in the amount of US\$69,327 thousand. As of February 2020, these amounts had not been remitted to the Company.
- Note 6: The board of directors of the Company approved the supplementary contract of Mainland Assets Activation Plan, and transferred 52% interest in Dragon Asia according to phase 1 of the contract; however, the equity investment will be derecognized until the Company loses control over Dragon Asia. Refer to Note 11.
- Note 7: The transfer amount of 52% interest in Dragon Asia (RMB600,000 thousand) had been remitted to the Company on March 27, 2018 and was included in other advances received item. The transaction was authorized by Investment Commission, MOEA on May 1, 2018.
- Note 8: ECS Holding (America) Co. (USA) held 2,000,000 ordinary shares (21.29%) and 1,108,942 preference shares (15.38%) of IoTecha Corp. as of December 31, 2019.
- Note 9: The board of directors of the Company decided on December 24, 2018 to establish Elitegroup Technology (Thailand) Co., Ltd., and the registration was completed on January 18, 2019. The Company's shareholding ratio is 99.99%, and is expected to invest capital of THB270,000 thousand. The injected capital was THB203,152 thousand (approximately NTS202,915 thousand) in 2019.
- Note 10: The board of directors of Alpha lender (HK) approved the capital reduction to write off accumulated losses of Alpha lender (HK) by US\$6,955 thousand in November 2019 and returned the capital of US\$10,000 thousand to its investor, Venture Well Holdings Limited (BVI).
- Note 11: The board of directors of Venture Well Holdings Limited (BVI) approved the reduction of its capital by US\$10,000 thousand to its investors in December 2019. According to the shares held by Elitegroup Computer Systems Holding Co., Ltd. (BVI) proportional, the amount of capital reduction was US\$6,855 thousand.

(Concluded)

TABLE 7

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 2)	Method of Investment	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019 (Note 2)	Net Income (Loss) of the Investee (Note 3)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 1 and 3)	Carrying Amount as of December 31, 2019 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2019
				Outward	Inward						
Xun Rui Electron (Shenzhen) Co., Ltd.	Manufacture and maintenance of electric equipment and instrument, computer peripheral products and cases	\$ 31,479 (US\$ 1,050,000)	Indirect investment by Elitegroup Computer Systems (HK) Co., Ltd.	\$ -	\$ -	\$ 23,826 (US\$ 794,718)	\$ 123 (RMB 27,397)	100.00	\$ 123 (US\$ 3,966)	\$ 18,883 (US\$ 629,868)	\$ -
Beijing Xun Ron Technology Co., Ltd.	Manufacture and maintenance of electric equipment and instrument, computer peripheral products and cases	47,968 (US\$ 1,600,000)	Indirect investment by Elitegroup Computer Systems (HK) Co., Ltd.	-	-	52,153 (US\$ 1,739,577)	(689) (RMB -153,944)	100.00	(689) (US\$ -22,287)	74,239 (US\$ 2,476,290)	-
Beijing Advazone Electronic Co., Ltd.	Wholesale, maintenance and technical consultation of computers and peripheral products and related components	482,678 (US\$ 16,110,000)	Indirect investment by Advazone International Limited (BVI) of Venture Well Holdings Systems Holding Co., Ltd. (BVI)	-	-	334,701 (US\$ 11,164,138)	500 (RMB 111,725)	68.45	500 (US\$ 16,175)	101,813 (US\$ 3,396,024)	-
ECS Trading (Shenzhen) Co., Ltd.	Wholesale, trade, maintenance and technical consultation of computers and peripheral products	59,960 (US\$ 2,000,000)	Indirect investment by Unique Sino Limited of Unity Investments Limited	-	-	59,960 (US\$ 2,000,000)	3,744 (RMB 836,166)	100.00	3,744 (US\$ 121,055)	75,947 (US\$ 2,533,257)	-
Golden Elite (Shenzhen) Co., Ltd. (精英科技(深圳)有限公司)	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook computers, tablets and peripheral products	1,154,230 (US\$ 38,500,000)	Indirect investment by Million Up Finance Limited of Dragon Asia Trading Co., Ltd. (BVI)	-	-	698,578 (US\$ 23,301,464)	(306,343) (RMB -68,425,985)	100.00 (Notes 5, 6)	(306,343) (US\$ -9,906,323)	742,233 (US\$ 24,757,606)	-
Golden Elite (Shenzhen) Co., Ltd. (精英科技(深圳)有限公司)	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook computers, tablets and peripheral products	1,813,790 (US\$ 60,500,000)	Indirect investment by Million Up Finance Limited of Dragon Asia Trading Co., Ltd. (BVI)	-	-	- (US\$ -)	30,788 (RMB 6,877,028)	100.00 (Note 7)	30,788 (US\$ 995,617)	1,977,215 (US\$ 65,951,138)	-
Elitegroup Computer (Suzhou Industrial Park) Ltd.	Research, development and manufacture of notebook computers, tablets and related components	779,480 (US\$ 26,000,000)	Indirect investment by Unipol International Corp.	-	-	779,480 (US\$ 26,000,000)	(39,301) (RMB -8,778,416)	100.00	(39,301) (US\$ -1,270,889)	892,264 (US\$ 29,761,962)	539,820 (US\$ 18,000,000)
ECS Digital Technology (Shenzhen) Ltd.	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook computers, tablets and peripheral products	464,690 (US\$ 15,500,000)	Indirect investment by ECS Holding (HK) Co., Ltd.	299,800 (US\$ 10,000,000)	-	164,890 (US\$ 5,500,000)	(2,525) (RMB -563,989)	100.00	(2,525) (US\$ -81,651)	447,021 (US\$ 14,910,653)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
\$2,413,387 (US\$80,499,897) (Note 2)	\$6,306,174 (US\$210,346,042) (Note 2)	\$ -

Note 1: The calculation of investment income (loss) was based on the investees' audited financial statements.

Note 2: The calculation was based on the closing rate as of December 31, 2019.

Note 3: The calculation was based on the average exchange rate from January to December 2019.

(Continued)

- Note 4: On March 13, 2018, the Company obtained the certification as being qualified for operating the headquarters, which was issued by the Industrial Development Bureau, MOEA (Letter No. 10620404950), the effective period being from February 23, 2017 to February 22, 2020; on February 7, 2020, the Company obtained the updated certification as being qualified for operating the headquarters, which was issued by the Industrial Development Bureau, MOEA (Letter No. 10920404360), the effective period being from February 5, 2020 to February 4, 2023, thus, the ceiling amount of investment in mainland China is not applicable to the Company.
- Note 5: The board of directors of the Company approved the supplementary contract of Mainland Assets Activation Plan, and transferred 52% interest in Dragon Asia according to phase I of the contract; however, the equity investment will be derecognized until the Company loses control over Dragon Asia. Refer to Note 11.
- Note 6: The transfer amount of 52% interest in Dragon Asia (RMB660,000 thousand) had been remitted to the Company on March 27, 2018. The transaction was authorized by Investment Commission, MOEA on May 1, 2018.
- Note 7: The board of directors of Golden Elite (Shenzhen) Co., Ltd. (興英數位科技(深圳)有限公司) approved the splitting process of Mainland Assets Activation Plan, which divided non-target assets to Golden Elite (Shenzhen) Co., Ltd. (興英數位科技(深圳)有限公司). Refer to Note 11.
- Note 8: The board of directors of the Company approved the investment of US\$101,000 thousand in a 100%-owned subsidiary ECS Holding (HK) Co., Ltd., on April 7, 2017, and through which US\$2,000 thousand, US\$4,000 thousand and US\$4,000 thousand were invested separately in ECS Digital Technology (Shenzhen) Ltd during 2019.

(Concluded)

TABLE 8

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Transaction Type	Purchase/Sale		Comparison of Price with Market	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with the Market	Ending Balance	%		
Golden Elite (Shenzhen) Co., Ltd. (興英科技(深圳)有限公司)	Purchase	\$ (10,080,366)	(43.00)	No significant difference	OA 75 days	No significant difference	\$ (1,266,164)	(44.00)	\$ 7,859	Note
Golden Elite (Shenzhen) Co., Ltd. (興英數位科技(深圳)有限公司)	Purchase	(346,820)	(1.00)	No significant difference	OA 90 days	No significant difference	(175,414)	(6.00)	-	-
Elitegroup Computer (Suzhou Industrial Park) Ltd.	Purchase	-	-	No significant difference	OA 60 days	No significant difference	(292,014)	(10.00)	-	-
ECS Trading (Shenzhen) Co., Ltd.	Sale	385,048	(2.00)	No significant difference	OA 90 days	No significant difference	74,414	2.00	-	-

Note: Unrealized profit and loss are due to upstream transactions.

ELITEGROUP COMPUTER SYSTEMS CO., LTD.

THE CONTENTS OF SCHEDULES OF MAJOR ACCOUNTING ITEMS

Item	Schedule Index
Major Accounting Items in Assets, Liabilities and Equity	
Schedule of cash and cash equivalents	1
Schedule of financial instruments at fair value through profit or loss (FVTPL)	2
Schedule of financial assets at amortized cost - current	Note 8
Schedule of accounts receivable	3
Schedule of changes in financial assets at fair value through profit or loss (FVTPL) - non-current	5
Schedule of other receivables	Note 9
Schedule of inventories	4
Schedule of changes in investments accounted for using equity method	6
Schedule of changes in property, plant and equipment	Note 12
Schedule of changes in accumulated depreciation of property, plant and equipment	Note 12
Schedule of changes in accumulated impairment of property, plant and equipment	Note 12
Schedule of changes in right-of-use-assets	7
Schedule of changes in investment properties	Note 14
Schedule of changes in accumulated depreciation of investment properties	Note 14
Schedule of changes in accumulated impairment of investment properties	Note 14
Schedule of changes in intangible assets	Notes 15 and 16
Schedule of deferred income tax assets	Note 25
Schedule of accounts payable	8
Schedule of other payables	Note 19
Schedule of lease liabilities	9
Schedule of other current liabilities	Note 19
Schedule of provisions - current	Note 20
Schedule of deferred income tax liabilities	Note 25
Major Accounting Items in Profit or Loss	
Schedule of operating revenue	10
Schedule of cost of goods sold	11
Schedule of marketing expenses	12
Schedule of general and administrative expenses	13
Schedule of research and development expenses	14
Schedule of non-operating income and expenses, net	Note 24
Schedule of financial costs	Note 24
Schedule of labor, depreciation and amortization by function	15

SCHEDULE 1**ELITEGROUP COMPUTER SYSTEMS CO., LTD.****SCHEDULE OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Period	Rate (%)	Amount
Petty cash			\$ 530
Foreign currency - cash			
U.S. dollar (US\$16,628) (@29.98)			498
Euro (€745) (@33.59)			25
			<u>523</u>
Cash in bank			
Foreign currency - deposits			
U.S. dollar (US\$34,389,883) (@29.98)			1,031,009
Japanese Yen (¥1,585,975) (@0.276)			438
Hong Kong dollar (HK\$668,245) (@3.849)			2,572
Euro (€4,351) (@33.59)			146
Russian Ruble (RUB525,247) (@0.48)			252
Chinese Yuan (RMB5,126) (@4.297)			22
			<u>1,034,439</u>
Demand deposits			147,802
Checking accounts			621
			<u>1,182,862</u>
Cash equivalents			
Time deposits with original maturities of less than 3 months			
Taiwan dollar	2019.10.01-2020.02.27	0.59-0.66	881,600
U.S. dollar (US\$28,710,000) (@29.98)	2019.11.29-2020.02.26	2.02-2.33	860,726
			<u>1,742,326</u>
Repurchase agreement			
U.S. dollar (US\$5,000,000) (@29.98)	2019.12.19-2020.01.15	2.25	149,900
			<u>149,900</u>
			<u>\$ 3,076,141</u>

ELITEGROUP COMPUTER SYSTEMS CO., LTD.

**SCHEDULE OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS
(FVTPL) - CURRENT**

DECEMBER 31, 2019

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

Financial Instrument	Shares	Initial Cost of Acquisition	Fair Value	
			Unit Price (NT\$)	Amount
Financial assets				
Mutual funds				
FSITC Taiwan Money Market Fund	6,542,512	\$ 100,000	15.363	\$ 100,513
Taishin 1699 Money Market Fund	5,923,305	80,422	13.5842	80,463
Nomura Global Short Duration Bond Fund-TWD	9,461,365	100,000	10.8077	102,255
Franklin Templeton Sinoam Money Market Fund	9,684,041	100,000	10.3791	100,512
Franklin Templeton SinoAm Asia Pacific Balanced Fund-Accu-TWD	1,846,722	20,000	10.54	19,464
Prudential Financial Strategic Return ETF Fund of Funds	498,867	5,009	10.6056	5,291
JPMorgan (Taiwan) China Income Fund - Accumulation Share Class	1,514,727	20,000	13.6776	20,718
Fuh Hwa Global Balanced Fund-TWD	1,495,081	30,013	20.20	30,201
Fuh Hwa Olympic II Global Fund of Funds-TWD	1,037,344	15,000	14.84	15,394
Taishin Senior Secured High Yield Bond Fund A TWD	2,000,000	20,000	10,228	20,456
Union Advantage Global Fixed Income Portfolio Fund.	296,579	5,000	16.4902	4,891
KGI Taiwan Multi-Asset Income Fund A TWD	2,000,000	20,000	10.15	20,300
SinoPac Greater China Convertible Bond Fund	20,339	<u>66,119</u>	3,102.65	<u>63,104</u>
		<u>\$ 581,563</u>		<u>\$ 583,562</u>

ELITEGROUP COMPUTER SYSTEMS CO., LTD.**SCHEDULE OF ACCOUNTS RECEIVABLE****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Customer Name	Amount
Unrelated parties	
Client A	\$ 881,126
Client B	770,009
Client C	430,065
Others (Note)	<u>981,120</u>
	3,062,320
Less: Allowance for impairment loss	<u>7,950</u>
	<u>3,054,370</u>
Related parties	
Tatung Co.	131,603
Super ECS USA, Inc.	86,274
ECS Trading (Shenzhen) Co., Ltd.	74,414
Others (Note)	<u>7,828</u>
	<u>300,119</u>
	<u>\$ 3,354,489</u>

Note: The amounts of the receivables from clients included in "others" did not individually exceed 5% of the total account balance.

ELITEGROUP COMPUTER SYSTEMS CO., LTD.**SCHEDULE OF INVENTORIES****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Item	Amount		Base of Market Price
	Cost	Market Price	
Raw materials	\$ 320,107	\$ 301,025	Net realizable value
Work in process	4,372	1,532	Net realizable value
Finished goods	<u>458,883</u>	<u>473,416</u>	Net realizable value
	783,362	<u>\$ 775,973</u>	
Less: Allowance for inventory valuation loss	<u>36,381</u>		
Net amounts	<u>\$ 746,981</u>		

ELITEGROUP COMPUTER SYSTEMS CO., LTD.

SCHEDULE OF CHANGES IN FINANCIAL ASSETS - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

	Balance, January 1, 2019		Additions (Note 1)		Decrease (Note 2)		Balance, December 31, 2019		Collateral	Notes
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount		
Common stock										
Lu-Chu Development Corporation	4,410,000	\$ 44,100	202,240	\$ -	-	\$ -	4,612,240	\$ 44,100	-	-
Trigem Computer Inc.	16	18	-	-	-	(10)	16	8	-	-
		<u>\$ 44,118</u>		<u>\$ -</u>		<u>\$ (10)</u>		<u>\$ 44,108</u>		

Note 1: Shares increased by receiving stock dividends.

Note 2: The adjustment of decrease in fair value at the end of reporting date was \$10 thousand and classified as loss on valuation of financial assets.

ELITEGROUP COMPUTER SYSTEMS CO., LTD.

SCHEDULE OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Balance, January 1, 2019		Additions		Decrease		Investment Gain (Loss) Recognized Under the Equity Method	Unrealized Gross Profit	Unrealized Gain (Loss) on Financial Product	Cumulative Translation Adjustments	Retained Earnings	Balance, December 31, 2019		Net Equity	Collateral	Remark
	Shares	Amount	Shares	Amount	Shares	Amount						Shares	Amount			
Elitegroup Computer Systems (HK) Co., Ltd.	16,560,000	\$ 277,008	-	\$ -	-	\$ -	\$ 2,749	\$ -	\$ -	\$ (8,250)	\$ -	100	\$ 271,507	\$ 271,507	-	
Elitegroup Computer Systems (Japan) Co., Ltd.	1,136	23,602	-	-	-	-	(861)	-	-	(182)	-	100	22,559	22,559	-	
Elitegroup Computer Systems Holding Co., Ltd. (BVI)	25,225,805	411,249	-	-	-	-	4,389	-	-	(11,143)	-	100	404,795	404,795	-	
ECS Holding (America) Co. (USA)	3,362	750,922	-	-	-	-	(971)	3,244	1,933	(18,457)	31,250	100	767,921	755,380	-	Note 3
Dragon Asia Trading Co., Ltd. (BVI)	1,628,287	1,628,287	-	-	-	-	(342,739)	(1,152)	-	(76,555)	-	100	1,208,201	1,267,152	-	Notes 1 and 2
Elitegroup Computer Systems (Korea) Co., Ltd.	469,000	8,206	-	-	-	-	860	-	-	(537)	-	100	9,229	9,229	-	
Unipol International Corp.	2,600	1,005,600	-	-	-	-	(39,829)	-	-	(37,784)	-	100	927,987	927,987	-	
Uniti Investments Limited	1,905,000	755,295	-	-	-	-	3,744	-	-	(3,071)	-	100	759,668	759,668	-	
ECS Holding (HK) Co., Limited	17,000,000	526,846	-	-	-	-	(1,384)	-	-	(25,231)	-	100	500,367	500,367	-	
Elitegroup International Holding (Thailand) Co., Ltd.	-	-	2,699,996	202,915	-	-	(29,271)	-	-	(853)	-	99.99	162,291	162,291	-	Note 4
		\$ 4,708,355		\$ 202,915		\$ -	\$ (413,657)	\$ 2,092	\$ 1,933	\$ (182,063)	\$ 31,250		\$ 4,350,825	\$ 4,397,135		

Note 1: The board of directors of the Company approved the capital reduction of its subsidiaries, Dragon Asia Trading, Ltd. and Millon Up Finance Limited, by US\$69,327 thousand. These amounts were not remitted to the Company in February 2020.

Note 2: The board of directors of the Company approved the supplementary contract of Mainland Assets Activation Plan, and transfer of 52% interest in Dragon Asia according to the phase 1 of the contract, however, the equity investment will be derecognized until the Company lose control over Dragon Asia. The transfer amount of 52% interest in Dragon Asia (RMB600,000 thousand) was already remitted to the Company on March 27, 2018 and included in other advances received item. The transaction was authorized by Investment Commission, MOEA on May 1, 2018. Refer to Note 11.

Note 3: As of December 31, 2019, Elite Computer (U.S.) Holding Company held 2,000,000 common shares of IoTecha Corp. (shareholding ratio accounted for 21.29% of total common shares) and 1,108,942 preferred shares (shareholding ratio accounted for 15.34% of total preferred shares). IoTecha Corp. increased capital by issuing new shares in 2018 and 2019, respectively. ECS Holding (America) Co. disproportionately subscribed for the newly-issued shares, causing a change in its existing ownership percentage; the company recorded the change in its equity in IoTecha's net assets as an adjustment, with a corresponding amount credited or charged to capital surplus - changes in capital from investment in subsidiary of US\$1,250 thousand.

Note 4: The board of directors of the Company decided on December 24, 2018 to establish Elitegroup Technology (Thailand) Co., Ltd., and the registration was completed on January 18, 2019. The Company's holding interest is 99.99%, and it is expected to invest capital of THB203,152 thousand (approximately NTS202,915 thousand) in 2019.

ELITEGROUP COMPUTER SYSTEMS CO., LTD.

STATEMENT OF RIGHT-OF-USE ASSETS

DECEMBER 31, 2019

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

Item	Land	Buildings	Office Equipment	Transportation Equipment	Total	Note
Cost						
Balance, January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	
Adjustments arising from initial application of accounting standards	384,591	156,530	869	-	541,990	
Addition	-	-	-	16,952	16,952	
Deductions	-	-	-	-	-	
Transfers out of right-of-use assets	<u>(39,445)</u>	<u>(16,055)</u>	<u>-</u>	<u>-</u>	<u>(55,500)</u>	
Balance, December 31, 2019	<u>\$ 345,146</u>	<u>\$ 140,475</u>	<u>\$ 869</u>	<u>\$ 16,952</u>	<u>\$ 503,442</u>	
Accumulated depreciation						
Balance, January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	
Addition	73,302	29,834	298	4,528	107,962	
Deductions	-	-	-	-	-	
Transfers out of right-of-use assets	<u>(4,273)</u>	<u>(1,739)</u>	<u>-</u>	<u>-</u>	<u>(6,012)</u>	
Balance, December 31, 2019	<u>\$ 69,029</u>	<u>\$ 28,095</u>	<u>\$ 298</u>	<u>\$ 4,528</u>	<u>\$ 101,950</u>	
Net of right-of-use assets	<u>\$ 276,117</u>	<u>\$ 112,380</u>	<u>\$ 571</u>	<u>\$ 12,424</u>	<u>\$ 401,492</u>	

ELITEGROUP COMPUTER SYSTEMS CO., LTD.**SCHEDULE OF ACCOUNTS PAYABLE****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Vendor Name	Amount
Unrelated parties	
Vendor A	\$ 219,901
Vendor B	157,210
Vendor C	130,343
Vendor D	126,375
Vendor E	108,174
Vendor F	106,370
Others (Note)	<u>310,286</u>
	<u>1,158,659</u>
Related parties	
Golden Elite (Shenzhen) Co., Ltd. (興英科技)	1,266,164
Elitegroup Computer (Suzhou Industrial Park) Ltd.	292,014
Golden Elite (Shenzhen) Co., Ltd. (興英數位科技)	175,414
Others (Note)	<u>1,614</u>
	<u>1,735,206</u>
	<u>\$ 2,893,865</u>

Note: The amounts of vendor included in "others" did not individually exceed 5% of the total account balance.

ELITEGROUP COMPUTER SYSTEMS CO., LTD.**STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Summary	Lease Period	Discount Rates	Balance, December 31, 2019
Land and buildings	Mainly used for office	5 years	2.33%	\$ 768,243
Office equipment	For operation used	3 years	0.61%	572
Transportation equipment	For operation used	3 years	0.61%	<u>12,454</u>
				781,269
Transfer into current liabilities within a year				<u>(186,916)</u>
Lease liabilities - non-current				<u>\$ 594,353</u>

ELITEGROUP COMPUTER SYSTEMS CO., LTD.**SCHEDULE OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Item	Amount
Computer and peripheral products	\$ 25,628,473
Less: Sales returns and allowances	<u>15,749</u>
Net revenue	<u>\$ 25,612,724</u>

ELITEGROUP COMPUTER SYSTEMS CO., LTD.
SCHEDULE OF COST OF GOODS SOLD
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Balance, beginning of year	\$ 368,461
Add: Raw materials purchased	1,109,877
Less: Raw materials sold	955,395
Loss on abandonment of raw materials	3,579
Transferred to expenses	15,936
Balance, end of year (Note)	<u>320,107</u>
Raw materials used in current year	183,321
Indirect manufacturing expense	<u>11,334</u>
Manufacturing cost	194,655
Add: Work in process, beginning of year	2,600
Work in process purchased	9,891
Less: Work in process sold	137,138
Transferred to expenses	3,932
Work in process, end of year (Note)	<u>4,372</u>
Cost of finished goods	61,704
Add: Finished goods, beginning of year	515,270
Finished goods purchased	22,224,693
Less: Transferred to manufacturing or operating expenses	27,975
Finished goods, end of year (Note)	<u>458,883</u>
Costs of finished goods sold	22,314,809
Costs of raw materials sold	955,395
Costs of semi-finished goods sold	137,138
Loss on abandonment of inventory	3,579
Loss on inventory valuation	<u>5,796</u>
Cost of goods sold	<u>\$ 23,416,717</u>

Note: The corresponding year-end amounts above are \$290,766 thousand for raw materials, \$1,532 thousand for work in process and \$454,683 thousand for finished goods which take into account the allowance for inventory valuation and obsolescence loss.

ELITEGROUP COMPUTER SYSTEMS CO., LTD.**SCHEDULE OF MARKETING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Item	Amount
Repairs and maintenance expenses	\$ 139,455
Export expenses	110,068
Employee benefit expenses	118,707
Services expenses	65,669
Royalty expenses	34,413
Advertisement expenses	27,269
Others (Note)	<u>27,519</u>
	<u>\$ 523,100</u>

Note: The amounts of the items included in “others” did not individually exceed 5% of the total marketing expenses.

ELITEGROUP COMPUTER SYSTEMS CO., LTD.**SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Item	Amount
Employee benefit expenses	\$ 228,245
Services expenses	102,824
Depreciation expense	86,611
Others (Note)	<u>100,159</u>
	<u>\$ 517,839</u>

Note: The amounts of the items included in “others” did not individually exceed 5% of the total general and administrative expenses.

ELITEGROUP COMPUTER SYSTEMS CO., LTD.**SCHEDULE OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Item	Amount
Employee benefit expenses	\$ 490,267
Service expenses	51,812
Research material	45,613
Depreciation expense	42,647
Others (Note)	<u>65,778</u>
	<u>\$ 696,117</u>

Note: The amounts of the items included in “others” did not individually exceed 5% of the total research and development expenses.

ELITEGROUP COMPUTER SYSTEMS CO., LTD.

SCHEDULE OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2019

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

	2019			2018		
	Operating Costs	Operating Expenses	Non-operating Expenses	Operating Costs	Operating Expenses	Non-operating Expenses
Employee benefit expenses						
Payroll	\$ -	\$ 697,745	\$ -	\$ -	\$ 829,709	\$ -
Labor and health insurance	-	62,706	-	-	66,603	-
Pension expenses	-	34,917	-	-	38,662	-
Other employee costs	-	34,090	-	-	36,653	-
Remuneration of directors	-	7,761	-	-	7,947	-
	\$ -	\$ 837,219	\$ -	\$ -	\$ 979,574	\$ -
Depreciation expenses						
Amortization expenses	\$ -	\$ 133,741	\$ 34,649	\$ -	\$ 23,835	\$ 4,576
	\$ -	\$ 11,815	\$ -	\$ -	\$ 13,258	\$ -

Note 1: For the years ended December 31, 2019 and 2018, the Company had an average of 787 and 847 employees, respectively, which included 7 and 8 non-employee directors, respectively.

Note 2: The average amount of employee benefits expense of the Company in 2019 was \$1,063 thousand ((The total amount of employee benefits expense in the current year - Director's remuneration in the current year)/(The number of employees in the current year - The number of directors who did not serve concurrently as employees in the current year)). The average amount of employee benefits expense of the Company in 2018 was \$1,158 thousand ((The total amount of employee benefits expense in the previous year - Director's remuneration in the previous year)/(The number of employees in the previous year - The number of directors who did not serve concurrently as employees in the previous year)).

Note 3: The average amount of salary expense of the Company in 2019 was \$895 thousand ((The total amount of salary expense in the current year/(The number of employees in current year - The number of directors who did not serve concurrently as employees in the current year)). The average amount of salary expense of the Company in 2018 was \$989 thousand (The total amount of salary expense in the previous year/(The number of employees in the previous year - The number of directors who did not serve concurrently as employees in the previous year)).

Note 4: The average of salary expense adjustment of the Company decreased by 9.5% in 2019 ((The average amount of salary expense in the current year - The average amount of salary expense in the previous year)/The average amount of salary expense in the previous year).