

**Elitegroup Computer Systems Co., Ltd.
and Subsidiaries**

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

ELITEGROUP COMPUTER SYSTEMS CO., LTD.

By:

March 25, 2020

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

In our opinion, based on our audits and the report of other auditors (refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated 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 consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Recognition of Specific Sales Revenue

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

The Group's sales revenue in 2019 was NT\$ 28,291,303 thousand, which represented a decrease of approximately 11% from that of NT\$31,796,016 thousand in 2018. However, the sales revenue of certain specific products increased by approximately 50% on average compared to previous year. The sales revenue of specific products in 2019 was NT\$5,358,836 thousand, accounting for 19% 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 consolidated financial statements for the accounting policy on assessment of allowance for inventory valuation. Refer to Note 11 to the consolidated financial statements for the detailed information on inventory.

The inventories of the Group were stated at the lower of cost or net realizable value and amounted to NT\$2,741,315 thousand for the year ended December 31, 2019, accounting for 12% of the consolidated 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 Group'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 subsidiaries included in the consolidated 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 subsidiaries and affiliates included in the consolidated financial statements of the Group, such statements were audited by the other auditors instead. Our opinion, insofar as it relates to the amounts included for the abovementioned subsidiaries and affiliates, is based solely on the report of other auditors. The total assets of the abovementioned subsidiaries were \$1,426,754 thousand and \$1,837,730 thousand, respectively, which constituted 6% and 8% of the consolidated total assets as of December 31, 2019 and 2018, and total revenues were \$1,175,156 thousand and \$1,685,705 thousand, respectively, which constituted 4% and 5% of the consolidated total revenues for the years ended, respectively.

We have also audited the parent company only financial statements of Elitegroup Computer Systems Co., Ltd. as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion with other matter paragraph.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 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 consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

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

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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)	\$ 4,252,632	18	\$ 4,175,393	18
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	608,017	3	663,554	3
Financial assets at amortized cost - current (Notes 4, 9 and 34)	3,451,345	15	2,803,107	12
Notes receivable from unrelated parties (Note 10)	-	-	12,181	-
Accounts receivables (Notes 4, 5 and 10)	4,186,727	18	4,877,620	21
Accounts receivables from related parties (Notes 4, 5, 10 and 33)	138,008	-	240,004	1
Other receivables (Notes 4, 10 and 33)	140,737	1	127,261	-
Inventories (Notes 4, 5 and 11)	2,741,315	12	3,351,560	14
Prepayments	701,945	3	612,496	3
Other current assets - others	15,788	-	33,291	-
Total current assets	16,236,514	70	16,896,467	72
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	44,108	-	44,118	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	8,896	-	6,575	-
Investments accounted for using the equity method (Notes 4 and 13)	10,165	-	-	-
Property, plant and equipment (Notes 4, 5, 14 and 33)	2,671,997	11	2,854,471	12
Right-of-use assets (Notes 3, 4, 5, 15 and 33)	1,079,297	5	-	-
Investment properties (Notes 4 and 16)	549,788	2	409,685	2
Goodwill (Notes 4, 5 and 17)	603,620	3	608,748	3
Other intangible assets (Notes 4, 18 and 33)	14,098	-	24,062	-
Deferred tax assets (Notes 4, 5 and 29)	1,406,966	6	1,476,750	6
Prepayments for equipment	283,898	1	113,664	1
Refundable deposits	225,248	1	236,812	1
Overdue receivables (Notes 4 and 10)	45,000	-	46,103	-
Net defined benefit assets (Notes 4, 5 and 25)	123,284	1	111,485	-
Prepayments for lease - non-current (Notes 4 and 19)	-	-	618,182	3
Other non-current assets	50,349	-	53,261	-
Total non-current assets	7,116,714	30	6,603,916	28
TOTAL	\$ 23,353,228	100	\$ 23,500,383	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 20)	\$ 1,798,800	8	\$ 1,474,320	6
Accounts payable (Note 21)	4,212,106	18	4,630,213	19
Other payables (Notes 23 and 33)	1,201,983	5	1,379,807	6
Current tax liabilities (Notes 4, 5 and 29)	134,187	1	186,306	1
Provisions - current (Notes 4, 5 and 24)	224,299	1	247,861	1
Lease liabilities - current (Notes 3, 4, 5, 15 and 33)	219,713	1	-	-
Other advances received (Note 23)	2,751,737	12	2,751,737	12
Finance lease payables - current (Notes 4 and 22)	-	-	1,464	-
Other current liabilities (Note 23)	1,030,073	4	1,173,702	5
Total current liabilities	11,572,898	50	11,845,410	50
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4, 5 and 29)	33,356	-	171,861	1
Lease liabilities - non-current (Notes 3, 4, 5, 15 and 33)	659,817	3	-	-
Finance lease payables - non-current (Notes 4 and 22)	-	-	2,796	-
Long-term deferred revenue (Notes 4 and 23)	44,201	-	-	-
Guarantee deposits received	24,192	-	19,487	-
Unrealized gain on sale and leaseback (Notes 4 and 14)	-	-	289,465	1
Total non-current liabilities	761,566	3	483,609	2
Total liabilities	12,334,464	53	12,329,019	52
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 26 and 29)				
Share capital				
Common shares	5,574,030	24	5,574,030	24
Capital surplus	5,913,183	25	5,881,933	25
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)	(3)	(673,354)	(3)
Total equity attributable to owners of the Company	10,950,004	47	11,010,705	47
NON-CONTROLLING INTERESTS (Notes 4 and 26)	68,760	-	160,659	1
Total equity	11,018,764	47	11,171,364	48
TOTAL	\$ 23,353,228	100	\$ 23,500,383	100

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

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

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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, 24, 27 and 33)	\$ 28,291,303	100	\$ 31,796,016	100
OPERATING COSTS (Notes 11, 28 and 33)	<u>25,196,020</u>	<u>89</u>	<u>29,279,029</u>	<u>92</u>
GROSS PROFIT	<u>3,095,283</u>	<u>11</u>	<u>2,516,987</u>	<u>8</u>
OPERATING EXPENSES (Notes 4, 5, 25, 28 and 33)				
Marketing	618,966	2	650,117	2
General and administrative	996,408	4	1,124,862	4
Research and development	<u>942,356</u>	<u>3</u>	<u>1,065,592</u>	<u>3</u>
Total operating expenses	<u>2,557,730</u>	<u>9</u>	<u>2,840,571</u>	<u>9</u>
OTHER OPERATING INCOME AND EXPENSES (Notes 12 and 23)	<u>(523,362)</u>	<u>(2)</u>	<u>-</u>	<u>-</u>
INCOME (LOSS) FROM OPERATIONS	<u>14,191</u>	<u>-</u>	<u>(323,584)</u>	<u>(1)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 13, 14, 15, 28 and 33)				
Other gains and losses	(182,404)	(1)	116,851	-
Finance costs	(103,890)	-	(77,500)	-
Interest income	151,051	-	124,023	-
Other income	230,488	1	203,573	1
Share of loss of associates	<u>(21,230)</u>	<u>-</u>	<u>(14,063)</u>	<u>-</u>
Total non-operating income and expenses	<u>74,015</u>	<u>-</u>	<u>352,884</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	88,206	-	29,300	-
INCOME TAX EXPENSE (Notes 4, 5 and 29)	<u>35,145</u>	<u>-</u>	<u>7,286</u>	<u>-</u>
NET PROFIT	<u>53,061</u>	<u>-</u>	<u>22,014</u>	<u>-</u>

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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, 25, 26 and 29)				
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 relating 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	(186,657)	-	(108,245)	-
Income tax related to components of other comprehensive income	<u>36,413</u>	<u>-</u>	<u>44,524</u>	<u>-</u>
	<u>(150,244)</u>	<u>-</u>	<u>(63,721)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(142,324)</u>	<u>-</u>	<u>(55,644)</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (89,263)</u>	<u>-</u>	<u>\$ (33,630)</u>	<u>-</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 45,779	-	\$ 20,412	-
Non-controlling interests	<u>7,282</u>	<u>-</u>	<u>1,602</u>	<u>-</u>
	<u>\$ 53,061</u>	<u>-</u>	<u>\$ 22,014</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ (91,951)	-	\$ (40,300)	-
Non-controlling interests	<u>2,688</u>	<u>-</u>	<u>6,670</u>	<u>-</u>
	<u>\$ (89,263)</u>	<u>-</u>	<u>\$ (33,630)</u>	<u>-</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 30)				
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 consolidated financial statements.

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

(Concluded)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Shareholders of the Parent (Notes 4, 13, 25, 26 and 29)									
	Retained Earnings			Other Equity			Financial Assets at Fair Value Through Other Comprehensive Income			
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Deficits to Be Offset)	Exchange Differences on Translating Foreign Operations	Other	Fair Value Through Other Comprehensive Income	Non-controlling Interests (Notes 4 and 26)	Total Equity
BALANCE AT JANUARY 1, 2018	\$ 5,574,030	\$ 6,427,295	\$ -	\$ -	\$ 207,486	\$ (604,818)	\$ 2,340	\$ -	\$ 153,989	\$ 11,760,322
Appropriation of the 2017 earnings	-	-	22,176	-	(22,176)	-	-	-	-	-
Legal reserve	-	-	-	185,310	(185,310)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus	-	(557,403)	-	-	-	-	-	-	-	(557,403)
Cash dividends distributed from capital surplus	-	12,041	-	-	-	-	-	-	-	12,041
Other changes in capital surplus - dividends unclaimed by shareholders	-	-	-	-	-	-	-	-	-	-
Changes in investments in associates accounted for using the equity method	-	-	-	-	(9,966)	-	-	-	-	(9,966)
Net profit for the year ended December 31, 2018	-	-	-	-	20,412	-	-	-	1,602	22,014
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(68,789)	(2,087)	-	5,068	(55,644)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	10,164	(68,789)	(2,087)	-	6,670	(33,630)
BALANCE AT DECEMBER 31, 2018	5,574,030	5,881,933	22,176	185,310	20,610	(673,607)	253	-	160,659	11,171,364
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	-	-	-	-
BALANCE AT JANUARY 1, 2019 AS RESTATED	5,574,030	5,881,933	22,176	185,310	20,610	(673,607)	253	-	160,659	11,171,364
Appropriation of the 2018 earnings	-	-	2,041	-	(2,041)	-	-	-	-	-
Legal reserve	-	-	-	18,569	(18,569)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus	-	-	-	-	-	-	-	-	-	-
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	-	-	-	7,282	53,061
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(5,987)	(145,650)	1,933	-	(4,594)	(142,324)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	51,766	(145,650)	1,933	-	2,688	(89,263)
Changes in non-controlling interest through capital reduction by subsidiary	-	-	-	-	-	-	-	-	(94,587)	(94,587)
BALANCE AT DECEMBER 31, 2019	\$ 5,574,030	\$ 5,913,183	\$ 24,217	\$ 203,879	\$ 51,766	\$ (819,257)	\$ 2,186	\$ -	\$ 68,760	\$ 11,018,764

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

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

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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	\$ 88,206	\$ 29,300
Adjustments for:		
Depreciation expenses	599,224	400,427
Amortization expenses	102,274	90,668
Expected credit (reversed) loss recognized on accounts/other/ overdue receivables	(15,961)	11,806
Net (gain) loss on fair value changes of financial assets at fair value through profit or loss	(25,259)	16,328
Finance costs	103,890	77,500
Interest income	(151,051)	(124,023)
Share of loss of associates accounted for using the equity method	21,230	14,063
Loss (gain) on disposal of property, plant and equipment, net	12,065	(92,709)
Loss on disposal of associates	-	332
Impairment loss recognized on non-financial asset	27,599	64,701
Unrealized net loss on foreign currency exchange	233,459	22,505
Amortization of unrealized gain on sale and leaseback	-	(58,175)
Amortization of prepayments for long-term lease	-	17,675
Net changes in operating assets and liabilities		
Decrease (increase) in financial assets mandatorily classified as at fair value through profit or loss	80,806	(194,991)
Notes receivable	12,181	(12,181)
Accounts receivables	721,222	(17,650)
Other receivables	(45,341)	130,155
Inventories	589,886	31,125
Prepayments	(136,821)	(186,210)
Other current assets	17,504	1,277
Overdue receivables	-	20,067
Net defined benefit assets	(3,768)	(4,421)
Accounts payables	(347,363)	(769,891)
Other payables	(113,329)	(128,372)
Provisions	(23,465)	(59,486)
Other current liabilities	(143,630)	137,851
Cash generated from (used in) operations	1,603,558	(582,329)
Interest received	150,849	114,309
Interest paid	(72,843)	(67,978)
Income tax paid	(160,281)	(186,947)
Net cash generated from (used in) operating activities	<u>1,521,283</u>	<u>(722,945)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Financial assets at amortized cost	(701,263)	(1,698,162)
Payments for investments accounted for using the equity method	-	(18,763)
Net cash inflow on disposal of associates	-	341
Payments for property, plant and equipment	(352,406)	(281,933)

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Proceeds from disposal of property, plant and equipment	\$ 8,848	\$ 106,052
Increase in other advances received	-	2,751,737
Increase in refundable deposits	(3,363)	(7,448)
Decrease in refundable deposits	5,359	3,190
Payments for intangible assets	(11,080)	(14,229)
Payments for investment properties	(390)	-
Increase in other non-current assets	(33,698)	(32,983)
Increase in prepayments for equipment	<u>(249,229)</u>	<u>(115,379)</u>
Net cash (used in) generated from investing activities	<u>(1,337,222)</u>	<u>692,423</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	300,063	(43,186)
Guarantee deposits received	15,250	6,449
Guarantee deposits refunded	(10,122)	(2,869)
Decrease in finance lease payables	-	(1,572)
Repayment of the principal portion of lease liabilities	(240,647)	-
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 generated from (used in) financing activities	<u>64,544</u>	<u>(586,540)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(171,366)</u>	<u>(86,313)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	77,239	(703,375)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	<u>4,175,393</u>	<u>4,878,768</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
	<u>\$ 4,252,632</u>	<u>\$ 4,175,393</u>

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

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

(Concluded)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED 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 consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated 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 (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 Group’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 Group 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 Group as lessee

The Group 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 consolidated 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 consolidated statements of comprehensive income, the Group 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 consolidated 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. Prepaid lease payment for land use right of Golden Elite Technology' (興英科技) and Elitegroup Computer (Suzhou Industrial Park) Ltd. were recognized as prepayment for lease - non-current, and were amortized over their useful lives. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group 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 Group applied IFRS 16 on January 1, 2019.

The leases previously classified as operating leases under IAS 17. 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 Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

- a) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Group 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 Group 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 Group 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 Group 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 headquarters land and building located in Neihu previously accounted for as a sale and an operating lease under IAS 17, the Group adjusts the leaseback right-of-use assets for any deferred gains recognized on January 1, 2019.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 2.14%. 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	\$ 1,088,720
Less: Recognition exemption for short-term leases	(126)
Less: Recognition exemption for leases of low-value assets	(2)
Add: Others	<u>920</u>
Undiscounted amounts on January 1, 2019	<u>\$ 1,089,512</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 1,042,546
Add: Finance lease liabilities (excluding the amounts applied for the exemption for short-term leases and leases of low-value assets) on December 31, 2018	<u>4,260</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 1,046,806</u>

The Group as lessor

The Group 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 Group subleased its leasehold the headquarters land and building located in Neihu to a third party in 2013. Such sublease was classified as an operating lease under IAS 17. The Group determines the sublease is classified as a 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
Property, plant and equipment	\$ 5,167	\$ (5,167)	\$ -
Right-of-use assets	-	1,261,968	1,261,968
Investment properties	-	124,874	124,874
Refundable deposits	200,400	(10,412)	189,988
Prepayments for leases	<u>618,182</u>	<u>(618,182)</u>	<u>-</u>
Total effect on assets	<u>\$ 823,749</u>	<u>\$ 753,081</u>	<u>\$ 1,576,830</u>

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Lease liabilities - current	\$ -	\$ 199,398	\$ 199,398
Finance lease payable - current	1,464	(1,464)	-
Lease liabilities - non-current	-	847,408	847,408
Finance lease payable - non-current	2,796	(2,796)	-
Unrealized gain on sale and leaseback	<u>289,465</u>	<u>(289,465)</u>	<u>-</u>
Total effect on liabilities	<u>\$ 293,725</u>	<u>\$ 753,081</u>	<u>\$ 1,046,806</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 Group 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 Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

- c. New IFRSs 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 Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’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 Group 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 Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group 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 Group’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 Group’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 consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for 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.

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 12 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 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

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

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

See Note 12 and Tables 6 and 7 for details on subsidiaries, including the percentages of their ownership and main businesses.

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity'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 consolidated financial statements, the assets and liabilities of the Group's foreign operations (including the subsidiaries and associates 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.

f. 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.

g. Investment in associates

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

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

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

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

When the 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 Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group'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 Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of 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 Group 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 attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

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

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Before January 1, 2019, property, plant and equipment also included assets held under finance leases.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. For assets which were held under finance leases before January 1, 2019, if their respective lease terms are shorter than their useful lives, such assets are depreciated over their lease terms. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates 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 and equipment 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.

All the depreciation are 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 Group'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 Group 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 any impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual 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 is 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 (deducting amortization or depreciation) 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 Group 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 FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL 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 categories

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

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, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 32.

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, notes receivables at amortized cost and trade receivables, 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.

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

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

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 impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the 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) Equity instruments

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

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

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

3) 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, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 32.

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 to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Group's obligations.

o. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods mainly 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, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Revenue and trade receivables are recognized concurrently.

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 Group recognizes revenue upon completion of service contracts.

p. Leasing

2019

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

1) The Group as lessor

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

When the Group 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 Group, 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 Group 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 Group as lessee

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

Right-of-use assets are initially measured at cost, 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 consolidated 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 Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in 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 Group 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 consolidated 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 a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

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

2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

Contingent rentals are recognized as expenses in the period in which they are incurred.

q. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

r. 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.

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the 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 Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group'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 10. 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 calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating units 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 deferred tax assets mainly depends on whether sufficient future profit or taxable temporary differences will be available. In cases where the actual future profit generated is 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 such a reversal takes place.

e. Recognition and measurement of provisions

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

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

	<u>December 31</u>	
	2019	2018
Petty cash and foreign cash on hand	\$ 1,209	\$ 1,378
Checking accounts and demand deposits	1,793,542	1,474,932
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	2,307,981	2,430,767
Repurchase agreements collateralized by bonds	<u>149,900</u>	<u>268,316</u>
	<u>\$ 4,252,632</u>	<u>\$ 4,175,393</u>

The interest rates for time deposits with original maturities of less than three months were ranging from 0.59% to 2.33% and 0.59% to 3.25% as at December 31, 2019 and 2018, respectively.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2019	2018
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ 608,017</u>	<u>\$ 663,554</u>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Foreign unlisted shares	\$ 8	\$ 18
Domestic unlisted shares	<u>44,100</u>	<u>44,100</u>
	<u>\$ 44,108</u>	<u>\$ 44,118</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investment in Equity Instruments at FVTOCI

	<u>December 31</u>	
	2019	2018
<u>Equity instruments</u>		
<u>Non-current</u>		
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares - MiTAC Holdings Corporation	<u>\$ 8,896</u>	<u>\$ 6,575</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2019	2018
<u>Current</u>		
Domestic investments		
Time deposits with original maturity of more than 3 months (a)	\$ 3,142,359	\$ 2,794,038
Repurchase agreements collateralized by bonds with original maturities of more than 3 months (a)	301,599	4,675
Pledged time deposits (b)	<u>7,387</u>	<u>4,394</u>
	<u>\$ 3,451,345</u>	<u>\$ 2,803,107</u>

- a. The interest rates for time deposits with original maturities of more than 3 months were ranging from 0.63% to 2.35% and 0.60% to 3.50% as at December 31, 2019 and 2018, respectively.
- b. Refer to Note 34 for information relating to investments in financial assets at amortized cost pledged as security.
- c. Refer to Note 10 for information relating to their credit risk management and impairment.

10. NOTES RECEIVABLE, TRADE RECEIVABLES, OTHER RECEIVABLES AND OVERDUE RECEIVABLES

	<u>December 31</u>	
	2019	2018
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ <u>-</u>	\$ <u>12,181</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount - third parties - operating	\$ 4,195,198	\$ 4,915,125
Less: Allowance for impairment loss	<u>(8,471)</u>	<u>(37,505)</u>
	4,186,727	4,877,620
At amortized cost		
Gross carrying amount - related parties - operating	<u>138,008</u>	<u>240,004</u>
	<u>\$ 4,324,735</u>	<u>\$ 5,117,624</u>

(Continued)

	December 31	
	2019	2018
<u>Other receivables</u>		
Value-added tax refund receivable	\$ 41,708	-
Tax refund receivable	59,620	47,947
Others	61,126	101,438
Less: Allowance for impairment loss	<u>(21,717)</u>	<u>(22,124)</u>
	<u>\$ 140,737</u>	<u>\$ 127,261</u>
<u>Overdue receivables</u>		
Overdue receivables	\$ 3,141,358	\$ 3,213,136
Less: Allowance for impairment loss	<u>(3,096,358)</u>	<u>(3,167,033)</u>
	<u>\$ 45,000</u>	<u>\$ 46,103</u> (Concluded)

a. Trade receivables

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

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 Group 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 Group 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 Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade 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 Group'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 Group's different customer base.

The Group recognized an allowance for impairment loss of 100% against trade receivables 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, or when the trade receivables are not recoverable. For the uncollectible trade receivables, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2019

	Not Past Due	1 to 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 4,147,139	\$ 105,102	\$ 7,667	\$ 8,212	\$ 65,086	\$ 4,333,206
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(661)</u>	<u>-</u>	<u>(112)</u>	<u>(7,698)</u>	<u>(8,471)</u>
Amortized cost	<u>\$ 4,147,139</u>	<u>\$ 104,441</u>	<u>\$ 7,667</u>	<u>\$ 8,100</u>	<u>\$ 57,388</u>	<u>\$ 4,324,735</u>

December 31, 2018

	Not Past Due	1 to 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 4,785,909	\$ 332,161	\$ 1,233	\$ -	\$ 35,826	\$ 5,155,129
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(1,635)</u>	<u>(44)</u>	<u>-</u>	<u>(35,826)</u>	<u>(37,505)</u>
Amortized cost	<u>\$ 4,785,909</u>	<u>\$ 330,526</u>	<u>\$ 1,189</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,117,624</u>

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

	2019	2018
Balance at January 1	\$ 37,505	\$ 5,168
Add: Net remeasurement of loss allowance	-	31,872
Less: Net remeasurement of loss allowance reversed	(2,520)	-
Reclassification	(26,681)	-
Foreign exchange gains and losses	<u>167</u>	<u>465</u>
Balance at December 31	<u>\$ 8,471</u>	<u>\$ 37,505</u>

b. Other receivables

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

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

	2019	2018
Balance at January 1	\$ 22,124	\$ 21,595
Foreign exchange gains and losses	<u>(407)</u>	<u>529</u>
Balance at December 31	<u>\$ 21,717</u>	<u>\$ 22,124</u>

c. Overdue receivables

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

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

	2019	2018
Balance at January 1	\$ 3,167,033	\$ 3,100,702
Less: Amount written off	(11,046)	(4,732)
Less: Net remeasurement of loss allowance reversed	(13,441)	(20,066)
Reclassification	26,681	-
Foreign exchange gains and losses	<u>(72,869)</u>	<u>91,129</u>
Balance at December 31	<u>\$ 3,096,358</u>	<u>\$ 3,167,033</u>

11. INVENTORIES

	<u>December 31</u>	
	2019	2018
Finished goods	\$ 1,186,796	\$ 1,304,092
Work in progress	136,467	87,389
Raw materials	<u>1,418,052</u>	<u>1,960,079</u>
	<u>\$ 2,741,315</u>	<u>\$ 3,351,560</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018, were \$25,196,020 thousand and \$29,279,029 thousand, respectively. The cost of goods sold for the years ended December 31, 2019 and 2018 included inventory write-downs of \$27,599 thousand and \$27,385 thousand, respectively.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Principal Activities	<u>% of Ownership</u>		Note
			2019	2018	
Elitegroup Computer Systems Co., Ltd.	Elitegroup Computer Systems (HK) Co., Ltd.	Sale of motherboards, computer peripheral products and related components	100.00	100.00	
	Elitegroup Computer Systems (Japan) Co., Ltd.	Sale of motherboards, notebook computers, computer peripheral products and related components	100.00	100.00	
	Elitegroup Computer Systems Holding Co., Ltd. (BVI)	Investment holding	100.00	100.00	
	ECS Holding (America) Co. (USA)	Investment holding	100.00	100.00	
	Elitegroup Computer Systems (Korea) Co., Ltd.	Sale of motherboards, maintenance and intermediary of products	100.00	100.00	
	Dragon Asia Trading Co., Ltd. (BVI)	Investment holding	100.00	100.00	a, b
	Unitop International Corp.	Investment holding	100.00	100.00	
	Unity Investments Limited	Investment holding	100.00	100.00	
	ECS Holding (HK) Co., Limited	Investment holding	100.00	100.00	a
	Elitegroup Technology (Thailand) Co., Ltd.	Sale of computer peripheral products	99.99	-	d
Dragon Asia Trading Co., Ltd. (BVI)	Million Up Finance Limited	Investment holding	100.00	100.00	a, b
Elitegroup Computer Systems Holding Co., Ltd. (BVI)	Venture Well Holdings Ltd. (BVI)	Investment holding	68.45	68.45	f
Elitegroup Computer Systems (HK) Co., Ltd.	Xun Rui Electron (Shenzhen) Co., Ltd.	Manufacture and maintenance of electrical equipment and instrument, computer peripheral products and cases	100.00	100.00	
	Beijing Xun Ron Technology Co., Ltd.	Manufacture and maintenance of electrical equipment and instrument, computer peripheral products and cases	100.00	100.00	

(Continued)

Name of Investor	Name of Subsidiary	Principal Activities	% of Ownership		Note
			2019	2018	
ECS Holding (America) Co. (USA)	Super ECS USA, Inc.	Sale of motherboards, computer peripheral products and related components	100.00	100.00	
	Elitegroup Computer Systems Inc. (USA)	Sale of motherboards, notebook computers, computer peripheral products, related components and systems assembled	100.00	100.00	
Unitop International Corp.	Elitegroup Computer (Suzhou Industrial Park) Ltd.	Research, development and manufacture of notebook computers and related components	100.00	100.00	
Unity Investments Limited	Unique Sino Limited	Investment holding	100.00	100.00	
Million Up Finance Limited	Golden Elite Technology (Shenzhen) Co., Ltd. (興英科技(深圳)有限公司)	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook computers and peripheral products	100.00	100.00	a, b
	Golden Elite Technology (Shenzhen) Co., Ltd. (興英數位科技(深圳)有限公司)	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook computers and peripheral products	100.00	100.00	a
Venture Well Holdings Limited (BVI)	Affirm International Limited (BVI)	Investment holding	100.00	100.00	
	Advazone International Limited (BVI)	Investment holding	100.00	100.00	
Unique Sino Limited	Alpha Leader Limited (HK)	Trade of IC and electric components	100.00	100.00	e
	ECS Trading (Shenzhen) Co., Ltd.	Wholesale, trade, maintenance and technical consultation of computers and peripheral products	100.00	100.00	
Affirm International Limited (BVI)	Protac International Computer, S.L.	Sale of computer peripheral products	100.00	100.00	
Advazone International Limited (BVI)	Beijing Advazone Electronic Co., Ltd.	Wholesale, maintenance and technical consultation of computers and peripheral products and related components	100.00	100.00	
Alpha Leader Limited (HK)	Orbbit International Corp.	Sale of IC and electric components	-	-	c
ECS Holding (HK) Co., Ltd.	ECS Digital Technology (Shenzhen) Ltd.	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook computers and peripheral products	100.00	100.00	a

(Concluded)

The subsidiaries listed above were included in the consolidated financial statements for the years ended December 31, 2019 and 2018. Although the financial statements of some subsidiaries which were undergoing liquidation or whose operations have ceased were not audited by the independent accountants, the conditions would have had no material effect on the Group's consolidated financial statements for the years ended December 31, 2019 and 2018.

Other investment information is as follows:

- a. 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 (the "Ever Unicorn"), which was to be executed in two sections.

1) 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.

2) 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, plant constructing, and equipment installing 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 23), 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 paid RMB 113,548 thousand in 2019, and will pay the remaining RMB 415 thousand in 2020. Golden Elite Technology (興英科技) completed the splitting process on July 1, 2019, and transferred non-target net assets of RMB 454,051 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.

- b. 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.
- c. The board of directors of Orbit International Corp. approved the liquidation plan in June 2017, and completed the liquidation process in March 2018. The liquidation amount of US\$464 thousand was remitted to its investor, Alpha Leader Limited, in April 2018.
- d. 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.
- e. The board of directors of Alpha leader (HK) approved the capital reduction to write off accumulated losses of Alpha leader (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).
- f. 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 proportion of shares held by Elitegroup Computer Systems Holding Co., Ltd. (BVI), the amount of capital reduction was US\$6,845 thousand.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	2018
Associates that are not individually material		
IoTecha Corp.		
Common shares	\$ -	\$ -
Preferred shares	<u>10,165</u>	<u>-</u>
	10,165	-
Trid Pacific Inc.	<u>-</u>	<u>-</u>
	<u>\$ 10,165</u>	<u>\$ -</u>

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2019	2018
The Group's share of:		
Loss from continuing operations	\$ (21,230)	\$ (14,063)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u>\$ (21,230)</u>	<u>\$ (14,063)</u>

a. IoTecha Corp.

IoTecha Corp. is mainly engaged in the design of smart charging systems and software developments, of which 26.27% equity is held indirectly by the Company through ECS Holding (America) Corporation's investment of US\$1,500 thousand as of December 31, 2016. Iotecha Corp. increased capital by cash in the first half of 2018, and ECS Holding (America) Co. (USA) continued its investment in Iotecha Corp. for US\$625 thousand in May 2018, therefore the shareholding ratio was raised to 30.49%. ECS Holding (America) Co. (USA) transferred 1,250,005 shares from its originally held ordinary shares into 1,108,942 preferred shares in 2018, after transferred ECS Holding (America) Co. (USA) held 2,000,000 common shares (IoTecha Corp. issued 9,393,340 common shares) and 1,108,942 preferred shares (IoTecha Corp. issued 3,726,402 preferred shares). In December 2019, Iotecha Corp. increased its capital. Holding (America) Co. (USA) disproportionately subscribed for the newly-issued shares, causing a change in its existing ownership percentage to 15.38%. However, Elite Computer (U.S.A.) Holdings is still a board member of IoTecha Corp, so it is accounted for using the equity method.

b. Trid Pacific Inc.

Trid Pacific Inc., an unrelated party, is mainly engaged in the research, development, design and sales of artificial satellite integration and image data processing. The Company invested \$9,450 thousand in March 2017 in Trid Pacific Inc., hence acquiring a 29.53% interest in the aforementioned company. 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, the share of profit or loss and other comprehensive income for investments of Iotecha Corp. in 2019 as well as Iotecha Corp. and Trid Pacific Inc. in 2018 were calculated based on financial statements which have not been audited. Management believes there will be no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of Iotecha Corp. in 2019 as well as Iotecha Corp. and Trid Pacific Inc. in 2018.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings and Improvements	Equipment	Transportation Equipment	Assets under Finance Lease	Other Equipment	Total
<u>Cost</u>						
Balance at January 1, 2019	\$ 3,024,344	\$ 4,280,619	\$ 21,688	\$ 6,479	\$ 930,109	\$ 8,263,239
Adjustments on initial application of IFRS 16	-	-	-	(6,479)	-	(6,479)
Balance at January 1, 2019 (restated)	3,024,344	4,280,619	21,688	-	930,109	8,256,760
Additions	-	276,008	1,493	-	70,133	347,634
Disposals	-	(289,323)	(726)	-	(61,229)	(351,278)
Effect of foreign currency exchange differences	(116,138)	(165,793)	(846)	-	(24,263)	(307,040)
Balance at December 31, 2019	<u>2,908,206</u>	<u>4,101,511</u>	<u>21,609</u>	<u>-</u>	<u>914,750</u>	<u>7,946,076</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2019	1,769,199	2,877,041	15,496	1,312	745,720	5,408,768
Adjustments on initial application of IFRS 16	-	-	-	(1,312)	-	(1,312)
Balance at January 1, 2019 (restated)	1,769,199	2,877,041	15,496	-	745,720	5,407,456
Depreciation expenses	132,937	210,293	1,300	-	56,406	400,936
Disposals - accumulated depreciation	-	(237,340)	(650)	-	(56,517)	(294,507)
Disposals - accumulated impairment	-	(35,770)	-	-	(88)	(35,858)
Effect of foreign currency exchange differences	(73,226)	(110,617)	(596)	-	(19,509)	(203,948)
Balance at December 31, 2019	<u>1,828,910</u>	<u>2,703,607</u>	<u>15,550</u>	<u>-</u>	<u>726,012</u>	<u>5,274,079</u>
Carrying amounts at December 31, 2019	<u>\$ 1,079,296</u>	<u>\$ 1,397,904</u>	<u>\$ 6,059</u>	<u>\$ -</u>	<u>\$ 188,738</u>	<u>\$ 2,671,997</u>
<u>Cost</u>						
Balance at January 1, 2018	\$ 3,034,789	\$ 4,184,009	\$ 20,307	\$ 6,593	\$ 888,982	\$ 8,134,680
Additions	44,123	206,343	3,280	-	69,690	323,436
Disposals	(13,491)	(33,238)	(1,608)	-	(18,066)	(66,403)
Effect of foreign currency exchange differences	(41,077)	(76,495)	(291)	(114)	(10,497)	(128,474)
Balance at December 31, 2018	<u>3,024,344</u>	<u>4,280,619</u>	<u>21,688</u>	<u>6,479</u>	<u>930,109</u>	<u>8,263,239</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2018	1,669,675	2,710,927	16,155	742	716,307	5,113,806
Depreciation expenses	132,550	210,379	969	594	51,359	395,851
Disposals	(8,383)	(29,835)	(1,447)	-	(13,395)	(53,060)
Impairment losses recognized	-	37,316	-	-	-	37,316
Effect of foreign currency exchange differences	(24,643)	(51,746)	(181)	(24)	(8,551)	(85,145)
Balance at December 31, 2018	<u>1,769,199</u>	<u>2,877,041</u>	<u>15,496</u>	<u>1,312</u>	<u>745,720</u>	<u>5,408,768</u>
Carrying amounts at December 31, 2018	<u>\$ 1,255,145</u>	<u>\$ 1,403,578</u>	<u>\$ 6,192</u>	<u>\$ 5,167</u>	<u>\$ 184,389</u>	<u>\$ 2,854,471</u>

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

Buildings	
Buildings	20 years
Improvements	2 to 15 years
Equipment	3 to 15 years
Transportation	4 to 5 years
Assets under finance lease	5 years
Other equipment	2 to 10 years

There were 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 a 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 the 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.

The plant of the subsidiary, Elitegroup Computer (Suzhou Industrial Park) Ltd., is under reorganization by phasing out equipment that is no longer productive. The Group expects the decline in future economic benefits and cash flows of those equipment by recognizing \$37,316 thousand as an impairment loss in the consolidated statements of comprehensive income within other gains and losses in 2018 (subsidiary Golden Elite Technology (Shenzhen) Co., Ltd. and Elitegroup Computer (Suzhou Industrial Park) Ltd dealt with the equipment that had been impaired in 2019, so the relevant accumulated impairments were excluded).

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Land	\$ 857,953
Buildings	205,006
Machinery	2,914
Office equipment	570
Transportation equipment	<u>12,854</u>
	<u>\$ 1,079,297</u>
	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 51,648</u>
Depreciation charge for right-of-use assets	
Land	\$ 91,060
Buildings	63,320
Machinery	4,234
Office equipment	298
Transportation equipment	<u>4,727</u>
	<u>\$ 163,639</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 (as set out in Note 16). 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**

Carrying amounts

Current	<u>\$ 219,713</u>
Non-current	<u>\$ 659,817</u>

Range of discount rate for lease liabilities was as follows:

**December 31,
2019**

Buildings	1.61%-4.65%
Machinery	4.65%
Office equipment	0.61%
Transportation equipment	0.61%

c. Material lease-in activities and terms

The Group leases certain land and building for the use of product manufacturing and office with lease terms of 3 to 50 years.

The lease of land located in People's Republic of China is the land use rights of Elitegroup Computer (Suzhou Industrial Park) Ltd. and Golden Elite Technology (Shenzhen) Co., Ltd. (興英科技(深圳)有限公司). The Group does not have bargain purchase options to acquire the leasehold land and building at the end of the lease term.

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 14), 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 fourth 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 arrangement under operating lease for the leasing out of the freehold and subleases its investment properties are set out in Note 16.

2019

**For the Year
Ended
December 31,
2019**

Expenses relating to short-term leases	\$ 13,731
Expenses relating to low-value asset leases	\$ 3,080
Total cash outflow for leases	\$ (257,183)

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

The amount of 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	\$ 228,739
Later than 1 year and not later than 5 years	859,981
More than 5 years	-
	<u>\$ 1,088,720</u>

16. 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	-	-	124,874	124,874
Balance at January 1, 2019 (restated)	377,129	154,816	124,874	656,819
Additions	-	390	-	390
Reclassification	-	-	55,500	55,500
Balance at December 31, 2019	<u>377,129</u>	<u>155,206</u>	<u>180,374</u>	<u>712,709</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2019		107,587	-	107,587
Depreciation expense		4,586	30,063	34,649
Reclassification		-	6,012	6,012
Balance at December 31, 2019		<u>112,173</u>	<u>36,075</u>	<u>148,248</u>

(Continued)

	Land	Buildings and Improvements	Right-of-use Assets	Total
<u>Accumulated impairment</u>				
Balances at January 1, 2019 and December 31, 2019	\$ <u>14,673</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>
<u>Cost</u>				
Balance at January 1, 2018 and December 31, 2018	\$ <u>377,129</u>	\$ <u>154,816</u>	\$ _____ -	\$ <u>531,945</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2018		103,011	-	103,011
Depreciation expense		<u>4,576</u>	-	<u>4,576</u>
Balance at December 31, 2018		<u>107,587</u>	-	<u>107,587</u>
<u>Accumulated impairment</u>				
Balances at January 1, 2018 and December 31, 2018	<u>14,673</u>	_____ -	_____ -	<u>14,673</u>
Carrying amounts at December 31, 2018	\$ <u>362,456</u>	\$ <u>47,229</u>	\$ _____ -	\$ <u>409,685</u> (Concluded)

The investment properties held by the Group mainly consisted of buildings and improvements which are depreciated using the straight-line method over their estimated useful lives of 10 to 45 years and 3 to 25 years, respectively.

The investment properties held by the Group 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>-</u>
	<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>-</u>
	<u>\$ 208,404</u>

17. GOODWILL

	<u>For the Year Ended December 31</u>	
	2019	2018
<u>Cost</u>		
Balance at January 1	\$ 1,012,245	\$ 1,005,582
Effect of foreign currency exchange differences	<u>(5,128)</u>	<u>6,663</u>
Balance at December 31	1,007,117	1,012,245
<u>Accumulated impairment losses</u>		
Balances at January 1 and December 31	<u>(403,497)</u>	<u>(403,497)</u>
Carrying amounts at December 31	<u>\$ 603,620</u>	<u>\$ 608,748</u>

The carrying amounts of goodwill allocated to cash-generating units are as follows:

	<u>For the Year Ended December 31</u>	
	2019	2018
Motherboard and barebone system business	\$ 209,170	\$ 214,298
Mobile product business	<u>394,450</u>	<u>394,450</u>
	<u>\$ 603,620</u>	<u>\$ 608,748</u>

Goodwill is the premium generated from the business combination or business acquisition of mobile products, motherboard and barebone system businesses.

Cash-generating units (CGUs) to which goodwill has been allocated, such as motherboards, barebone system businesses and mobile product businesses, are tested for impairment annually.

The calculation of the recoverable amount of the goodwill of the Group was based on their value in use. In this calculation, the Group used cash flow projections for a budget period that are based on the key asset's remaining durable years, which is determined as 7 years. The cash flows beyond the five-year period have been extrapolated using a steady 2% to 3% per annum growth rate. In impairment tests made on December 31, 2019 and 2018, the CGUs used discount rates ranging from 13.23% to 13.35% and from 13.18% to 14.24% per annum, respectively.

Key assumptions and methods used to calculate the major data of the CGUs are as follows:

- a. Estimate of the growth rate: The estimation of sales was based on the expected global future growth rate of the market trend for similar products.
- b. Estimate of gross margin: The estimate was based on the actual ratio for 2019 and historical operating performance.
- c. 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 used 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.

18. OTHER INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2019	\$ 52,898
Additions	11,796
Disposals	(5,669)
Effect of foreign currency exchange differences	<u>(1,095)</u>
Balance at December 31, 2019	<u>57,930</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2019	28,836
Amortization expense	21,461
Disposals	(5,669)
Effect of foreign currency exchange differences	<u>(796)</u>
Balance at December 31, 2019	<u>43,832</u>
Carrying amounts at December 31, 2019	<u>\$ 14,098</u>

(Continued)

	Computer Software
<u>Cost</u>	
Balance at January 1, 2018	\$ 71,329
Additions	14,229
Disposals	(32,396)
Effect of foreign currency exchange differences	<u>(264)</u>
Balance at December 31, 2018	<u>52,898</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2018	40,543
Amortization expense	20,821
Disposals	(32,396)
Effect of foreign currency exchange differences	<u>(132)</u>
Balance at December 31, 2018	<u>28,836</u>
Carrying amounts at December 31, 2018	<u>\$ 24,062</u> (Concluded)

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

Computer software	1 to 6 years
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19. PREPAYMENTS FROM LEASES - 2018

	December 31, 2018
Non-current	<u>\$ 618,182</u>

Prepayments from lease include the factory's land use rights of Elitegroup Computer (Suzhou Industrial Park) Ltd. and Golden Elite Technology (Shenzhen) Co., Ltd., and their estimated useful lives were 47 to 50 years.

20. SHORT-TERM BORROWINGS

	<u>December 31</u>	
	2019	2018
Line of credit borrowings	<u>\$ 1,798,800</u>	<u>\$ 1,474,320</u>

The ranges of interest rate on bank loans were 4.34%-4.70% and 3.48%-5.43% per annum as of December 31, 2019 and 2018, respectively.

21. ACCOUNTS PAYABLE

	<u>December 31</u>	
	2019	2018
<u>Accounts payable</u>		
Third parties - operating	\$ <u>4,212,106</u>	\$ <u>4,630,213</u>

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

22. FINANCE LEASE PAYABLES - 2018

	<u>December 31,</u> <u>2018</u>
<u>Minimum lease payments</u>	
Not later than 1 year	\$ 1,568
Later than 1 year and not later than 5 years	<u>2,874</u>
	4,442
Less: Future finance charges	<u>(182)</u>
Present value of minimum lease payments	<u>\$ 4,260</u>
<u>Present value of minimum lease payments</u>	
Not later than 1 year	\$ 1,464
Later than 1 year and not later than 5 years	<u>2,796</u>
	<u>\$ 4,260</u>

The Group leased some of its manufacturing equipment under finance leases in September 2016. The average lease term is 5.2 years. The Group owns the leased equipment at the end of the lease terms.

The interest rate of all underlying obligations under finance leases at their respective contract dates was 2.89% per annum on December 31, 2018.

23. OTHER LIABILITIES

	<u>December 31</u>	
	2019	2018
<u>Current</u>		
Other payables		
Salaries and bonuses	\$ 623,373	\$ 676,671
Royalties	107,988	176,835
Service expenses	62,899	59,241
Import and export services	37,528	30,197

(Continued)

	December 31	
	2019	2018
Employees economic compensation (Note 12)	\$ 2,038	\$ -
Others	<u>368,157</u>	<u>436,863</u>
	<u>\$ 1,201,983</u>	<u>\$ 1,379,807</u>
Other advances received (a)	<u>\$ 2,751,737</u>	<u>\$ 2,751,737</u>
Deferred revenue		
Arising from government grants	<u>\$ 44,201</u>	<u>\$ -</u>
Other liabilities		
Financial guarantee contracts (b)	\$ 686,040	\$ 984,003
Contract liabilities (c)	279,005	148,943
Temporary credits	25,272	28,113
Others	<u>39,756</u>	<u>12,643</u>
	<u>\$ 1,030,073</u>	<u>\$ 1,173,702</u>

(Concluded)

- a. The Company has completed the transfer of 52% interest in Dragon Asia for an amount of RMB 600,000 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 12.
- 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.

24. PROVISIONS

	December 31	
	2019	2018
Warranties	<u>\$ 224,299</u>	<u>\$ 247,861</u>
		Warranties
Balance at January 1, 2019		\$ 247,861
Additional provisions recognized		85,965
Usage		(90,682)
Reversing unused balances		(18,748)
Effect of foreign currency exchange differences		<u>(97)</u>
Balance at December 31, 2019		<u>\$ 224,299</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 Group'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.

25. 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 plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes 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 consolidated balance sheets in respect of the Group's defined benefit plans are as follows:

	December 31	
	2019	2018
Present value of the 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) are as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2018	\$ (184,241)	\$ 279,420	\$ 95,179
Service cost			
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)
Actuarial gain (loss) - changes in financial assumptions	(2,756)	-	(2,756)
Actuarial gain (loss) - 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>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Service cost			
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)
Actuarial gain (loss) - 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			
Benefits paid	<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> (Concluded)

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

- 1) Investment risk: The plan assets are invested in domestic or 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 of a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government and 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 plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated with 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 are as follows:

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

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

	December 31	
	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 change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	2018
Expected contributions to the plan 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

26. 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>
Value of 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>
Value of shares issued	<u>\$ 5,574,030</u>	<u>\$ 5,574,030</u>

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

b. Capital surplus

	<u>December 31</u>	
	2019	2018
<u>May be used to offset deficit, distributed as cash dividends, or transferred to share capital*</u>		
Share premium	\$ 5,614,494	\$ 5,614,494
Treasury share transactions	216,663	216,663
<u>May only be used to offset a deficit</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>

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year)

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 of all of legal reserve and paid-in capital stated by the Article 241-1 of the Company Act by cash, and a report submitted at the shareholders' meeting. Refer to Note 28(g) "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 approved in the shareholders' 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 \$(2,087) thousand in 2019 and 2018, respectively, due to change in fair value of financial assets at FVTOCI.

e. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ 160,659	\$ 153,989
Attributable to non-controlling interests:		
Share of profit for the year	7,282	1,602
Subsidiary capital reduction	(94,587)	-
Exchange differences on translating the financial statements of foreign entities	<u>(4,594)</u>	<u>5,068</u>
Balance at December 31	<u>\$ 68,760</u>	<u>\$ 160,659</u>

27. REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from contracts with customers		
Revenue from sale of goods	\$ 28,159,705	\$ 31,663,369
Revenue from rendering of services	<u>131,598</u>	<u>132,647</u>
	<u>\$ 28,291,303</u>	<u>\$ 31,796,016</u>

Under IFRS 15, the Group 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 Group 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.

Refer to Note 37 for information about segment revenue of the Group.

28. NET PROFIT (LOSS)

The components of net income are as follows:

a. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Net foreign exchange (loss) gains	\$ (169,839)	\$ 137,030
Net (loss) gain on disposal of property, plant and equipment	(12,065)	92,709
Loss on disposal of subsidiaries	-	(5,050)
Net gain (loss) arising on financial assets designated as at FVTPL	36,722	(6,975)
Impairment loss on property, plant and equipment (Note 14)	-	(37,316)
Others	<u>(37,222)</u>	<u>(63,547)</u>
	<u>\$ (182,404)</u>	<u>\$ 116,851</u>

b. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bank overdrafts and loans	\$ 72,421	\$ 68,111
Interest on obligations under finance leases	-	149
Interest on lease liabilities	24,486	-
Other finance costs	<u>6,983</u>	<u>9,240</u>
	<u>\$ 103,890</u>	<u>\$ 77,500</u>

c. Other income

	For the Year Ended December 31	
	2019	2018
Rental income	\$ 67,573	\$ 62,914
Others	<u>162,915</u>	<u>140,659</u>
	<u>\$ 230,488</u>	<u>\$ 203,573</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	\$ 400,936	\$ 395,851
Right-of-use assets	163,639	-
Investment properties	34,649	4,576
Prepayments	34,310	31,767
Other intangible assets	21,461	20,821
Other non-current assets	<u>46,503</u>	<u>38,080</u>
	<u>\$ 701,498</u>	<u>\$ 491,095</u>
 An analysis of depreciation by function		
Operating costs	\$ 311,140	\$ 290,380
Operating expenses	253,435	105,471
Non-operating expenses	<u>34,649</u>	<u>4,576</u>
	<u>\$ 599,224</u>	<u>\$ 400,427</u>
 An analysis of amortization by function		
Operating costs	\$ 79,736	\$ 59,078
Operating expenses	<u>22,538</u>	<u>31,590</u>
	<u>\$ 102,274</u>	<u>\$ 90,668</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>\$ 35,921</u>	<u>\$ 5,836</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Post-employment benefits (Note 25)		
Defined contribution plans	\$ 37,240	\$ 40,944
Defined benefit plans	<u>(1,088)</u>	<u>(911)</u>
	<u>36,152</u>	<u>40,033</u>
Other employee benefits		
Payroll	3,248,448	2,938,648
Labor and health insurance	239,339	269,468
Other employee costs	<u>23,235</u>	<u>24,401</u>
	<u>3,511,022</u>	<u>3,232,517</u>
Total employee benefit expense	<u>\$ 3,547,174</u>	<u>\$ 3,272,550</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 1,740,680	\$ 1,832,192
Operating expenses	<u>1,806,494</u>	<u>1,440,358</u>
	<u>\$ 3,547,174</u>	<u>\$ 3,272,550</u>

g. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued compensation of employees and remuneration of directors at rates of 6% and no higher than 0.6%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the year 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%

	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 consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The Company accumulated deficits for the years 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.

29. INCOME TAXES

a. Income tax recognized in profit or loss

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

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	\$ 64,417	\$ 284,231
Adjustments for prior years	33,531	11,606
Regional income tax	<u>172</u>	<u>404</u>
	<u>98,120</u>	<u>296,241</u>
Deferred tax		
In respect of the current year	(57,413)	(264,518)
Adjustment to deferred tax attributable to changes in tax rates and laws	-	(18,875)
Adjustments for prior years	<u>(5,562)</u>	<u>(5,562)</u>
	<u>(62,975)</u>	<u>(288,955)</u>
Income tax expense recognized in profit or loss	<u>\$ 35,145</u>	<u>\$ 7,286</u>

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

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	<u>\$ 88,206</u>	<u>\$ 29,300</u>
Income tax expense calculated at the statutory rate	\$ 29,223	\$ 14,175
Tax-exempt income	(794)	(803)
Unrecognized loss carryforwards	1,351	5,230
Tax preferences	(16,497)	(15,297)
Adjustment of deferred tax from the prior years	(5,134)	(5,562)
Recognized taxable temporary differences	(23,198)	5,658
Adjustments for prior years' tax	33,025	11,606
Regional income tax	295	404
Nondeductible expenses in determining taxable income	5,277	1,125
Effect of tax rate changes	-	(18,875)
Others	<u>11,597</u>	<u>9,625</u>
Income tax expense recognized in profit or loss	<u>\$ 35,145</u>	<u>\$ 7,286</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%. While the applicable tax rate used by subsidiaries in China is 25%, tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

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		
Translation of foreign operations	(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. Current income tax assets and liabilities

	December 31	
	2019	2018
Current income tax liabilities		
Income tax payable	<u>\$ 134,187</u>	<u>\$ 186,306</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Unrealized loss on inventory	\$ 35,422	\$ 1,857	\$ -	\$ (1,180)	\$ 36,099
Provisions	244,772	(64,013)	-	(12)	180,777
Gain on disposal of property, plant and equipment	45,786	(9,202)	-	-	36,584
Disposal interest of subsidiary	258,138	-	-	-	258,138
Allowance for impairment loss	671,871	-	-	(25,998)	645,873
Difference in estimated useful lives of property, plant and equipment	4,432	(1,344)	-	(119)	2,969
Effect of foreign currency exchange differences	168,401	-	36,413	-	204,814
Others	46,392	(4,758)	-	(1,811)	39,823
	<u>1,475,214</u>	<u>(77,460)</u>	<u>36,413</u>	<u>(29,120)</u>	<u>1,405,047</u>
Loss carryforwards	1,536	433	-	(50)	1,919
	<u>\$ 1,476,750</u>	<u>\$ (77,027)</u>	<u>\$ 36,413</u>	<u>\$ (29,170)</u>	<u>\$ 1,406,966</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Goodwill	\$ (5,563)	\$ 5,563	\$ -	\$ -	\$ -
Unrealized exchange gain	(23,909)	23,909	-	-	-
Defined benefit plan	(22,297)	(863)	(1,497)	-	(24,657)
Allowance for impairment loss	-	(400)	-	-	(400)
Gain on investment in equity	(120,092)	111,793	-	-	(8,299)
	<u>\$ (171,861)</u>	<u>\$ 140,002</u>	<u>\$ (1,497)</u>	<u>\$ -</u>	<u>\$ (33,356)</u>

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Unrealized loss on inventory	\$ 27,945	\$ 7,954	\$ -	\$ (477)	\$ 35,422
Provisions	183,059	61,696	-	17	244,772
Gain on disposal of property, plant and equipment	46,740	(954)	-	-	45,786
Loss on investment in equity	11,338	(11,338)	-	-	-
Disposal interest of subsidiary	-	258,138	-	-	258,138
Allowance for impairment loss	675,757	5,917	-	(9,803)	671,871
Difference in estimated useful lives of property, plant and equipment	9,718	(5,226)	-	(60)	4,432
Effect of foreign currency exchange differences	123,877	-	44,524	-	168,401
Others	39,816	6,348	-	228	46,392
	<u>1,118,250</u>	<u>322,535</u>	<u>44,524</u>	<u>(10,095)</u>	<u>1,475,214</u>
Loss carryforwards	25,271	(23,860)	-	125	1,536
	<u>\$ 1,143,521</u>	<u>\$ 298,675</u>	<u>\$ 44,524</u>	<u>\$ (9,970)</u>	<u>\$ 1,476,750</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<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 impairment loss	(1)	1	-	-	-
Gain on investment in equity	(127,378)	7,286	-	-	(120,092)
	<u>\$ (160,420)</u>	<u>\$ (9,720)</u>	<u>\$ (1,721)</u>	<u>\$ -</u>	<u>\$ (171,861)</u>
					(Concluded)

- e. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated 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>
Loss carryforwards	<u>\$ 1,152,453</u>	<u>\$ 1,146,007</u>

- f. Information about unused loss carryforwards

As of December 31, 2019, loss carryforwards comprised of:

Elitegroup Computer Systems Inc. (USA), Elitegroup Computer Systems (HK) Co., Ltd., Elitegroup Computer Systems (Korea) Co., Ltd., Elitegroup Computer Systems (Japan) Co., Ltd., Xun Rui Electronic (Shenzhen) Co., Ltd., ECS Trading (Shenzhen) Co., Ltd., Beijing Advazone Electronic Co., Ltd., Golden Elite Technology (興英數位科技) and Elitegroup Computer (Suzhou Industrial Park) Ltd.

Unused Amount	Expiry Year
\$ 852,786	
<u>421,470</u>	2019-2035
	Unlimited duration
<u>\$ 1,274,256</u>	

- g. Income tax assessments

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

30. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
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 used in the computation of earnings per share are as follows:

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
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)

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	557,403	557,403
Effect of potentially dilutive ordinary shares:		
Employee's compensation	<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 the compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation 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 number of shares to be distributed to employees is resolved in the following year.

31. 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 is as follows:

	December 31	
	2019	2018
Debt	\$ 12,334,464	\$ 12,329,019
Less: Cash and cash equivalents (including cash and cash equivalents in a disposal group held for sale)	<u>(4,252,632)</u>	<u>(4,175,393)</u>
Net debt	8,081,832	8,153,626
Equity	<u>11,018,764</u>	<u>11,171,364</u>
Total capital*	<u>\$ 19,100,596</u>	<u>\$ 19,324,990</u>
Net debt to equity ratio	<u>42.31%</u>	<u>42.19%</u>

* Total capital is equivalent to total equity which includes capital, reserves, retained earnings, other equity and non-controlling interests of the Group plus net debt.

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

32. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 608,017	\$ -	\$ -	\$ 608,017
Domestic unlisted shares	-	-	44,100	44,100
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>8</u>	<u>8</u>
	<u>\$ 608,017</u>	<u>\$ -</u>	<u>\$ 44,108</u>	<u>\$ 652,125</u>
Financial assets at FVTOCI				
Domestic listed shares - equity securities	<u>\$ 8,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,896</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 663,554	\$ -	\$ -	\$ 663,554
Domestic unlisted shares	-	-	44,100	44,100
Foreign unlisted shares	-	-	18	18
	<u>\$ 663,554</u>	<u>\$ -</u>	<u>\$ 44,118</u>	<u>\$ 707,672</u>
Financial assets at FVTOCI				
Domestic listed shares - equity securities	<u>\$ 6,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,575</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

	For the Year Ended December 31, 2019
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>
	For the Year Ended December 31, 2018
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

- 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

	December 31	
	2019	2018
<u>Financial assets</u>		
Financial assets at FVTPL		
Designated as at FVTPL - current	\$ 652,125	\$ 707,672
Financial assets at amortized cost (1)	12,293,369	12,424,431
Financial assets at FVTOCI - equity instruments	8,896	6,575

Financial liabilities

Amortized cost (2)	6,613,708	6,827,156
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- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, note receivable, accounts receivable (including related parties), other receivables (excluding income tax refund receivables), and refundable deposits.
- 2) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, accounts payable, other payables, and guarantee deposit received.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze 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 Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group'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 was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments for speculative purposes.

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

1) Market risk

The Group's activities exposed it primarily 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 Group was exposed to foreign currency risk because it owned assets and liabilities which were denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters by using financial instruments such as foreign exchange spot transactions, forward exchange contracts, etc.

For the Group, the main purpose of using forward exchange contracts is to eliminate the financial risks of currency exchange rates.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 35.

Sensitivity analysis

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

The following table shows the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (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>\$ (220,552)</u>	<u>\$ (152,062)</u>

b) Interest rate risk

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

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

	December 31	
	2019	2018
Fair value interest rate risk		
Financial assets	\$ 5,703,864	\$ 5,500,546
Financial liabilities	2,678,330	1,474,320
Cash flow interest rate risk		
Financial assets	1,958,321	1,432,589
Financial liabilities	-	-

Sensitivity analysis

The sensitivity analysis below was determined based on the Group'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 Group's pre-tax profit for the years ended December 31, 2019 and 2018 would increase by \$19,583 thousand and \$14,326 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 Group was exposed to equity price risks through its investments in equity securities and mutual funds.

Sensitivity analysis

Sensitivity analysis was used to measure equity price risks at the end of the reporting period. Had the position of domestic and foreign equity investments been 5% higher/lower, the Group's pre-tax profit for the years ended December 31, 2019 and 2018 would increase/decrease by \$32,606 thousand and \$35,384 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2019 and 2018 would have increased/decreased by \$445 thousand and \$329 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

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

- a) The carrying amount of the respective recognized financial assets as stated in the consolidated 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 Group's five largest customers accounted for 70% and 68% of total 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 Group's five largest customers would not have had any material impact on the Group.

3) Liquidity risk

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

The following tables show the Group's remaining contractual maturities 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	\$ 4,212,106	\$ -	\$ -	\$ 4,212,106
Lease liabilities	239,851	464,036	221,482	925,369
Short-term debts	<u>1,798,800</u>	<u>-</u>	<u>-</u>	<u>1,798,800</u>
	<u>\$ 6,250,757</u>	<u>\$ 464,036</u>	<u>\$ 221,482</u>	<u>\$ 6,936,275</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>\$ 239,851</u>	<u>\$ 685,518</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	\$ 4,630,213	\$ -	\$ -	\$ 4,630,213
Short-term debts	<u>1,474,320</u>	<u>-</u>	<u>-</u>	<u>1,474,320</u>
	<u>\$ 6,104,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,104,533</u>

e. Offsetting financial assets and financial liabilities

The Group is eligible to present certain financial assets and financial liabilities on a net basis on the consolidated 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 consolidated balance sheets.

December 31, 2019

	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
Financial Assets			
Accounts receivable	<u>\$ 5,669,971</u>	<u>\$ (1,474,773)</u>	<u>\$ 4,195,198</u>
	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
Financial Liabilities			
Accounts payable	<u>\$ 5,686,879</u>	<u>\$ (1,474,773)</u>	<u>\$ 4,212,106</u>

December 31, 2018

	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
Financial Assets			
Accounts receivable	<u>\$ 7,004,747</u>	<u>\$ (2,089,622)</u>	<u>\$ 4,915,125</u>
	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
Financial Liabilities			
Accounts payable	<u>\$ 6,719,835</u>	<u>\$ (2,089,622)</u>	<u>\$ 4,630,213</u>

33. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries that are related parties of the Company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Tatung Co.	Investors with significant influence over the Group
Tatung System Technologies Inc.	Subsidiaries of the investors with significant influence over the Group
Tatung (Thailand) Co., Ltd.	Subsidiaries of the investors with significant influence over the Group
Tatung Company of America, Inc.	Subsidiaries of the investors with significant influence over the Group
Chunghwa Picture Tubes, Ltd.	Subsidiaries of the investors with significant influence over the Group
Central Research Technology Co.	Subsidiaries of the investors with significant influence over the Group
Forward Electronics Co., Ltd.	Subsidiaries of the investors with significant influence over the Group
TISNet Technology Inc.	Subsidiaries of the investors with significant influence over the Group
IoTecha Corp.	Associates

b. Sales of goods

<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Investors with significant influence over the Group	\$ 463,579	\$ 490,037
Associates	7,494	7,964
Subsidiaries of the investors with significant influence over the Group	<u>6,547</u>	<u>24</u>
	<u>\$ 477,620</u>	<u>\$ 498,025</u>

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

c. Purchases of goods

<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Investors with significant influence over the Group	\$ 314	\$ 1,631
Subsidiaries of the investors with significant influence over the Group	<u>-</u>	<u>31</u>
	<u>\$ 314</u>	<u>\$ 1,662</u>

d. Receivables from related parties

Line Items	Related Party Category	December 31	
		2019	2018
Accounts receivable	Investors with significant influence over the Group	\$ 131,603	\$ 239,151
	Associates	2,289	853
	Subsidiaries of the investors with significant influence over the Group	<u>4,116</u>	<u>-</u>
		<u>\$ 138,008</u>	<u>\$ 240,004</u>
Other accounts receivable	Subsidiaries of the investors with significant influence over the Group	\$ -	\$ 527
	Investors with significant influence over the Group	<u>696</u>	<u>301</u>
		<u>\$ 696</u>	<u>\$ 828</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
Other accounts payable	Investors with significant influence over the Group	\$ 156	\$ 1,468
	Subsidiaries of the investors with significant influence over the Group	<u>342</u>	<u>77</u>
		<u>\$ 498</u>	<u>\$ 1,545</u>

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

f. Acquisition of other assets

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

g. Acquisition of property, plant and equipment

Related Party Category	Line Items	Purchase Price	
		For the Year Ended December 31	
		2019	2018
Subsidiaries of the investors with significant influence over the Group	Property, plant and equipment	<u>\$ 3,725</u>	<u>\$ -</u>

h. Lease agreement

Related Party Name	Purchase Price	
	For the Year Ended December 31	
	2019	2018
Tatung (Thailand) Co., Ltd.	\$ <u>32,856</u>	\$ <u>-</u>

Line Items	Related Party Name	December 31	
		2019	2018
Lease liabilities - current	Tatung (Thailand) Co., Ltd.	\$ <u>7,583</u>	\$ <u>-</u>
Lease liabilities - non-current	Tatung (Thailand) Co., Ltd.	\$ <u>13,104</u>	\$ <u>-</u>

Line Items	Related Party Category	December 31	
		2019	2018
Interest expenses	Subsidiaries of the investors with significant influence over the Group	\$ <u>967</u>	\$ <u>-</u>

i. Other operating expenses

Related Party Category	Line Item	For the Year Ended December 31	
		2019	2018
Subsidiaries of the investors with significant influence over the Group	Repair expenses	\$ 8,564	\$ 8,486
	Product repair expenses	1,136	-
	Service expense	600	459
	Other	<u>23</u>	<u>-</u>
		\$ <u>10,323</u>	\$ <u>8,945</u>
Investors with significant influence over the Group	Advertisement expense	\$ 296	\$ -
	Service expense	95	85
	Other	<u>47</u>	<u>-</u>
		\$ <u>438</u>	\$ <u>85</u>

j. Other transactions with related parties

Related Party Category	Line Item	For the Year Ended December 31	
		2019	2018
Associates	Other revenue	\$ -	\$ 215
Investors with significant influence over the Group	Other revenue	<u>3</u>	<u>14</u>
		\$ <u>3</u>	\$ <u>229</u>

k. Compensation of key management personnel

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

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 69,755	\$ 63,309
Post-employment benefits	<u>702</u>	<u>660</u>
	<u>\$ 70,457</u>	<u>\$ 63,969</u>

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

34. ASSETS PLEDGED AS COLLATERAL

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

	December 31	
	2019	2018
Pledged deposits (classified as financial assets at amortized cost)	<u>\$ 7,387</u>	<u>\$ 4,394</u>

35. 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 Group is unable to reasonably assess the extent to which the overall industry and operations have been affected by the COVID-19 crisis.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group 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	\$ 413,311	29.98	\$ 12,391,051
HKD	1,079	3.849	4,153
JPY	1,586	0.276	438
RMB	125	4.297	536

(Continued)

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Non-monetary items			
Financial assets held for trading			
USD	\$ 2,105	29.98	\$ 63,104
<u>Financial liabilities</u>			
Monetary items			
USD	266,178	29.98	7,980,014
HKD	3,596	3.849	13,841
JPY	5,257	0.276	1,541
			(Concluded)

December 31, 2018

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 387,597	30.715	\$ 11,905,032
HKD	895	3.921	3,511
JPY	5,689	0.2782	1,583
RMB	129	4.475	577
Non-monetary items			
Financial assets held for trading			
USD	2,095	30.715	64,355
<u>Financial liabilities</u>			
Monetary items			
USD	288,582	30.715	8,863,786
HKD	3,272	3.921	12,831
JPY	5,600	0.2782	1,558
RMB	290	4.475	1,299

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange (losses) gains were \$(169,839) thousand and \$137,030 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 group entities.

37. 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 NT\$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 NT\$300 million or 20% of the paid-in capital (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
 - 9) Trading in derivative instruments (None)
 - 10) Intercompany relationships and significant intercompany transactions (Table 9)
 - 11) Information on investees (Table 6)
- b. 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 year.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.
 - 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 year 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.

38. SEGMENT INFORMATION

The Group mainly produces and sells computer equipment, chief operating decision maker distributes resources and allocates operating performance depending on financial information. The Group has only one reportable segment which mainly produces and sells computer equipment; thus, based on IFRS 8 “Operating Segments”, there is no need to disclose segment information.

a. Revenue from major products and services:

The Group mainly produces and sells computer equipment; thus, there is no need to disclose additional information.

b. Geographical information:

The Group’s information on its revenue from external customers and non-current assets by location of assets is shown below:

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2019	2018	2019	2018
Asia	\$ 18,471,658	\$ 20,484,507	\$ 5,460,644	\$ 4,909,384
America	5,624,270	5,677,004	62,651	55,604
Europe	3,355,343	4,749,973	-	-
Others	<u>840,032</u>	<u>884,532</u>	<u>-</u>	<u>-</u>
	<u>\$ 28,291,303</u>	<u>\$ 31,796,016</u>	<u>\$ 5,523,295</u>	<u>\$ 4,964,988</u>

Non-current assets exclude financial instruments, deferred tax assets, and net defined benefit assets.

c. Information about major customers:

Single customers which contributed 10% or more to the Group’s revenue are as follows:

	For the Year Ended December 31	
	2019	2018
Customer A	\$ 10,168,853	\$ 12,793,162
Customer B	3,427,915	3,636,732
Customer C	<u>3,372,206</u>	<u>3,158,528</u>
	<u>\$ 16,968,974</u>	<u>\$ 19,588,422</u>

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 (Shenzhen) Co., Ltd. (精英数位科技(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 company was 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.

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)	Maximum Shares/Units Held During the Year	
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	4,612,240	
	Trigem Computer Inc.	No	Financial assets at fair value through profit or loss - non-current	16	8	-	8	16	
	Beneficiary certificate FSITC Taiwan Money Market	No	Financial assets at fair value through profit or loss - current	6,542,512	100,513	-	100,513	6,542,512	
	Taishin 1699 Money Market Fund	No	Financial assets at fair value through profit or loss - current	5,923,305	80,463	-	80,463	20,682,931	
	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	9,461,365	
	Franklin Templeton Sinoam Money Market Fund	No	Financial assets at fair value through profit or loss - current	9,684,041	100,512	-	100,512	19,386,280	
	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	1,846,722	
	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	1,989,251	
	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	3,048,869	
	Fuh Hwa Global Balanced Fund-TWD	No	Financial assets at fair value through profit or loss - current	1,495,081	30,201	-	30,201	1,745,081	
	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	2,790,009	
	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	2,000,000	
	Union Advantage Global Fixed Income Portfolio Fund.	No	Financial assets at fair value through profit or loss - current	296,579	4,891	-	4,891	296,579	
	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	2,000,000	
	SinoPac Greater China Convertible Bond Fund	No	Financial assets at fair value through profit or loss - current	20,339	63,104	-	63,104	20,339	
	Elitegroup Computer Systems (HK) Co., Ltd.	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)	7,882

(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)	Maximum Shares/Units Held During the Year	
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)	306,760	
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 has 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 NTS300 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	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	22,133,530	\$ 300,415	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 ECS Digital Technology (Shenzhen) Ltd.

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	Unit Price	Payment Terms	Ending Balance	% to Total	
Elitegroup Computer Systems Co., Ltd. (USA)	Elitegroup Computer Systems Inc. (USA)	Subsidiary of ECS Holding (America) Co. (USA)	Sale	\$ 389,077	2	OA 60 days	\$ -	-	1,423	Note 1
	Super ECS USA Inc.	Subsidiary of ECS Holding (America) Co. (USA)	Sale	689,229	3	OA 90 days	-	-	86,274	Note 1
	Tatung Co.	Investors with significant influence over the Group	Sale	463,579	2	Open account 90 days	-	-	131,603	-
	ECS Trading (Shenzhen) Co., Ltd.	Subsidiary of Unique Sino Limited	Sale	385,048	2	OA 90 days	-	-	74,414	Note 1
	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)	Note 1
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)	Note 1	
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	Note 1
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	Note 1
Elitegroup Computer Systems Inc. (USA)	Elitegroup Computer Systems Co., Ltd.	Ultimate parent company	Purchase	(389,077)	(100)	OA 60 days	-	-	(1,423)	Note 1
Super ECS USA Inc.	Elitegroup Computer Systems Co., Ltd.	Ultimate parent company	Purchase	(689,229)	(100)	OA 90 days	-	-	(86,274)	Note 1
ECS Trading (Shenzhen) Co., Ltd.	Elitegroup Computer Systems Co., Ltd.	Ultimate parent company	Purchase	(385,048)	(99)	OA 90 days	-	-	(74,414)	Note 1

Note 1: The above transactions were not included in the consolidated financial statements.

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)	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.

Note 4: The above transactions were not included in the consolidated financial statements.

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	\$ 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	(295,579)	(342,879)	Notes 3, 5, 6 and 7
	Unitop International Corp.	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)	British Virgin Islands	Investment holding	452,994	658,192	15,109,864	68.45	149,180	23,082	15,800	Notes 3 and 11	
ECS Holding (America) Co. (USA)	USA	Investment holding	(US\$ 15,109,864)	(US\$ 21,954,373)	47,552	100.00	(US\$ 4,975,968)	(US\$ 746,410)	(US\$ 510,918)	Notes 3 and 11	
Dragon Asia Trading Co., Ltd. (BVI)	Elitegroup Computer Systems Inc. (USA)	USA	Sale of motherboards, notebook computers, computer peripheral products, related components and systems assembled	(US\$ 502,844)	(US\$ 502,844)	2,500,000	100.00	(US\$ 607,644)	(US\$ 9,717)	(US\$ 9,717)	Note 3
	Super ECS USA, Inc.	USA	Sale of motherboards, computer peripheral products and related components	14,990	14,990	2,000,000	100.00	118,082	10,117	10,117	Note 3
	Io Techa Corp.	USA	Design and development of intelligent charging system and software	29,980	29,980	Ordinary share	21.29	(US\$ 3,938,676)	(US\$ 327,173)	(US\$ 327,173)	Note 3
	Million Up Finance Limited	British Virgin Islands	Investment holding	(US\$ 1,000,000)	(US\$ 1,000,000)	Preferred share	15.38	(US\$ 10,165)	(US\$ 121,365)	(US\$ 21,230)	Notes 3 and 8
Dragon Asia Trading Co., Ltd. (BVI)	Unique Sino Limited	Samoa	Investment holding	(US\$ 1,125,000)	(US\$ 1,125,000)	1,108,942	100.00	(US\$ 339,051)	(US\$ -686,509)	(US\$ -686,509)	Notes 3, 5, 6 and 7
	Unity Investments Limited	British Virgin Islands	Investment holding	(US\$ 1,463,714)	(US\$ 1,463,714)	29,823,000	100.00	(US\$ 1,057,981)	(US\$ 275,555)	(US\$ 299,579)	Notes 3, 5, 6 and 7
Venture Well Holdings Limited (BVI)	Alpha Leader Limited (HK)	Hong Kong	Trading of IC and electric components	(US\$ 56,662)	(US\$ 56,662)	1,890,000	100.00	(US\$ 35,289,549)	(US\$ -8,910,707)	(US\$ -9,687,602)	Note 3
	Advazone International Ltd. (BVI)	British Virgin Islands	Investment holding	(US\$ 1,890,000)	(US\$ 1,890,000)	23,689,688	100.00	(US\$ 2,533,332)	(US\$ 121,055)	(US\$ 121,055)	Note 3
	Affirm International Ltd. (BVI)	British Virgin Islands	Investment holding	(US\$ 91,288)	(US\$ 91,288)	4,380,000	100.00	(US\$ 113,082)	(US\$ 22,481)	(US\$ 22,481)	Notes 3 and 10
Affirm International Limited (BVI)	Protae International Computer, S.L.	Spain	Sale of computer peripheral products	(US\$ 556,129)	(US\$ 556,129)	18,550,000	100.00	(US\$ 101,960)	(US\$ 726,966)	(US\$ 726,966)	Note 3
				(US\$ 18,550,000)	(US\$ 18,550,000)	4,380,000	100.00	(US\$ 3,400,941)	(US\$ 14,152)	(US\$ 14,152)	Note 3
				(US\$ 131,312)	(US\$ 131,312)	44	100.00	(US\$ 44)	(US\$ -6)	(US\$ -6)	Note 3
				(US\$ 4,380,000)	(US\$ 4,380,000)	1,453	100.00	(US\$ 1,453)	(US\$ -6)	(US\$ -6)	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\$69,227 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 12.
- 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. 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 THB 270,000 thousand. The injected capital was THB 203,152 thousand (approximately NT\$202,915 thousand) in 2019. Refer to Note 12.
- Note 10: The board of directors of Alpha leader (HK) approved the capital reduction to write off accumulated losses of Alpha leader (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 amounts of capital reduction was US\$6,845 thousand.

(Concluded)

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	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019 (Note 2)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 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\$ 16,100,000)	Indirect investment by Advazone International Limited (BVI) of Elitegroup Computer 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. (奥美科技(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 -68,422,945)	100.00 (Notes 5,6)	(306,343) (US\$ -9,906,323)	742,233 (US\$ 24,757,606)	-	
Golden Elite (Shenzhen) Co., Ltd. (奥美数位科技(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)	-	-	-	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 Unitop 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.	164,890 (US\$ 5,500,000)	299,800 (US\$ 10,000,000)	-	(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. 106204049510), 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. 109204043610), the effective period being from 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 1 of the contract; however, the equity investment will be derecognized once the Company loses control over Dragon Asia. Refer to Note 12.
- Note 6: The transfer amount of 52% interest in Dragon Asia (RMB610,000 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. (英英科技(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. (英英科技(深圳)有限公司). Refer to Note 12.
- 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)

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	O/A 75 days	No significant difference	\$ (1,266,164)	(44.00)	\$ 7,859	Notes 1 and 2
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	O/A 90 days	No significant difference	(175,414)	(6.00)	-	Note 1
Elitegroup Computer (Suzhou Industrial Park) Ltd.	Purchase	-	-	No significant difference	O/A 60 days	No significant difference	(292,014)	(10.00)	-	Note 1
ECS Trading (Shenzhen) Co., Ltd.	Sale	385,048	(2.00)	No significant difference	O/A 90 days	No significant difference	74,414	2.00	-	Note 1

Note 1: The above transactions were not included in the consolidated financial statements.

Note 2: Unrealized profit and loss are due to upstream transactions.

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			% to Total Sales or Assets (Note 3)
				Financial Statement Account	Amount	Payment Terms	
0	Elitegroup Computer Systems Co., Ltd.	Elitegroup Computer Systems Inc. (USA)	a	Sales revenue	\$ 389,077	No significant difference	1
		Elitegroup Computer Systems Inc. (USA)	a	Accounts receivable from related parties	1,423	No significant difference	-
		Super ECS USA Inc.	a	Sales revenue	689,229	No significant difference	2
		Super ECS USA Inc.	a	Accounts receivable from related parties	86,274	No significant difference	-
		Super ECS USA Inc.	a	Other accounts receivable from related parties	90	No significant difference	-
		Golden Elite (Shenzhen) Co., Ltd. (興英科技(深圳)有限公司)	a	Purchases	(10,080,366)	No significant difference	(36)
		Golden Elite (Shenzhen) Co., Ltd. (興英科技(深圳)有限公司)	a	Accounts payable to related parties	(1,266,164)	No significant difference	(5)
		Golden Elite (Shenzhen) Co., Ltd. (興英數位科技(深圳)有限公司)	a	Purchases	(346,820)	No significant difference	(1)
		Golden Elite (Shenzhen) Co., Ltd. (興英數位科技(深圳)有限公司)	a	Accounts payable to related parties	(175,414)	No significant difference	(1)
		Elitegroup Computer (Suzhou Industrial Park) Ltd.	a	Accounts payable to related parties	(292,014)	No significant difference	(1)
1	Elitegroup Computer (Suzhou Industrial Park) Ltd.	Elitegroup Computer (Suzhou Industrial Park) Ltd.	a	Other accounts payable to related parties	(5,463)	No significant difference	-
		Dragon Asia Trading Co., Ltd. (BVI)	a	Other accounts receivable from related parties	2,078,423	No significant difference	9
2	Dragon Asia Trading Co., Ltd. (BVI)	ECS Trading (Shenzhen) Co., Ltd.	a	Sales revenue	385,048	No significant difference	1
		ECS Trading (Shenzhen) Co., Ltd.	a	Accounts receivable from related parties	74,414	No significant difference	-
1	Elitegroup Computer (Suzhou Industrial Park) Ltd.	Golden Elite (Shenzhen) Co., Ltd. (興英科技(深圳)有限公司)	c	Other receivables from related parties	135,620	No significant difference	1
2	Dragon Asia Trading Co., Ltd. (BVI)	Million Up Finance Limited	c	Other receivable from related parties	2,078,423	No significant difference	9

Note 1: The information about the transactions between the Company and the subsidiaries should be marked in the note column as follows:

- The Company indicated by "0".
- The subsidiaries were marked from 1 in ascending order of numerals.

(Continued)

Note 2: Investment types are marked as follows:

- a. The Company to the subsidiaries.
- b. The subsidiaries to the Company.
- c. Between subsidiaries.

Note 3: The ratio of the transaction amounts accounted for total sales revenue or assets is calculated as follows: (1) Asset or liability: The ratio was calculated based on the ending balance accounted for total consolidated assets; (2) Income or loss: The ratio was calculated based on the midterm accumulated amounts accounted for total consolidated sales revenue.

Note 4: The above transactions were not included in the consolidated financial statements.

(Concluded)