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ELITEGROUP COMPUTER SYSTEMS CO., LTD.

2021 Annual Report

(Translation)

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Notice to Readers:

For the convenience of readers, the Meeting Handbook has 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 version shall prevail.

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Name of the Overseas Securities Exchange and Method to Inquire about Overseas Securities Information: None.

Company Website: <http://www.ecs.com.tw/>

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Chapter 1. Letter to Shareholders

Dear Shareholders,

The COVID-19 outbreak has triggered drastic changes in the global economy in the past two years. With the adjustment of global supply chain, congestion of international transportation, energy and power rationing crisis and the expected rate hike by the Federal Reserve, the inflationary pressure continues to rise. The world will move towards an unbalanced recovery and rate hike cycles in 2022. Another important trend is carbon reduction, which has become the goal of all countries in the world. Companies are bound to adjust their operations and promote net zero emissions in the supply chain. The Company has actively adjusted its product structure. In 2021, the consolidated revenue was NT\$31.9 billion, the gross margin was 8.33%, the net profit after tax was about NT\$93 million, and the net profit per share was NT\$0.13.

IDC estimates that global PC shipments will grow by 12% to 340 million units in 2021, and is expected to slow down in 2022. The CAGR from 2021 to 2025 is 3.3%, mainly driven by NB. Due to the impact of the pandemic, the mixed demand for remote office / learning and home entertainment has become a new normal of life, which also implies the transformation of industrial structure. With the advent of artificial intelligence, Internet of things, electric vehicles, metaverse and 5G generation, the market trend has moved from end-to-end, edge-to-edge (terminal, marginal computing) to connect with cloud (server) into a network, and began to enter the state of "smart network". With the dramatic increase in marginal computing applications, the demand for PCs and NBs with high-speed computing to connect to the cloud has become a major business opportunity. The Company will continue to reduce costs and increase value, and integrate the R&D capacity of high-end PC and NB products to strengthen its competitive strength, expand the technical capacity and manufacturing scale of upstream key components, promote the application and development of special computers for industry and specific sectors, accelerate the combination of software and hardware such as cloud and intelligent solutions in the future, and fully promote the upgrading and transformation of the Company's operation.

When ESG first appeared in the announcement of the United Nations in 2004, the corporate sustainable development plan has become a crucial element for important evaluation. The Company has always adhered to the vision of "a pioneer committed to technological innovation, protecting the earth and enriching life", inherited the experience accumulated in the implementation of Green ECS in the past, and actively implemented the goal of sustainable development. Therefore, starting from 2022, the ECS Group has planned out three stages (from organizing to refinement, and gradually integrate with the world), based on the three core values (sustainable earth, contributing to society and honest enterprise) and implemented them step by step. A committee staff was also set up within the Company to implement the details of the three aspects, i.e. "environmental sustainability", "social responsibility" and "corporate governance", and the production plants simultaneously incorporated ESG standards into the quality assurance system. The goal is to halve carbon emissions by 2030 and achieve carbon neutrality by 2050, so as to do our best for the sustainable development of our environment and the earth!

I would like to thank all shareholders for your support of Elitegroup Computer Systems. Everyone at ECS Group works together to continue to build up our strengths and pursue rapid progress in order to achieve the goal of maximizing the interests of our shareholders. I respectfully request the support, encouragement and guidance from you. Thank you.

Chairman

Chapter 2.

Company Profile

I. Date of Incorporation: May 6, 1987

II. Company History

- 1987
 - The company was established with a registered capital of NT\$5 million.
 - Led the way to launch ECS-286 motherboard with the design of MULTI-SPEED.
- 1988
 - Led the way to launch 32-bit microcomputer motherboard.
 - NEAT AIO motherboard won the "Most Excellent Product Design Award" at Hanover Computer Fair.
- 1989
 - Officially started using the high-precision surface mounting technology (SMT) and the motherboard automatic testing equipment (ATE).
 - Signed a patent licensing contract with IBM.
 - Established a British subsidiary to expand the business in Western Europe markets, such as the UK.
 - Purchase Guandu Plant to expand production capacity and improve manufacturing level.
- 1990
 - Set up a German subsidiary to expand the business in Germany and Eastern Europe markets.
 - Set up a Japanese subsidiary to expand the business in Northeast Asia markets.
- 1991
 - Set up a Singapore subsidiary to expand the business in Southeast Asia markets.
 - Set up a subsidiary in the British Virgin Islands as an overseas holding work base for business in the United States.
 - Set up a Canadian subsidiary to expand the business in the Canadian market.
 - Approved by the Security Exchange Commission to be a public company.
 - Purchased Danshui Plant to amplify production capacity.
 - Ranked No.1 in "Comprehensive Operation Performance" by China Credit Information Service, Ltd.
 - Set up Chan-Ying Computer to promote computer system business in the Taiwan market.
- 1992
 - Rated as 5A Manufacturer by Market and Information Magazine.
- 1993
 - Obtained the ISO-9002 Quality Assurance Certification.
 - Set up a Hong Kong subsidiary to expand the business in the HK market.
 - Collaborate with DEC to take the lead in launching the first 64-bit computer motherboard ALPHA.
 - Introduced the power-saving design of GREEN PC.
- 1994
 - Stock listing application was approved and was offered for trading on September 21.
 - Successfully developed the 3DMODEM software driver, which was officially launched in the Japanese market.
 - Launched CD-ROM and officially entered the multimedia computer system market.
 - Reinvested in Powerchip Semiconductor Corporation and integrated components, motherboards, and PC products.
- 1995
 - Prepared the construction of a 4000-square meter plant in Taoyuan Plant for the mass production of discs and full-featured multimedia computer systems.
 - Developed full-featured multimedia computer system and high-resolution monitor system.
 - Re-invested in Genuine Co., Ltd. to increase the marketing network in Taiwan.
- 1996
 - Dual-CPU motherboard (P6FX2-a) and 12X CD-ROM won the National Boutique Award in 1996.
 - First manufacturer to launch dual-CPU motherboard (P6FX2-a) in Taiwan.

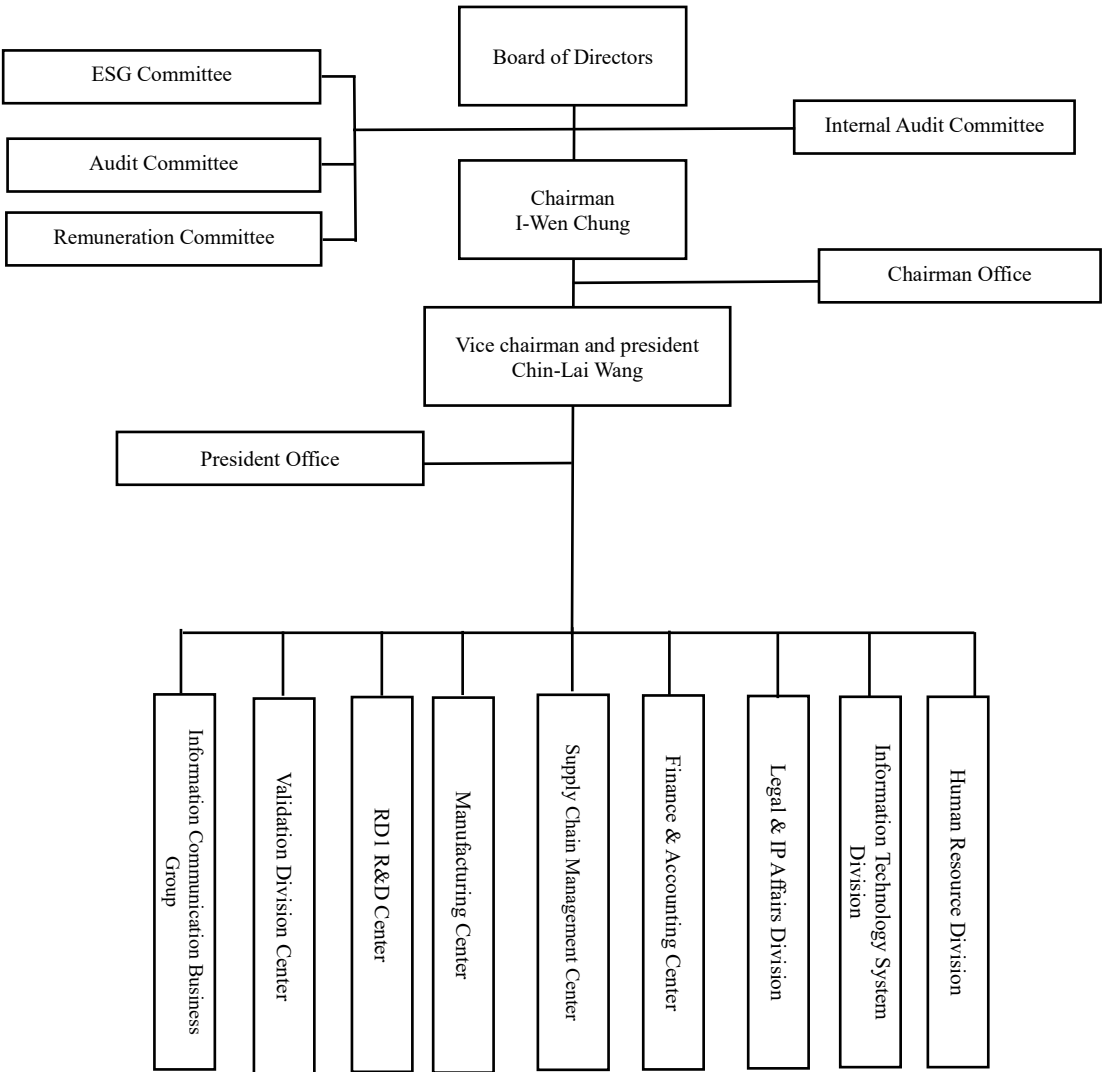
- Introduced into the Global Operation Management System of Worldwide Logistic System.
- Ended the investment holding business in the British Virgin Islands.
- 1997 ■ Danshui Plant obtained the ISO-9001 Quality Assurance Certification.
- Taoyuan Plant obtained the ISO-9002 Quality Assurance Certification.
- Pentium II Dual-CPU Motherboard (P6LX2-A) and Smart100 CD-ROM driver won the National Boutique Award in 1997.
- 1998 ■ The first manufacturer to launch 100MHz Socket 7 related products, which drove the trend of overclocking in the market.
- 1999 ■ The first one to launch the mini-scale easy-to-assemble highly integrated quasi-system and system products.
- 2000 ■ The Danshui Plant obtained ISO-14000 environmental management system certification.
- The P6VAP-A+ motherboard was ranked No. 1 by the German PC Welt magazine in "Most Worthwhile Motherboard Purchases".
- P6ISA-II was awarded the "Best Motherboard Recommendation" by PC DIREKT, a German computer magazine, in November 2000.
- Purchased land in Neihu at NT\$1,273,685 thousand to build an office building, and completed the transfer procedures in June 2000.
- Re-invested NT\$182,490 thousand to Mingli Technology Co., Ltd., which mainly manufactured and sold battery packs and monitors.
- 2001 ■ Signed a merger contract with IV Technologies Co., Ltd.
- Set up Elitegroup Computer Systems (BVI) Co., Ltd. to be responsible for overseas investment holding related business.
- Reinvested to set up Ching Mao Technology Co., Ltd. to expand capacity.
- Set up Elitegroup Computer Systems Inc. (U.S.A.) to reinvest in dealerships PC PAQ, Inc. and PC WAVE Inc.
- 2002 ■ Reinvested to set up Ching Yun Computer (Dongguan) Co., Ltd. to expand capacity.
- Reinvested to set up Ching Yun Computer (Kunshan) Co., Ltd. to expand capacity.
- Ended the operation of the Singapore subsidiary.
- 2003 ■ On Jun. 17, 2003, the shareholders' meeting resolved to pass a proposal for the sale of land, plant, equipment, and designated raw materials of Zhongli Plant.
- Set up Dragon Asia Trading Co., Ltd. (Dragon Asia) to reinvest in the establishment of Super ECS Co., Ltd., which mainly sells and deals computer motherboard, computer peripheral products, and related components.
- In order to integrate the resources in the Americas, PC WAVE Inc. and PC PAQ, Inc. merged to become PC WAVE Inc.
- In order to integrate factory resources, sold Ching Yun Computer (Dongguan) Co., Ltd.
- 2004 ■ In February 2004, acquired 51% equity of Many Billion International Ltd. (Many Billion) through Dragon Asia, and thus indirectly acquired 51% equity in Xinmao Technology (Shenzhen) Co., Ltd. (Xinmao Technology).
- In 2004, reinvested to set up Bright Technology (Samoa) Co., Ltd. through Dragon Asia to acquire the production capacity of printed circuit board.
- In June 2004, acquired 100% equity of PC Chips Holding Ltd., and thus indirectly held 100% equity of Protac International Computer Limited (PIC UK) and 99.8% equity of PC Chips Electronics, establishing a European pathway system. In order to integrate resources, PIC UK and its UK subsidiary changed their names in October 1993, and the (former) UK subsidiary ceased business.
- Reinvested in PC WAVE Inc. and changed its name to PCCHIPS USA Inc.
- 2005 ■ In January 2005, acquired 49% equity of Many Billion through Dragon Asia, and then indirectly acquired 100% equity of Xinmao Technology.

- In March 2005, it acquired 100% equity in ECS EU B.V.
- Reinvested to set up Service Alliance Mart, Inc. to provide product maintenance services in the Americas.
- In order to consolidate resources in the Americas, Elitegroup Computer Systems Inc. (U.S.A.) (Elitegroup Computer Systems - U.S.A.), merged with PCCHIPS USA Inc., with Elitegroup Computer Systems - USA as the surviving company.
- Set up a South Korean subsidiary to expand the business in the South Korean market.
- Reinvested to set up Super ECS USA, Inc. in December 2005 to expand its business in the North American market.
- 2006 ■ On Jan. 1, 2006, 314,001,100 shares were issued by the Company to acquire the desktop computer system business department of Tatung Co.
- In March 2006, a Czech subsidiary was established as a desktop computer production base.
- In May 2006, the Canadian subsidiary completed the liquidation operation.
- In July 2006, acquired 38% equity of Million Up Finance Ltd. through Dragon Asia, and indirectly acquired 38% equity of Xingying Technology (Shenzhen) Co., Ltd., so as to obtain part of its production capacity of printed circuit board and motherboard.
- In July 2006, set up a Mexico subsidiary as a desktop computer production base.
- In September 2006, reinvested to set up Qunmao Computer (Shenzhen) Co., Ltd. to engage in PC assembly and sales business.
- On Dec. 25, 2006, the Company issued 184,930,500 shares to merge UNIWILL COMPUTER CORP., so as to engage in the production and sales of laptops and related products.
- 2007 ■ In July 2007, invested NT\$240,000 thousand to set up DU PRECISION INDUSTRY CO., LTD. jointly with Cheng Uei Precision Industry Co., Ltd., in which the Company held 40% equity, so as to engage in the design, manufacturing, and other related services of computer connectors.
- In October 2007, sold all 40.10% equity held by the Company in DIGICUBE TECHNOLOGY CO., LTD.
- 2008 ■ In the first quarter of 2008, increased capital of US\$12,000 thousand to the original invested company Venture Well Holding Ltd. (BVI) (Venture Well) via increasing capital of US\$ 12,000 thousand to the subsidiary Elitegroup Computer - BVI, after which the equity of Venture Well directly held by Elitegroup Computer - BVI increased from 33.45% to 55.95%.
- In August 2008, the Company purchased 62% equity of Million Up through the capital increase of US\$50,000 thousand in the subsidiary Dragon Asia, so as to indirectly acquire 100% equity of its subsidiary Xingying Technology (Shenzhen) Co., Ltd.
- In November 2008, the Czech subsidiary completed the liquidation operation.
- 2009 ■ In December 2009, sold I-Chuang Technology (BVI) Co., Ltd. and its subsidiary Ching Mao Technology (Shenzhen) Co., Ltd. to a third party.
- In August 2009, sold 40% equity in DU PRECISION INDUSTRY CO., LTD. to Cheng Uei Precision Industry Co., Ltd.
- In 2009, Venture Well redeemed its treasury shares from individual shareholders to increase its shareholding ratio from 59.03% to 61.91%.
- 2010 ■ In June 2010, reinvested to set up Elitegroup Electronics (Changshu) Co., Ltd. for the assembly and sales of motherboards and computer products.
- In June 2010, sold Many Billion and its subsidiary Xinmao Technology (Shenzhen) Co., Ltd. to a third party.
- In August 2010, sold Kuo Yang (BVI) Co., Ltd. and its subsidiary Ching Yun Computer (Kunshan) Co., Ltd. to a third party.
- In 2010, Elitegroup Computer - BVI purchased shares from shareholders of Venture

- Well to increase the shareholding ratio to 68.45%.
- 2011 ■ In order to adjust the investment structure, Xunrui Electronics (Shenzhen) Co., Ltd. and Beijing Xunrun Technology Co., Ltd., which were 100% owned by Alpha Leader Ltd. (HK) were fully transferred to Elitegroup Computer Systems (HK) Co., Limited in March 2011; in September 2011, Orbit International Corp, which was 100% owned by Affirm International Ltd. (BVI), was fully transferred to Alpha Leader Ltd. (HK).
 - 2012 ■ The liquidation of PC Chips Holding Ltd. (UK) was completed in December 2012.
 - 2013 ■ The liquidation of ECS DE Mexico S.A. DE C.V. was completed in March 2013.
 ■ The liquidation of Elitegroup Computer Systems (Germany) Co., Ltd. was completed in October 2013.
 - 2014 ■ The liquidation of Bright Technology (Samoa) Co., Ltd. was completed in March 2014.
 ■ The liquidation of Elitegroup Electronics (Changshu) Co., Ltd. was completed in April 2014.
 - 2015 ■ The liquidation of Elitegroup Trade (Samoa) Co., Ltd. was completed in April 2014.
 ■ The liquidation of Super ECS Co., Ltd. (Mauritius) was completed in February 2015.
 ■ The liquidation of Elitegroup (HK) Limited was completed in April 2015.
 - 2016 ■ The liquidation of Elitegroup Computer Systems EU B.V. was completed in December 2016.
 - 2017 ■ Set up BESTOP GROUP HOLDINGS (HK) LIMITED in April 2017 to be responsible for the business related to overseas investment and holding.
 ■ In June 2017, reinvested to set up Elitegroup Digital Technology (Shenzhen) Co., Ltd.
 - 2019 ■ In January 2019, Elitegroup Technology (Thailand) Co., Ltd. was established to engage in the assembly and sales of motherboard and computer products.
 ■ In July 2019, Xingying Technology (Shenzhen) Co., Ltd. completed the division operation and divided the assets and liabilities with the net value of NT\$454,051 thousand into Xingying Digital Technology (Shenzhen) Co., Ltd. as the capital to engage in the manufacturing and sales of motherboard and computer products.

Chapter 3. Corporate Governance Report

I. Organization Chart



Department Functions

ESG Committee	Formulation of annual sustainability development plan and strategic direction Sustainability development includes the formulation of sustainability governance, integrity management, environmental and social goals, strategies and implementation plans. Review, tracking and revision of sustainability development implementation and effectiveness. Decisions on other matters related to sustainability development.
Audit Committee	Oversee the fair presentation of the Company's financial statements, and the CPA's selection (dismissal), independence and performance, the effective implementation of the Company's internal control, the Company's compliance with relevant decrees, rules, and the control of the Company's existing or potential risks.
Remuneration Committee	Regularly formulate the policy, system, standard and structure related to the performance evaluation of directors and managers, and their salaries and remunerations.
Internal Auditing Committee	To check and evaluate the effectiveness of internal controls; and to provide timely recommendations for improvement.
Chairman Office President Office	Responsible for the operational management, corporate governance, public relations, and other related business.
Information Communication Business Group	Responsible for the planning, research and development, marketing, sales, after-sales service, and maintenance of motherboards and barebone systems, add-on cards, laptops, tablets, IoT, IoV, new energy, AI and, new products.
RD1 R&D Center	Responsible for the R&D and design of motherboards and barebone systems, add-on cards.
Validation Design Center	Responsible for the functional test and verification of motherboards and barebone systems, add-on cards, IoT, and new products.
Manufacturing Center	Responsible for the manufacturing of mainboards, desktop computers and barebone systems, add-on cards, notebook, tablet computers and new products.
Finance & Accounting Center	Responsible for accounting, taxation, stock affairs, corporate finance and treasury and, investor relations.
Supply Chain Management Center	Responsible for the establishment of systematic procedures for raw material procurement, supply and demand planning, production and sales coordination, supplier relationship management, overseas storage, import and export operation, etc.
Human Resources Division	Global human resources management, general affairs, and other business.
Information Technology System Division	To manage global information system architecture, e-commerce strategy, information system development and operation and information security.
Legal & IP Affairs Division	Responsible for legal affairs, and intellectual property rights management.

II. Information Regarding Board of Directors and Key Managers Information

(I) Information about directors

1. Board Members

May 6, 2022

Title (Note 1)	Nationality/ Place of Registration	Name	Gender Age (Note 2)	Date Elected	Term	Date First Elected (Note 3)	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Education and work experience (Note 4)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Remark (Note 5)
							Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Chairman	R.O.C.	Tatung Co., Ltd. Representative: I-Wen Chung	Male 61~70	2021.07.21	3 years	2006.06.24	152,475,397	27.35	170,056,397	30.51	0	0	0	0	Bachelor of Economics, Iowa State University, USA President of Mechatronic Integrated Component Products Group of Hon Hai Precision Industry Co., Ltd. Business manager of Dahin Group	Director and president of Tatung Co., Corporate director representative of Tatung System Technologies Inc. Corporate director representative of Elitegroup Computer System Holding Co., Ltd., Director representative of ECS Holding (America) Co., Corporate director representative of Unitop International Corp, Director of ECS Holding (HK)Co., Ltd., Director of Super ECS USA, Inc,	None	None	None	None
						2021.07.21	0	0	0	0	0	0	0	0						
Vice chairman	R.O.C.	Tatung Co., Ltd. Representative: Chin-Lai Wang	Male 61~70	2021.10.29	3 years	2006.06.24	152,475,397	27.35	170,056,397	30.51	0	0	0	0	Doctor of Management (DBA) in National Chengchi University Director of Tatung Co., Ltd. chairman of Ernst & Young Cultural and Educational Foundation, head of Ernst & Young Associates, chairman of EY Management Services Inc., CEO and Deput CEO of Ernst & Young Associates, chairman of EY Business Advisory Services Inc., President of Alumni Association of National Cheng Kung University, chairman of the Alumni Association, Department of Accounting, National Chengchi University, vice president of Taiwan Equity Investment Association, executive director of Taiwan M&A and Private Equity Council, Adjunct Professor of Accounting Department of National Cheng Kung University, vice president of Corporate Operating and Sustainable Development Association, director of Taiwan Corporate Governance Association, director of Technology Communication Networking Entrepreneurship Knowledge.	Independent Director of Landmark Optoelectronics Corporation, Independent Director of PCLTechnologies Inc, Independent Director of Sysage Technology Co., Ltd. Chairman of NCKU Venture Capital Co.,Ltd., Director of Elitegroup Computer Systems (Japan) Co., Ltd., director of Venture Well Holdings Limited, Director of Elitegroup Computer Systems Inc., Director of Super ECS USA, Inc., Director of Elitegroup Computer Systems (SIP) Co., Ltd., Director of ECS Digital Technology (Shenzhen) Ltd., Director of Alpha Leader Limited, Director of Golden Elite Technology (Shenzhen) Ltd., and Director of Elitegroup Computer Systems Korea Co., Ltd.	None	None	None	None
						2021.10.29	0	0	0	0	0	0	0	0						
Director	R.O.C.	Tatung Co., Ltd. Representative: Hung-Hsin Lin	Male 51~60	2021.10.29	3 years	2006.06.24	152,475,397	27.35	170,056,397	30.51	0	0	0	0	Master of Business Administration, National Taipei University Judge of Taipei District Court of Taiwan Presiding lawyer of Hung-Hsin Lin Law Firm Director of Xin Tong Investment Consultancy Co., Ltd.	Presiding lawyer of Hung-Hsin Lin Law Firm Director of Xin Tong Investment Consultancy Co., Ltd	None	None	None	None
						2021.10.29	0	0	0	0	0	0	0	0						
Director	R.O.C.	Sung Ming Investment Co., Ltd. Representative: Huan-Chang Yu	Male 51~60	2022.04.01	3 years	2021.07.21	2,147,558	0.39	2,147,558	0.39	0	0	0	0	Master of Business Administration from Shanghai China Europe International Business School /Master of Management Institute of Fu Jen Catholic University CFO, Head of General Management Division and Global Administration Center of ATEN International Co., Ltd., executive director and CFO of Yue Yuen Industrial (Holdings) Limited	Executive associate of Pou Chen Corporation, director of Yue Yuen Industrial (Holdings) Limited, Director of Yangzhou Bao Yi Shoes Company Limited, subsidiary of Yue Yuen Industrial (Holdings) Limited, Orisol Precision Industry Co., Ltd., Broad Green Industrial Limited, Hua Jian Industrial Holding Co., Limited, Oftenrich Holdings Limited, Brilliant Ocean Limited, Jumbo Power Enterprises Limited, Superb King Investments Limited, Colco Investment Holding Limited and Ka Yuen Trading Limited	None	None	None	None
						2022.04.01	0	0	0	0	0	0	0	0						
Director	R.O.C.	Sung Ming Investment Co., Ltd. Representative: Yue-Ming Ho	Male 51~60	2021.07.21	3 years	2021.07.21	2,147,558	0.39	2,147,558	0.39	0	0	0	0	Institute of Law, National Taiwan University Deputy General Manager of HTC Corp.	Deputy General Manager of Pou Chen Corporation; Corporate Director Representative of Pou Chen Corporation, and Director of the subsidiary of Yue Yuen Industrial (Holdings) Limited, Pao Hsing	None	None	None	None
						2018.06.25	0	0	0	0	0	0	0	0						

Title (Note 1)	Nationality/ Place of Registration	Name	Gender Age (Note 2)	Date Elected	Term	Date First Elected (Note 3)	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Education and work experience (Note 4)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Remark (Note 5)
							Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
																Investment Co., Ltd., and Hua Jian Industrial Holdings Co., Limited				
Director	R.O.C.	Chih-Hung Shih	Male 51~60	2021.07.21	3 years	2021.07.21	0	0	0	0	0	0	0	0	Department of Accounting, Chung Yuan Christian University Vice President of Pou Chen Corporation	Vice President of Pou Chen Corporation, executive director of Eagle Nice (International) Holdings Limited, Director of Yangzhou Bao Yi Shoes Company Limited and Yue Yuen Industrial (Holdings) Limited, director of Ka Yuen (Vietnam) Rubber Factory Ltd. 、Diamond Islands Limited 、Famous Eagle Limited, director of PT. Recycle Center Indonesia, and Commissioner Venture Well Holdings Limited, a subsidiary of Yue Yuen Industrial (Holdings) Limited	None	None	None	None
Independent Director	R.O.C.	Maw-In Tsai	Male 51~60	2021.07.21	3 years	2021.07.21	0	0	0	0	0	0	0	0	Postdoctoral researcher at Harvard University, Master of Laws and Doctor of Laws from Nagoya University, and Bachelor of Laws from National Taiwan University. Guest professor of Waseda University, Associate Professor, Department of Public Administration, Tamkang University, Associate Professor, Professor of School of Law, National Taiwan University, consultant of the Ministry of the Interior, consultant of National Health Insurance Administration, member of Central Election Commission, arbitrator of Democratic Progressive Party, regulation member of Labor Council of Executive Yuan, regulation member of Atomic Energy Council of Executive Yuan, appeal and mediation member of Public Construction Commission of Executive Yuan, deputy director of the Regulation Committee of the National Police Agency, Ministry of the Interior, regulation member of Taiwan municipal government, regulation member of Taipei county government, director of Taiwan Sugar Corporation	Adjunct Professor, Institute of Law, National Taiwan University Member of the Appeal Committee of the Executive Yuan Member of Local Tax Law Review Committee of Ministry of Finance Consultant of Taiwan-Japan Relations Association Director of Chungyu University of Film and Arts Executive council member of Taiwan-Japan Lawyers Association	None	None	None	None
Independent Director	R.O.C.	Chin-Fu Ho	Male 61~70	2021.07.21	3 years	2021.07.21	0	0	0	0	0	0	0	0	Master of Institute of Management Science, Tamkang University, senior vice president, accounting supervisor, financial supervisor and acting spokesperson of Kindom Development Co., Ltd Construction Corp., independent director and remuneration committee member of Evermore Chemical Industry Co, Ltd., remuneration committee member of Vigor Kobo Co.,Ltd.Company Limited, supervisor of Global Brands Manufactur Ltd. and supervisor of Global Mall Co., Ltd.	Director of Yue Yuen Education Foundation Director of Yue Yuen Charity Foundation	None	None	None	None

Note 1: In case of corporate shareholder, the name and representative of the corporate shareholder shall be presented, respectively (in case of corporate shareholder representative, the name of the corporate shareholder shall be indicated), and the following Table 1 shall be filled in.

Note 2: Please list the actual age, and express it by interval, such as 41-50 or 51-60.

Note 3: Indicate the time of first serving as a director or supervisor of the Company. If there is any interruption, a note should be attached.

Note 4: Experience related to the current position, if he/she worked in a certified accounting firm or affiliated company during the aforesaid reporting period, his/her title and position shall be specified.

Note 5: If the Chairman and the President or equivalent positions (top manager) are the same person, spouses or relatives within one generation, the information on reasons, rationality, necessity, and countermeasures (for example, increase the number of independent directors and there shall be more than half of directors being employees or managers, etc.) shall be specified.

Supplementary Description:

I. Director Pan-Tsu Wu acted as the representative of the corporate supervisor of the Company from December 1, 2006 to June 25, 2012, acted as the director of the Company from June 23, 2014 to June 15, 2015, and acted as the representative of the Company's juristic person director since June 16, 2015.

II. Chairman Wen-Yen Lin-Kuo resigned as Chairman and Director on April 21, 2021.

III. On July 21, 2021, the Company re-elected all directors, among which Director Wen-Nan Tsan, Independent Directors Chih-Shen Chen, Gen-Yu Fong, Han-Fei Lin, and Liang-Chao Lin retired. Directors I-Wen Chung, Chun-Sheng Ho, Ching-Hsiang Lin, Chih-Hung Shih, Independent Directors Maw-In Tsai, Jen-Two Liu and Chin-Fu Ho are newly appointed; and Directors Pan-Tsu Wu and Yue-Ming Ho are re-elected. On the same day, the board of directors elected I-Wen Chung as the chairman.

IV. Independent Director Jen-Two Liu resigned on Oct.4, 2021

V. On October 29, 2021, the corporate director Tatung Co., Ltd. reassigned its representative: Director Chin-Lai Wang and Director Hung-Hsin Lin were newly appointed; Director Chun-Sheng Ho and Director Ching-Hsiang Lin were dismissed. Director Chin-Lai Wang was appointed as the vice chairman and president by the Board of Directors on November 8, 2021.

VI. Sung Ming Investment Co., Ltd. reassigned the representative on Apr. 1, 2021: Director Huan-Chang Yu was newly appointed, and Director Pan-Tsu Wu was dismissed.

Table 1: Major Shareholders of the Corporate Shareholder

April 2022

Name of Institutional Shareholder (Note 1)	Major Shareholder (Note 2)	
	Shareholders	Percentage of Ownership
Tatung Co., Ltd.	Rowda Tech Company	6.58%
	Tatung University	5.84%
	San Ya Investment Co., Ltd.	4.27%
	Capital Securities Corporation Broking Capital Securities /Futures(HK) Ltd- A/C Clients	3.66%
	Ou Chi Investment Co., Ltd.	3.48%
	Chen-Lung Wu	3.38%
	Wen-I Cheng	3.26%
	New Tatung Investment Advisor Co., Ltd.	2.23%
	Tung-Chun Chiang	2.06%
	Pei Chi Investment Co., Ltd.	2.00%
Sung Ming Investment Co., Ltd.	Barits Development Corporation	100.00%

Note 1: If a director is a representative of the corporate shareholder, the name of the corporate shareholder shall be filled in.

Note 2: Fill in the names of the major shareholders of the corporate shareholder (whose shareholding ratio is among the top 10) and their shareholding ratio. Where the major shareholder is a corporation, please complete the following Table 2.

Note 3: If a corporate shareholder is not a company organization, the names and shareholding ratios of the shareholders to be disclosed are the names of the investors or donors (please refer to the court announcement) and their contribution or donation ratio. If the donor has passed away, it should be marked "Deceased".

Table 2: Major Institutional Shareholders that are Legal Persons

April 2022

Name of Institutional Shareholder (Note 1)	Major Shareholder (Note 2)	
	Shareholders	Percentage of Ownership
Rowda Tech Company	Shan Yuan Construction Co., Ltd.	100.00%
Tatung University	Sieh Chih Industry Revitalization Association	100.00%
San Ya Investment Co., Ltd.	Kuang-Hsiang Wang	31.33%
	Hsueh-O Wang-Hsu	31.33%
	Ya-Lin Wang	18.33%
	Ya-Hsuan Wang	7.61%
	Ya-Wei Wang	7.61%
	Li-Chih Wang	0.95%
	Li-Chun Wang	0.95%
	Li-Ming Wang	0.95%
	Li-Chu Wang	0.95%
Ou Chi Investment Co., Ltd.	British Virgin Islands GIGANT HOLDINGS LIMITED	99.9%
New Tatung Investment Advisor Co., Ltd.	Ching-I Kao	99%
	Jung-Kuang Yang	1%
Pei Chi Investment Co., Ltd.	Hsiao-CHen Yeh	100%
Barits Development Corporation	Pou Chen Corporation	99.49%
	Pou Hsiang Investment Co., Ltd.	0.13%

Note 1: If the major shareholder in Table 1 above is a legal person, the name of the legal person shall be filled in.

Note 2: Fill in the names of the major shareholders of the legal person (whose shareholding ratio is among the top 10) and their shareholding ratio.

Note 3: If a corporate shareholder is not a company organization, the names and shareholding ratios of the shareholders to be disclosed are the names of the investors or donors (please refer to the court announcement) and their contribution or donation ratio. If the donor has passed away, it should be marked "Deceased".

2. Disclosure of information on professional qualifications of directors and independence of independent directors

Qualifications Name	Professional Qualification and Work Experience (Note 1)	Independence Criteria (Note 2)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Chairman I-Wen Chung	- Graduated from Department of Economics, Iowa State University, USA - Now act as the Chairman of Elitegroup Computer Systems Co., Ltd., director and president of Tatung Co., Ltd., corporate director representative of Tatung System Technologies Inc, corporate director representative of Elitegroup Computer System Holding Co., Ltd., director of ECS Holding (America) Co., corporate director representative of Unitop International Corp, director of ECS Holding (HK) Co., Limited. director of Super ECS USA, Inc., etc. - Served Hon Hai Technology Group for 20 years, acting as the manager of Hon Hai Precision Industry Co., Ltd., president of Hon Hai Electromechanical Integration Component Products Business Group, chairman of Hongfujin precision industry (Shenzhen) Co., Ltd., and chairman of Maxnerva Technology Services Limited., and was responsible for Hon Hai USA and Brazil and other regions for a long time, with the major customers including HP, Apple, etc. During his tenure, the revenue of Hon Hai's personal computer peripheral business group has exceeded NT\$200 billion, with an annual growth rate of over 30%. - Not under any of the categories stated in Article 30 of the Company Act.	1. Not a spouse or a relative within the second degree of kinship to any other director of the Company.	0
Vice chairman Chin-Lai Wang	- Graduated from National Cheng Kung University with a bachelor's degree in Accounting, National Chengchi University with a Master's degree in Accounting and a doctor's degree in Business Management. - Independent Director of LandMark Optoelectronics Corporation, PCL Technologies Inc., and Sysage Technology Co., Ltd., chairman of NCKU Venture Capital Co., Ltd., director of Elitegroup Computer Systems (Japan) Co., Ltd., director of Venture Well Holdings Limited, director of Elitegroup Computer Systems Inc., director of Super ECS USA, Inc., director of Elitegroup Computer Systems (SIP) Co., Ltd., director of ECS Digital Technology (Shenzhen) Ltd., director of Alpha Leader Limited, director of Golden Elite Technology (Shenzhen) Co., Ltd. - Participated in the international exchange program to work for Ernst & Young in Toronto, Canada for 3 years, held the CPA license of the Republic of China, and obtained international professional certificates such as American accountant, mainland China accountant and American management accountant. Worked for Ernst & Young Taiwan for 30 years, serving as a certified public accountant, chief executive officer, director, and chairman of Ernst & Young Group. He is committed to promoting the functions of the board of directors, strengthening corporate governance and improving the sustainable	1. Not a spouse or a relative within the second degree of kinship to any other director of the Company.	3

Qualifications Name	Professional Qualification and Work Experience (Note 1)	Independence Criteria (Note 2)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
	development of enterprises. ● Not under any of the categories stated in Article 30 of the Company Act.		
Director Hung-Hsin Lin	1. Master of Business Administration, National Taipei University 2. Currently act as the Presiding lawyer of Hung-Hsin Lin Law Firm and the chairman of Xin Tong Investment Consultancy Co., Ltd 3. Once served as a judge in Taipei District Court, passed the special judicial examination in mainland China, and is familiar with the company laws of both Taiwan and mainland China. 4. Passed the special examination of Taiwan Judicial Officer ● Not under any of the categories stated in Article 30 of the Company Act.	1. Not a spouse or a relative within the second degree of kinship to any other director of the Company.	0
Director Huan-Chang Yu	1. Master of Management Institute of Fu Jen Catholic University and MBA of Shanghai China Europe International Business School. 2. Executive associate of Pou Chen Corporation, executive director and CFO of Yue Yuen Industrial (Holdings) Co., Ltd., a subsidiary of Pou Chen Corporation, CFO, head of General Management Division and Global Administration Center of ATEN International Co., Ltd. for six years. ● Not under any of the categories stated in Article 30 of the Company Act.	1. Not a spouse or a relative within the second degree of kinship to any other director of the Company.	0
Director Yue-Ming Ho	1. Graduated from Institute of Law, National Taiwan University 2. Vice President of Pou Chen Corporation, once worked as the vice president of HTC for about eight years. ● Not under any of the categories stated in Article 30 of the Company Act.	1. Not a spouse or a relative within the second degree of kinship to any other director of the Company.	0
Director Chih-Hung Shih	1. Graduated from Department of Accounting, Chung Yuan Christian University 2. Vice President of Pou Chen Corporation, and executive director of Eagle Nice (International) Holdings Limited, a Hong Kong listed company ● Not under any of the categories stated in Article 30 of the Company Act.	1. Not a spouse or a relative within the second degree of kinship to any other director of the Company. 2. Not a governmental or judicial person or a representative thereof as defined in Article 27 of the Company Act.	0
Independent Director Maw-In Tsai	1. Graduated from the Department of Law of National Taiwan University, Master of Laws and Doctor of Laws from Nagoya University, Japan, with specialty in administrative law, financial law, local system law and social security law. 2. At present, he is an adjunct professor in the Law Department of National Taiwan University, a member of the Appeal Committee of the Executive Yuan, a member of the Local Tax Law Review Committee of the Ministry of Finance, a consultant of the Taiwan-Japan Relations Association, a director of Director of Chungyu	1. Upon taking office, the independent director of the Company will fill out the declaration of independent director, and report to the competent authority through the Company the checklist of independent director's	0

Qualifications Name	Professional Qualification and Work Experience (Note 1)	Independence Criteria (Note 2)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
	University of Film and Arts, and an executive director of the Taiwan-Japan Lawyers Association. 1. Once served as a professor in the Law Department of National Taiwan University, guest professor of Waseda University, Japan, Associate Professor, Department of Public Administration, Tamkang University, Associate Professor, Professor of School of Law, National Taiwan University, post-doctoral researcher of Harvard University, regulation member of the Ministry of the Interior, consultant of the Ministry of the Interior, regulation member of Labor Council of Executive Yuan, consultant of National Health Insurance Administration, member of Central Election Commission, arbitrator of Democratic Progressive Party, regulation member of Atomic Energy Council of Executive Yuan, appeal and mediation member of Public Construction Commission of Executive Yuan, deputy director of the Regulation Committee of the National Police Agency, Ministry of the Interior, regulation member of Taiwan municipal government, regulation member of Taipei county government, director of Taiwan Sugar Corporation ●Not under any of the categories stated in Article 30 of the Company Act.	qualifications (when elected). 2. The independent director complies with the Regulations on the Establishment of Independent Directors of Public Companies and Matters to be Followed. Please refer to (2) Independence of the Board of Directors for details of the qualification list of independent directors.	
Independent Director Chin-Fu Ho	1. Graduated from Institute of Management Science of Tamkang University with a Master's degree. 2. Director of Yue Yuen Education Foundation and Yue Yuen Charity Foundation 3. Once served as the senior vice president of accounting division of Kindom Construction Corp., supervisor of Global Brands Manufacture Ltd., remuneration committee member of Vigor Kobo Co.,Ltd., independent director of Evermore Chemical Industry Co, Ltd. and supervisor of Global Mall Co., Ltd. ●Not under any of the categories stated in Article 30 of the Company Act.	1. Upon taking office, the independent director of the Company will fill out the declaration of independent director, and report to the competent authority through the Company the checklist of independent director's qualifications (when elected). 2. The independent director complies with the Regulations on the Establishment of Independent Directors of Public Companies and Matters to be Followed. Please refer to (2) Independence of the Board of Directors for details of the qualification list of independent directors.	0

Diversity and Independence of the Board of Directors:

- (I) Diversity of the Board of Directors: state the diversification policies, objectives and achievement of the Board of Directors. Diversity policy includes, but is not limited to, the selection criteria of directors, the composition and proportion of professional qualifications and experience, gender, age, nationality and culture required by the board of directors, and the specific objectives of the Company and their achievement stated in the aforementioned policy.

1. Diversity Policy of the Board of Directors

A policy of diversity of board members of the Company has been formulated according to Chapter 3 "Enhancing the Functions of the Board of Directors" of the "Corporate Governance Best Practice Principles".

The board of directors of the Company shall report to the shareholders' meeting, and all operations and arrangements of its corporate governance system shall ensure that the board of directors exercise its functions and powers in accordance with laws and regulations, articles of association or resolutions of the shareholders' meeting.

The structure of the board of directors of the Company shall determine the appropriate number of directors with more than five members according to the scale of the Company's operation and development and the shareholding of its major shareholders, taking into account the needs of practical operation.

The composition of the board of directors shall consider diversification, and formulate an appropriate diversification policy according to its own operation, operation type and development needs, which should include but not be limited to the following two major standards:

- (1) Basic conditions and values: gender, age, nationality and culture, etc.
- (2) Knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industrial experience, etc.

Members of the board of directors should generally possess the necessary knowledge, skills and qualities to perform their duties. To achieve the ideal goal of corporate governance, the board of directors as a whole should have the following capabilities:

- (1) Operational judgment capability.
- (2) Accounting and financial analysis capability.
- (3) Business administration capability.
- (4) Crisis handling capability.
- (5) Industrial Knowledge
- (6) International market perspective
- (7) Leadership
- (8) Decision-making capability

2. Specific management objectives and implementation of board diversity

The Board of Directors of the Company consists of 9 directors with rich experience in different professional fields (including 3 independent directors, one vacancy to be filled). The nomination and selection of members of the Board of Directors are in compliance with the Articles of Association of the Company. The candidates are nominated, and elected by the shareholders meeting.

Members of the board of directors have professional backgrounds in business management, accounting, finance and technology, etc. Based on their different professional backgrounds, they comprehensively monitor the Company's major decisions by taking into account the international situation, market observation and financial evaluation. Through professional judgment, they can protect shareholders' rights and interests, improve operating performance, give full play to the function of independent directors, strengthen risk management and ensure information transparency, take into account the principle of conflict of interests, and effectively protect the interests of all stakeholders of the Company, so that the Company can accurately implement its business and future development strategies.

Diversity of the Board of Directors:

Diversified Core Competences Name and title	Nationality	Gender	A Concurrent Employee of the Company	Age		Seniority of Independent Director		Professional background				Professional knowledge and skills						
				51~60	61~70	Below 3 years	3~9 Years	Law	Finance and Accounting	Industry	Technology	Operational judgment capability	Accounting and financial analysis capability	Business administration capability	Crisis handling capability	Industrial Knowledge	International market perspective	Leadership Decision-making capability
Chairman I-Wen Chung	R.O.C.	Male			V				V	V	V	V	V	V	V	V	V	
Vice chairman Chin-La Wang		Male	V		V				V	V	V	V	V	V	V	V	V	
Director Hung-Hsin Lin		Male		V				V					V	V			V	
Director Huan-Chang Yu		Male		V					V	V		V	V	V	V	V	V	
Director Yue-Ming Ho		Male		V				V		V	V	V		V	V	V	V	
Director Chih-Hung Shih		Male		V					V	V		V	V	V	V	V	V	
Independent Director Maw-In Tsai		Male		V		V		V						V		V	V	
Independent Director Chin-Fu Ho		Male			V	V			V	V		V	V	V	V		V	

Specific management objectives and implementation of board diversity :

Diversified management objectives	Implementation
Directors who are also managers of the Company should not exceed one-third of directors.	Satisfied
An independent director shall not serve over three terms.	Satisfied
Adequately diversified professional knowledge and skills and professional background.	Satisfied

(II) Independence of the board of directors: state the number and proportion of independent directors, and explain the independence of the board of directors, and provide reasons to explain whether there are no situations specified in paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act, including the situation that among the directors, supervisors or between directors and supervisors have the relationship of spouses or relatives within the second degree.

1. Number of independent directors and their qualifications

According to the Articles of Association, the Company has three independent directors (accounting for 33.33%), and adopts the candidate nomination system. The qualifications of candidates are evaluated according to the establishment of independent directors of public companies and the matters to be followed, and they are elected by the shareholders' meeting on the list of independent directors. The relevant qualifications of independent directors are as follows:

Independent Director Qualification Table

Qualifications and Conditions of Independent Director	Name of Independent Director		
	Maw-In Tsai	Chin-Fu Ho	Vacant
I. Obtain one of the professional qualifications and have more than five years of working experience:			
1. An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Requirements in a Public or Private Junior College, College or University	V		
2. A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist who Has Passed a National Examination and Has Been Awarded a Certificate in a Profession Necessary for the Business			
3. Has work experience in the areas of commerce, law, finance, or accounting, or otherwise needed by the business of the Company	V	V	
II. None of the following			

Name of Independent Director		Maw-In Tsai	Chin-Fu Ho	Vacant
Qualifications and Conditions of Independent Director				
1.	Not under any of the categories stated in Article 30 of the Company Act.	V	V	
2.	Elected as a governmental or judicial person or a representative thereof as defined in Article 27 of the Company Act.	V	V	
III. No following situations within two years before election:				
1.	An employee of the Company or any of its affiliates.	V	V	
2.	A director, supervisor of the Company or any of its affiliates.	V	V	
3.	A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.	V	V	
4.	Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the persons in the preceding 2 and 3 subparagraphs.	V	V	
5.	A director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top 5 in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act.	V	V	
6.	A director, supervisor or employee of a company controlled by the same person who has shares over half of the Company's director seats or voting rights.	V	V	
7.	A director, supervisor, or employee of another company or institution who, or whose spouse, is a chairman, president, or person holding an equivalent position of the Company.	V	V	
8.	A director, supervisor, manager or shareholder who holds over 5% shares of the specific company or institution that has financial or business dealings with the Company serving as the following (1)~(4).	V	V	
(1)	Holding more than 20% but not more than 50% of the total issued shares of the Company.	V	V	
(2)	Another company, its director, supervisor and shareholder holding more than 10% of the total shares who hold a total of more than 30% of the total issued shares of the Company, and the company has the record of financial or business contacts with the Company. The stocks held by the above-mentioned personnel include those held by their spouses, minor children and held in the name of others.	V	V	
(3)	Another company and its group company from which more than 30%.of the Company's operating income derives	V	V	
(4)	Another company and its group company which more than 50% of the quantity or total purchase amount of the Company's main raw materials (which account for more than 30% of the total purchase amount and are indispensable for manufacturing products) or main products (which account for more than 30% of the total operating revenue) comes from.	V	V	
9.	A professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, managerial officer or spouse thereof	V	V	

Name of Independent Director	Maw-In Tsai	Chin-Fu Ho	Vacant
Qualifications and Conditions of Independent Director			
that provides auditing service for the Company or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration more than NT\$500,000 in the past two years. However, this does not apply in cases where members of the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions perform their functions in accordance with the Act or the Business Mergers and Acquisitions Act.			
VI. Not Concurrently an Independent Director of Three Other Public Companies	V	V	
V. Two or more independent directors have been appointed according to the law or the Articles of Association, which is not less than one-fifth of the directors.	V	V	

2. Independence among board members:

The members of the board of directors of the Company do not have any situations as prescribed in paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act.

Note 1: Qualifications and experience: state the professional qualifications and experience of individual directors and supervisors. If they are members of the Audit Committee and have expertise in accounting or finance, they should state their accounting or financial background and work experience, and also state whether they have the situations as in Article 30 of the Company Act.

Note 2: Independent directors shall state their independence, including but not limited to whether themselves, their spouses and relatives within the second degree are directors, supervisors or employees of the Company or its affiliated enterprises, the number and proportion of shares held by themselves, their spouses and relatives within the second degree (or in the name of others); whether they are a director, supervisor or employee of a company with a specific relationship with the Company (refer to the provisions of paragraphs 5-8, Paragraph 1, Article 3 of the Measures for the Establishment of Independent Directors of Public Companies and Matters to be Followed), amount of remuneration obtained for providing business, legal affairs, finance, accounting and other services to the Company or its affiliated enterprises in the past two years.

Note 3: Please refer to the best practice reference examples on the website of Corporate Governance Center of Taiwan Stock Exchange for the disclosure methods.

3. Education and Training of Directors

Title	Name	Date of appointment	Date of initial appointment	Date		Training Institution	Course Name	Training Hours	Training Hours of the Year	Compliant or not
				From	To					
Corporate director representative	I-Wen Chung	2021/07/21	2020/12/22	2021/10/22	2021/10/22	Securities and Futures Institute	Discussion on the Practice of Money Laundering Prevention and Combating Financing Terrorism	3.0	15.0	Yes
				2021/09/27	2021/09/27	Securities and Futures Institute	Legal responsibility of insider trading and case analysis	3.0		
				2021/09/23	2021/09/23	Securities and Futures Institute	On the functions of the board of directors from the perspective of enterprise fraud prevention	3.0		
				2021/09/22	2021/09/22	Securities and Futures Institute	Sharing of M&A Practice-Focusing on Hostile M&A	3.0		
				2021/09/09	2021/09/09	Corporate Operation Association of the Republic of China	On Taiwan Merchant Business Strategy and Merger and Acquisition Strategy from the Global Political and Economic Situation	3.0		
Corporate director representative	Chin-Lai Wang	2021/10/29	2017/05/03	2021/08/19	2021/08/19	Securities and Futures Institute	Discussion on Employee Reward Strategy and Tool Application	3.0	6.0	Yes
				2021/03/31	2021/10/20	Securities and Futures Institute	As a lecturer in the SFI course of "Skills of Directors and Supervisors in Interpreting Financial Information"	3.0		
Corporate director representative	Hung-Hsin Lin	2021/10/29	2020/10/21	2021/12/07	2021/12/07	Taiwan Stock Exchange Corporation (TSEC)	2021 Cathay Pacific Sustainable Finance and Climate Change Summit Forum	6.0	6.0	Yes
Corporate director representative	Pan-Tsu Wu	2021/07/21	2014/06/23	2021/11/09	2021/11/09	Institute of Financial Law and Crime Prevention	Education and training course for directors and senior executives in preventing money laundering and combating financing terrorism	1.0	13.0	Yes
				2021/10/26	2021/10/26	Taiwan Insurance Institute	IFRS17 Competition Blueprint and Corporate Governance 3.0	3.0		
				2021/09/01	2021/09/01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3.0		
				2021/08/13	2021/08/13	Taiwan Corporate Governance Association	Climate Change and TCFD	3.0		
				2021/07/20	2021/07/20	Taiwan Accounting Research and Development Foundation	New policy of enterprise sustainability development and comprehensive view of climate governance	3.0		
Corporate director representative	Yue-Ming Ho	2021/07/21	2018/06/25	2021/08/13	2021/08/13	Taiwan Corporate Governance Association	Climate Change and TCFD	3.0	6.0	Yes
				2021/07/02	2021/07/02	Taiwan Accounting Research and Development Foundation	Trends and countermeasures of ESG sustainable finance	3.0		
Director	Chih-Hung Shih	2021/07/21	2021/07/21	2021/10/29	2021/10/29	Corporate Operation Association of the Republic of China	Practical Operation and Case Analysis of Corporate Governance, Board of Directors and Remuneration Committee	3.0	12.0	Yes
				2021/09/01	2021/09/01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	6.0		
				2021/08/13	2021/08/13	Taiwan Corporate Governance Association	Climate Change and TCFD	3.0		
Independent Director	Maw-In Tsai	2021/07/21	2021/07/21	2021/12/07	2021/12/07	Taiwan Stock Exchange Corporation (TSEC)	2021 Cathay Pacific Sustainable Finance and Climate Change Summit Forum	6.0	12.0	Yes
				2021/11/03	2021/11/03	Securities and Futures Institute	2021 Publicity meeting on preventing insider trading	3.0		
				2021/09/01	2021/09/01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3.0		
Independent Director	Chin-Fu Ho	2021/07/21	2015/06/10	2021/11/12	2021/11/12	Securities and Futures Institute	2021 Publicity meeting on preventing insider trading	3.0	6.0	Yes
				2021/10/28	2021/10/28	Securities and Futures Institute	2021 Briefing on Insider Equity Trading Law Compliance	3.0		

(II) President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches

May 6, 2022

Title	Nationality	Name	Gender	Date of appointment	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remark (Note 1)
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Vice chairman and president	R.O.C.	Chin-Lai Wang	Male	2021.11.08	0	0.00	0	0.00	0	0.00	Doctor of Management (DBA) in National Chengchi University Director of Tatung Co., Ltd. chairman of Ernst & Young Cultural and Educational Foundation, head of Ernst & Young Associates, chairman of EY Management Services Inc., CEO and Deput CEO of Ernst & Young Associates, chairman of EY Business Advisory Services Inc., President of Alumni Association of National Cheng Kung University, chairman of the Alumni Association, Department of Accounting, National Chengchi University, vice president of Taiwan Equity Investment Association, executive director of Taiwan M&A and Private Equity Council, Adjunct Professor of Accounting Department of National Cheng Kung University, vice president of Corporate Operating and Sustainable Development Association, director of Taiwan Corporate Governance Association, director of Technology Communication Networking Entrepreneurship Knowledge.	Independent Director of LandMark Optoelectronics Corporation, PCL Technologies Inc. and Sysage Technology Co., Ltd., chairman of NCKU Venture Capital Co., Ltd., director of Elitegroup Computer Systems (Japan) Co., Ltd., director of Venture Well Holdings Limited, director of Elitegroup Computer Systems Inc., director of Super ECS USA, Inc., director of Elitegroup Computer Systems (SIP) Co., Ltd., director of ECS Digital Technology (Shenzhen) Ltd., director of Alpha Leader Limited, director of Golden Elite Technology (Shenzhen) Ltd. and Elitegroup Computer Systems Korea Co., Ltd.	None	None	None	None
Vice President of Information Communication Business Group	R.O.C.	Chih-Wei Chang	Male	2022.03.07	0	0.00	0	0.00	0	0.00	Department of Information Management, Ming Chuan University ECS, FII	None	None	None	None	None
Vice President of Information Communication Business Group	R.O.C.	Mu-Hui Chiang	Female	2022.03.07	0	0.00	0	0.00	0	0.00	Department of Japanese, Tamkang University Heml Technology Inc., Alternative International Technology Co., Ltd. Taiwan San Pao Information Co., Ltd.	None	None	None	None	None
Vice President of Information Communication	R.O.C.	Yu-Pin Weng	Male	2022.03.07	0	0.00	0	0.00	0	0.00	Computer Engineering Group of Taipei City University of Science and Technology	None	None	None	None	None

Title	Nationality	Name	Gender	Date of appointment	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remark (Note 1)
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Business Group											Uniwill Computer Corp., Shuttle Inc., Tsinghua Tongfang Co., Ltd.					
Vice President of Information Communication Business Group	R.O.C.	Hsiu-Chen Huang	Female	2022.03.07	0	0.00	0	0.00	0	0.00	College of Management, Yuan Ze University Uniwill Computer Corp., Pegatron Corporation, Shuttle Inc.	None	None	None	None	None
Vice President of Information Communication Business Group	R.O.C.	Huan-Yen Liu	Female	2022.03.07	0	0.00	0	0.00	0	0.00	International Business Department / Economics, National Chi Nan University Giant Castle Co., Ltd., Walton Chaintech Corporation	Director of Elitegroup Technology (Thailand) Co., Ltd. President of Super ECS USA, Inc.	None	None	None	None
Vice President of Information Communication Business Group	R.O.C.	Ming-Hui Cheng	Male	2022.03.07	28	0.00	0	0.00	0	0.00	Institute of Management, National Taiwan University of Science and Technology iSquare Asia: Director	Director of Elitegroup Computer Systems (Japan) Co., Ltd.	None	None	None	None
Vice President of Information Communication Business Group	R.O.C.	Chih-Kun Feng	Male	2022.03.07	0	0.00	0	0.00	0	0.00	Electronic Engineering Department, Hwa Hsia University of Technology Albatron Technology Co., Ltd.	Director of ECS Trading (Shenzhen) Co., Ltd	None	None	None	None
Senior Associate of Information Communication Business Group	R.O.C.	Yu-Yuan Tai	Male	2022.03.07	0	0.00	0	0.00	0	0.00	Graduate Institute of Photonics and Optoelectronics, National Taiwan University Wistron Corporation, Adlink Technology Inc.	None	None	None	None	None
Vice president of RD1 R&D and Design Center	R.O.C.	Ping-Ying Tsai	Male	2022.03.07	0	0.00	0	0.00	0	0.00	Department of Information Engineering, National Taipei University of Technology	None	None	None	None	None
Vice president of Supply Chain Management Center	R.O.C.	Chun-Hao Huang	Male	2022.03.07	0	0.00	0	0.00	0	0.00	Transportation and Logistics Group, School of Management, National Yang Ming Chiao Tung University Tatung Co., SEEDNet	None	None	None	None	None
Vice President of the Manufacturing Center	R.O.C.	Tien-Sung Lu	Male	2022.03.07	0	0.00	0	0.00	0	0.00	Mechanical Engineering Department of Cheng Shiu University Corporate tutor of Foxconn Technology Group/West Lake Research Institute, Mitian Group	Director of Xun Rui Electron (Shenzhen) Co., Ltd. Director of Beijing XunRun Technology Co., Ltd. Director and President of Elitegroup Computer Systems (SIP) Co., Ltd. Director and President of Elitegroup Digital Technology (Shenzhen) Co., Ltd. Director and President of Golden Elite Technology (Shenzhen) Ltd. Director and President of ECS Trading (Shenzhen) Co., Ltd	None	None	None	None
Vice President of Finance &	R.O.C.	Yi-Ching Chung	Female	2020.3.20	0	0.00	0	0.00	0	0.00	University of Strathclyde/MBA	Corporate director representative of Elitegroup	None	None	None	None

Title	Nationality	Name	Gender	Date of appointment	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remark (Note 1)
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Accounting Center Financial officer, accounting officer and spokesperson											Pou Chen Corporation, Diodes Taiwan S.A R.L. (Luxembourg), Deloitte Touche, Tohmatsu Limited Taiwan, KPMG Taiwan	Computer Systems-Holdings Co., Ltd. Director of ECS Holding (America) Co. Corporate director representative of Unity Investments Limited Director of ECS Holding (HK) Co., Limited. Director of Elitegroup Technology (Thailand) Co., Ltd. Director of Venture Well Holdings Limited Supervisor of ECS Digital Technology (Shenzhen) Co., Ltd. Director of Alpha Leader Limited Corporate director representative of Advazone International Limited Corporate director representative of Affirm International Limited Director of Iotecha Corp.				
Vice President and chief HR officer of Human Resources Division	R.O.C.	Yung-Kang Hsü	Male	2021.11.15	0	0.00	20,000	0.00	0	0.00	MBA of Chung Yuan Christian University Chief HR Officer of Tatung Co., Ltd., Chief HR Officer of Hon Hai Business Group, and executive manager of AICHEM Technology Corporation	Corporate director representative of Unity Investments Limited Corporate director representative of Unique Sino Limited Director of Elitegroup Computer Systems Korea Co., Ltd. Director of Elitegroup Computer Systems (HK) Co., Limited	None	None	None	None
Senior associate of Legal & IP Affairs and Intellectual Property Division (chief legal officer), corporate governance manager	R.O.C.	I-Fen Kao	Female	2021.08.09	0	0.00	1,000	0.00	0	0.00	Temple University Master of Laws (LL.M.) Arima Group, VIA Technologies, Ali Tech	None	None	None	None	None
Senior Manager of the Auditing Office Audit Supervisor	R.O.C.	Chin-Chao Chang	Male	2022.3.7	16,000	0.00	16,000	0.00	0	0.00	Business Management Department, I-SHOU University Beyong Innovation Technology Co., Ltd., Amigo	None	None	None	None	None

Title	Nationality	Name	Gender	Date of appointment	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remark (Note 1)
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
											Technology Inc.					

Note 1: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, information concerning the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent directors, and the way that more than half of the directors are not employees or managers) shall be disclosed: None

Supplementary Description:

1. President Lung-Kuang Yang retired from April 30, 2021
2. President Chih-Hung Hsü took office on Jul. 1, 2021, and resigned on Oct. 20, 2021
3. COO Chih-Nan Chen and head of corporate governance resigned on Jul. 14, 2021
4. Shou-Yen Liu, Vice President of Information Communication Business Group, transferred to consultant on Sep. 15, 2021
5. Che-Kuang Lin, Vice President of Information Communication Business Group, resigned on Oct. 27, 2021
6. Chi-Tung Huang, Vice President of Information and Communication Business Group, resigned on April 23, 2021, took office on Jul. 15, 2021, and resigned on Nov. 1, 2021
7. Ai-Chin Su, Vice president of Supply Chain Management Center, took office on Jul. 15, 2021 and resigned on Nov. 15, 2021
8. Li-Ta Yu, vice President of Validation Division resigned on Dec. 10, 2021
9. Hsiu-Hsien Chou, vice President of the Manufacturing Center took office on Mar. 7, 2022, and resigned on Apr. 29, 2022

(III) Remunerations paid to Directors (including Independent Directors), President and Vice Presidents in the Most Recent Fiscal Year

1. Remuneration paid to Directors and Independent Directors (reveal the name in a summarized manner according to the range)

Unit: NT\$1,000

Title	Name	Remuneration Paid to Directors								Proportion of total amount of A, B, C, and D to the net income after tax (Note 10)		Relevant Remuneration Received by Directors who Are Also Employees								Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income (Note 10)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company (Note 11)
		Base Compensation (A) (Note 2)		Severance Pay and Pension (B)		Directors (C) (Note 3)		Business Execution Expenses (D) (Note 4)				Salary, Bonus, and Allowance (E) (Note 5)		Severance Pay and Pension (F)		Employee Compensation (G) (Note 6)						
		The Company	All Companies in Consolidated Financial Statements (Note 7)	The Company	All Companies in Consolidated Financial Statements (Note 7)	The Company	All Companies in Consolidated Financial Statements (Note 7)	The Company	All Companies in Consolidated Financial Statements (Note 7)	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements (Note 7)	The Company	All Companies in Consolidated Financial Statements (Note 7)	The Company	All Companies in Consolidated Financial Statements (Note 7)	All Companies in Consolidated Financial Statements (Note 7)		The Company	All Companies in Consolidated Financial Statements	
Cash	Stock																	Cash	Stock			
Director	Tatung Co., Ltd. Representative: I-Wen Chung (Note 1) Chin-Lai Wang (Note 4) Hung-Hsin Lin (Note 4) Chun-Sheng Ho (Note 5, 6) Ching-Hsiang Li (Note 5)	120	120	0	0	0	0	2,968	2,968	3,088 4.32%	3,088 4.32%	9,736	9,736	0	0	0	0	0	0	12,824 17.93%	12,824 17.93%	NA
	Sung Ming Co. Representative: Pan-Tsu Wu Yue-Ming Ho																					
	Chih-Hung Shih (Note 1)																					
	Wen-Nan Tsan (Note 1)																					
	Chih-Shen Chen (Note 1)																					
	Wen-Yen Lin Kuo (Note 2)																					
Independent Director	Maw-In Tsai (Note 1)	400	400	0	0	0	0	1,080	1,080	1,480 2.07%	1,480 2.07%	0	0	0	0	0	0	0	0	1,480 2.07%	1,480 2.07%	NA
	Jen-Two Liu (Note 3)																					
	Chin-Fu Ho (Note 1)																					
	Gen-Yu Fong (Note 1)																					
	Han-Fei Lin (Note 1)																					
	Liang-Chao Lin (Note 1)																					

- Please explain the independent director remuneration policy, system, standard, and structure, and the connection between the amount of remuneration and the considered factors such as their job responsibilities, risks, and working time: In accordance with Article 13-2 of the articles of association of the Company: the remunerations of the directors of the Company shall be agreed upon by the Board of Directors according to the degree of their participation in the operation of the Company and the value of their contributions to the Company, as well as the usual standards of the industry.
- Other than disclosures in the above table, remuneration paid to directors for providing services (e.g., providing consulting services as a non-employee for the parent company, all the companies in consolidated financial statements and reinvestment entities) in the most recent year: None.

Note: Pension upon Retirement: All of the amounts are provisions.

Note 1: Chairman I-Wen Chung, director Chih-Hung Shih, independent directors Maw-In Tsai and Chin-Fu Ho were re-elected as directors on July 21, 2021; Directors Wen-Nan Tsan, Chih-Shen Chen, independent directors Gen-Yu Fong, Han-Fei Lin and Liang-Chao Lin were dismissed after re-election on July 21, 2021.

Note 2: Wen-Yen Lin-Kuo resigned as director on April 21, 2021.

Note 3: Jen-Two Liu, an independent director, was re-elected on Jul. 21, 2021 and resigned on Oct. 4, 2021.

Note 4: Directors Chin-Lai Wang and Hung-Hsin Lin took office on Oct. 29, 2021

Note 5: Directors Chun-Sheng Ho and Ching-Hsiang Lin were re-elected on July 21, 2021, and were dismissed on October 29, 2021.

Note 6: Director Chun-Sheng Ho did not receive remuneration.

Range of Remuneration

Range of Remuneration Paid to Directors	Name of Director			
	Total Amount of Remuneration (A+B+C+D)		Total Amount of Remuneration (A+B+C+D+E+F+G)	
	The Company (Note 8)	All Companies in Consolidated Financial Statements (Note 9) H	The Company (Note 8)	All Companies in Consolidated Financial Statements (Note 9) I
Less than NT\$1,000,000	I-Wen Chung, Pan-Tsu Wu, Yue-Ming Ho, Chun-Sheng Ho, Ching-Hsiang Lin, Chih-Hung Shih, Hung-Hsin Lin, Chin-Lai Wang, Maw-In Tsai, Chin-Fu Ho, Jen-Two Liu, Chih-Shen Chen, Gen-Yu Fong, Han-Fei Lin, Liang-Chao Lin, Wen-Yen Lin Kuo, Wen-Nan Tsan	I-Wen Chung, Pan-Tsu Wu, Yue-Ming Ho, Chun-Sheng Ho, Ching-Hsiang Lin, Chih-Hung Shih, Hung-Hsin Lin, Chin-Lai Wang, Maw-In Tsai, Chin-Fu Ho, Jen-Two Liu, Chih-Shen Chen, Gen-Yu Fong, Han-Fei Lin, Liang-Chao Lin, Wen-Yen Lin Kuo, Wen-Nan Tsan	Pan-Tsu Wu, Yue-Ming Ho, Chun-Sheng Ho, Ching-Hsiang Lin, Chih-Hung Shih, Hung-Hsin Lin, Chin-Lai Wang, Maw-In Tsai, Chin-Fu Ho, Jen-Two Liu, Chih-Shen Chen, Gen-Yu Fong, Han-Fei Lin, Liang-Chao Lin	Pan-Tsu Wu, Yue-Ming Ho, Chun-Sheng Ho, Ching-Hsiang Lin, Chih-Hung Shih, Hung-Hsin Lin, Chin-Lai Wang, Maw-In Tsai, Chin-Fu Ho, Jen-Two Liu, Chih-Shen Chen, Gen-Yu Fong, Han-Fei Lin, Liang-Chao Lin
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	0	0	Wen-Nan Tsan	Wen-Nan Tsan
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	0	0	Wen-Yen Lin Kuo	Wen-Yen Lin Kuo
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	0	0	0	0
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	0	0	I-Wen Chung	I-Wen Chung
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	0	0	0	0
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	0	0	0	0
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	0	0	0	0
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	0	0	0	0
Over NT\$100,000,000	0	0	0	0
Total	17	17	17	17

- Note 1: The names of directors shall be listed separately (for corporate shareholders, the names of corporate shareholders and their representatives shall be listed separately) to disclose the amount of payments in a summarized manner. If a Director concurrently serves as a President or Vice President, his/her name and the amount of remuneration paid to him/her shall be listed in Table (3-1) or (3-2) above.
- Note 2: Refers to the remuneration of directors in the most recent year (including directors' salary, post allowance, severance pay, various bonuses, rewards, etc.).
- Note 3: Fill in the amount of remuneration for directors approved by the Board of Directors in the most recent year.
- Note 4: Refers to the execution expenses of relevant businesses of directors in the most recent year (including travel expenses, special expenses, allowances, accommodations, car supplies, and other material supplies, etc.). In the case of expenses for the provision of housing, vehicle, and other means of transport or other exclusive personal services, disclosure shall be made of the nature and cost of the assets provided, actual or payment of rent, fuel fee, and other benefits at fair market value. If there is a driver, please note the remuneration paid by the Company to the driver, but do not include it in the remuneration.
- Note 5: Refers to the salary, post allowance, severance pay, various bonuses, rewards, car expenses, special expenses, allowances, dormitories, car supplies, and other material supplies received by directors who are concurrently employees (including concurrently serving as the President, Vice President, other managers, and employees) in the most recent year. In the case of expenses for the provision of housing, vehicle, and other means of transport or other exclusive personal services, disclosure shall be made of the nature and cost of the assets provided, actual or payment of rent, fuel fee, and other benefits at fair market value. If there is a driver, please note the remuneration paid by the Company to the driver, but do not include it in the remuneration. In addition, the remuneration expenses recognized in accordance with IFRS 2 "Share Base Payment", including the acquisition of employee warrants, new shares restricting employee rights, and shares subscribed by participation in capital increase in cash, shall also be included in the remunerations.
- Note 6: In the case of employee remunerations received by directors who are concurrently employees (including concurrently serving as the President, Vice President, other managers, and employees) in the most recent year, the amount of remuneration approved by the Board of Directors for the most recent year shall be disclosed. If it is impossible to estimate, the proposed amount of remuneration for the current year shall be calculated in proportion to the actual amount allocated last year and shall be separately filled in Schedule I.
- Note 7: The total amount of remuneration paid to directors of the Company by all enterprises (including the Company) in the consolidated report should be disclosed.
- Note 8: The total amount of remuneration paid by the Company to each director. The names of directors shall be disclosed in the corresponding range.
- Note 9: The total amount of remuneration paid to each director of the Company by all enterprises (including the Company) in the consolidated financial report should be disclosed. The name of the director shall be disclosed in the corresponding range.
- Note 10: The net income after tax refers to the earnings after tax in the most recent year. If the IFRSs are adopted, the earnings after tax shall refer to the net income after tax identified in the entity or individual financial statement for the most recent year.
- Note 11: a. This column shall clearly state the amount of remuneration received by the directors in connection with the re-invested business other than the subsidiary.
b. If a director of the Company receives remuneration in connection with the re-invested business other than the subsidiary, the remuneration received by the director from the re-invested business other than the subsidiary into Column I of the remuneration range form, and the title of the column shall be changed to "all re-invested businesses".
c. Remuneration means the reward, compensation (including compensation for employees, directors, and supervisors), business execution expenses, and other related remuneration received by the directors of the Company as directors, supervisors, or managers of the invested enterprise other than a subsidiary.
*The remuneration contents disclosed in this table are different from the concept of income specified in the Income Tax Act, thus the purpose of this table is for information disclosure only, rather than taxation purposes.

2. Remunerations of the President and Vice Presidents

Unit: NT\$1,000

Title	Name	Salary (A) (Note 2)		Severance Pay and Pension (B)		Bonus and Allowance (C) (Note 3)		Employee Compensation (D) (Note 4)				Proportion of total amount of A, B, C, and D to the earnings after tax (%) (Note 8)		Is there any remuneration received from a re-invested business other than a subsidiary or from the parent company (Note 9)
		The Company	All Companies in Consolidated Financial Statements (Note 5)	The Company	All Companies in Consolidated Financial Statements (Note 5)	The Company	All Companies in Consolidated Financial Statements (Note 5)	The Company		All Companies included in the financial statement (Note 5)		The Company	All Companies in Consolidated Financial Statements (Note 5)	
								Cash	Stock	Cash	Stock			
Vice chairman and president(Note 2)	Chin-Lai Wang	28,785	40,205	645 Note1	645 Note1	19,628	22,694	0	0	0	0	49,058 68.59%	63,544 88.84%	None
Chief Human Resources Officer Vice President (Note 3)	Yung-Kang Hsü													
Vice President of Finance & Accounting Center	Yi-Ching Chung													
Financial officer and accounting officer Spokesperson														
Legal Affairs and Intellectual Property Division Senior Associate	I-Fen Kao													
Head of corporate governance (Note 3)														
President (Note 4)	Chih-Hung Hsü													
President (Note 4)	Lung-Kuang Yang													
COO (Note 4)	Chih-Nan Chen													
Information Communication Business Group Vice President (Note 4)	Shou-Yen Liu													
Information Communication Business Group Vice President (Note 4)	Che-Kuang Lin													
Information Communication Business Group Vice President (Note 4)	Chi-Tung Huang													
Validation Division Center Vice President (Note 4)	Li-Ta Yu													
Supply Chain Management Center Vice President (Note 4)	Ai-Chin Su													

*Regardless of the title, any position equivalent to the President or Vice President (e.g., General Manager, CEO, director...) shall be disclosed.

Note 1: Pension upon Retirement: All of the amounts are provisions.

Information on remunerations of top 5 executives (e.g., President, Vice President, CEO, or Financial Officer) shall be separately disclosed:

1. After-tax loss occurs in individual financial reports in the recent three years: None
2. If the results of the most recent year's corporate governance evaluation fall into the last range, or the evaluation is recognized to be rejected by the Corporate Governance Evaluation Committee due to change of transaction method, cease of trading, cease of listing, and so on in the most recent year or as of the publication date of the annual report: none.

Note 2: President Chin-Lai Wang took office on Nov. 8, 2021

Note 3: Vice President Yung-Kang Hsü took office on Nov. 15, 2021, Head of corporate governance I-Fen Kao took office on Aug. 9, 2021

Note 4: President Chih-Hung Hsü took office on July 1, 2021 and resigned on October 20, 2021; president Lung-Kuang Yang retired from April 30, 2021; COO Chih-Nan Chen resigned on July 14, 2021; Vice President Shou-Yen Liu was dismissed on September 15, 2021; Vice President Che-Kuang Lin resigned on October 27, 2021; Vice President resigned on April 23, 2021, took office on July 15, 2021 and resigned on November 1, 2021; Vice President Li-Ta Yu resigned on December 10, 2021; Vice President Ai-Chin Su took office on July 15, 2021 and resigned on November 15, 2021.

Range of Remuneration

Range of Remuneration Paid to the President and Vice Presidents	Name of President and Vice President	
	The Company (Note 6)	All Companies included in Consolidated Financial Statements (Note 7)
Less than NT\$1,000,000	Chin-Lai Wang, Yung-Kang Hsu, Chih-Hung Hsu	Chin-Lai Wang, Yung-Kang Hsu
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	I-Fen Kao, Ai-Chin Su	I-Fen Kao, Ai-Chin Su, Chih-Hung Hsu
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	0	0
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	Lung-Kuang Yang	0
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Yi-Ching Chung, Shou-Yen Liu, Chi-Tung Huang, Che-Kuang Lin, Li-Ta Yu Chih-Nan Chen	Yi-Ching Chung, Shou-Yen Liu, Chi-Tung Huang, Che-Kuang Lin, Li-Ta Yu Chih-Nan Chen
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	0	0
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	0	Lung-Kuang Yang
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	0	0
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	0	0
Over NT\$100,000,000	0	0
Total	12	12

*Regardless of the title, any position equivalent to the President or Vice President shall be disclosed.

Note 1: The name of president or vice presidents shall be identified specifically, and the various payments shall be summarized and then disclosed. If a director also serves as a General Manager or Deputy General Manager, this form and the above form (1-1), or (1-2-1) and (1-2-2) should be filled.

Note 2: Please specify the salary, duty allowance, and severance paid to the presidents and vice presidents in the most recent year.

Note 3: Please specify the bonus, reward, transportation allowance, special allowance, various allowances, and provision of such tangible objects as dormitory and car, as well as other remunerations, received by the presidents and vice presidents in the most recent year. In the case of expenses for the provision of housing, vehicle, and other means of transport or other exclusive personal services, disclosure shall be made of the nature and cost of the assets provided, actual or payment of rent, fuel fee, and other benefits at fair market value. If there is a driver, please note the remuneration paid by the Company to the driver, but do not include it in the remuneration. In addition, the remuneration expenses recognized in accordance with IFRS 2 "Share Base Payment", including the acquisition of employee warrants, new shares restricting employee rights, and shares subscribed by participation in capital increase in cash, shall also be included in the remunerations.

Note 4: Fill in the amount of employee remunerations (including stocks and cash) paid to the President and Vice Presidents as approved by the Board of Directors in the most recent year. If it is impossible to estimate, the proposed amount of remuneration for the current year shall be calculated in proportion to the actual amount allocated last year and shall be separately filled in Schedule I.

Note 5: Please disclose the aggregate of the remuneration paid to the Company's presidents and vice presidents by all companies included in the consolidated financial reports (including the Company).

Note 6: The aggregate of the remuneration to each president or vice president by the Company shall include the president's or vice president's name disclosed in the relevant space of the following table.

Note 7: The aggregate of the remuneration paid to each of the Company's presidents and vice presidents by the companies included in the consolidated financial reports (including the Company) shall include the president's and vice president's names disclosed in the relevant space of the following table.

Note 8: The earnings after tax shall refer to the earnings after tax of an individual or separate financial statement in the most recent year.

Note 9: a. This column shall clearly state the amount of remuneration received by the President and Vice Presidents in connection with the re-invested business other than the subsidiary or with the parent company (if none, please fill in "none").

b. If the President or a Vice President of the Company receives remuneration in connection with the re-invested business other than the subsidiary, the remuneration received by the President or Vice President from the re-invested business other than the subsidiary or the parent company into Column E of the remuneration range form, and the title of the column shall be changed to "parent company and all re-invested businesses".

c. The remuneration shall refer to the remuneration, compensation, employee bonus, and professional practicing fees received by the Company's presidents and vice presidents who acted as the directors, supervisors, or managerial officers of investees other than subsidiaries.

*The remuneration contents disclosed in this table are different from the concept of income specified in the Income Tax Act, thus the purpose of this table is for information disclosure only, rather than taxation purposes.

3. Name of Managerial Officers and the Distribution of Employee Bonus

May 6, 2022
Unit: NT\$1,000

	Title (Note 1)	Name (Note 1)	Stock	Cash	Total	Ratio of Total Amount to Net Income (%)
Managerial Officer	Chairman (took office on Jul. 21, 2021)	I-Wen Chung	0	0	0	0
	Vice chairman and president(took office on Nov. 8, 2021)	Chin-Lai Wang				
	President (took office on Jul. 1, 2021 and resigned on Oct. 20, 2021)	Chih-Hung Hsü				
	Vice President (took office on Nov. 15, 2021)	Yung-Kang Hsü				
	Vice President (dismissed on Sep. 30, 2021)	Shou-Yen Liu				
	Vice President (resigned on Oct. 27, 2021)	Che-Kuang Lin				
	Vice President (Resigned on Apr. 23, 2021; took office on Jul. 15, 2021 and resigned on Nov. 1, 2021)	Chi-Tung Huang				
	Vice President (resigned on Dec. 10, 2021)	Li-Ta Yu				
	Vice president (took office on Jul. 15, 2021 and resigned on Nov. 15, 2021)	Ai-Chin Su				
	Head of corporate governance.(Took office on Aug. 9, 2021)	I-Fen Kao				
	Vice President	Yi-Ching Chung				
	Chairman (Resigned as director on April 21, 2021 and left on April 30)	Wen-Yen Lin-Kuo				
	President (retired from April 30, 2021)	Lung-Kuang Yang				
	COO (Resigned on Jul. 14, 2021)	Chih-Nan Chen				

Note 1: Please disclose the name and job title individually, while the allocation of earnings may be summarized and then disclosed.

Note 2: Fill in the amount of employee remunerations (including stocks and cash) paid to the manager as approved by the Board of Directors in the most recent year. If it is impossible to estimate, the proposed amount of remuneration for the current year shall be calculated in proportion to the actual amount allocated last year. The net income after tax refers to the earnings after tax in the most recent year. If the IFRSs are adopted, the earnings after tax shall refer to the net income after tax identified in the entity or individual financial statement for the most recent year.

Note 3: The scope of managerial officers shall be defined in the following manner, as per the Board's decree under Rule No. 0920001301 issued by the FSC dated Mar. 27, 2003:

- (1) President and equivalents
- (2) Vice president and equivalents
- (3) Assistant vice president and equivalents
- (4) Chief of Financial Dept.
- (5) Chief of Accounting Dept.
- (6) Any other persons in charge of the Company's affairs and entitled to sign instruments on behalf of the Company.

Note 4: If any director, president, or vice president has received employee bonus (including stock dividend and cash dividend), please complete table 1-2 and also this table.

- (IV) Compare the ratio of the total remuneration paid to the Company's Directors, President, and Vice Presidents in the most recent two years to the net income after tax in the financial report by the Company and all companies in the consolidated statements, and explain the policies, standards and combinations of remuneration payment, the procedures for determining remuneration, and the relevance with business performance and future risks.
1. Analysis on the ratio of the total remuneration paid by the Company and all enterprises in the consolidated financial statements to the Company's Directors, President, and Vice Presidents to the earnings after tax:

Years	Total remunerations paid to Directors, President and Vice Presidents		Percentage of total amount to earnings after tax in individual financial report (%)	
	The Company	All Companies Included in the Consolidated Financial Statements	The Company	All Companies included in the Consolidated Financial Statements
2020	58,400	68,173	94.07	109.81
2021	63,362	77,848	88.59	108.84

Note: The shareholders' meeting was comprehensively re-elected on Jun. 25, 2018, and the Audit Committee was set up to replace the supervisory authority.

2. The policies, standards and combinations of remuneration payment to Directors, President, and Vice Presidents, the procedures for determining remuneration, and the relevance with business performance and future risks:

- (1) Remuneration policies, standards and packages

The remuneration of the directors and managers of the Company is considered by the Remuneration Committee in accordance with Articles 13-2 and 19 of the Articles of Association of the Company (as set out below), based on the value of their participation and contribution to the Company's operation, and the relevant results of the following performance evaluation of directors and managers, which is sent to the Board of Directors for resolution.

Article 13-2 of the articles of association of the Company: the remunerations of the directors of the Company shall be agreed upon by the Board of Directors according to the degree of their participation in the operation of the Company and the value of their contributions to the Company, as well as the usual standards of the industry.

Article 19 of the articles of association of the Company: If the Company has any profit in the year (the so-called profit refers to the pre-tax profit before the deduction of the remuneration paid to employees and the remuneration paid to directors), 6% shall be set aside for employees' remuneration and no more than 0.6% for the directors' remuneration. If the Company has accumulated losses (including adjustments on unappropriated profits), it shall retain a portion of profits to offset the losses first.

- (2) Procedure for determining remuneration:

In order to regularly evaluate the salary and remuneration of directors and managers, the evaluation results performed by directors and managers of the Company are taken as basis:

- A. Directors' Remuneration: According to the Company's "Measures for Payment of Remuneration of Directors and Functional Committee Members" and "Measures for Self-evaluation or Peer Evaluation by the Board of Directors", the contents of the evaluation of the Board member performance accordingly includes at least alignment of the goals and missions of the Company, awareness of the duties of a director, participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control and other comprehensive factors, considering the peer standards and giving reasonable remuneration to directors.

- B. Manager's remuneration: the Company's "Salary, Bonus and Remuneration Measures" and "Performance Reward System Measures" is used as the reference for issuing manager's bonus. List the important performance evaluation items of managers as follows:
 - a. Financial indicators: the distribution is based on the Company's management income statement, the contribution of profit of various business departments to the Company, the Company's revenue, gross profit margin, budget completion rate, net profit before tax and net profit after tax completion rate, inventory performance measurement standards, accounts receivable and other performance measurement standards.
 - b. Non-financial indicators: the practice of the Company's core values, the operation and management ability, the participation of sustainability management and other factors are considered comprehensively. According to the completion rate of the managers' goals and their contribution to the Company's performance, the remuneration of their operating performance is calculated to give reasonable remuneration to the managers.
- (3) Correlation with business performance and future risks:
- A. The review of payment standards and systems related to the remuneration policy of the Company is mainly based on the overall operating conditions of the Company, and the payment standards are approved according to the performance completion rate and the contribution, so as to enhance the overall organizational team effectiveness of the board of directors and managers. In addition, referring to the industry salary standards, we will ensure that the salary of our management is competitive in the industry, so as to retain outstanding management talents.
 - B. The Company's managers' performance objectives are combined with "risk control" to ensure that possible risks within the scope of duties can be managed and prevented, and the results of evaluation are verified according to the actual performance, linking the relevant human resources and relevant salary and compensation policies. The Company's management makes important decisions after balancing various risk factors. The performance of relevant decisions is reflected in the Company's profit situation, and the salary of the management is related to the risk control performance. Reduce the possibility of future operational risks to the minimum and keep the remuneration system under review in the light of actual business conditions and relevant legislation, so as to achieve a balance between the Company's sustainability and risk management.

III. Implementation of Corporate Governance

(I) Board of Directors:

1. Operations of the Board of Directors

The Board of Directors held 9 meetings in the most recent year (A). The attendance and appearance of directors were as follows:

Title	Name (Note 1)	Actual number of attendance (appearance) B	Attendance by Proxy	Actual attendance (appearance) rate (%) [B / A] (Note 2)	Expected Attendance Times	Remark
Chairman	Tatung Co., Ltd. Representative: I-Wen Chung	5	0	100	5	Newly appointed after reelection on Jul. 21, 2021
Vice chairman	Tatung Co., Ltd. Representative: Chin-Lai Wang	2	0	100	2	Newly appointed after reassignment on Oct. 29, 2021
Director	Tatung Co., Ltd. Representative: Hung-Hsin Lin	1	1	50	2	Newly appointed after corporation reassignment on Oct. 29, 2021
Director	Tatung Co., Ltd. Representative: Chun-Cheng Ho	3	0	100	3	Newly appointed after reelection on Jul. 21, 2021; Dismissed after corporation reassignment on Oct. 29, 2021
Director	Tatung Co., Ltd. Representative: Ching-Hsiang Lin	3	0	100	3	Newly appointed after reelection on Jul. 21, 2021; Dismissed after corporation reassignment on Oct. 29, 2021
Director	Sung Ming Investment Co., Ltd. representative: Pan-Tsu Wu	9	0	100	9	Reelected after re-election; Originally representative of Pou Chen Corporation:
Director	Sung Ming Investment Representative: Yue-Ming Ho	9	0	100	9	Reelected after re-election; Originally representative of Pou Chen Corporation:
Director	Chih-Hung Shih	5	0	100	5	Newly appointed after reelection on Jul. 21, 2021
Independent Director	Maw-In Tsai	5	0	100	5	Newly appointed after reelection on Jul. 21, 2021
Independent Director	Jen-Two Liu	2	0	100	2	Newly appointed after reelection on Jul. 21, 2021 Resigned on 10/4/2021
Independent Director	Chin-Fu Ho	5	0	100	5	Newly appointed after reelection on Jul. 21, 2021
Director	Wen-Nan Tsan	4	0	100	4	Stepped down after reelection on Jul. 21, 2021
Director	Wen-Yen Lin-Kuo	2	0	100	2	Resigned on April 21, 2021
Director	Chih-Shen Chen	4	0	100	4	Stepped down after reelection on Jul. 21, 2021
Independent Director	Gen-Yu Fong	3	1	75	4	Stepped down after reelection on Jul. 21, 2021
Independent Director	Han-Fei Lin	3	1	75	4	Stepped down after reelection on Jul. 21, 2021
Independent Director	Liang-Chao Lin	4	0	100	4	Stepped down after reelection on Jul. 21, 2021
Total		69	3	NA	72	The actual attendance rate of all directors is: $69 / 72 = 95.8\%$

Other matters to be recorded:

I. With regard to the implementation of the Board of Directors, if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, all independent directors' opinions and the Company's handling of such opinions shall be specified:

(I) Matters listed in Article 14-3 of the Securities and Exchange Act: Independent directors have no dissenting or qualified opinion, please refer to page 60-62.

(II) Any recorded or written Board resolutions to which independent directors have objections or reservations to be noted in addition to the above: None, please refer to page 60-62 for details.

II. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting shall be specified: please refer to page 60-62 resolutions of the board of directors and their implementation.

III. The listed company shall disclose the evaluation period, evaluation scope, method, and evaluation content of the Board of Directors' self-evaluation (or peer evaluation), and fill in Schedule II (2) Implementation of the board evaluation: On March 20, 2020, the Board of Directors of the Company decided to adopt the performance evaluation method of the Board of Directors, and the Board of Directors would report self (or peer) evaluation in March every year, and make announcement and declaration according to the regulations.

IV. Evaluation of targets (such as establishing the Audit Committee and enhancing information transparency) for strengthening of the functions of the Board of Directors during the current and immediately preceding fiscal years, and measures taken toward achievement thereof: The Company has declared important English information since 2022.

V. As for the attendance of independent directors of the Board of Directors in 2021 and up to the date of publication of the annual report, at least one independent director shall be present in person in each Board of Directors after Jul. 28, 2017.

Date Name	20210322	20210421	20210507	20210629	20210721	20210809	20211020	20211108	20211220	20220307	20220506	Remark
Maw-In Tsai	NA	NA	NA	NA	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person	Newly appointed after reelection on Jul. 21, 2021
Jen-Two Liu	NA	NA	NA	NA	Attended in person	Attended in person	NA	NA	NA	NA	NA	Newly appointed after reelection on Jul. 21, 2021 Resigned on Oct. 4, 2021
Chin-Fu Ho	NA	NA	NA	NA	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person	Newly appointed after reelection on Jul. 21, 2021
Gen-Yu Fong	Attended in person	Attended in person	Attendance by proxy	Attended in person	NA	NA	NA	NA	NA	NA	NA	Stepped down after reelection on Jul. 21, 2021
Han-Fei Lin	Attendance by proxy	Attended in person	Attended in person	Attended in person	NA	NA	NA	NA	NA	NA	NA	Stepped down after reelection on Jul. 21, 2021
Liang-Chao Lin	Attended in person	Attended in person	Attended in person	Attended in person	NA	NA	NA	NA	NA	NA	NA	Stepped down after reelection on Jul. 21, 2021

Note 1: The names of a corporate shareholder and its representative shall be disclosed if the director or supervisor is a juristic person.

Note 2: (1) If any director resigns before the end of the year, the date of resignation shall be indicated in the remarks column, and the actual attendance (appearance) rate (%) shall be calculated using the number of directors' meetings convened and actual attendance (appearance) during the term of service.

(2) Before the end of the year, if any director is re-elected, the new director and the former director shall be filled in, and whether the director is a former director, a new director, or a re-elected director and the date of re-election shall be indicated in the remarks column. (3) Their attendance rate (%) in the Board session shall be calculated based on the number of meetings called and the actual number of sessions they attended, during the term of office.

2. Evaluation of the Board

Results of 2021 Elitegroup board performance evaluation (the evaluation period is from January to December of 2021)

Appraised person	Unit	Method	Content	Result
Overall Board of Directors	Accounting Division	Self-evaluation Questionnaire for Performance Evaluation of the Board of Directors	Performance evaluation of the Board of Directors: participation in company operation, quality of board decision-making, board composition and structure, selection and continuing education of directors, internal control, etc.	1. Total score: 219, average score: 4.87. Remark: 4 (Excellent/agree)-5 (extremely excellent/strongly agree) 2. Compliance with laws and regulations with good operation.
Board members	Director (8 persons)	Self-evaluation Questionnaire for Performance Evaluation of Directors	The evaluation contents of the Board member performance: alignment of the goals and missions of the company, awareness of the duties of a director, participation in the operation of the company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control.	1. Total score: 869, average score: 4.723. Remark: 4 (Excellent/agree)-5 (extremely excellent/strongly agree) 2. Good operations of the Board of Directors
Functional Committees: Audit Committee	Accounting Division	Self-evaluation Questionnaire for Performance Evaluation of Functional Committees	Performance evaluation of functional committees: participation in the operation of the Company, cognition of functional committees' responsibilities, decision-making quality of functional committees, composition and selection of members of functional committees, internal control, etc.	1. Total score: 110, average score: 5. Remark: 5 (extremely excellent/strongly agree) 2. Compliance with laws and regulations with good operation.
Functional Committees: Remuneration Committee	Human Resources Division	Self-evaluation Questionnaire for Performance Evaluation of Functional	Performance evaluation of functional committees: participation in the operation of the Company, cognition of functional committees'	1. Total score: 95, average score: 5. Remark: 5 (extremely excellent/strongly agree) 2. The actual attendance rate

		Committees	responsibilities, decision-making quality of functional committees, composition and selection of members of functional committees, internal control, etc.	of the members of the Remuneration Committee in 2021 was 100%. The members of the Remuneration Committee gave professional guidance and suggestions for the Company's industry and future development strategies, and had an in-depth understanding and review of managers' qualifications and remuneration content.

Performance evaluation of the Board of Directors:

The Company has established the performance evaluation system of the Board of Directors, and the Board of Directors adopted the performance evaluation method of the Board of Directors on Mar. 20, 2020, to give full play to the self-motivation of directors and improve the function of the Board of Directors. The internal performance evaluation of the Board of Directors shall be carried out once a year. After the end of the year, the internal self-evaluation of the Board of Directors and the self-evaluation of the directors shall be conducted. The evaluation results shall be reviewed and submitted to the Board of Directors before the end of the first quarter of the next year; External board performance evaluation shall be carried out at least once every three years by external professional independent organizations or teams of external experts and scholars, and the annual performance evaluation shall be carried out at the end of each year, and the review shall be completed and submitted to the Board of Directors before the end of the first quarter of the next year. The board performance evaluation of 2021 was reported on the Board of Directors on Mar. 7, 2022.

(II) Operations of the Audit Committee:
The Audit Committee held 8 meetings in 2021 (A). The attendance and appearance of directors were as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A) (Note)	Remark
Convener	Jen-Two Liu	2	0	100	Newly appointed after reelection on Jul. 21, 2021 Resigned on 10/4/2021
Committee Member Convener	Maw-In Tsai	4	0	100	Newly appointed after reelection on Jul. 21, 2021 Convener on Nov. 8, 2021
Committee Member	Chin-Fu Ho	4	0	100	Newly appointed after reelection on Jul. 21, 2021
Convener	Han-Fei Lin	4	0	100	Stepped down after reelection on Jul. 21, 2021
Committee Member	Gen-Yu Fong	4	0	100	Stepped down after reelection on Jul. 21, 2021
Committee Member	Liang-Chao Lin	4	0	100	Stepped down after reelection on Jul. 21, 2021

Other matters to be recorded:

- I. The Audit Committee members' professional qualification and work experience, and highlights of work during the year:
For the Audit Committee members' professional qualification and work experience, please refer to page 12.
Highlights of work during the year:
1. Fair presentation of the company's financial statements.
 2. The hiring (dismissal) of the CPAs and the audit of their independence and qualification.
 3. The evaluation of the performance of the Company's internal control system.
 4. The Company's compliance with relevant laws and regulations.
 5. Control of the Company's existing or potential risks.
- II. With regard to the implementation of the Audit Committee, if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, independent directors' objections, reservations or major suggestions, all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified:

(I) Matters referred to in Article 14-5 of the Securities and Exchange Act

Date	Term	Major Resolutions	Audit Committee Resolution	Objections, reservations or major suggestions by Independent Directors	The Company's handling of the opinions of the Audit Committee
2021.03.22	The 1st Session of 2021	1. The Company intends to replace the CPAs in accordance with Deloitte Touche's internal rotation mechanism starting from 2021 Q1. 2. The proposal on the appointment and dependence of the CPAs of the financial reports of the Company and its subsidiaries for 2021. 3. Proposal on the financial statements and operating reports of the Company for the year 2020. 4. Distribution of earnings for 2020. 5. Reviewed the amount and payment method of employee remuneration of the Company in 2020. 6. Amended the Director Selection Procedures of the Company. 7. Amended the "Rules of Procedure of the Board of Shareholders" of the Company. 8. Proposal that Accounts Receivable between the Company and its Subsidiaries that have not been Collected after Overdue for Three Months will not be Deemed as Loans.	Approved by all attending Directors without objection.	None.	The board of directors supported and approved all the items proposed by Audit Committee

		9. Prepared the Statement of Internal Control System of the Company.			
2021.04.21	The 2nd meeting of 2021	1. Proposal of Cash Distribution from Retained Earnings. 2. Proposal of Appointment of Golden Elite Technology (Shenzhen) Co., Ltd. for the Collection of Accounts Receivable from CANTV, a Venezuelan Customer.	Approved by all attending Directors without objection.	None.	The board of directors supported and approved all the items proposed by Audit Committee
2021.05.07	The 3rd meeting of 2021	1. Proposal on the Consolidated Financial Statements for the First Quarter of 2021 of the Company and its Subsidiaries 2. Proposal that Accounts Receivable between the Company and its Subsidiaries that have not been Collected after Overdue for Three Months will not be Deemed as Loans.	Approved by all attending Directors without objection.	None.	The board of directors supported and approved all the items proposed by Audit Committee
2021.06.29	The 4th meeting of 2021	1. Golden Elite Technology (Shenzhen) Ltd. (興英數位), a group affiliated enterprise of the Company, intends to apply for a fund loan case from ECS Digital Technology (Shenzhen) Co., Ltd., a group affiliated enterprise.	Approved by all attending Directors without objection.	None.	The board of directors supported and approved all the items proposed by Audit Committee
2021.07.21	The 5th meeting of 2021	1. Proposal for recommending the convener and chairman of the Audit Committee of the Company.	All the independent directors present agreed to appoint Director Chen Tu Liu as the convener and chairman of the second Audit Committee of the Company.	None.	The board of directors supported and approved all the items proposed by Audit Committee
2021.08.09	The 6th meeting of 2021	1. Proposal on the Consolidated financial statements of the Company and its subsidiaries for 2021 Q2. 2. The proposal on not to make provision for the losses of the Company in 2021 H1. 3. Proposal that Accounts Receivable between the Company and its Subsidiaries that have not been Collected after Overdue for Three Months will not be Deemed as Loans.	Approved by all attending Directors without objection.	None.	The board of directors supported and approved all the items proposed by Audit Committee
2021.11.08	The 7th meeting of 2021	1. Proposal on the Consolidated financial statements of the Company and its subsidiaries for 2021 Q3. 2. Internal audit supervisor appointment 3. Proposal that Accounts Receivable between the Company and its Subsidiaries that have not been Collected after Overdue for Three Months will not be Deemed as Loans.	Approved by all attending Directors without objection.	None.	The board of directors supported and approved all the items proposed by Audit Committee
2021.12.20	The 8th meeting of 2021	1. Formulate the "Risk Management Policy". 2. The proposal on the appointment and dependence of the CPAs of the financial reports of the Company and its subsidiaries for 2022. 3. The proposal on the remunerations of the CPAs of the financial reports of the Company and its subsidiaries for 2022.	Approved by all attending Directors without objection.	None.	The board of directors supported and approved all the items proposed by

			4. The proposal to amend the Corporate Governance Best Practice Principles of the Company. 5. The proposal on the audit plan declaration form of the Company for 2022. 6. Amendment of the Internal Control System of the Company.			Audit Committee
2022.03.07	The 1st meeting of 2022		1. Proposal on the financial statements and operating reports of the Company for the year 2021. 2. Reviewed the amount and payment method of employee remuneration of the Company in 2021. 3. Distribution of earnings for 2021. 4. Proposal that Accounts Receivable between the Company and its Subsidiaries that have not been Collected after Overdue for Three Months will not be Deemed as Loans. 5. Prepared the Statement of Internal Control System of the Company. 6. Amended the articles of association of the Company. 7. Amended the Asset Acquisition and Disposal Procedures of the Company. 8. Amended the Corporate Governance Best Practice Principles of the Company. 9. Proposal on the capital expenditure of newly purchased production equipment for the main board factory of Golden Elite Technology (Shenzhen) Ltd., a reinvested enterprise of the Company.	Approved by all attending Directors without objection.	None.	The board of directors supported and approved all the items proposed by Audit Committee
2022.05.06	The 2nd meeting of 2022		1. Proposal on the Consolidated financial statements of the Company and its subsidiaries for 2022 Q1. 2. Golden Elite Technology (Shenzhen) Ltd. (興英數位), a group affiliated enterprise of the Company, intends to apply for a fund loan case from ECS Digital Technology (Shenzhen) Co., Ltd., a group affiliated enterprise. 3. Amended the articles of association of the Company. 4. Amended the "Rules of Procedure of the Board of Shareholders" of the Company. 5. Amended the Corporate Governance Best Practice Principles of the Company.	Approved by all attending Directors without objection.	None.	The board of directors supported and approved all the items proposed by Audit Committee

(II) Except for the matters mentioned above, other matters that have not been approved by the Audit Committee but have been agreed by more than two-thirds of all directors: none.

III. The implementation status of independent director's avoidance of interested proposals, which shall state the name of independent director, the content of the proposals, the reasons for the avoidance of interests, and the circumstances of participation in voting: none.

IV. Communication between the independent directors, chief internal auditor, and CPAs (including the key items, methods, and results of audit of finances and operations)

- The Company elected three independent directors at the shareholders' meeting on Jun. 25, 2018, and set up the Audit Committee.
- The CPA made presentation to the independent directors at the Audit Committee at least once a quarter concerning the audit or review of the financial position of the Company, the revision of the IFRS Bulletin, and the impact of the publication on the Company.
- The Company's internal audit office in addition to regularly sending various internal audit reports to the independent directors, held discussions with the independent directors from time to time. After the establishment of the Audit Committee, the Company held regular meetings with the Audit Committee at least once a quarter and submitted the minutes of the meeting to the Board of Directors.
- The audit supervisor communicated with the CPA and the independent directors directly by e-mail, telephone, or meeting as necessary.

The communications between the independent directors and the internal audit supervisor and CPA are summarized as follows:

Date	Method	Communication object	Communication matter	Results
2021.03.22	Audit Committee	CPA	The CPA reviewed the consolidated and individual financial reports of 2020 and discussed and communicated with the independent directors and supervisors on the issues raised.	The consolidated and individual financial reports of 2020 were passed by the Audit Committee, and passed by the resolution of the Board of Directors, and announced and reported to the competent authority as scheduled.
		Audit Supervisor	➢ According to the minutes of the meeting of the Audit Committee on Dec. 21, 2020, in view of the information security risks, the team is requested to make a separate report on the information communication security plan.	➢ The information unit has made a special report on the information security plan in the meeting of the Audit Committee. ➢ The results of the report and

			➤ The internal audit supervisor reported and discussed the following: I. Reported on the internal audit from December 2020 to February 2021. The audit items were as follows: 1. Derivative commodity transaction operation 2. Management of the Board of Directors' deliberations and operations 3. Operations and management of the Salary and Remuneration Committee 4. Operations and management of the Audit Committee 5. Legal and regulatory compliance matters 6. Supervision and management of subsidiaries (III) ● Golden Elite Technology (Shenzhen) Ltd.(興英數位) - Purchase and payment cycle, computer information system processing operations ● Xunrui Electronics (Shenzhen) Co., Ltd. - Sales and collection cycle 7. Tracking report - R&D cycle 8. Loans to others (2020 Q4) 9. Management of endorsement or guarantee for others (2020 Q4) 10. Management of seals and important documents II. Discussion - the description of the statement of internal control system	discussion by the internal audit supervisor were as follows: Report - All present members reviewed the internal audit and reported to the Board. Discussion - All present members passed the resolution without objection, and reported to the board for discussion.
2021.04.21	Audit Committee	Audit Supervisor	The Supervisor of Internal Audit reported on the following matters: I. Report on the internal audit (tracking) in March 2021. The audit items are as follows: 1. Tracking Report - Subsidiary Supervision and Management (II)- Golden Elite Technology (Shenzhen) Ltd. (興英數位) 2. Tracking Report - Subsidiary Supervision and Management Operations (III)- Xunrui Electronics (Shenzhen) 3. Tracking Report - law and regulation compliance matters	➤ All members present have acknowledged the internal audit and reported it to the Board of Directors.
2021.05.07	Audit Committee	CPA	The CPA explained the Consolidated Financial Reports for the first quarter of 2021 that have been reviewed, and discussed and communicated the issues raised by the independent directors and supervisors attending the meeting.	The Consolidated Financial Reports for the first quarter of 2021 have been adopted by the Audit Committee and submitted to the Board of Directors, and was announced and reported to the competent authorities as scheduled. ➤ All members present have acknowledged the internal audit and reported it to the Board of Directors.
		Audit Supervisor	The Supervisor of Internal Audit reported on the following matters: I. Report on the internal audit (tracking) in March 2021. The audit items are as follows: 1. Derivative commodity transaction operation (transactions on Feb. 2021) 2. Property, plant, and equipment cycle	
2021.06.29	Audit Committee	Audit Supervisor	The Supervisor of Internal Audit reported on the following matters: I. Reported on the internal audit from April 2021 to May 2021. The audit items were as follows: 1. Derivative commodity transaction operation (transactions on Mar. 2021) 2. Loans to others (2021 Q1) 3. Endorsement or guarantee for others (2021 Q1) 4. Financial statement preparation 5. Supervision and management of subsidiaries (I) ● Golden Elite Technology (Shenzhen) Co., Ltd. Computerized information system management operation, real estate, plant and equipment cycle 6. Derivative commodity transaction operation (transactions on Apr. 2021) 7. Sales and collection cycle	➤ All members present have acknowledged the internal audit and reported it to the Board of Directors.

2021.08.09	Audit Committee	CPA	The CPA explained the Consolidated Financial Reports for the second quarter of 2021 that have been reviewed, and discussed and communicated the issues raised by the independent directors and supervisors attending the meeting.	The Consolidated Financial Reports for the second quarter of 2021 have been adopted by the Audit Committee and submitted to the Board of Directors for resolution, and was announced and reported to the competent authorities as scheduled.
		Audit Supervisor	The Supervisor of Internal Audit reported on the following matters: I. Report on the internal audit (tracking) in June 2021. The audit items are as follows: 1. Derivative commodity transaction operation 2. Information security inspection operation	All members present have acknowledged the internal audit and reported it to the Board of Directors.
2021.11.08	Audit Committee	CPA	The CPA reviewed the consolidated financial reports of 2021 Q3 and discussed and communicated with the independent directors and supervisors on the issues raised; and explained the audit planning for the end of 2021.	The consolidated financial reports of 2021 Q3 were passed by the Audit Committee, and submitted to the Board of Directors, and announced and reported to the competent authority as scheduled.
		Audit Supervisor	The Supervisor of Internal Audit reported on the following matters: I. Reported on the internal audit from July 2021 to September 2021. The audit items were as follows: 1. Derivative commodity transaction operation (transactions on Jun. 2021) 2. Loans to others (2021 Q2) 3. Endorsement or guarantee for others (2021 Q2) 4. Acquisition or disposal of assets 5. Derivative commodity transaction operation (transactions on Jul. 2021) 6. Procurement and payment cycle 7. Supervision and management of subsidiaries (II) ● Golden Elite Technology (Shenzhen) Co., Ltd. - system plant Production cycle/real estate, plant, and equipment cycle ● Golden Elite Technology (Shenzhen) Ltd. - PCB Production cycle/real estate, plant, and equipment cycle ● Golden Elite Technology (Shenzhen) Ltd. - PCBA Production cycle/real estate, plant, and equipment cycle ● Golden Elite Technology (Shenzhen) Ltd. - PCBA, system plant Procurement and payment cycle 8. Derivative commodity transaction operation (transactions on Aug. 2021) 9. Management of transactions between related parties	All members present have acknowledged the internal audit and reported it to the Board of Directors.
2021.12.20	Audit Committee	Audit Supervisor	The Supervisor of Internal Audit reported on the following matters: I. Reported on the internal audit from October 2021 to November 2021. The audit items were as follows: 1. Derivative commodity transaction operation (transactions on Sep. 2021) 2. Loans to others (2021 Q3) 3. Endorsement or guarantee for others (2021 Q3) 4. Records and custody of R&D information and documents 5. Derivative commodity transaction operation (transactions on Oct. 2021) 6. HR management	➤ All members present have acknowledged the internal audit and reported it to the Board of Directors.
2022.03.07	Audit Committee	CPA	The CPA reviewed the consolidated and individual financial reports of 2021 and discussed and	The consolidated and individual financial reports of 2021 were

				communicated with the independent directors and supervisors on the issues raised.	passed by the Audit Committee, and passed by the resolution of the Board of Directors, and announced and reported to the competent authority as scheduled.
			Audit Supervisor	The internal audit supervisor reported and discussed the following: I. Reported on the internal audit from December 2021 to January 2022. The audit items were as follows: 1. Derivative commodity transaction operation (transactions on Nov. 2021) 2. Management of the Board of Directors' deliberations and operations 3. Operations and management of the Salary and Remuneration Committee 4. Deliberation, operations and management of the Audit Committee 5. Legal and regulatory compliance matters 6. Supervision and management of subsidiaries (III) 7. Tracking Report - Subsidiary Supervision and Management (II)- Golden Elite Technology (Shenzhen) Ltd. - PCB 8. Tracking Report - Subsidiary Supervision and Management (II)- Golden Elite Technology (Shenzhen) Ltd. - PCBA 9. Derivative commodity transaction operation (transactions on Dec. 2021) 10. Loans to others (2021 Q4) 11. Management of endorsement or guarantee for others (2021 Q4) 12. Tracking Report - Matters to be adjusted/improved and tracked as instructed by the TSEC - self preparation of financial report II. Discussion - the description of the statement of internal control system	➤ The results of the report and discussion by the internal audit supervisor were as follows: Report - All present members reviewed the internal audit and reported to the Board. Discussion - All present members passed the resolution without objection, and reported to the board for discussion.
			CPA	The CPA explained the Consolidated Financial Reports for the first quarter of 2022 that have been reviewed, and discussed and communicated the issues raised by the independent directors and supervisors attending the meeting.	The Consolidated Financial Reports for the first quarter of 2022 have been adopted by the Audit Committee and submitted to the Board of Directors, and was announced and reported to the competent authorities as scheduled.
			Audit Committee	The Supervisor of Internal Audit reported on the following matters: I. Report on the internal audit (tracking) from Feb. 2022 to Mar. 2022. The audit items are as follows: 1. Derivative commodity transaction operation (transactions on Jan. 2022) 2. Management of seals and important documents 3. Derivative commodity transaction operation (transactions on Feb. 2022) 4. Other operation - Financial statement preparation process and management 5. Tracking Report - HR management 6. Report on communication between the Audit Committee and internal audit supervisor	➤ All members present have acknowledged the internal audit and reported it to the Board of Directors.

Note:

* Where an independent may be relieved from duties before the end of the fiscal year, please specify the date of his/her discharge in the "Remarks" Section. His/her actual attendance rate (%) to the Board session shall be calculated on the basis of the number of meetings called and the actual number of sessions he/she attended, during his/her term of office.

* Where an election may be held for filling the vacancies of independent director before the end of the fiscal year, please list out both the new and the discharged independent directors and specify if they are the former independent directors, or newly elected, re-elected, and also the date of the reelection. His or her attendance rate (%) will be calculated on the basis of the number of Audit Committee meetings held during his or her tenure and the number of such meetings attended.

(III) Implementation Status of Corporate Governance and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Does the company establish and disclose its corporate governance best-practice principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has prepared the Corporate Governance Best Practice Principles, which was adopted by the Board of Directors on Apr. 30, 2015. The latest version is available on the Market Observation Post System and the Company's website.	None
II. Shareholding structure & shareholders' rights				
(I) Does the company establish and implement internal operating procedures to deal with shareholders' suggestions, doubts, disputes, and litigations?	V		(I) The Company has a spokesman and an acting spokesman, a shareholder service mailbox, and telephone line to properly handle shareholders' suggestions, doubts, disputes, and so on.	(I) None
(II) Does the company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?	V		(II) The Company regularly discloses the shareholders and directors who hold more than 10% of the shares of the Company, the relevant pledge, the increase or decrease of the shares of the Company or other important matters that may cause changes in the shares of the Company, so as to master the major shareholders and the ultimate control of the major shareholders.	(II) None
(III) Does the company establish and execute a risk management and firewall system within its affiliates?	V		(III) The financial, business, and accounting activities between the Company and its affiliated enterprises are conducted independently. The Company has formulated the "Procedures for Managing Business Transactions with Related Parties", and the related activities are subject to the procedures. The head office conducts audits on a regular or irregular basis to avoid the risks of the Company caused by the defects of the affiliated enterprises.	(III) None
(IV) Does the company establish internal rules against insiders using undisclosed information to trade in securities?	V		(IV) The Company has formulated the "Procedures for Preventing Insider Trading" and the "Procedures for Disposal of Internal Major Information" to prohibit insiders of the Company from	(IV) None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			using the non-public information to trade negotiable securities, and the Company also irregularly reviews the operating procedures to comply with current legislation and best practice management needs. The procedures can be found in the Company's website.	
III. Composition and responsibilities of the Board of Directors				
(I) Whether the Board of Directors formulate diversification policies, specific management objectives and implement them?	V		(I) The Company has formulated the Corporate Governance Best Practice Principles and the Director Selection Procedures, which stipulate that diversity should be considered in the composition of the Board of Directors, and that appropriate diversity policies should be formulated in accordance with its operations, type of operations, and development needs. In appointing directors, the Company considers not only the professional background of directors but also the diversity of directors. Please refer to page 13-14 of the Annual Report.	(I) None
(II) Does the company voluntarily establish other functional committees in addition to the legally-required Remuneration Committee and Audit Committee?	V V		(II) In order to practice corporate social responsibility, conform to the international trend, actively respond to the suggestions of stakeholders on the environment, society and corporate governance, earnestly implement risk assessment and formulate corresponding countermeasures, so as to achieve the goal of sustainable operation, the Company has formulated the Organizational Rules of the Sustainability Development Committee (hereinafter referred to as the Committee) in accordance with its Code of Sustainability Development Practice and Code of Corporate Governance Practice for compliance. In	(II) None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(III) Has the Company established performance evaluation guidelines and evaluation methods for the Board of Directors and conducted the performance evaluation periodically on a yearly basis? And submit the results of performance assessments to the Board of Directors and use them as reference in determining remuneration for each individual Director, and their nomination for additional term?	V		order to strengthen the Company's management system, devote itself to environmental conservation and fulfill its social responsibility, the Committee is taken as the decision-making and supervision unit of the Company's sustainability development-related work, including corporate governance (G), environment (E) and society (S). On December 20, 2021, the board of directors passed a resolution to change the incumbent Strategy Committee into the Sustainability Development Committee, and formulated the Organizational Rules of the Sustainability Development Committee. (III) On Mar. 20, 2020, the Company formulated the "Performance Evaluation Guidelines for the Board of Directors" to perform internal performance evaluation on the Board of Directors, individual directors, and functional committees periodically (at least once per year) since the year, and engage external professional independent institutions or external expert and scholar team to perform evaluation at least once every three years. The Company has carried out the board performance evaluation for the previous year in January 2022. The evaluation objects included the overall operation of the Board of Directors, functional committee, and the performance of individual board members. The evaluation was carried out by the deliberation unit and carried out by internal questionnaire. Performance evaluation of the Board of Directors includes: participation in company operation, quality of board decision-making, board composition and structure, selection and continuing education of directors,	(III) None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
(IV) Does the company regularly evaluate the independence of the CPAs?			internal control, etc. The evaluation of the Board member performance includes: alignment of the goals and missions of the company, awareness of the duties of a director, participation in the operation of the company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control. The evaluation of the functional committee performance includes: participation in the operation of the company, awareness of the duties of the functional committee, the quality of decisions made by the functional committee, makeup of the functional committee and election of its members, and internal control. The self-evaluation results of the "Board of Directors", "individual directors" and "functional committees" in 2021 were all "good", which were reported to the directors by the Board of Directors on Mar. 7, 2022, and will be used as reference for the performance, remuneration and nomination for renewal of the members of the Board of Directors and functional committees. (IV) The Finance and Accounting Division of the Company evaluates the independence of the CPAs once a year, and has reported the results of this year to the Audit Committee and the Board of Directors for deliberation and approval on Dec. 20, 2021. As assessed by the Finance and Accounting Division of the Company, both Cheng-Chun Chiu and Shih-Tsung Wu meet the independent assessment criteria of the Company (Note 1), and are qualified to serve as the CPAs of the Company, and the accounting firm has issued the letter of declaration (Note 2).	(IV) None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
IV. Has the publicly-listed company appointed qualified and suitable number of corporate governance personnel and appointed a Corporate Governance Officer to handle governance-related affairs (including but not limited to supplying information requested by the directors, assisting directors with legal compliance matters, processing company matters related to board meetings and shareholders' meetings according to laws, and preparing minutes of the board meetings and shareholders' meetings)?	V		1. The Company has allocated eligible and appropriate number of corporate governance personnel, with the corporate governance director as the convener, Chief Legal Office (I-Fen Kao), to coordinate corporate governance-related affairs, protect shareholders' rights and interests, and strengthen the functions of the Board of Directors. 2. The main responsibilities of the "Corporate Governance Officer" are as follows: (1) Handle matters related to meetings of the Board of Directors, Audit Committee, Remuneration Committee and shareholders' meeting. (2) Assist directors in assuming office and pursuing continuing education, and other relevant matters. (3) Provide directors required information for business execution. (4) Assist directors to comply with laws and regulations. (5) Assist in the execution of the functions and powers of the Board of Directors or directors stipulated by other laws and regulations or the Articles of Association of the Company. (6) Ensure that the Company handles matters related to the meetings of the Board of Directors and shareholders' meeting according to law and prepare board meeting minutes and shareholders' meeting minutes. 3. The 2021 further training of corporate governance executives is as follows, which has been published in the corporate governance/corporate governance operation under investor relations	None

Evaluation Item	Implementation Status				Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof																
	Yes	No	Description																		
			part of the website of the Company. <table><tr><th>Training Institution</th><th>Course Name</th><th>Training Period</th><th>Training Hours</th></tr><tr><td>Financial Supervisory Commission</td><td>The 13th Taipei Corporate Governance Forum</td><td>2021.09.01</td><td>6 hours</td></tr><tr><td>Taiwan Securities Association</td><td>Legal responsibility and case analysis of false financial report and insider trading</td><td>2021.09.07</td><td>3 hours</td></tr><tr><td>Taiwan Securities Association</td><td>Corporate Governance 3.0-Blueprint for Sustainable Development</td><td>2021.11.17</td><td>3 hours</td></tr></table>		Training Institution	Course Name	Training Period	Training Hours	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	2021.09.01	6 hours	Taiwan Securities Association	Legal responsibility and case analysis of false financial report and insider trading	2021.09.07	3 hours	Taiwan Securities Association	Corporate Governance 3.0-Blueprint for Sustainable Development	2021.11.17	3 hours	
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Taiwan Securities Association	Corporate Governance 3.0-Blueprint for Sustainable Development	2021.11.17	3 hours																		
V. Does the company establish communication channels and a dedicated section on the company website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?	V		The Company has maintained smooth communication channels with banks and other creditors, employees, consumers, suppliers, communities, or stakeholders, and respects and maintains their legitimate rights and interests, and sets up special zone for stakeholders in the Company's website. When the legitimate rights and interests of interested parties are infringed, the Company will handle them in good faith.		None																
VI. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company appoints the professional stock affairs agency "Grand Fortune Securities" to handle the affairs of the shareholders' meeting, so that the shareholders' meeting will be held in a lawful, effective and safe manner.		None																
VII. Information disclosure																					

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(I) Does the company have a website to disclose the financial operations and corporate governance status?	V		(I) The Company has set up a website http://www.ecs.com.tw to disclose financial information, stock affairs information, corporate governance information, shareholders' meeting information and investor contact window, and other information under investor relations. Regarding the disclosure of corporate governance information, the Company has posted important information of the Company and its financial position, major resolutions of the Board of Directors and the Board of Shareholders, dividend payment situation, internal audit organization and operation, important laws and regulations, and relevant norms of insiders and other information on the Company's website for investors' reference.	(I) None
(II) Does the company have other information disclosure channels (e.g., building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and making the process of investor conferences available on the corporate website)?		V	(II) The Company has designated specific personnel for the collection and disclosure of company information, implemented the spokesman system, and set up an investor mailbox for the external communication of the Company's related information. Some options have been set up on our English website. The Company was invited to attend a corporate presentation held by Mega Securities on November 26, 2021, to introduce the Company and its recent operating performance.	(II) The Company has set up some options in the English website, and will discuss to increase relevant information disclosure.
(III) Does the company publicly announce and file the annual financial reports within two months after the close of the given fiscal year and publicly announce and file the first, second, and third quarterly financial reports and the operation of each month ahead of the required deadline?		V	(III) In addition to the operational situation of the Company of each month to be announced and declared in advance before the specified period, the annual and each season's financial reports have not yet been announced and declared.	(III) Not announced and declared yet.
VIII. Has the Company disclosed other information to	V		Summary:	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
facilitate a better understanding of its corporate governance (including but not limited to employee's rights, employee care, investor relations, supplier relations, stakeholders' rights, further studies of directors, implementation of risk management policies and measurement standards, implementation of customer policies and purchase of liability insurance for the directors of the Company)?				
1. Rights and interests of and care for employees: For information related to efforts made by the Company to provide due benefits and maintain the quality of life of employees, please refer to page 97-98 of the Annual Report. 2. Investor relations: The Company has set up a special unit responsible for responding to shareholders' questions and suggestions, and posting the relevant information on the Company's website in addition to posting it on the Market Observation Post System designated by the competent authority in accordance with relevant regulations. 3. Supplier relationship: Subject to the Company's operating regulations, the cooperative manufacturer performed the obligations in accordance with the contract to guarantee the legitimate rights and interests of both parties, and maintain a good relationship. 4. Rights of stakeholders: A special zone for stakeholders was set up on the Company's website for the stakeholders to communicate with and recommend to the Company, so as to safeguard their due rights and interests. 5. The further training of the Company's directors in 2021 has been published in the corporate governance/corporate governance operation under the investor relations part of the Company's website. In addition, please refer to the list of directors' education and training on page 16 of the Annual Report for the directors' further training courses in finance, business and other professional knowledge in 2021 and up to the publication of the Annual Report. 6. Implementation of risk management policies and risk measurement standards: the Company has a risk management policy and published it in the corporate governance/corporate governance operation under the investor relations part of the Company's website . The Company conducts risk analysis and identification according to this policy, and reports the implementation to the Board of Directors at least once a year. Please refer to page 290-294 of the Company's Annual Report for the relevant organizational structure and risk control operations. 7. Implementation of customer policies: The Company is dedicated to maintaining a stable and good relationship with customers as well as adhering to quality and service so as to create company profits. 8. The Company has purchased liability insurance for directors and supervisors since 2009 and renewed it annually. Regarding the information on the directors' liability insurance				

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			for 2021, the amount of insurance, coverage, premium, duration, and status of insurance have been reported to the Board of Directors on Aug. 9, 2021.	
9.			Important internal information: The Company has passed the resolution of the Board of Directors to formulate the "Operating Procedures for Preventing Insider Trading Management" and published the corporate governance/internal rules of the Company under investor relations on the Company website, and all relevant personnel of the Company have operated according to the operating procedures. At least once a year, the Company conducts education and publicity on the Procedures and related laws for insiders and employees, and the implementation of the course is published in the corporate governance/corporate governance operation under investor relations on the Company website. The Company also places relevant course contents on the Company's internal education and training website for employees to check at any time.	
IX.			Please explain the improvements made in accordance with the Corporate Governance Evaluation results released by the Taiwan Stock Exchange's Corporate Governance Center, and provide the priorities and plans for improvement with items yet to be improved. Description of improvements: 1. On May 31, 2021, the English financial statements for 2020 were completed. 2. Completed the English version of the agenda for the general meeting of shareholders for 2021 in May 2021 and the English version of the annual report for 2020 in June 2021; and announced the declaration and placed it on the company website within the time limit. 3. Concurrently release important news in English from Jan. 1, 2022. 4. On March 7, 2022, the board of directors reported to the directors on the promotion of the ethical operation strategy in 2021. 5. Announce and declare the annual financial report within 75 days after the end of the fiscal year. Priorities and measures for strengthening those not yet improved: 1. The investor section of the Company's website has not been fully set up in English, so the Company will finish the English version of all laws and regulations first. 2. In 2021, the directors attended the general shareholders' meeting with an attendance rate of 37.5% (including the chairman, one director and one independent director) . due to the COVID-19 pandemic. This situation will be improved by referring to the online meetings. 3. Announce and declare the financial report of the 2022 Q1, Q2 and Q3 before the prescribed deadline.	

Note 1:

Independence Evaluation Form of the CPAs for 2022

Evaluation reason: ☐ First time ☒ Routine Evaluation date: Dec. 20, 2021

(I) Basic information:

Name of CPA	Cheng-Chun Chiu and Shih-Tsung Wu	Name of CPA Firm:	Deloitte & Touche
Professional qualification	Accountant qualification of Cheng-Chun Chiu: Approval Document No. J.G.Z.L.Z. No. 0930160267, Financial Supervisory Commission Accountant qualification of Shih-Tsung Wu: Approval Document No. J.G.Z.S.Z. No. 1010028123, Financial Supervisory Commission		

(II) Content:

With reference to Article 47 of the CPA Act and Communique No. 10 of the Code of Professional Ethics for CPA:

Item	Results
1. As of the most recent assurance operation, no CPA has been replaced for seven years.	☒ Yes ☐ No
2. The CPA does not have significant financial relationship with his/her client.	☒ Yes ☐ No
3. The CPA avoids any inappropriate relationship with his/her client.	☒ Yes ☐ No
4. The CPA ensures that his/her assistants are honest, fair, and independent.	☒ Yes ☐ No
5. The CPA has not performed audit and assurance services on financial statements of companies he/she has served within two years before practicing.	☒ Yes ☐ No
6. The CPA has not permitted others to practice under his/her name.	☒ Yes ☐ No
7. The CPA has not owned any shares of the Company and its affiliated companies.	☒ Yes ☐ No
8. The CPA does not loan any money from the Company and its affiliated companies.	☒ Yes ☐ No
9. No joint investment or sharing of interests with the Company or affiliated enterprises.	☒ Yes ☐ No
10. Not simultaneously taking a regular position in the Company or associates and receiving a fixed salary therefrom.	☒ Yes ☐ No
11. The CPA is not involved in the management function of the decision-making of the Company and its affiliated companies.	☒ Yes ☐ No
12. The CPA has not concurrently engaged in other businesses that may lead to loss of independence.	☒ Yes ☐ No
13. No spouse, lineal relatives by blood or by marriage, or collateral relative by blood within two generations with the management of the Company.	☒ Yes ☐ No
14. The CPA has not received any commission related to his/her service.	☒ Yes ☐ No
15. The CPA has not engaged in any matter that may result in disciplinary actions taken against him/her or damage to the principle of independence so far.	☒ Yes ☐ No

(III) Work plan: 2022 annual financial report audit and certification.

(IV) Evaluation result: no violation of independence.

Note 2: Statement Letter from The Accounting Firm

2021.11.26Chin Shen No. 11011570

Attn: Elitegroup Computer Systems Co., Ltd.

Subject: We have been entrusted to audit the 2022 financial statements of Elitegroup Computer Systems Co., Ltd. (the Company). In accordance with "The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 Integrity, Objectivity and Independence" stipulated by The National Federation of CPA Associations of the R.O.C., the members of the audit team declare that they have complied with the following regulations and have not been in violation of matters involving independence.

Description:

- I. None of the audit team members or their spouses or dependants falls under the following circumstances:
 1. Hold any significant financial interest in the Company, directly or indirectly.
 2. Have no business relationship with the Company or its directors, supervisors or manager that would affect their independence.
- II. During the audit period, the audit team members or their spouses or dependants did not hold the positions of directors, supervisors, managers of the Company or positions that had a direct and significant impact on the audit.
- III. None of the audit team members is a spouse, lineal relative, immediate affinity relative or collateral relative within the second degree of kinship of the directors, supervisors or managers of the Company.
- IV. None of the audit team members has received any gift of material value not exceeding the standard of social etiquette from the Company or its directors, supervisors, managers or major shareholders.
- V. The audit team members have implemented the necessary procedures for independence/conflict of interest, and have found no violation of independence or unresolved conflict of interest.

Deloitte & Touche

CPA Cheng-Chun Chiu

CPA Shih-Tsung Wu

(IV) Establishment, functions, and operations of Remuneration Committee, if any:

1. Information regarding the members of the Remuneration Committee

May 6, 2022

Qualifications		Professional Qualification and Work Experience (Note 2)	Independence Criteria (Note 3)	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
Identity (Note 1)	Name			
Independent Director (Convener)	Maw-In Tsai	adjunct professor of Law School of National Taiwan University, member of Appeal Committee of Executive Yuan, member of Local Tax Law Review Committee of Ministry of Finance, consultant of Taiwan-Japan Relations Association, director of Chungyu University of Film and Arts, and executive director of Taiwan-Japan Lawyers Association, guest professor of Waseda University, Associate Professor, Department of Public Administration, Tamkang University, Associate Professor, Professor of School of Law, National Taiwan University, consultant of the Ministry of the Interior, consultant of National Health Insurance Administration, member of Central Election Commission, arbitrator of Democratic Progressive Party, regulation member of Labor Council of Executive Yuan, regulation member of Atomic Energy Council of Executive Yuan, appeal and mediation member of Public Construction Commission of Executive Yuan, deputy director of the Regulation Committee of the	1. The director, his spouse, or relatives within the second degree are not a director, supervisor of the Company or any of its affiliates. 2. Not a director, supervisor or employee of a company with a specific relationship with the Company (refer to Paragraph 1, Items 5-8 of Article 6 of the Regulations on the Establishment and Exercise of the Functions and Powers of the Salary and Remuneration Committee of Companies Listed on the Stock Exchange or Trading on the OTC Market).	1

Qualifications Identity Name (Note 1)		Professional Qualification and Work Experience (Note 2)	Independence Criteria (Note 3)	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
		National Police Agency, Ministry of the Interior, regulation member of Taiwan municipal government, regulation member of Taipei county government, director of Taiwan Sugar Corporation		
Independent Director	Chin-Fu Ho	Director of Yue Yuen Education Foundation and Yue Yuen Charity Foundation, senior vice president, accounting supervisor, financial supervisor and acting spokesperson of Kindom Construction Corp., independent director, audit committee and remuneration committee member of Evermore Chemical Industry Co, Ltd., remuneration committee member of Vigor Kobo Company Limited, supervisor of Global Brands Manufactur Ltd. and supervisor of Global Mall Co., Ltd.	1. The director, his spouse, or relatives within the second degree are not a director, supervisor of the Company or any of its affiliates. 2. Not a director, supervisor or employee of a company with a specific relationship with the Company (refer to Paragraph 1, Items 5-8 of Article 6 of the Regulations on the Establishment and Exercise of the Functions and Powers of the Salary and Remuneration Committee of Companies Listed on the Stock Exchange or Trading on the OTC Market).	0
Other	Ciao-Ling Hung	Passed the advanced examination of Lawyer, patent agent, passed National Judges and Prosecutors Special Examination, once served	1. The director, his spouse, or relatives within the second degree are not a director, supervisor of	0

Identity (Note 1)	Name	Qualifications	Professional Qualification and Work Experience (Note 2)	Independence Criteria (Note 3)	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
			asa member of the Gender Equality Task Force of the Ministry of the Interior,acted asa member of Regulation Committee of the Ministry of Cultureservedf aspart-time lecturer at Tamkang University,acted aspart-time lecturer at Takming University of Science and Techonology,served asa member of Regulation Committee of Taipei County	the Company or any of its affiliates. 2. Not a director, supervisor or employee of a company with a specific relationship with the Company (refer to Paragraph 1, Items 5-8 of Article 6 of the Regulations on the Establishment and Exercise of the Functions and Powers of the Salary and Remuneration Committee of Companies Listed on the Stock Exchange or Trading on the OTC Market).	

Note 1: Please specify the relevant working experience, professional qualifications, experience and independence of each remuneration committee member in the form. For independent directors, please refer to Table 1, Information of Directors and Supervisors (1) on page 00. For the title, please fill in independent director, or others (remark if you are the convener).

Note 2: Qualifications and experience: specify the professional qualifications and experience of individual members of the remuneration committee.

Note 3: In compliance with independence situation: state the independence compliance of the remuneration Committee members, including but not limited to whether themselves, their spouses and relatives within the second degree are directors, supervisors or employees of the Company or its affiliated enterprises, the number and proportion of shares held by themselves, their spouses and relatives within the second degree (or in the name of others); whether they are a director, supervisor or employee of a company with a specific relationship with the Company (refer to Paragraph 1, Items 5-8 of Article 6 of the Regulations on the Establishment and Exercise of the Functions and Powers of the Salary and Remuneration Committee of Companies Listed on the Stock Exchange or Trading on the OTC Market), amount of remuneration obtained for providing business, legal affairs, finance, accounting

and other services to the Company or its affiliated enterprises in the past two years.

Note 4: Please refer to the best practice reference examples on the website of Corporate Governance Center of Taiwan Stock Exchange for the disclosure methods.

Note 5: The Remuneration Committee Members, Mr. Gen-Yu Fong (independent director), Mr. Han-Fei Lin (independent director) and Ms. Liang-Chao Lin (independent director) were dismissed after re-election on July 21, 2021.

Note 6: The Remuneration Committee Member Mr. Jen-Two Liu resigned on Oct. 4, 2021

2. Operational status of the Remuneration Committee

- (1) The Company's Remuneration Committee consists of 3 members.
- (2) The term of office of the current Committee: from July 12, 2021 to July 20, 2024. A total of 9 meetings of the Remuneration Committee (A) were held in the most recent fiscal year, with the qualifications of members and attendance records as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B / A) (Note)	Remark
Convener	Maw-In Tsai	5	0	100	Newly appointed after reelection on Jul. 21, 2021
Committee Member	Jen-Two Liu	3	0	100	Newly appointed after reelection on Jul. 21, 2021 Resigned on 10/4/2021
Committee Member	Chin-Fu Ho	5	0	100	Newly appointed after reelection on Jul. 21, 2021
Committee Member	Ciao-Ling Hung	1	0	100	Appointment by the Board of Directors on Nov. 8, 2021
Convener	Gen-Yu Fong	4	0	100	Stepped down after reelection on Jul. 21, 2021
Committee Member	Han-Fei Lin	4	0	100	Stepped down after reelection on Jul. 21, 2021
Committee Member	Liang-Chao Lin	4	0	100	Stepped down after reelection on Jul. 21, 2021

Other matters to be recorded:

- I. If the Board of Directors refuses to adopt or amends a recommendation of the Remuneration Committee, the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the company's response to the Remuneration Committee's opinion (e.g., if the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified) shall be specified: For details, please refer to the following table for the explanation of the operation of the sixth Remuneration Committee in 2021 (August 30th, 2021) and the seventh Remuneration Committee in 2021 (October 29th, 2021). .
- II. If there are resolutions of the Remuneration Committee to which members object or express reservations, and for which there is a record or declaration in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion shall be specified: None.
- III. The implementation status is as follows:
In order to implement corporate governance and ensure a sound remuneration system for directors and managers of the Company, the Company set up the remuneration committee in accordance with Article 14-6 of the Securities and Exchange Act and the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter, to perform the following functions and powers according to relevant regulations:
 - (I) Establish and periodically review the performance evaluation and remuneration policy, system, standards and structure for directors and managerial officers.
 - (II) Periodically evaluate and prescribe the remuneration of directors and managerial officers. And the Company adopted the Remuneration Committee Charter for compliance.

Meeting date, proposal contents and resolutions of the 2021 Remuneration Committee:

Date Term	Major Resolutions	Remuneration Committee resolutions	The Company's implementation of the Remuneration Committee
2021.1.27 The 1st meeting of 2021	1. Review the year-end bonus of managers of the Company in 2020. 2. Review the appointment and remuneration of managers of the Company in 2021.	Passed the resolution without objection.	The Board of directors passed the resolution without objection.
2021.3.10 The 2nd meeting of 2021	1. Review the 2020 Q4 bonus of managers of the Company. 2. To deliberate on the amount of remuneration for directors of the Company for 2020. 3. To deliberate on the number of rewards for directors of the Company for 2020.	Passed the resolution without objection.	The Board of directors passed the resolution without objection.
2021.4.21 The 3rd meeting of 2021	To deliberate on the amount of remuneration for President of the Company.	Passed the resolution without objection.	The Board of directors passed the resolution without objection.
2021.5.7 The 4th meeting of 2021	1. Review the discussion on the remuneration of the head of the Strategy Committee. 2. Review the 2021 Q1 bonus of managers of the Company.	Passed the resolution without objection.	The Board of directors passed the resolution without objection.
2021.7.21 2021 convener Recommendation preparatory meeting	Proposal of recommending the convener and head of the 5th Remuneration Committee of the Company.	All members elected Maw-In Tsai, an independent director, as the convener of the 5th Remuneration Committee.	The Board of directors passed the resolution without objection.
2021.8.9 The 5th meeting of 2021	1. Review the discussion on the remuneration of the head of the Strategy Committee. 2. Recognize and review the amount of remuneration for President of the Company.	Passed the resolution without objection.	The Board of directors passed the resolution without objection.
2021.8.30 The 6th meeting of 2021	1. Review the 2021 Q2 bonus of managers of the Company.	Passed the resolution without objection.	The Board passed the resolution without objection.
	2. Review the amendment of the Company's performance reward system.	Passed the resolution without objection.	The 8th Board meeting in 2021 (November 8, 2021): Mr. Tsai, a member of the remuneration committee convener, said that due to the changes in the current company organization and the Company's planning of future business and finance has changed from the August 30 proposal of the Remuneration Committee, and proposed to return for reconsideration. After the chairman consulted the directors present, all the directors unanimously agreed to return it for reconsideration.
	3. Review the amendment of the Company's employee compensation ratio.	Passed the resolution without objection.	

		4. Review the remuneration of the newly-appointed Corporate Governance Officer	Passed the resolution without objection.	The Board passed the resolution without objection.	
	2021.10.29 The 7th meeting of 2021	1. To review the draft of the Company's "Measures for Payment of Remuneration of Directors and Functional Committee Members"	Passed the resolution without objection.	The Board passed the resolution without objection.	
		2. To deliberate on the post change and the amount of remuneration for President of the Company.	Passed the resolution without objection.	The 8th Board meeting in 2021 (November 8, 2021): All the present directors made resolution to make no payment.	
	2021.12.9 The 8th meeting of 2021	1. Review the remuneration of chairman of the Company. 2. Recognize and review the amount of remuneration for Vice chairman and President of the Company. 3. Review the issue of 2021 Q3 performance bonus of managers of the Company.	Passed the resolution without objection.	The Board passed the resolution without objection.	

Note:

- (1) If any member of the Salary and Remuneration Committee resigns before the end of the year, the date of resignation shall be indicated in the remarks column, and the actual attendance rate (%) shall be calculated using the number of meetings of the Salary and Remuneration Committee convened and the actual attendance during the term of service.
- (2) Before the end of the year, if any member of the Salary and Remuneration Committee is re-elected, the new member and the former member shall be filled in, and whether the member is a former member, a new member, or a re-elected member and the date of re-election shall be indicated in the remarks column. His or her attendance rate (%) will be calculated on the basis of the number of Remuneration Committee meetings held during his or her tenure and the number of such meetings attended.

(V) Implementation Status of Sustainable Development and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Item	Implementation (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Does the company set up a governance structure to promote sustainable development, establish an exclusively (or concurrently) dedicated unit to implement sustainable development and have management appointed by the Board of Directors to be in charge of corporate social responsibility and Board supervision?	V		1. ECS practices corporate social responsibility, conforms to the international trend, actively responds to the suggestions of stakeholders on the environment, society and corporate governance, earnestly implements risk assessment and formulates corresponding countermeasures, so as to achieve the goal of sustainable operation. On December 20, 2021, ECS establishes the Sustainability Development Committee, which is the decision-making and supervision unit of the Company's sustainable development-related work, including corporate governance (G), environment (E) and society (S), in order to strengthen the Company's management system, devote itself to environmental conservation and fulfill its social responsibilities. 2. The members of the Company's Sustainability Development Committee are appointed by the resolution of the Board of Directors, with at least three of them. They are composed of the Company's senior managers and independent directors, among whom at least two independent directors should participate and supervise, and one of them should be elected as the convener and chairman of the meeting. Sustainability Development Committee has the following major functions: (1) Formulation of annual sustainability development plan and strategic direction (2) Sustainability development includes the formulation of sustainability governance, ethical operation, environmental and social goals, strategies and implementation plans. (3) Review, tracking and revision of sustainability development implementation and effectiveness. (4) Decisions on other matters related to sustainability development. The Sustainability Development Committee shall meet at least twice a year, and may hold meetings when necessary. 3. ECS held a board meeting on March 7th, 2022, and appointed Chairman I-Wen	None.

Item	Implementation (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
			Chung, Vice Chairman Chin-Lai Wang (concurrently the president), independent director Maw-In Tsai and independent director Chin-Fu Ho as members of the first Sustainability Development Committee, reported the implementation of corporate social responsibility for 2021, and formulated the vision, goal, plan and organization of sustainable development for 2022.	
II. Does the company conduct risk assessments on environmental, social and corporate governance issues related to the business operations and formulate relevant risk management policies or strategies based on the materiality principle? (Note 2)	V		1. ECS formulated the "Risk Management Policy of Elitegroup Computer Systems Co., Ltd." on December 20, 2021, which is applicable to the risk management of the Company and its subsidiaries at all levels. From the perspective of the Company as a whole, by identifying, evaluating, controlling, supervising and communicating the potential risks, the various risks faced in the operation can be reduced to an affordable and controllable range by qualitative and quantitative management methods, which can be used as a reference for the formulation of business strategies, so as to reasonably ensure the achievement of the Company's strategic objectives. According to the principle of materiality, the Company examines its own business and operating characteristics, and the risks identified and managed are as follows: (1) Strategy A. International situation change/Sino-US technology cold war B. Industrial change/intensifying market change/science and technology change C. Sustainability development strategy of the company (2) Operation A. Business continuity risk (i.e. business interruption risk, including supply chain interruption and production interruption) B. Supply chain management/commodity price risk C. Market demand and capacity expansion D. Intensified competition/insufficient innovation/concentrated sales E. Human Resources F. Information security	None.

Item	Implementation (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			G. Intellectual property/business secrets H. Corporate image (3) Finance A. Exchange rate and interest rate changes B. Liquidity C. Derivative commodity transaction (4) Hazard incidents A. Climate change B. Occupational safety and health C. Fire or other artificial disasters (including management of harmful substances in products and processes) D. Natural disasters E. Spread of disease/health crisis (5) Compliance A. Corporate Governance B. Environmental regulations C. Anti-corruption and fraud D. Personal data protection 2. The company has so far introduced ISO 9001 Quality Management System, ISO14001 Environmental Management System, ISO 45001 Occupational Safety and Health Management System, IECQ QC080000 Hazardous Substances Process Management System, ISO 50001 Energy Management System, ISO 27001 Information Security Management System, RBA VAP Social Responsibility Audit, and Business Social Compliance Initiative (BSCI), etc. Through the continuous operation of the above management systems and third-party audits, the Company can grasp and instantly respond to the risks related to environmental awareness, employee safety, customers, suppliers, and other aspects of its business activities. In addition, regarding the information security risks increasingly rising due to	

Item	Implementation (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			operating activities, the Company has also been actively strengthening governance measures, and has created remote host backup and data backup mechanisms, identified potential information security hazards, set specific feasible emergency response plans and disaster recovery strategies, in order to ensure continuous business operations.	
III. Environmental issues (I) Does the company establish an environmental management system proper to its industry's characteristics?	V		(I) 1. The Company's environmental management policies include "full participation in promoting environmental protection", "energy conservation and waste reduction for ecological protection", "complying with laws and regulations and making an impact on the public", and "pollution prevention and continuous improvement". In accordance with international environmental protection laws and regulations, we have established, in the Company and the plant areas, waste gas and waste control system, implemented supervision and management in compliance with ISO 14001, obtained ISO 14001 environmental management system certification, and carried out energy resource consumption reduction, regular waste gas and waste water detection and feedback improvement. In the plant areas, we implemented the energy management system at the end of 2017 to improve energy efficiency, obtained the ISO 50001 Energy Management System certification at the beginning of 2018, and established a management system for the review and monitoring of energy usage to continuously improve energy efficiency. 2. The passed relevant international verification standards of the Company are disclosed in the Company's Corporate Social Responsibility Report, and the detailed implementation status can be found in the Company's official website (https://www.ecs.com.tw).	None.
(II) Does the company endeavor to utilize all resources more efficiently and use renewable materials that have low impact on the	V		(II) 1. In the Company and the plant areas, we have posted environmental protection resource recycling publicity in the workplace, implemented resource classification	None.

Item	Implementation (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
environment?			and recycling measures, and promoted various energy conservation, water-saving, and recycling operations internally to show our love of the earth. In addition, we have procured and been using environmentally-friendly equipment, instruments, and products (such as products with green marks) in the daily operation of the Company and the plant facilities and activities. In the plant areas, we obtained the ISO 50001 Energy Management System certification at the beginning of 2018, and established a management system for the review and monitoring of energy usage to continuously improve energy efficiency. 2. When ECS develops new products, it would always consider the customer demand. According to the energy consumption requirements in the environmental protection seal, it would confirm the conformity of the products and the environmental performance in the whole life cycle, and seek for other possible alternative technologies, so as to improve the environmental performance of the products, develop environmentally friendly products, and low-energy products, which meet the relevant requirements of Energy Star 8.0, ErP Lot 3, Lot 6, Lot 7 of the EU low-energy regulations in advance, bringing considerable energy consumption savings to customers and consumers. 3. In response to the requirements of international environmental protection seal, ECS products have actively introduced recycled plastics (PCR) into plastic parts such as product casings since 2017, and increased the proportion of recycled paper used in product packaging materials to replace plastic packaging materials and avoid over-packaging, so as to reduce plasticized raw materials and plastic packaging materials produced by native petrochemical materials and reduce the environmental impact and ecological footprint of products. The concept of green design and the requirements of relevant international laws and regulations were deeply rooted in the product design stage, so as to produce products that support energy conservation, low harm, and easy-to-recycle, and promote the sustainable utilization of the earth's resources.	

Item	Implementation (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
(III) Does the company assess the potential risks and opportunities of climate change for its current and future operations and undertake response measures with respect to climate change?	V		(III) In response to the climate emergency and the potential crisis of energy resources supply, ECS not only strengthened the adaptation to climate resilience, and reduced the operational impact caused by disasters, but also continued its efforts to slow down greenhouse gas emissions. By identifying the risks and opportunities of climate change, and implementing relevant countermeasures and policies to reduce risks and grasp business opportunities, ECS can achieve the goal of sustainable business operation. By taking stock of the entity and transformation risks, and the opportunities in products, customers and operations, as well as the impact on the Company's operating activities, ECS strengthened its climate change governance. With respect to environmental governance, corporate social responsibility, and corporate governance in terms of climate risk management, the Company has specific responsible units to coordinate with each relevant department and collaborative unit to perform the measurement of relevant operational risks in accordance with the requirements in international environmental ordinances, industry code of conduct and those of competent authorities, and respond to relevant risks and form corresponding management policies on the principle of majority, and actively communicate with stakeholders to incorporate them into the daily strategy of enterprise operation. By estimating the risk occurrence mechanism and impact degree, formulating the risk response and mitigation plan and the crisis handling mechanism, ECS could make early warning to slow down the impact of risks on the Company's operation. On the opportunities brought by the climate change, ECS continuously improves the research and development of energy efficiency products, provides products that meet the advanced energy efficiency regulations of all countries in the world in advance, reduces the impact on climate and environment in the product life cycle, and assists customers and social sectors to achieve energy saving and carbon reduction effects and	None.

Item	Implementation (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			corresponding climate adaptation. It is the responsibility of enterprises to adapt to extreme weather for sustainable development and operation.	
(IV) Does the company calculate the amount of greenhouse gas emissions, water consumption, and waste production in the past two years and implement policies to cut down carbon and greenhouse gas emissions, water and waste production?	V		(IV) The Company (covering Taipei headquarters, mainland China and Thailand factories) environmental management policies and targets on energy conservation and carbon reduction, greenhouse gas reduction, water and waste reduction, operation, and effectiveness are disclosed in the Company's Corporate Social Responsibility Report, and the detailed implementation status can be found in the Company's official website (https://www.ecs.com.tw).	None.
IV. Social issues (I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(I) 1. According to the contents of international human rights conventions, such as the Convention on the Elimination of All Forms of Racial Discrimination, the Convention on the Elimination of All Forms of Discrimination against Women, the Convention on the Rights of the Child and the Convention on the Rights of Person with Disabilities, and the Employment Service Act, the Gender Equality Act, the Labor Standards Act, and the Essentials for Employment of Person with Disabilities promulgated and implemented by the government, the Company has established a workplace to eliminate all unlawful discrimination to ensure equal job opportunities, and banned child labor and forced labor, to provide a safe and healthy working environment and help employees maintain physical and mental health and work-life balance. ECS continues to follow the United Nations Global Compact, the Declaration of Fundamental Principles and Rights at Work of the International Labour Organization, the United Nations Guiding Principles on Business and Human Rights and the Code of Conduct for Responsible Business Alliance, and further practices the Company's human rights policy. 2. In terms of human rights risk mitigation measures, the Company conducts site audit for compliance with the Code of Conduct of Responsible Business Alliance	None.

Item	Implementation (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			("RBA", formerly known as "EICC") and the Code of Conduct of Business Social Compliance Initiative (BSCI) every year in the plant areas, and maintained good implementation results. We continuously obtained the Silver Rating Certificate for the Validated Audit Process (VAP) of RBA from external third party in 2018, 2020 and 2021. 3. With reference to the United Nations guiding principles of the protection, respect and remedy framework on human rights, the Company set up the "Special Area of Four Prevention Plans for Occupational Safety and Health" in 2020 to protect the legitimate rights and interests of employees, and signed the "Written Statement on Prevention of Workplace Violence" to implement the four prevention plans for occupational safety and health. The contents include “Maternal labor health protection plan”, “the prevention plan against illegal infringement in the performance of duties”, “the prevention plan against diseases caused by abnormal workload”, and “the prevention plan against human sexual hazards”. All of them put an end to any violation of human rights through mechanisms such as human rights risk assessment, implementation of mitigation measures, remedial and preventive measures, and establishment of complaint channels, so that all members inside and outside the Company can be treated fairly and with dignity. 4. The Company's training practices on human rights protection include: A. Establishing the internal communication structure: the Company conducts the publicity of prohibiting forced labor, anti-discrimination, anti-workplace violence and labor human rights in the pre-service training courses for new employees, and the employees are periodically sent for training in the courses of Logistics and General Studies School of Elitegroup Corporate University. The Company has set up a employee complaint channel in the special zone for stakeholders of the Company's website, and has established a proper handling and response tracking mechanism. B. Offering sexual harassment prevention courses: the Company added the publicity	

Item	Implementation (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			of sexual harassment prevention measures in the workplace to the general courses of pre-service training and periodic training, to help employees understand the concept and prevention of sexual harassment, and set up a special area for complaints and disciplinary measures of sexual harassment prevention measures in EIP of the Company. C. Implementing workplace bullying prevention and publicity: the Company has signed a "Written statement on prevention of workplace violence" by the top officer to implement the "Prevention plan for unlawful infringement in the course of performing duties", helping employees to understand bullying and violence in the workplace, how to avoid bullying violence, and jointly create an open and friendly workplace. D. Provide complete occupational safety training: Based on the working environment, the Company or the plant areas provide corresponding regular labor protection measures (fire safety and first aid education and training) and safety and health education, mainly including employee health inspection, on-the-job training on fire safety and industrial safety, and hold a series of lectures on occupational health protection knowledge.	
(II) Does the company appropriately reflect the business performances or achievements in the employee remuneration policy (including salary, annual leave and other benefits)?	V		(II) 1. ECS creating an equal, multi-inclusive and friendly workplace environment is very important for the corporate culture and business development. By making good use of the diversity and equal rights of the labor force and accepting the different cognition, values, interpersonal relationships and social levels of all people, every worker can achieve the best job performance, which is conducive to the sustainable operation and value creation of the Company. At present, the ECS ratio of male and female employees is 6:4. 2. ECS employee welfare measures include the following: [Salary and Bonus] Year-end bonus, performance bonus system, innovative patent bonus.	None.

Item	Implementation (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			[Management system] Humanized management, two days off, flexible commuting system, smooth promotion channel. [Training and Development] Training development planning and implementation of functional system, encouraging and subsidizing participation in external education and training. [Insurance system] Labor insurance, health insurance, group insurance (spouses and children can get preferential treatment), accident insurance. [Subsidies and allowances] Preferential rental of employee parking lots, various cash gift for weddings, funerals and births, gifts/vouchers for three major festivals and birthdays, departmental dinner subsidies, emergency assistance subsidies, establishment and subsidies of associations, and annual domestic and foreign travel subsidies for employees. [Welfare Committee Activities] Free lunches in the employees' restaurants, various ball games and singing competitions, signing of special shops, purchasing various commodities/household appliances for employees, discounts for employees' physical examination, annual all-staff activities (family day/year end party), various spiritual growth lectures, and use of leisure centers (gym/rhythm classroom /KTV room/billiard room/pool room/library/nursing room/bathroom/rest room) For more information, please refer to ECS Global Human Resources: https://www.ecs.com.tw/hr/. 3. The Company appropriately reflects the business performance or results in employees' remuneration: According to Article 19 of the Articles of Association of the Company, if the Company has any profit in the year (the so-called profit refers to the pre-tax profit before the deduction of the remuneration paid to employees and the remuneration paid to directors), 6% shall be set aside for employees' remuneration and no more than 0.6% for the Directors' remuneration. If the Company has accumulated losses (including adjustments on unappropriated profits), it shall retain a portion of profits to offset the losses first. Accordingly, 6%	

Item	Implementation (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			of the profits should be set aside for employees' remuneration in 2021, which is NT\$5,548,815.	
(III) Does the company provide a healthy and safe work environment and organize health and safety training for its employees on a regular basis?	V		(III) 1. Based on the working environment, the Company and the plant areas provide corresponding regular labor protection measures (fire safety and first aid education and training) and safety and health education, mainly including employee health inspection, on-the-job training on fire safety and industrial safety, and hold a series of lectures on occupational health protection knowledge. 2. The plant areas have all passed ISO 14001 and ISO 45001 certification, and are continuously improved to meet the requirements of regulations and policies. Internal staff's education, training, and advocacy are carried out to reduce industrial safety accidents, prevent the loss of life and property, and improve the performance of health and safety. 3. The Company publishes or announces information related to safety protection in Elitegroup Biweekly from time to time. 4. The Company sets up staff leisure centers to provide sports and leisure places such as gym, rhythm classroom, karaoke room, table tennis, billiards to employees. 5. To help employees keep a healthy diet, the Company provides convenient, healthy, and nutritious food for colleagues to choose from, and holds health promotion-related lectures and propaganda from time to time. 6. In 2012, the Company started to be committed to promoting smoke hazard control and health propaganda in the workplace, actively implementing smoke-free and health promotion measures in the workplace, and establishing an excellent healthy working environment. We were awarded the certification of "Healthy Workplace Independent Certification Mark", and was awarded the "Health Excellence Award" for healthy workplace by the Taipei Municipal Government. In 2015, the Company applied for the extension of the "Healthy Workplace Independent Certification Mark". The application was reviewed and approved by the	None.

Item	Implementation (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			government, and the certification was successfully extended to 2018. In 2018, the Company was awarded the "Excellent Healthy Workplace Award" of Taipei granted by the Municipal Health Bureau of Taipei. In 2019 and 2021, it was awarded the "Health Workplace Certification - Health Promotion Mark" by the National Health Agency of the Ministry of Health and Welfare. 7. The Company attaches great importance to the health of employees in the workplace and promotes various cancer screening services. In November 2016, the Company was awarded the "Excellent Workplace Award in Cancer Prevention and Treatment" by the Taipei Municipal Government. With respect to protecting the health of employees that are nursing mothers, the Company successively won the "Good Breast-feeding Room Certification" from 2017 to 2020. 8. ECS launched the Employee Assistance Program in 2015 and worked with the Lifeline Employee Assistance Program Center (EAPC) of Hsinchu City to establish a "professional consultation and referral" service system for the Company. The Company is committed to helping employees solve work or life problems, preventing work safety accidents, improving work efficiency, promoting the healthy development of the environment, uniting the staff, forming a good organizational culture, and maintaining the excellent stability of the company, so as to help the Company and the employees achieve mutual, stable growth, and promote the competitiveness of the organization. In 2018 and 2016, the Company was awarded the biennial "Work-Life Balance Award - Employee Assistance Medal and Health and Happiness Medal" by the Ministry of Labor. (The Ministry of Labor suspended the award application process due to COVID-19 in 2020) 9. Through the dual operating mechanisms of the ISO14001 Environmental Management System and ISO 45001 Occupational Safety and Health Management System, ECS can prevent pollution and hazards in advance. The number of employees' occupational hazards, related improvement and prevention measures, related verification and their coverage are all disclosed in the corporate social responsibility report of the Company,	

Item	Implementation (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			and please find out the detailed implementation status on the official website of the Company (https://www.ecs.com.tw).	
(IV) Does the company establish effective career development and training plans for its employees?	V		(IV) ECS believes that talent is the most precious resource of an enterprise. To promote the development of skills and vocations in employees, in addition to the general education courses, professional training, and energetic camp for newcomers, ECS has established an Elitegroup Corporate University with diversified education and training systems covering Elitegroup Management College, Research Engineering Institute, Marketing College, and General College of Logistics and Marketing. This response to the demand for self-learning of colleagues, special attention is paid to talent cultivation and development, with the aims to improve the quality of staff, and strengthens the management skills of junior supervisors. The company cooperates with functional units to actively arrange succession training at all levels and develop a talent pool, sets up internal lecturer and professional technical training mechanism, stimulates employees' potential, drive the vitality of the organization, trains employees' second expertise, strengthens the professional ability, self-management ability and working attitude of all employees, deeply embeds the core values, so as to enable all employees to grow and thrive together with ECS. 1. The training courses for new employees of the Company, include EHS courses, corporate development direction, management policy and related policies, and the concept of sustainable development of corporate social responsibility. 2. The Company regularly organizes relevant internal education and training courses, has set compulsory class hours for all employees based on their functions through the Elitegroup Corporate University (ECU). ECU adopts the credit system. For example, as stipulated by the general annual study credits, 6 credits for annual training+1 credit for environmental safety and health training must be completed. And it is linked with annual performance appraisal as a reference for salary, reward, appraisal reward, and punishment, and future promotion.	None.

Item	Implementation (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(V) Does the company comply with relevant regulations and international standards regarding customer health and safety, right to privacy, marketing and labeling and other topics of its products and services and set up relevant consumer or customer protection policies and complaint procedures?	V		(V) The Company has adhered to the principle of "customer first" in its practice. In terms of safety regulations, such as those related to electromagnetic radiation, harmful substance control, and energy efficiency, in addition to meeting the requirements of international conventions, the Company makes sure that its products are in line with the regulations of various countries and have passed the required testing and certification, follows the principles of honest product labeling and disclosure for marketing in compliance with international laws and regulations, so as to ensure the rights and interests of consumers. The product instruction manual lists the product safety instructions for consumers to refer to the ways of using the product and related matters needing attention, as well as the environmental protection recycling measures that should be paid attention to when replacing the product. 1. Consumers can ask questions about products and services on the Company's external website service platform. The technical and service personnel will answer and help them, and directly communicate with consumers, so as to ensure consumers' rights and interests and improve the quality of products and services. 2. The Company has set up a customer complaint channel in the special zone for stakeholders of the Company's website, and has established a proper handling and response tracking mechanism.	None.
(VI) Does the company formulate and implement supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights?	V		(VI) 1. All suppliers of the Company shall comply with ECS green policy of "producing non-toxic products, responding to energy saving and carbon reduction, and building a sustainable enterprise". In our supplier management procedure, new suppliers shall not only view and sign 11 qualification documents but also go through the field investigation for company site and plants conducted by ECS's supplier investigation team. The project covers 14 items, such as quality management, environmental product management, occupational safety and health, implementation of RBA code of conduct, corporate social responsibility, and	None.

Item	Implementation (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			business risk assessment. To become an official supplier of the Company, a new supplier must pass the field investigation and have no environmental or social impact record, with ISO 9001, ISO 14001 or IECQ C080000 and other management system certifications. 2. Every year, the Company formulates the supplier annual audit schedule for the existing suppliers according to the supplier management procedure and supplier audit operation procedure, and conducts field audit after the supplier completes the self-evaluation. The results of the supplier field audit checklist and the supplier project audit report are included in the supplier annual performance evaluation, and the audited suppliers that fail to meet the standards are put forward with improvement requirements, and the results are continuously tracked to improve the compliance of the whole supply chain.	
V. Does the company refer to internationally-used standards or guidelines for the preparation of reports such as sustainability reports to disclose non-financial information? Are the reports certified or assured by a third-party accreditation body?		V	Our Corporate Social Responsibility Reports are prepared in accordance with GRI Standards of Global Reporting Initiative (GRI) for Sustainability Reporting. No third-party verification company is entrusted to verify the report.	No third-party verification company is entrusted for verification.
VI. If the company has established sustainable development best-practice principles based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," describe the implementation and any deviations from such principles: With reference to the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and relevant statutory provisions, the Company has completed the formulation of the "Social Responsibility Best Practice Policy of Elitegroup Computer Systems Co., Ltd." and the "Corporate Social Responsibility Best Practice Principles of Elitegroup Computer Systems Co., Ltd.", and have implemented corporate social responsibility programs in accordance with the Code of Conduct - Responsible Business Alliance (RBA) (formerly known as "EICC") and fully disclosed them in its Corporate Social Responsibility Reports.				
VII. Other important information to facilitate a better understanding of sustainable development practices: The Company has disclosed its operation situation in the Corporate Social Responsibility Report, which contains information on environmental protection, social welfare, human rights, safety and health, etc. The Report can be downloaded from the Company's website/investor zone/corporate governance/corporate social responsibility report for the detailed implementation status.				

- Note 1: If "Yes" is checked, please explain the important policies, strategies, measures and implementation. If "No" is checked, please explain the reason and the plan to adopt relevant policies, strategies and measures in the future.
- Note 2: If the Company has prepared a corporate social responsibility report, the operation status may indicate the method of consulting the corporate social responsibility report and the index page instead.
- Note 3: The principle of materiality refers to issues related to the environment, society and corporate governance that have a significant impact on the Company's investors and other stakeholders.

From Jan. 1, 2021, to Dec. 31, 2021, the Company participated in the following corporate social responsibility activities:

Time	Activities
January 2021	ECS participated in the 22nd "Give Love to the World" event, donated 20/30 sets of SF20PA2/SF20PA3 11.6-inch laptops respectively to family support entities (including Taichung Development Academy, Taiwan Fund for Children and Families (4/6), Southern Taichung Family Support Center, Taiwan Fund for Children and Families (4/6), New Taipei Family Support Center, Taiwan Fund for Children and Families (4/6), Ta-Tung Children's Home (4/6), Maria Social Welfare Foundation (4/6), in an effort to contribute to social welfare and help disadvantaged groups in need of help as well as encourage more enterprises to get involved.
September 2021	ECS participated in the "2021 Love You, Love Him, Love Together" activity organized by Taiwan Action Bodhisattva Education Association, and donated to it 50 11.6-inch notebook computers SF20PA2, helping children in rural areas to continue their education, diversified learning and pursue their ideals, starting a "good cycle", and working with participating enterprises to achieve the goal of helping disadvantaged children, thus injecting more positive energy into Taiwan.
April 2021	ECS participated in the learning assistance program promoted by the Ministry of Education and donated NT\$1 million to three primary schools (Houliiao Elementary School (NT\$20 thousand), Wanxing Elementary School (NT\$30 thousand), and Jialao Elementary School (NT\$50 thousand)) in Changhua County in the academic year of 2020 to help students make good use of ICT products after class, shorten the academic gap with their peers, strengthen the academic ability of students in basic subjects and strengthen the learning of curriculum content. The Company fully supported the Ministry of Education in promoting e-learning and active teaching to enhance students' capabilities to use digital technology.
2021	Headquarters 1. Completed ISO 27001 Information Security Management System certification audit in August. 2. Completed ISO 9001 Quality Management System certification audit in December.
2021	Xingying plant 1. Completed RBA CLOSURE AUDIT in July. 2. Completed IECQ QC080000 hazardous substances management system supervision and audit in January. 3. Completed ISO 9001 quality management system supervision and audit in January. 4. Completed ISO 14001 environmental management system supervision and audit in January. 5. Completed ISO 45001 occupational safety and health management system certification audit in January. 6. Completed Amfori BSCI Full Audit in September. 7. Completed IATF 16949 certification audit in July.
July 2021	Thailand plant 1. Completed ISO 9001 Quality Management System certification audit in July.

Time	Activities
June 2015 to date	In order to maintain the healthy development of employees' life, work, and physical and mental health, ECS has cooperated with the Employee Assistance Service Center of Lifeline Association in Hsinchu City to promote the Employee Assistance Program since June 2015. About 2-3 employees used the system every month. When employees have any questions, problems, or stress and need assistance, they all know that they can use this consulting service, which can promote the physical and psychological health of employees, identify employees in need of help and provide timely assistance, solve the employees' work or life difficulties, and promote work-life balance. In 2018 and 2016, the Company was awarded the biennial "Work-Life Balance Award - Employee Assistance Medal and Health and Happiness Medal" by the Ministry of Labor (The Ministry of Labor suspended the award application process due to COVID-19 in 2020). ECS has been awarded the "Healthy Workplace Certification - Health Promotion Mark" by the National Health Service of the Ministry of Health in 2019 and 2021, in response to the Company's efforts to promote the balance of physical and psychological health, which can help everyone work in a friendly and healthy workplace environment away from worries.
January 2021	In January and August, ECS's Welfare Committee held blood donation activities to invite employees to donate blood together. The staff were very enthusiastic and actively donated 112 bags of blood in January and 115 in August, showing the willingness of ECS members to help others.
May, 2021	In the Company's anniversary, ECS's Welfare Committee organized the 34th Anniversary Celebration Week. In 2021, the Welfare Committee prepared a Happiness Gift Box (Handmade Egg Roll) made by the public welfare organization, Syinlu Foundation, for each employee to share the joy of the Company's anniversary, which left a memorable 34th anniversary in an atmosphere of love and charity.
July 2021	In July, 2021, the ECS Welfare Committee bought 800 boxes of grapes from local fruit farmers and presented them to employees, hoping to help fruit farmers sell and support their livelihood during the most difficult time of the pandemic, and also to reward colleagues for their efforts in fighting the pandemic together during this period.
July to August 2021	Due to the pandemic situation, the employees kept the same sitting position in the office all day, and fixed their eyes on the screen for typing, so they often had the problem of shoulder and neck pain. Therefore, the Health Promotion Committee invited a group of experts in human factors engineering: functional therapists, physical therapists and sports coaches, and designed eight online courses for office workers on self-relief health [Relieve Sore OUT- Back Pain DIY], which was open to all employees' free participation. Employees can find the sore parts such as shoulder and neck, back, hands or lower limbs, choose courses that meet the needs, and interact with lecturers in front of the computer.
December 2021	The Welfare Committee of ECS held a special Christmas festival event called "Christmas Stockings TCH Out! 2.0 - Great Gifts for Christmas", and held a large Christmas stockings wall raffle in the lobby on the first floor. Everyone got a prize, which could be said to be a big Christmas gift presentation, so that everyone had a happy memory for the last event in 2021.

(VI) Implementation Status of Ethical Corporate Management and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Evaluation Item	Implementation Status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Establishment of ethical corporate management policies and programs				None
(I) Does the company establish the ethical corporate management policies approved by the Board of Directors and declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its Board to implement the policies?	Yes		(I) The Company has established a code of ethical conduct, ethical corporate management code, ethical corporate management operating procedures, and behavioral guidelines as the basic codes for the directors and all colleagues of the Company in the business implementation, and also stipulated codes of conduct and promotional courses relating to ethical business practices in the employment contract, integrity commitment letter, quarterly performance appraisal, and annual training courses.	
(II) Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include those specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for	Yes		(II) Prevented various violations of integrity through the business operations of internal audit, internal control, and risk management; and set up methods for handling cases of reported illegal and unethical or dishonest behaviors, and put into practice a complaint system.	

Evaluation Item	Implementation Status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
TWSE/GTSM Listed Companies"? (III) Does the company specify in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implement them and review the prevention programs on a regular basis?	Yes		(III) Formulated various regulations and procedures (such as procedures for preventing insider trading management, operating procedures for endorsement guarantees, etc., operating procedures for lending funds to others, operating procedures and behavior guidelines for ethical corporate management, reporting illegal and unethical or dishonest behaviors) as the basic principles of the business operation of each unit, and regularly reviewed the contents of various provisions in accordance with the revised versions and interpretation orders announced by the competent authorities.	
II. Fulfillment of ethical corporate management (I) Does the company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties? (II) Does the company establish an exclusively dedicated unit supervised by the Board of Directors to be in charge of ethical corporate management and report to the Board of Directors the implementation of ethical corporate management policies and	Yes Yes		(I) The Company signs the Honest Commitment with suppliers and abides by the principle of good faith. (II) In order to improve and implement the management of ethical operation, the president office is the special unit to promote the ethical operation policy, and all units in the Company carry out the related ethical operation business within their own responsibilities. On March 7, 2022, the Board	None

Evaluation Item	Implementation Status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
prevention programs on a regular basis (at least once a year)?			of Directors reported to the directors the promotion of the 2021 ethical operation strategy, and disclosed the promotion on the Company's website. The promotion of ethical operation strategy in 2021 is as follows: 1. The "Measures for Handling Cases of Reporting Illegal, Immoral or Unethical Acts" has been formulated, which will serve as the principle for handling cases of reporting illegal acts in the future. 2. The employee's employment contract clearly stipulates that the intellectual property rights, business secrets or confidential information of a third party shall not be quoted, used, utilized or infringed, and all integrity clauses related to ethical operation formulated by the Company shall be observed. 3. Suppliers who cooperate with ECS are required to sign the "Integrity Commitment Letter". 4. The Code of Ethical Conduct and the Code of ethical operation have been included in the evaluation items of employee performance appraisal-core value "discipline". 5. Implementation of publicity activities and education and training related to ethical operation in 2021:	

Evaluation Item	Implementation Status (Note)						Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description				
			Course Name	Course Form	Course Hours	Level Number of participants	
			[Ethical Operation and Corporate Governance] -Anti-corruption practices of enterprises in the Bureau of Investigation of the Ministry of Justice	In-person Course	120 minutes	1 Level 186 participants	
			[Corporate Governance and Enterprise Anti-corruption] -Taking insider trading as an example	In-person Course	120 minutes	1 Level 170 participants	
			[Explanation on the regulation of legal intellectual right for newcomers] -Publicity of confidentiality obligations	Online Course	30 minutes	16 levels in total 139 participants	

Evaluation Item	Implementation Status (Note)						Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description				
(III) Does the company establish policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	Yes		-Publicity of insider trading prevention -Publicity of Respecting the intellectual property rights				
			[Introduction to ECS Internal Control System and Ethical Operation Code] -What is the internal control system and risk management? -Introduction to ECS internal control system -Introduction to the Ethical Operation Code -Prevention of insider trading and the regulations				
			(III) It avoids conflicts of interest through the signature and countersignature process.				

Evaluation Item	Implementation Status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(IV) Does the company establish effective accounting systems and internal control systems to implement ethical corporate management, with the internal audit unit being responsible for devising relevant audit plans based on the results of assessment of any unethical conduct risk, examining accordingly the compliance with the prevention programs, or engaging a certified public accountant to carry out the audit? (V) Does the company regularly hold internal and external training on ethical corporate management?	Yes		(IV) The Company ensures that directors and employees comply with the Company Act, the Securities Exchange Act, the Commercial Accounting Act, the Political Donations Act, and other relevant laws and regulations as well as the Company's Code of Ethics in the conduct of their business through spot inspection of its original internal audit and internal control systems. (V) In line with the establishment of the ethical business code, the Company has planned ethical corporate management-related courses in the annual training program.	
III. Operation of the whistle-blowing system (I) Does the company establish both a reward/whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party? (II) Does the company establish the standard operating procedures for investigating reported misconduct, follow-up measures to be taken after the investigation, and related confidentiality	Yes		(I) It sets up measures to deal with cases reporting illegal, immoral or dishonest acts, and implements a complaint system; sets up the report mailbox and special line for internal and external whistleblowers, and designates appropriate unit and personnel to handle the reports. (II) At present, the Company accepts complaints, investigations and confidentiality, and other related operations through the original internal control system and the ethical corporate management procedures, and in accordance with the measures for reporting illegal and immoral or	None

Evaluation Item	Implementation Status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
mechanisms? (III) Does the company provide protection for whistle-blowers against receiving improper treatment?	Yes		dishonest behaviors. (III) The content of the reports and the identity of whistleblowers will be kept confidential	
IV. Enhanced disclosure of ethical corporate management information Does the company disclose the ethical corporate management policies and the results of its implementation on the company website and MOPS?	Yes		The Company discloses the contents of the code of conduct on the Company's website and annual report, and lists them as the code of conduct under "Discipline" in the Company's quarterly performance appraisal.	None
V. If the company has established the ethical corporate management best-practice principles based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," please describe the implementation and any deviations from the Principles: - The Ethical Corporate Management Best-Practice Principles of the Company is formulated and operated in accordance with the Ethical Corporate Management Best-Practice Principles published by the competent authority.				
VI. Other important information to facilitate a better understanding of the Company's ethical corporate management (e.g., review of and amendments to ethical corporate management policies) - Convening supplier meetings to work together to uphold the code of integrity. - Regularly reviewing the provisions of the Code of Ethical Conduct in accordance with revised versions and interpretations published by the competent authority.				

(VII) If the Company has formulated the Corporate Governance Code and relevant regulations, it shall disclose the inquiry methods: The rules and regulations of the Company can be found on the Company's website ([http://www.ecs.com.tw/Corporate governance under investor relations](http://www.ecs.com.tw/Corporate%20governance%20under%20investor%20relations)) or

at the Market Observation Post System.

(VIII) Other information enabling a better understanding of the Company's corporate governance:

1. The Company uses the candidate nomination system for the selection and appointment of directors. For the nomination and election methods, nomination process, information of candidates (eligibility), election process, and the result of directors (including independent directors), please refer to the Market Observation Post System or the Company's website.
2. In order to improve corporate governance, the independent directors, the CPA, and the audit supervisor shall hold regular meetings with the members of the Audit Committee at least once a quarter since the establishment of the Audit Committee of the Company. For the details of communication, please refer to page 28-30 or the website of the Company.
3. In order to strengthen corporate governance, the Company attaches special importance to information disclosure. It discloses information on the Market Observation Post System on a regular and irregular basis, discloses financial information and other relevant information on the Company's website, and publicize and simultaneously disclose major information on the Company's website, and keeps the Company's directors informed so that they can better understand the Company's operation status, and enable the investors and stakeholders to get important information about the Company immediately. For details, please refer to our website.

(IX) The following matters shall be disclosed on the implementation of internal control system

1. Statement on Internal Control

Elitegroup Computer Systems Co., Ltd.

Statement on Internal Control

Date: March 7, 2022

The Company makes the following statement according to the self-evaluation conducted of the internal control system in 2021:

- I. The Company acknowledges that it is the responsibility of the Board of Directors and managerial officers to establish, implement, and maintain the established internal control system. Its purpose is to reasonably ensure that operational effectiveness and efficiency (including income, performance, and asset safety) and reporting are reliable, timely, and transparent, as well as to ensure compliance with relevant regulations and laws.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of the internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify 5 components of internal control based on the process of management control: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring operations. Each key component includes several items. Please refer to the Regulations for the aforementioned items.
- IV. The Company has evaluated the design and operating effectiveness of the internal control system according to the Regulations.
- V. In accordance with the aforementioned evaluation, the Company has found that the design and implementation of the internal control system (including the assessment and management of subsidiaries), as of December 31, 2021, including the efficacy of understanding operations, the efficiency of achievement of objectives, reliability in reporting, timeliness, and compliance with the relevant guidelines and laws, are effective and can reasonably provide assurance of the aforesaid goals.
- VI. This statement is an integral part of the Company's annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement has been approved on March 7, 2022, by the Board of Directors, and out of the 8 Board members in attendance, none has objected to this statement and all consented to the content expressed herein.

Elitegroup Computer Systems Co., Ltd.

Chairman: I-Wen Chung signature

President: Chin-Lai Wang signature

2. If a CPA has been hired to carry out a special audit of the internal control system, the CPA audit report shall be disclosed: None.
- (X) If the Company and its internal personnel are punished, or the Company imposes punishment upon its internal personnel for violation of internal control system in the most recent year and up to the date of the publication of the annual report, and the penalty result may have a significant impact on shareholders' equity or securities price, the content of punishment, major deficiency, and improvement shall be specified: none.
- (XI) Major Resolutions of Shareholders' Meeting and Board Meetings during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report:

Board of Directors Date/Term	Important proceeding	Proceedings in line with §14-3 of the Securities Exchange Act	Objections or reservations by Independent Directors	Opinion of independent director	The Company's handling of the opinions of the independent director	Results and implementation of resolution
2021.3.22 2021 The 1st Session	1. To deliberate on the amount of remuneration for directors of the Company for 2020.	NA	NA	NA	NA	1. All the directors present passed the resolution without objection.
	2. To deliberate on the number of rewards for directors of the Company for 2020.	NA	NA	NA	NA	2. All the directors present passed the resolution without objection.
	3. The Company intends to replace the CPAs in accordance with Deloitte Touche's internal rotation mechanism starting from 2021 Q1.	V	None	None	None	3. All the directors present passed the resolution without objection.
	4. The proposal on the appointment and dependence of the CPAs of the financial reports of the Company and its subsidiaries for 2021.	V	None	None	None	4. All the directors present passed the resolution without objection.
	5. Proposal on the financial statements and operating reports of the Company for the year 2020.	NA	NA	NA	NA	5. All the directors present passed the resolution without objection.
	6. Distribution of earnings for 2020.	NA	NA	NA	NA	6. All the directors present passed the resolution without objection.
	7. Reviewed the amount and payment method of employee remuneration of the Company in 2020.	NA	NA	NA	NA	7. All the directors present passed the resolution without objection.
	8. Amended the Director Selection Procedures of the Company.	NA	NA	NA	NA	8. All the directors present passed the resolution without objection.
	9. Amended the "Rules of Procedure of the Board of Shareholders" of the Company.	NA	NA	NA	NA	9. All the directors present passed the resolution without objection.
	10. Re-election of directors.	NA	NA	NA	NA	10. All the directors present passed the resolution without objection.
	11. Fix the date, time, place, and other matters relating to the general meeting of shareholders of 2021.	NA	NA	NA	NA	11. All the directors present passed the resolution without objection.
	12. Handle matters related to proposals of shareholders holding more than 1% equity and nomination of director nominators.	NA	NA	NA	NA	12. All the directors present passed the resolution without objection.
	13. Any receivables between the Company and its subsidiaries that have not been collected within three (3) months after the normal credit extension period shall not be deemed as capital loans.	NA	NA	NA	NA	13. All the directors present passed the resolution without objection.
	14. Prepared the Statement of Internal Control System of the Company.	NA	NA	NA	NA	14. All the directors present passed the resolution without objection.

Board of Directors Date/Term	Important proceeding	Proceedings in line with §14-3 of the Securities Exchange Act	Objections or reservations by Independent Directors	Opinion of independent director	The Company's handling of the opinions of the independent director	Results and implementation of resolution
2021.4.21 2021 The 2nd Meeting	1. Proposal on the acting President.	NA	NA	NA	NA	1. All the directors present passed the resolution without objection.
	2. To deliberate on the change of president and the amount of remuneration for President of the Company.	NA	NA	NA	NA	2. All the directors present passed the resolution without objection.
	3. Proposal of Cash Distribution from Capital Surplus.	NA	NA	NA	NA	3. All the directors present passed the resolution without objection.
	4. Proposal of Appointment of Collection Agency for Golden Elite Technology (Shenzhen) Co., Ltd. to collection Accounts Receivable from CANTV, a Venezuelan Customer.	NA	NA	NA	NA	4. All the directors present passed the resolution without objection and authorized the management team to negotiate and agree to pay 40% of the accounts receivable as the maximum compensation (tax included) on the premise that the accounts receivable is fully recovered, and if the result of the subsequent negotiation is not as expected, it would be proposed to the board of directors for discussion.
	5. (Proposed by Pan-Tsu Wu) Proposal on re-election of chairman of the Company.	NA	NA	NA	NA	5. With more than two-thirds of the directors present and all the directors present agreeing to elect Chan, WenNan as the chairman of the board of directors; the meeting continued as chaired by the new chairman.
2021.5.7 2021 The 3rd Session	1. Proposal on the candidates of the board of directors.	NA	NA	NA	NA	1. All the directors present passed the resolution without objection.
	2. Proposal on the candidates of the board of directors by shareholders holding more than 1% of the shares.	NA	NA	NA	NA	2. All the directors present passed the resolution without objection.
	3. Proposal on releasing the newly-elected directors from the non-complete clause.	NA	NA	NA	NA	3. All the directors present passed the resolution without objection.
	4. Proposal on the supplementary matters of the convening the general meeting of shareholders in 2021.	NA	NA	NA	NA	4. All the directors present passed the resolution without objection.
	5. Any receivables between the Company and its subsidiaries that have not been collected within three (3) months after the normal credit extension period shall not be deemed as capital loans.	NA	NA	NA	NA	5. All the directors present passed the resolution without objection.
	6. Proposal on the establishment of the head of corporate governance.	NA	NA	NA	NA	6. All the directors present passed the resolution without objection.
2021.6.29 2021 The 4th Session	1. Prepared to fix the date, time and place of the general meeting of shareholders of 2021.	NA	NA	NA	NA	1. All the directors present passed the resolution without objection.
	2. Golden Elite Technology (Shenzhen) Ltd. (興英數位), a group affiliated enterprise of the Company, intends to apply for a fund loan case from ECS Digital Technology (Shenzhen) Co., Ltd., a group affiliated enterprise.	NA	NA	NA	NA	2. All the directors present passed the resolution without objection.
	3. (Proposal: Director Wen-Nan Tsan) Proposal on the appointment of the new president.	NA	NA	NA	NA	3. All the directors present passed the resolution without objection.
2021.7.21 2021	1. Proposal on re-election of chairman of the Company.	NA	NA	NA	NA	1. With more than two-thirds of the directors present and all the

Board of Directors Date/Term	Important proceeding	Proceedings in line with §14-3 of the Securities Exchange Act	Objections or reservations by Independent Directors	Opinion of independent director	The Company's handling of the opinions of the independent director	Results and implementation of resolution
The 5th Session						directors present agreeing to elect director I-Wen Chung as the chairman of the board of directors;
	2. Appointed 3 members in the 5th Remuneration Committee in total.	NA	NA	NA	NA	2. All the directors present passed the resolution without objection.
2021.8.9 2021 The 6th Session	1. Proposal on the Consolidated financial statements of the Company and its subsidiaries for 2021 Q2.	NA	NA	NA	NA	1. All the directors present passed the resolution without objection.
	2. The proposal on no loss off-setting not to distribute the profits for the Company in 2021 H1.	NA	NA	NA	NA	2. All the directors present passed the resolution without objection.
	3. Any receivables between the Company and its subsidiaries that have not been collected within three (3) months after the normal credit extension period shall not be deemed as capital loans.	NA	NA	NA	NA	3. All the directors present passed the resolution without objection.
	4. The proposal to change the spokesperson of the Company	NA	NA	NA	NA	4. All the directors present passed the resolution without objection.
	5. Passed the change of the "Corporate Governance Officer."	NA	NA	NA	NA	5. All the directors present passed the resolution without objection.
2021.10.20 2021 The 7th Session	1. The Company's countermeasures against the disputes arising from the president's operational decisions and personal actions.	NA	NA	NA	NA	1. All directors passed the resolution to dismiss the president without objection, and the chairman of the board of directors will act as the president of the Company.
2021.11.8 2021 The 8th Session	1. Review the amendment of the Company's performance reward system. ·	NA	NA	NA	NA	1. Mr. Tsai, an independent director and the remuneration committee convener, said that due to the changes in the current company organization and the Company's planning of future business and finance has changed from the August 30 proposal of the Remuneration Committee, and proposed to return for reconsideration. After the chairman consulted the directors present, all the directors unanimously agreed to return it for reconsideration.
	2. Review the amendment of the Company's employee compensation ratio. ·	NA	NA	NA	NA	2. Mr. Tsai, an independent director and the remuneration committee convener, said that due to the changes in the current company organization and the Company's planning of future business and finance has changed from the August 30 proposal of the Remuneration Committee, and proposed to return for reconsideration. After the chairman consulted the directors present, all the directors unanimously agreed to return it for reconsideration.
	3. To review the draft of the Company's "Measures for Payment of Remuneration of Directors and Functional Committee Members" ·	NA	NA	NA	NA	3. All the directors present passed the resolution without objection.
	4. To deliberate on the change of president and the amount of remuneration for President of the Company.	NA	NA	NA	NA	4. All the directors present passed the resolution to make no payment.
	5. Appointment of the internal audit supervisor	V	None	None	None	5. All the directors present passed the resolution without objection.

Board of Directors Date/Term	Important proceeding	Proceedings in line with §14-3 of the Securities Exchange Act	Objections or reservations by Independent Directors	Opinion of independent director	The Company's handling of the opinions of the independent director	Results and implementation of resolution
	6. Amendment of the management procedure of the financial statement preparation of the Company .	NA	NA	NA	NA	6. All the directors present passed the resolution without objection.
	7. Proposal that Accounts Receivable between the Company and its Subsidiaries that have not been collected after Overdue for Three Months will not be Deemed as Loans.	NA	NA	NA	NA	7. All the directors present passed the resolution without objection.
	8. Supplementary appointment of the members of the 5th Remuneration Committee.	NA	NA	NA	NA	8. All the directors present passed the resolution without objection.
	9. Proposal on re-election of vice chairman of the Company.	NA	NA	NA	NA	9. Chairman I-Wen Chung recommended Director Chin-Lai Wang as the Vice-Chairman, and all the directors present agreed to pass it without objection.
	10. Appointment of a new president.	NA	NA	NA	NA	10. Director Chin-Lai Wang was asked to withdraw in order to allow the present directors to fully communicate with each other and make objective decisions, and the other present directors agreed to pass the resolution without objection. In addition, Independent Director Tsai expects the new president to exert his strength to assist the chairman in making the greatest contribution to the company operation; And implement compliance with the laws.
2021.12.20 2021 The 9th Session	1. Formulate the "Risk Management Policy".	NA	NA	NA	NA	1. All the directors present passed the resolution without objection.
	2. The change of the stock affairs agency of the Company from March 29th, 2022.	NA	NA	NA	NA	2. All the directors present passed the resolution without objection.
	3. The proposal on the appointment of the CPAs of the financial reports of the Company and its subsidiaries for 2022, and the evaluation of CPA's independence..	V	None	None	None	3. All the directors present passed the resolution without objection.
	4. The proposal on the remunerations of the CPAs of the financial reports of the Company and its subsidiaries for 2022.	V	None	None	None	4. All the directors present passed the resolution without objection.
	5. Proposal on releasing the new managers from the non-compete clause.	NA	NA	NA	NA	5. Except for the withdrawal of directors involved in conflicts of interest, all the directors present passed it without objection.
	6. Prepared to amend the Corporate Governance Best Practice Principles of the Company.	NA	NA	NA	NA	6. All the directors present passed the resolution without objection.
	7. The proposal on the operation plan of the Company for 2022.	NA	NA	NA	NA	7. All the directors present passed the resolution without objection.
	8. The proposal on the audit plan declaration form of the Company for 2022.	NA	NA	NA	NA	8. All the directors present passed the resolution without objection.
	9. Amended the Internal Control System of the Company.	V	None	None	None	9. All the directors present passed the resolution without objection.
	10. Proposed on the adjustment from the current Strategy Committee to the	NA	NA	NA	NA	10. All the directors present passed the resolution without objection.

Board of Directors Date/Term	Important proceeding	Proceedings in line with §14-3 of the Securities Exchange Act	Objections or reservations by Independent Directors	Opinion of independent director	The Company's handling of the opinions of the independent director	Results and implementation of resolution
	Sustainability Development Committee, and the formulation of the "Organizational Rules of the Sustainability Development Committee".					
2022.3.7 2022 The 1st Session	1. Proposal on the financial statements and operating reports of the Company for the year 2021.	NA	NA	NA	NA	1. All the directors present passed the resolution without objection.
	2. Reviewed the amount and payment method of employee remuneration of the Company in 2021.	NA	NA	NA	NA	2. All the directors present passed the resolution without objection.
	3. Distribution of earnings for 2021.	NA	NA	NA	NA	3. All the directors present passed the resolution without objection.
	4. To deliberate on the amount of remuneration for directors of the Company for 2021.	NA	NA	NA	NA	4. All the directors present passed the resolution without objection.
	5. To deliberate on the number of rewards for directors of the Company for 2021.	NA	NA	NA	NA	5. All the directors present passed the resolution without objection.
	6. Review the amendment of the Company's directors and employee compensation ratio.	NA	NA	NA	NA	6. All the directors present passed the resolution without objection.
	7. Proposal that Accounts Receivable between the Company and its Subsidiaries that have not been collected after Overdue for Three Months will not be Deemed as Loans.	NA	NA	NA	NA	7. All the directors present passed the resolution without objection.
	8. Prepared the Statement of Internal Control System of the Company.	NA	NA	NA	NA	8. All the directors present passed the resolution without objection.
	9. Amended the Articles of Association of the Company.	NA	NA	NA	NA	9. All the directors present passed the resolution without objection.
	10. Amended the Asset Acquisition and Disposal Procedures of the Company.	V	None	None	None	10. All the directors present passed the resolution without objection.
	11. Re-election of Independent Directors	NA	NA	NA	NA	11. All the directors present passed the resolution without objection.
	12. Proposal on releasing the directors from the non-competes clause.	NA	NA	NA	NA	12. All the directors present passed the resolution without objection.
	13. Fix the date, time, place, and other matters relating to the general meeting of shareholders of 2022.	NA	NA	NA	NA	13. All the directors present passed the resolution without objection.
	14. Handle matters related to proposals of shareholders holding more than 1% equity and nomination of director nominators.	NA	NA	NA	NA	14. All the directors present passed the resolution without objection.
	15. Amended the Corporate Social Responsibility Best Practice Principles.	NA	NA	NA	NA	15. All the directors present passed the resolution without objection.
	16. Amended the Corporate Governance Best Practice Principles of the Company.	NA	NA	NA	NA	16. All the directors present passed the resolution without objection.
	17. Amended the "Procedures for Preventing Insider Trading"	NA	NA	NA	NA	17. All the directors present passed the resolution without objection.
	18. Amended the "Organizational Procedures of the Sustainability Development Committee" of the Company.	NA	NA	NA	NA	18. All the directors present passed the resolution without objection.
	19. Appointment of the members of the 1st Sustainability Development Committee.	NA	NA	NA	NA	19. All the directors present passed the resolution without objection.

Board of Directors Date/Term	Important proceeding	Proceedings in line with §14-3 of the Securities Exchange Act	Objections or reservations by Independent Directors	Opinion of independent director	The Company's handling of the opinions of the independent director	Results and implementation of resolution
	20. Proposal on the capital expenditure of newly purchased production equipment for the mother board factory of Golden Elite Technology (Shenzhen) Ltd., a reinvested enterprise of the Company.	NA	NA	NA	NA	20. All the directors present passed the resolution without objection, and instructed the factory management team to present the automation report of the main board factory at the next board meeting.
2022.5.6 2022 The 2nd Meeting	1. Proposal on the consolidated financial statements of the Company and its subsidiaries for 2022 Q1.	NA	NA	NA	NA	1. All the directors present passed the resolution without objection.
	2. To review the amendment of the Company's "Measures for Payment of Remuneration of Directors and Functional Committee Members" .	NA	NA	NA	NA	2. All the directors present passed the resolution without objection.
	3. Review the amendment of the Company's performance reward system. .	NA	NA	NA	NA	3. All the directors present passed the resolution without objection.
	4. Golden Elite Technology (Shenzhen) Ltd. (興英數位), a group affiliated enterprise of the Company, intends to apply for a fund loan case from ECS Digital Technology (Shenzhen) Co., Ltd., a group affiliated enterprise.	V	None	None	None	4. All the directors present passed the resolution without objection.
	5. Amended the articles Articles of association Association of the Company.	NA	NA	NA	NA	5. All the directors present passed the resolution without objection.
	6. Amended the "Rules of Procedure of the Board of Shareholders" of the Company.	NA	NA	NA	NA	6. All the directors present passed the resolution without objection.
	7. Amended the Corporate Governance Best Practice Principles of the Company.	NA	NA	NA	NA	7. All the directors present passed the resolution without objection.
	8. Proposal on the candidates of the independent directors.	NA	NA	NA	NA	8. All the directors present passed the resolution without objection.
	9. Proposal on releasing the directors from the non-compete clause.	NA	NA	NA	NA	9. All the directors present passed the resolution without objection.
	10. Appointment of Deputy Spokesperson of the Company	NA	NA	NA	NA	10. All the directors present passed the resolution without objection.
	11. Proposal on the supplementary matters of the convening the general meeting of shareholders of 2022.	NA	NA	NA	NA	11. All the directors present passed the resolution without objection.

Implementation of the resolutions of the recent shareholders' meeting:

Date of the shareholders' meeting	Implementation of resolutions of the shareholders' meeting
2021.07.21	(1) Proposal on recognizing the financial statements and operating reports of the Company for the year 2020: adopted. (2) Proposal on recognizing the Company's profit distribution for 2020: adopted. The cash dividend per share is NT\$ 0.1014667. September 18th, 2021 is set as the ex-dividend date, and the cash dividend is paid on October 15th, 2021. (3) Proposal on amending the Director Selection Procedures of the Company: adopted, announced on the website of the Company on Jul. 30, 2021, and handled in accordance with the amended articles of association. (4) Proposal on amending the Rules of Procedure of the Board of Shareholders of the Company: adopted, announced on the website of the Company on July. 30, 2021, and handled in accordance with the amended procedure.

	(5) Re-election of directors: List of Directors Elected: Representatives of Tatung Co., Ltd.: I-Wen Chung, Chun-Sheng Ho and Ching-Hsiang Lin; Sung Ming Investment Co., Ltd.: Pan-Tsu Wu, Yue-Ming Ho and Chih-Hung Shih. Elected list of independent directors: Maw-In Tsai, Jen-Two Liu, Chin-Fu Ho. Implementation: On August 24th, 2021, the registration was approved by the Ministry of Economic Affairs and was announced on the Company website. (6) Proposal on releasing the newly-elected directors from the non-compete clause: adopted

(XII) Major contents of any dissenting opinions on record or stated in a written statement made by Directors regarding key resolutions of the Directors' Meeting in the most recent year and up to the publication date of the annual report: none.

(XIII) Summary of the resignation and dismissal of the Company's Chairman, President, Accounting Officer, Financial Officer, Head of Internal Audit, Head of Corporate Governance, and Head of Research and Development:

May 06, 2022

Title	Name	Date of Assumption of Duty	Date of Termination	Reasons for Resignation or Termination
Chairman	Wen-Yen Lin-Kuo	2016/4/11	2021/4/21	Resigned
Chairman	Wen-Nan Tsan	2021/4/21	2021/7/21	Dismissed after re-election
President	Lung-Kuang Yang	2013/12/18	2021/4/30	Retired
President	Chih-Hung Hsu	2021/7/1	2021/10/20	Resigned
COO	Chih-Nan Chen	2017/10/02	2021/7/14	Resigned
Head of corporate governance.		2021/5/7		
Internal audit supervisor	Li-chuan P'eng	2007/7/19	2021/08/27	Resigned

IV. Information on CPA Professional Fees

- (I) Amount paid as audit fees and non-audit fees to certified public accountants, their affiliated firms and affiliated enterprises, and the content of non-audit services :

Unit: NT\$1,000

Name of CPA Firm	Name of CPA	Audit Period	Audit Fees	Non-audit Fees	Total	Remark
Deloitte & Touche	Cheng-Chun Chiu	2021	6,950	1,839	8,789	
	Shih-Tsung Wu					

Non-audit fee services: Non-audit fee includes NT\$75,000 for business registration, NT\$800,000 for tax compliance auditsign, NT\$530,000 for consultant fee and NT\$434,000 for public service.

- (II) In the case of changing an accounting firm and the audit fees paid in the year of the change are less than those in the year preceding the change, the decreased amount of audit fees shall be disclosed: none.
- (III) Where the audit fee reduces by more than 10% compared with the previous year, the amount, proportion, and reasons for the reduction shall be disclosed: Due to the split-off of Golden Elite Technology (Shenzhen) Ltd.(興英科技) in 2020, the audit fee of 2021 decreased by about 7%.

V. Information on Replacement of CPAs:

(I) Former CPAs:

Date of Replacement	Approved by the Board of Directors on March 22, 2021		
Replacement Reasons and Explanations	Due to the internal adjustment of the CPA firm (Deloitte & Touche), from the Q1 of 2021, the Company’s CPAs changed from “Hsiu-Chun Huang and Cheng-Chun Chiu” to “Cheng-Chun Chiu and Shih-Tsung Wu.”		
Termination by the Company or the CPAs	Party	CPA	Client
	Condition		
	Termination by the Company	N/A	N/A
	Termination by the CPAs	N/A	N/A
Opinions (Other than Unmodified Opinions) in the Past 2 Years and Reasons	None		
Deviation form the Issuer	Yes	-	Accounting principles or practices
		-	Disclosure of financial statements
		-	Audit scope or steps
		-	Other
	None	√	
	Description		
Additional Disclosures (under Subparagraphs 1-4 to 1-7, Paragraph 6, Article 10 of the Guidelines)	None		

(II) Successive CPAs:

Name of CPA Firm	Deloitte & Touche
Name of CPA	Cheng-Chun Chiu and Shih-Tsung Wu
Date of Appointment	Approved by the Board of Directors on March 22, 2021
Inquiries into Accounting Treatments or Principles for Specific Transactions and Possible Opinions on Financial Statements before Appointment	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

(III) Former CPAs' Reply to Disclosures under Items 1 and 2-3, Subparagraph 6, Article 10 of the Guidelines: N/A.

VI. Where the Company's Chairman, President, or any Managerial Officer in charge of finance or accounting matters who has, in the most recent year, held a position at the accounting firm of its CPA or at an affiliated enterprise, the name, title, and the period of his/her employment with the accounting firm of its CPA or the affiliated enterprise shall be disclosed: none.

VII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests (during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report) by a Director, Managerial Officer, or Shareholder with a Stake of More than 10%

(I) Change in Equity Interests by Directors, Managerial Officers, and Major Shareholders
Unit: Share

Title	Name	2021		As of Apr. 25, 2022		Remark
		Change in Number of Shares Held	Change in Number of Shares Pledged	Change in Number of Shares Held	Change in Number of Shares Pledged	
Corporate Director Major Shareholder	Tatung Co., Ltd.	16,070,000	(37,000,000)	1,511,000	25,120,000	Newly appointed corporate director after reelection on Jul. 21, 2021
Chairman	Tatung Co., Ltd. Representative: I-Wen Chung	0	0	0	0	Newly appointed after reelection on Jul. 21, 2021 Chairman elected on Jul. 21, 2021
Vice chairman and president	Tatung Co., Ltd. Representative: Chin-Lai Wang	0	0	0	0	Newly appointed after reassignment on Oct. 29, 2021 Vice chairman and president newly elected on Nov. 8, 2021
Director	Tatung Co., Ltd. Representative: Hung-Hsin Lin	0	0	0	0	Newly appointed after reassignment on Oct. 29, 2021
Corporate Director	Sung Ming Investment Co., Ltd.	0	0	0	0	Newly appointed after reelection on Jul. 21, 2021
Director	Sung Ming Investment Co., Ltd. Representative: Huan-Chang Yu	0	0	0	0	Newly appointed after corporate reassignment on Apr. 1, 2022
Director	Sung Ming Investment Co., Ltd. Representative: Yue-Ming Ho	0	0	0	0	Reelected after reelection on Jul. 21, 2021
Director	Chih-Hung Shih	0	0	0	0	Newly appointed after reelection on Jul. 21, 2021
Independent Director	Maw-In Tsai	0	0	0	0	Newly appointed after reelection on Jul. 21, 2021
Independent Director	Chin-Fu Ho	0	0	0	0	Newly appointed after reelection on Jul. 21, 2021
Independent Director	Jen-Two Liu	0	0	N/A	N/A	Newly appointed after reelection on Jul. 21, 2021 Resigned on 10/4/2021
Director	Tatung Co., Ltd. Representative: Chun-Sheng Ho	0	0	N/A	N/A	Newly appointed after reelection on Jul. 21, 2021 Dismissed after corporate reassignment on Oct. 29, 2021

Title	Name	2021		As of Apr. 25, 2022		Remark
		Change in Number of Shares Held	Change in Number of Shares Pledged	Change in Number of Shares Held	Change in Number of Shares Pledged	
Director	Tatung Co., Ltd. Representative: Ching-Hsiang Lin	0	0	N/A	N/A	Newly appointed after reelection on Jul. 21, 2021 Dismissed after corporate reassignment on Oct. 29, 2021
Director	Sung Ming Investment Co., Ltd. Representative: Pan-Tsu Wu	0	0	0	0	Reelected after reelection on Jul. 21, 2021 Dismissed after corporate reassignment on Apr. 1, 2022
Major Shareholder	Pou Chen Corporation	(1,182,000)	0	0	0	Stepped down as corporate director after reelection on Jul. 21, 2021
Vice President Chief Financial Officer Chief Accountant	Yi-Ching Chung	0	0	0	0	
Vice President	Yung-Kang Hsü	0	0	0	0	Newly appointed on Nov. 15, 2021
Vice President	Tien-Sung Lu	N/A	N/A	0	0	Newly appointed on Mar. 7, 2022
Vice President	Mu-Hui Chiang	N/A	N/A	0	0	Newly appointed on Mar. 7, 2022
Vice President	Ming-Hui Cheng	N/A	N/A	0	0	Newly appointed on Mar. 7, 2022
Vice President	Chih-Kun Feng	N/A	N/A	0	0	Newly appointed on Mar. 7, 2022
Vice President	Chih-Wei Chang	N/A	N/A	0	0	Newly appointed on Mar. 7, 2022
Vice President	Hsiu-Chen Huang	N/A	N/A	0	0	Newly appointed on Mar. 7, 2022
Vice President	Yu-Pin Weng	N/A	N/A	0	0	Newly appointed on Mar. 7, 2022
Vice President	Huan-Yen Liu	N/A	N/A	0	0	Newly appointed on Mar. 7, 2022
Vice President	Chun-Hao Huang	N/A	N/A	0	0	Newly appointed on Mar. 7, 2022
Vice President	Ping-Ying Tsai	N/A	N/A	0	0	Newly appointed on Mar. 7, 2022
Senior Manager Audit Supervisor	Chin-Chao Chang	N/A	N/A	0	0	Newly appointed on Mar. 7, 2022
Senior Associate	Yu-Yuan Tai	N/A	N/A	0	0	Newly appointed on Mar. 7, 2022
Senior Associate Head of corporate governance.	I-Fen Kao	0	0	0	0	Newly appointed on Aug. 9, 2021
Chairman	Wen-Nan Tsan	0	0	N/A	N/A	Stepped down after reelection on Jul. 21, 2021
Chairman	Wen-Yen Lin-Kuo	0	0	N/A	N/A	Resigned on April 21, 2021

Title	Name	2021		As of Apr. 25, 2022		Remark
		Change in Number of Shares Held	Change in Number of Shares Pledged	Change in Number of Shares Held	Change in Number of Shares Pledged	
Director	Chih-Shen Chen	0	0	N/A	N/A	Stepped down after reelection on Jul. 21, 2021
Independent Director	Gen-Yu Fong	0	0	N/A	N/A	Stepped down after reelection on Jul. 21, 2021
Independent Director	Han-Fei Lin	0	0	N/A	N/A	Stepped down after reelection on Jul. 21, 2021
Independent Director	Liang-Chao Lin	0	0	N/A	N/A	Stepped down after reelection on Jul. 21, 2021
President	Chih-Hung Hsü	0	0	N/A	N/A	Took office on Jul. 1, 2021 Resigned on Oct. 20, 2021
President	Lung-Kuang Yang	0	0	N/A	N/A	Retired from April 30, 2021
COO Head of corporate governance.	Chih-Nan Chen	0	0	N/A	N/A	Resigned on Jul. 14, 2021
Vice President	Shou-Yen Liu	0	0	N/A	N/A	Transferred to consultant on Sep. 15, 2021
Vice President	Che-Kuang Lin	0	0	N/A	N/A	Resigned on Oct. 27, 2021
Vice President	Chi-Tung Huang	0	0	N/A	N/A	Resigned on Apr. 23, 2021 Took office on Jul. 15, 2021 Resigned on Nov. 1, 2021
Vice President	Li-Ta Yu	0	0	N/A	N/A	Resigned on Dec. 10, 2021
Vice President	Ai-Chin Su	0	0	N/A	N/A	Took office on Jul. 15, 2021 Resigned on Nov. 15, 2021
Vice President	Hsiu-Hsien Chou	N/A	N/A	0	0	Newly appointed on Mar. 7, 2022 Resigned on Apr. 29, 2022

Note 1: Shareholder holding more than 10% of the total shares of the Company shall be marked as major shareholder and listed separately.

Note 2: If the relative person of equity transfer or equity pledge is a related person, the following table should be filled in.

(II) Equity transfer information: none

(III) Equity pledge information: none

VIII. Relationship Information, if Among the Company's 10 Largest Shareholders Any One is A Related Party or A Relative within the Second Degree of Kinship of Another:

Apr. 25, 2022 Unit: shares

Name	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Among ten largest shareholders, name and relationship with anyone who is a related party or a relative within the second degree of kinship (Note 3)		Remark
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Name	Relationship	
Tatung Co., Ltd. Representative: Kuang-Hsiang Wang	170,056,397	30.51	0	0	0	0	None	None	-
Pou Chen Corporation Representative: Lu-Ming Chan	68,884,949	12.35	0	0	0	0	Barits Development Corporation	Subsidiaries	-
I-Yin Hsu	9,884,000	1.77	0	0	0	0	None	None	-
Barits Development Corporation Representative: Ming-Kun Ho	9,237,451	1.66	0	0	0	0	Pou Chen Corporation	Parent company	-
Investment Account of Polunig Emerging Markets Fund entrusted for custody by Citigroup	6,120,000	1.10	0	0	0	0	None	None	-
Investment Account of Vanguard Emerging Markets Fund under the Custody of Chase Bank N.A., Taipei Branch	3,293,000	0.59	0	0	0	0	None	None	-
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	3,126,479	0.56	0	0	0	0	None	None	-
Hui-Yi Cheng	3,051,000	0.55	0	0	0	0	None	None	-
Tomo Kitchen and Bath Inc. Representative: Ming-Shou Shen	2,800,000	0.50	0	0	0	0	None	None	-
Shuang Ping Technology Investment Advisor Co., Ltd. Representative: Pei-Wei Hsu	2,436,000	0.44	0	0	0	0	None	None	-

Note 1: The top ten shareholders' names shall be identified separately (in the case of corporate shareholders, the corporate shareholders' names and representatives' names shall be identified separately).

Note 2: The ratio of shareholding is calculated in terms of own shareholdings, shares held by spouse & children under age, or shareholdings under the title of a third party.

Note 3: Shareholders listed above, including legal persons and natural persons, shall disclose their relationships in accordance with the financial reporting standards of the issuer.

IX. Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Company, Its Directors, Managerial Officers, and Any Companies Controlled Directly or Indirectly by the Company

Comprehensive Shareholding Ratio

March 31, 2022 Unit: shares, %

Investee business (Note 1)	Ownership by the Company		Investments by directors, managers and directly or indirectly controlled enterprises		Total Ownership	
	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership
Elitegroup Computer Systems (HK) Co., Limited	16,560,000	100.00	0	0	16,560,000	100.00
Elitegroup Computer Systems (Japan) Co., Ltd.	1,136	100.00	0	0	1,136	100.00
Elitegroup Computer System (Holding) Co., Ltd.	15,732,270	100.00	0	0	15,732,270	100.00
ECS Holding (America) Co.	3,362	100.00	0	0	3,362	100.00
Elitegroup Computer Systems Korea Co., Ltd.	469,000	100.00	0	0	469,000	100.00
Unitop International Corp.	1,600	100.00	0	0	1,600	100.00
Unity Investments Limited	1,905,000	100.00	0	0	1,905,000	100.00
ElCS Holding (HK) Co., Limited	86,327,000	100.00	0	0	86,327,000	100.00
Elitegroup Technology (Thailand) Co., Ltd.	3,999,998	99.99	1	0.01	3,999,999	99.99

Note 1: Investments made by the Company using the equity method.

Chapter 4. Capital Overview

I. Capital and Shares

(I) Source of Capital

May 6, 2022 Unit: NT\$

Year and month	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Other
1996.10	10	170,000,000	1,700,000,000	153,090,000	1,530,900,000	Recapitalization of retained earnings NT\$72,900,000	None	9/7/1996 (1996) T.C.Z. (I) No. 54978
2001.05	10	260,000,000	2,600,000,000	224,653,643	2,246,536,430	Recapitalization of retained earnings NT\$562,546,430 Capital surplus NT\$153,090,000	None	4/27/2001 (2001) T.C.Z. (I) No. 121983
2001.12	10	310,000,000	3,100,000,000	280,426,622	2,804,266,220	Capital increase of NT\$557,729,790 by merger with ALPHA-TOP Co., Ltd.	None	11/20/2001 (2001) T.C.Z. (I) No. 169053
2002.07	10	600,000,000	6,000,000,000	431,467,178	4,314,671,780	Recapitalization of retained earnings NT\$1,510,405,560	None	6/17/2002 (2002) T.C.Z.Y.Z. No. 0910132642
2003.07	10	720,000,000	7,200,000,000	574,032,132	5,740,321,320	Recapitalization of retained earnings NT\$1,425,649,540	None	7/2/2003 T.C.Z.Y.Z. No. 0920129318
2004.03	10	890,000,000	8,900,000,000	694,032,132	6,940,321,320	Increase capital by private placement of NT\$1,200,000,000	None	
2004.08	10	1,000,000,000	10,000,000,000	732,669,072	7,326,690,720	Recapitalization of retained earnings NT\$136,517,830 Capital surplus NT\$249,851,570	None	7/6/2004 Z.Q.Y.Z. No. 0930129832
2006.02	10	1,250,000,000	12,500,000,000	1,046,670,172	10,466,701,720	Receive the capital increase from Tatung NT\$3,140,011,000	None	12/15/2005 J.G.Z.Y.Z. No. 0940156292
2006.10	10	1,500,000,000	15,000,000,000	1,070,258,583	10,702,585,830	Recapitalization of retained earnings NT\$235,884,110	None	7/19/2006 J.G.Z.Y.Z. No. 0950131362
2007.01	10	1,500,000,000	15,000,000,000	1,255,189,083	12,551,890,830	Capital increase of NT\$1,849,305,000 by merger with UNIWILL COMPUTER CORP.	None	12/4/2006 J.G.Z.Y.Z. No. 0950155101
2008.10	10	1,750,000,000	17,500,000,000	1,279,482,691	12,794,826,910	Recapitalization of retained earnings NT\$194,580,070 Capital surplus NT\$48,356,010	None	8/6/2008 J.G.Z.Y.Z. No. 0970039649
2009.12	10	1,750,000,000	17,500,000,000	1,233,193,691	12,331,936,910	Capital decrease of	None	1/20/2010 T.Z.S.Z. No.

Year and month	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Other
						NT\$462,890,000 by cancellation of treasury shares		09900020691
2011.9	10	1,750,000,000	17,500,000,000	1,183,193,691	11,831,936,910	Capital decrease of NT\$500,000,000	None	9/15/2011 T.Z.S.Y.Z. No. 1000030411
2013.9	10	1,750,000,000	17,500,000,000	733,580,089	7,335,800,890	Capital decrease of NT\$4,496,136,020	None	9/3/2013 J.G.Z.F.Z. No. 1020034998
2014.8	10	1,750,000,000	17,500,000,000	553,852,968	5,538,529,680	Capital decrease of NT\$1,797,271,210	None	7/15/2014 J.G.Z.F.Z. No. 1030025775
2014.10	10	1,750,000,000	17,500,000,000	556,922,968	5,569,229,680	Employee exercising stock options of NT\$30,700,000	None	
2015.4	10	1,750,000,000	17,500,000,000	557,402,968	5,574,029,680	Employee exercising stock options of NT\$4,800,000	None	

Share Type	Authorized Capital			Remark
	Issued Shares	Unissued Shares	Total	
Common stock	557,402,968	1,192,597,032	1,750,000,000	—

(II) Structure

Apr. 25, 2022

Structure Quantity	Government Agencies	Financial Institutions	Other Institutional Shareholders	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of shareholders	2	0	79	49,388	110	49,579
Shares Held	40	0	262,914,878	262,123,448	32,364,602	557,402,968
Percentage of Ownership	0.00%	0.00%	47.17%	47.03%	5.80%	100.00%

Note: Mainland China's shareholding ratio is 0%.

(III) Shareholding Distribution Status

Apr. 25, 2022

Range of Shares	Number of Shareholders	Shares Held	Shareholding Ratio (%)
1~999	19,563	4,652,669	0.84
1,000~5,000	22,390	50,620,848	9.08
5,001~10,000	3,950	31,817,189	5.71
10,001~15,000	1,105	14,281,051	2.56
15,001~20,000	814	15,282,861	2.74
20,001~30,000	624	16,423,185	2.95
30,001~40,000	298	10,920,793	1.96
40,001~50,000	218	10,340,430	1.86
50,001~100,000	339	24,926,129	4.47
100,001~200,000	123	17,761,729	3.19
200,001~400,000	77	21,845,435	3.92
400,001~600,000	27	13,202,122	2.37
600,001~800,000	14	9,317,600	1.67
800,001~1,000,000	7	6,345,334	1.13
Over 1,000,001	30	309,665,593	55.55
Total	49,579	557,402,968	100.00

(IV) List of Major Shareholders

Name of Major Shareholders	Shareholding Shares Held	Shareholding Ratio (%)
Tatung Co., Ltd.	170,056,397	30.51
Pou Chen Corporation	68,884,949	12.35
I-Yin Hsu	9,884,000	1.77
Barits Development Corporation	9,237,451	1.66
Investment Account of Polunig Emerging Markets Fund entrusted for custody by Citigroup	6,120,000	1.10
Investment Account of Vanguard Emerging Markets Fund under the Custody of Chase Bank N.A., Taipei Branch	3,293,000	0.59
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	3,126,479	0.56
Hui-Yi Cheng	3,051,000	0.55
Tomo Kitchen and Bath Inc.	2,800,000	0.50
Shuang Ping Technology Investment Advisor Co., Ltd.	2,436,000	0.44

(V) Share Price for the Past 2 Fiscal Years, with Net Worth per Share, Earnings per Share, Dividends per Share, and Related Information

Market Price, Net Worth, Earnings, and Dividends Per Share

Item \ Years		2020	2021	The Current Fiscal Year up to April 30, 2022 (Note 8)
Market Price Per Share (Note 1)	Highest	27.90	36.20	22.65
	Lowest	7.42	18.90	18.30
	Average	13.48	24.79	20.23
Net Worth per Share (Note 2)	Before distribution	19.76	18.73	19.32
	After distribution	18.76 (Note 9, 10)	--	--
Earnings per Share	Weighted average number of shares (in thousands)	557,403	557,403	557,403
	Earnings per Share (Note 3)	0.11	0.13	0.32
Dividends Per Share	Cash dividends	1.0014667 (Note 9, 10)	--	--
	Stock dividends	--	--	--
		--	--	--
	Accumulated unpaid dividends (Note 4)	--	--	--
Return on Investment	Price-to-earnings ratio (Note 5)	122.55	190.69	--
	Price-to-dividend ratio (Note 6)	13.46	--	--
	Cash dividend yield (Note 7)	0.07	--	--

* In the case of retained shares distribution or capital surplus shares distribution, please also disclose the information about the market value and cash dividend adjusted retroactively based on the quantity of shares as distributed.

Note 1: Please identify the highest market value and the lowest market value of the common stock in various years, and calculate the average market price for each year based on the trading value and turnover for each year.

Note 2: Please apply the quantity of shares already issued at the end of the year and identify the status of distribution according to the resolution made by the Board of Directors and the shareholders' meeting held in the following year.

Note 3: If it is necessary to make adjustment retroactively due to Free-Gratis dividends, please identify the EPS before and after adjustment.

Note 4: If the terms and conditions under which the equity securities are issued provide that the stock dividend retained in the year may be accumulated until the year in which there are allocable earnings available, please disclose the retained stock dividend accumulated until the then year.

Note 5: Price-to-earnings ratio = Average closing price per share for the year/Earnings per share.

Note 6: Price-to-dividend ratio = Average closing price per share for the year/Cash dividends per share.

Note 7: Cash dividend yield = Cash dividends per share/Average closing price per share for the year.

Note 8: The net worth per share and earnings per share up to the quarter nearest to the date of publication of the Annual Report that has been audited by the CPAs shall be filled in; the remaining fields shall be filled with the annual data up to the date of publication of the Annual Report.

Note 9: It is the cash dividend of NT\$0.1014667 per share that was resolved to distribute by the Board of Directors on March 22, 2021.

Note 10: It is the cash dividend of NT\$0.9 per share of capital reserve that was resolved to pay by the Board of Directors on April 21, 2021.

(VI) Dividend Policy and Its Implementation

1. Dividend policy

The Company's dividend policy is in line with current and future development plans, and takes into consideration investment environment, capital requirements, domestic and overseas competition, and shareholders' interest. Not less than 50% of earnings available for distribution may be distributed as dividends and bonuses per year. However, there shall be no distribution if the earnings available for distribution is less than 10% of paid-up capital. Dividends and bonuses may be distributed in the form of cash or stock, where cash dividends shall not be less than 20% of the total dividends.

2. Distribution of dividends proposed in the shareholders' meeting:

The company's cash dividends in H1 and H2 of 2021 are both NT\$0.

(VII) Effect on the Operating Performance and Earnings per Share of Distribution of Stock Dividends Proposed or Adopted in the Most Recent Shareholders' Meeting: N/A.

(VIII) Remuneration of Employees and Directors

1. Percentage or range of the remuneration of employees and directors as set forth in the Articles of Incorporation

If the Company has any profit in the year (the so-called profit refers to the pre-tax profit before the deduction of the remuneration paid to employees and the remuneration paid to directors), 6% shall be set aside for employees' remuneration and no more than 0.6% for the directors' remuneration. If the Company has accumulated losses (including adjustments on unappropriated profits), it shall retain a portion of profits to offset the losses first.

The above compensation to employees may be made in the form of stock or cash. Parties eligible may include employees in the controlling or affiliated companies who met conditions set forth by the Board. The above remuneration to Directors shall be made in the form of cash.

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

(1) The Company evaluates the remunerations of its employees and directors in accordance with the provisions of the articles of association.

(2) No share distribution was made for employee remuneration during the year.

3. Distribution of remuneration approved by the Board of Directors

(1) If there is any difference between the amount of employee remuneration and the amount of directors' remuneration paid in cash or stock and the annual estimated amount of recognized expenses, the amount of the difference, the reasons for the difference, and the disposal method shall be disclosed:

The remuneration for employees and directors of the Company for the year 2021: passed by the resolution of the Board of Directors on March 7, 2022,

and the employee remuneration shall be fully paid in cash.

Employee remuneration, 6%: NT\$5,548,815.

Director remuneration, 0.6%: NT\$554,882; resolved by the Board of Directors on March. 7, 2022: Considering the future development of the Company, it is resolved that the director resolution will not be distributed.

If there is any difference with the annual estimated amount of recognized expenses, the amount of the difference, the reasons for the difference, and the disposal method shall be disclosed: There is no difference in the amount of employees' remuneration; the estimated amount of directors' remuneration is NT\$554,882, which would not be allocated based on the board of directors' resolution on March 7, 2022, and the difference is adjusted to the profit or loss in 2022.

- (2) The amount of any employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial statements or individual financial statements for the current period and the total employee remuneration: N/A.

4. Actual distribution of the remunerations for employees and directors in 2020:

Unit: NT\$

Item	Actual distribution passed by the shareholders' meeting	Proposed distribution passed by the Board of Directors	Difference	Reasons for variance and its handling method
Share remuneration for employees	0	0	0	No deviation
Cash remuneration for employees	23,431,316	23,431,316	0	No deviation
Director Remuneration	0	0	0	No deviation

The Audit Committee of the Company was established on Jun. 25, 2018, when there was no supervisor.

(IX) Buyback of Treasury Stock: None

II. Corporate Bonds: None

III. Preferred Shares: None

IV. Global Depositary Receipts: None

V. Employee Stock Options: None

VI. New Restricted Employee Shares: None

VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies:

(I) Acquisition or acceptance of new shares issued by other companies in 2021 and as of the publication date of the annual report: none.

(II) Acquisition or acceptance of new shares issued by other companies already adopted by the Board of Directors in 2021 and as of the publication date of the annual report: none.

VIII. Implementation of Capital Utilization Plan:

(I) Plan content:

For the period as of the quarter preceding the date of publication of the Annual Report, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits: None.

(II) Implementation: N/A

Chapter 5. Operational Highlights

I. Business Activities

(I) Scope of business

1. Business Activities

CC01060	Wired Communication Mechanical Equipment Manufacturing
CC01070	Wireless Communication Mechanical Equipment Manufacturing
CC01080	Electronics Components Manufacturing
CC01101	Restrained Telecom Radio Frequency Equipment and Materials Manufacturing
CC01110	Computer and Peripheral Equipment Manufacturing
CC01990	Other Electrical Engineering and Electronic Machinery Equipment Manufacturing
CE01010	General Instrument Manufacturing
E701030	Controlled Telecommunications Radio-Frequency Devices Installation Engineering
EZ05010	Instrument and Meters Installation Engineering
F113030	Wholesale of Precision Instruments
F113050	Wholesale of Computers and Clerical Machinery Equipment
F113070	Wholesale of Telecommunication Apparatus
F118010	Wholesale of Computer Software
F119010	Wholesale of Electronic Materials
F213030	Retail Sale of Computers and Clerical Machinery Equipment
F213060	Retail Sale of Telecommunication Apparatus
F218010	Retail Sale of Computer Software
F219010	Retail Sale of Electronic Materials
F401010	International Trade
F401021	Restrained Telecom Radio Frequency Equipment and Materials Import
F601010	Intellectual Property Rights
I301010	Information Software Services
I501010	Product Designing
I599990	Other Designing
ZZ99999	All business items that are not prohibited or restricted by law, except those that are subject to special approval

The Company's subsidiaries also engage in similar business.

2. Major products and ratios

ECS is a professional designer and manufacturer of computer products. Our product sales and weightings by major products in 2021 are as follows:

(1) Computers and peripheral products	99.3%
(2) Others	0.7%

3. New products to be developed

Motherboards:

In response to Intel's launch of the 12th generation Alder Lake processors built on the 3rd generation 10 nm process, we have launched our 600-series motherboards simultaneously with Intel in the first quarter of 2022 to accommodate the 12th Gen

Core processors. We have increased the number of CPU cores to 16 cores, featuring a brand new hybrid P-core/E-core architecture and optimal computing performance. With the integration with our 600-series chipsets, upgrade to DDR5 memory, and application of PCIe 5.0, as well as through upgrading the wireless network standards to support Wi-Fi 6E (Gig+), gamers are promised a gratifying gaming and 4K streaming experience. We are currently planning for the 700-series motherboards, and the development is set to begin in the first quarter. The 700-series motherboards will be compatible with the 600-series processors, and the usage percentage of DDR5 memory will be greatly enhanced. To keep up with the market, we expect to launch the new series simultaneously with Intel in the third quarter of 2022.

With respect to AMD, its AM4 500-series motherboards can support the Zen 2 Renoir (7 nm), Zen 3 Vermeer (7 nm+), and Zen 3 Cezanne processors. The new manufacturing process not only reduces the power consumption of processors but also supports PCIe 4.0 bandwidth, and an AMD PCIe 4.0 graphics card can be added to improve gaming speed. Additionally, we have obtained relevant information on the development of AM5 and are collaborating with AMD to build a new AMD platform.

Mini Computers:

For entry level product lines, we will release Comet Lake Mobile, Pentium, Celeron, etc. along with Intel in the 15W quad-core and dual-core market. Also, we have products ready for Jasper Lake to replace Gemini Lake (Refresh), targeting the best budget desktop, AIO and Mini PC markets.

Small Form Factor (SFF) continues to grow in the overall PC market with major brands launching different types of Mini PC catering for the needs of different consumer groups. The mainstream market heading toward two opposite extremes: large-screen computers focusing on gaming performance and fancy lighting effect, and Mini PCs which are the main focus of the Company. Our LIVA possesses features of mini, compact, user friendly, energy efficient, quiet operation, space-saving, etc. and captures market attention. The product attracts industry players with its advanced product concepts, unique designs, quality appearance and enormous potential demand.

In 2022, ECS will continue to target the Mini PC market and devote more human resources to develop a variety of competitive and high-performance products as well as products for other platforms, including products for real-time streaming and stable gaming computation as well as the smallest X86 and ARM processor products. We aim to broaden the applications of Mini PCs and our Mini PC market share to increase revenue.

Looking ahead, with favorable conditions such as improved performance of key components, reduced power consumption and improved heat dissipation take shape in the market, the Mini PC product line will be more complete. In the future, high-end products are expected to be more commonly applied in business sector, which will drive the penetration of desktop products in the industrial computer applications and create new growth opportunities for desktop computers.

The Company's Mini PC LIVA Z3/Z3E Plus equipped with Intel's latest 14-nm Comet Lake mobile processor provides the latest USB Type C 10 Gb/s, Wi-Fi 6 expansion slot and Dual Giga Ethernet configuration. With excellent edge computing capacity, it targets business sector, AI recognition systems and general SMEs. It is also equipped with configuration to incorporate the high-performance M.2 Capture card which enables the notification function for YouTubers and expands the Mini PC market. Moreover, several new Mini PC models have been released: LIVA Q1D and

LIVA Q1L aim at long-term supply and dual-display (HDMI+DP) or dual LAN, respectively. They are suitable for 4K viewing and LAN/WAN applications. LIVA Q1A and LIVA Q1A Plus adopt Android OS 8.1 to provide ARM SOC solutions. LIVA Q3 Plus is the smallest Mini PC which comes with the high-speed processor, AMD Ryzen 3000 series, and Zen2 display core. As for LIVA M300-W, it has LTE 4G transmission solutions to satisfy the industrial computer standards, providing edge computing facility to customers.

Notebooks:

Looking at 2022, the new lifestyle thrust upon us during the COVID-19 pandemic is propelling the growth in notebooks as well as increasing the use of notebooks in businesses and esports. While the gradual lifting of pandemic restrictions in countries around the world has affected the stay-at-home economy and resulted in a decrease of educational bids, with businesses returning to offices, there has been an increase in replacing workplace computers. Therefore, in 2022, ECS is ramping up its focus on the business and education markets. For education laptops, lightness, thinness, and affordable pricing are still the major emphases during the product design process. Also, the waterproof, dust resistant, drop resistant, and impact resistant features will ensure durability, safety, stability, power saving, and configuration flexibility to deliver an optimized user experience.

ECS plans to launch the first 11.6-inch Qualcomm Chromebook laptop to expand its product portfolio and increase the breadth and depth of its products. This Chromebook model uses the Qualcomm ARM architecture and has the advantages to provide more than 10 hours of super battery life, support 4G/5G mobile network connection, enhance the stability and convenience of instant connection, and engage learners in digital learning anytime, anywhere.

As for the development of business laptops in 2022, we plan to roll out 14-inch and 15-inch business laptops with Intel's 12th Gen CPUs, which will provide an excellent balance between power consumption and efficiency. They will also support Wi-Fi 6 or Wi-Fi 6E wireless connection. The frames will have a thin bezel design for users to see "more" under the existing structure. The laptops will have a thickness of only 19.9 mm for easy storage in a backpack or briefcase and a battery life of up to 16 hours. In terms of appearance design, it contains features of waterproof, dust resistance and drop resistance, conveying an image of highly reliable products. In addition, by having fingerprint recognition embedded in the power button, users can enjoy one-stop power-on and identity verification. The inbuilt Intel vPro platform provides a more in-depth safeguard function, facilitating enterprises with information security.

Internet of Things (IoT):

In addition to continuing to cultivate the home/industrial gateway market, in response to the electric vehicle (EV) trend worldwide where countries will gradually ban the use of petrol and diesel cars starting from 2025, ECS actively invests in the development of Smart EV Charger. To differentiate from other brands, we have begun the mass production of AC 80A fast charging technology, and our products are in compliance with the latest standards (IEC-15118) and OCPP 1.6/2.0. We also invest in the development of DC charging station products. At the same time, by utilizing our abundant software development capacity, this product will incorporate the online management platform of OCPP2.0 agreement published by OCA, giving ECS a unique competitive advantage on smart EV chargers.

■ **Short-term plans**

product	Description
Motherboards: Mini PCs:	The Company is committed to meeting consumers' needs and will proceed with the two product lines of Intel and AMD. To avoid being weighed down by Intel capacity issue, we have increased the number of products developed with AMD motherboards since 2021, allowing consumers to enjoy the soaring efficiency of the new-generations Zen 2 and Zen 3. AMD, whose popularity is on the rise, is also the current focus of motherboard companies. We hope Intel would be driven to create more inducers and offer better products upon integration to entice consumers, thereby boost the market. Same as before, we will launch new products with Intel and AMD this year. In terms of Intel, we will introduce motherboards with 12th Gen Alder Lake CPUs and continue the expansion of 12th Gen product line into 2022. AMD will roll out new processor, Cezanne, this year. We will aggressively adopt the efficiency enhancement of the new-generation processor with AM4 500 series. While keeping the AM4 design, the new and old processors are both compatible through BIOS updates, allowing existing users to upgrade. In the future, besides increasing our ODM orders, we will closely follow up on market demand whenever a new trend emerges. On top of cost reduction, we will provide more competitive prices to distributors and consumers as well as gradually introduce unique designs and practical functions. Also, with our experience in motherboard research and development and manufacturing, we continue to develop Mini PCs and AIO products with the latest Intel Alder Lake-P processors. The design concept centers on high-spec differentiation and target the business sector as well as ordinary companies and firms. The models are designed to allow the addition of functional modules (e.g., HDD, Com Port for business application, etc.), a breakthrough from the inherent constraints of Mini PC where expansions are not allowed.
Notebook computer:	In terms of the development of education laptops, we will design and develop a variety of large-sized education laptops suitable for high school and college students. These laptops will be made with Intel low-power processors and have a battery life of at least eight hours to ensure uninterrupted learning. Besides the 11.6-inch screen size, a 14-inch high-definition screen will also be available to deliver clear images and reduce the burden on students' eyes. The built-in solid-state drive is loaded with memory chips that are lightweight and shock tolerant, ensuring that the computer will not fail to read data because of shock to the drive. In addition, the solid-state drive is very quiet and has a fast reading speed during operation. It can also complete booting in an instant, reducing the boot time. Some models will be equipped with touch or handwriting functions, allowing students to more intuitively create ideas and content. As for the Chromebook product line, it is designed based on the needs of users, featuring technologies

	such as security, convenience, and high-speed connection to meet students' needs for blended learning. In terms of business laptops, they are made with Intel Alder Lake high-performance processors, and the design quality meets the U.S. MIL-STD-810H test specifications: Tests carried out include drop test, impact test, vibration test, altitude test, high/low temperature test, humidity test, etc. In terms of safety, devices ranging from the physical hardware protection to Kensington security slot, TPM 2.0 chip, webcam cover, and fingerprint sensor all offer tight security for important data. The 14-inch Full HD screen with a thin bezel design maximizes the display space for an enhanced viewing experience. The laptops are also equipped with a power capacity of 57 WHrs where the battery can supply for 16 hours, sufficient for a full-day use.
IoT:	In response to the coming of EV and IoT era, besides improving the specifications of hardware products, we employ our computer software experience, collaborate with system integrators in the relevant fields, and actively develop related components to realize the overall synergy, provide customers with total solutions, and strengthen our services for customers in the smart charging field.

■ **Long-term plans**

product	Description
Motherboards/Mini PCs/AIO:	Operated by the theme of “risk control followed by gross margin improvement and supplemented with shipment increases,” the Company’s priority is to allocate more marketing resources to major agents and form alliances with other brands so that these agents can sell by our products by sets instead of parts, and show that our products are cost-effective. Meanwhile, we find agents in various business application fields and assist them in their areas of focus for motherboards and LIVA Mini PCs to access non-PC application markets. In addition, the AIO product line will also expand its adoption of Intel H610 series to boost the sales volume and overall gross profits of AIO products. As for Intel H510 and B560 which has excellent sales performance, the H610/B660 (the 600-series) in the first quarter of 2022 and cost-effective products such as AMD 500-series, their comprehensive product lines give customers plentiful choices. Through medium and long-term cooperation, we build good reputation and develop certain understanding with our agents to increase their willingness to purchase, thereby fulfill our medium and long-term goal of gross margin improvement. As a result, a virtuous cycle is formed, and shipments would naturally increase significantly. In the end, we hope to realize our ultimate goal of "launch projects with low risk, sell products with high gross profits and create a win-win situation to boost volume."
Notebook computer:	In the post-pandemic era where several vaccines are successfully developed, the business opportunities for remote office/learning still exist as people's lifestyle has changed. Whether it is learning or work, online activities and on-site operations would both be available. Learning hours would be divided into classroom and online learning while work hours may be divided between work from home and in the office. Even remote medical treatments have driven the demand in both computer and cloud markets. In the long-term plan of product development, we plan to launch a variety of Chromebook products, ranging from Intel processors to ARM architecture processors, to provide products and services to the corresponding market segments, fulfill diverse market demands, and make supply chain management more flexible. The global 5G trend continues to gain momentum. According to the IHS Markit 5G Economy Study, by 2035, various industries, including retail, education, transportation, entertainment, etc., will be affected by 5G technology, and related use cases and applications will enable about US\$13.2 trillion in global sales. To keep up with the world, ECS actively plans the 5G notebook product

	line. By combining the power of 5G's high bandwidth and low latency with learning devices, teachers and students are able to engage in education and learning anytime, anywhere, without restrictions. ECS is committed to promoting the development of 5G digital learning and smart education. The product planning of business laptops takes into account aspects such as lightness, thinness, high performance, long battery life, stable wireless connection, information security, etc. In addition to strengthening collaboration features and implementing environmentally sustainable design concepts, ECS puts great effort into assisting users in collaborating and connecting with each other, ensuring the safety of use, and providing a complete business solution with its self-developed anti-theft software.
IoT:	As automobile companies, traditional power companies, and oil companies are moving into the new EV world, ECS is also striving to develop charging equipment in collaboration with automobile companies. Through our core technologies and software solutions, we are not only involved in vehicle charging services but also aim at expanding further into green energy storage in an effort to promote environmental protection.

(II) Industry overview

1. Current status and development

Motherboards:

According to the Market Intelligence & Consulting Institute (MIC), the global motherboard shipment volume was approximately 965.73 million units in 2021, representing an annual growth rate of approximately 1.4%. The shipment volume in the first quarter was better than expected, and the outlook for the market was optimistic, primarily due to the continuing work-from-home and online entertainment needs since 2020. The shortage of some components in the first quarter was alleviated in the second quarter, and the stay-at-home economy helped to boost demand for PC games, which in turn stimulated graphics card demand and benefited motherboards. As the market entered the traditional peak season for motherboards in the third quarter, and because the deferred orders in the first half of 2021 were expected to be fulfilled, the shipment volume was boosted in the third quarter. Although the stay-at-home economy slowed down in the fourth quarter as a result of COVID-19 entering an endemic phase, the consumer demand for esports was still strong. Along with this quarter being the traditional shopping season and virtual currencies witnessing another mining boom, the motherboard market had a positive performance. In the fourth quarter, several 3A games with high PC hardware requirements were released in the esports industry, motivating players to upgrade their devices, which in turn accelerated the shipment volume. Looking at 2022, as the shortage of materials on the supply end gradually subsides, the motherboard market will pick up and continue to recover. Also, as Intel's CPU production capacity gradually stabilizes, and AMD releases new Ryzen CPUs in succession, which helps the DIY market continue to recover, we expect to see a slower decline in the global motherboard shipment volume or even an increase that will help improve the overall efficiency and value.

Mini Computers:

According to a report by the market research firm IDC, the global PC market continued to expand in 2021, and the shipment volume amounted to 348.8 million units, an increase of 14.8% compared to 2020 and a ten-year high since 2012. This highlights the upward trend of PC market amid adversities which has been rare in the past decade. The strong rebound in PC shipment in 2021 also indicates a sign of market recovery. The PC industry was once considered a sunset industry. After a long period of slump, the industry has benefited from the remote business opportunities driven by the COVID-19 pandemic, proven by the continuing growth of market demand in 2021. According to the research and consulting firm Gartner, the pandemic has greatly changed the behavior of PC users, as people have to adopt a new work arrangement and lifestyle. Even post-pandemic, remote work and online teaching and learning are being adopted more and more. As a result of the COVID-19 pandemic, for the PC industry, the shipment volume is expected to grow and the average selling price to rise, which will in turn increase revenue and then stabilize the overall market, at which point the surging market demand will begin to slow down. For the next 2 to 3 years, the annual global PC shipment volume will yet continue to rebound back to pre-pandemic levels. The Market Intelligence & Consulting Institute (MIC) also indicates that the pandemic has drastically changed the way we live and work. The demand for light and portable Mini computers has increased considerably, and they have become a new option for remote work. Thus, many brands are competing to invest more resources on expanding their Mini PC market shares to meet the needs of individual work styles. With favorable conditions such as improved performance of key components, reduced power consumption and improved heat dissipation take shape in the market and models and types of exchangeable CPU increase, the Mini PC product line will be more complete. In the future, high-end products are expected to be more commonly applied in business sector, which will drive the penetration of desktop products in the industrial computer applications and create new growth opportunities for Mini desktop computers.

Notebooks:

The total global PC shipment volume in 2021 was about 340 million to 350 million units, of which notebook computers were the most sold, about 250 to 280 million units. A survey by TrendForce reveals that, driven by the pandemic, the shipment volume of notebooks in 2021 amounted to 246 million units, a new record high. The surge is expected to slow down in 2022, and the 2022 shipment volume is estimated to decrease by 3.3%, down to 237 million units.

TrendForce believes that in 2022, the global end demand for business laptops will be notably more than education laptops. Whether the total shipment volume can continue to exceed 200 million units remains to be determined based on how the market demand evolves after people return to workplaces.

On the other hand, although the deferred orders in 2021 due to the shortage of materials were expected to be fulfilled this year, shipping issues such as shipping congestion, lack of containers, etc. may result in excess orders, and the market demand may be negatively affected, which is being closely observed by businesses in the industry.

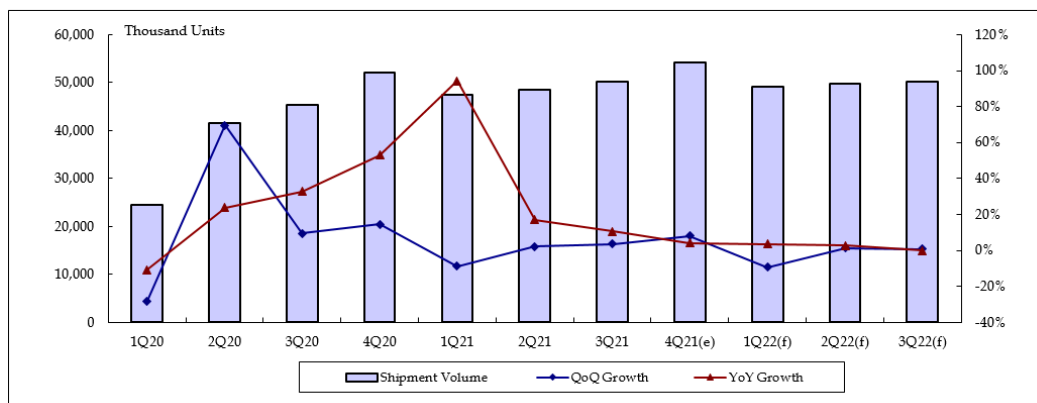
While another surge of COVID-19 is likely to hit the world, in the past two years, the consumer market has met most of the demand for laptops, and the replacement wave of devices has also come to a halt, making another wave of demand unlikely to emerge. Although the metaverse has opened the door for more esports players, and various brands are competing to launch new esports products, the demand volume is yet a small amount. How the market develops this year will depend crucially on

logistics, supplies of materials, and the COVID-19 pandemic.

As COVID-19 continues to spread, and new variants continue to emerge, even with high vaccination rates, businesses and schools have flexible work or school arrangements in place in order to be able to tackle the impacts of the COVID-19 pandemic anytime. As remote work and remote education are becoming the new norm, the replacement of desktop computers with laptops has increased significantly in the recent two years.

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21(e)	1Q22(f)	2Q22(f)	3Q22(f)
Shipment Volume	24,448	41,457	45,428	52,080	47,483	48,521	50,235	54,231	49,187	49,827	50,176
QoQ Growth	-28.2%	69.6%	9.6%	14.6%	-8.8%	2.2%	3.5%	8.0%	-9.3%	1.3%	0.7%
YoY Growth	-10.8%	23.8%	32.7%	53.0%	94.2%	17.0%	10.6%	4.1%	3.6%	2.7%	-0.1%

Source: MIC, January 2022



Sources: Market Intelligence & Consulting Institute (MIC)

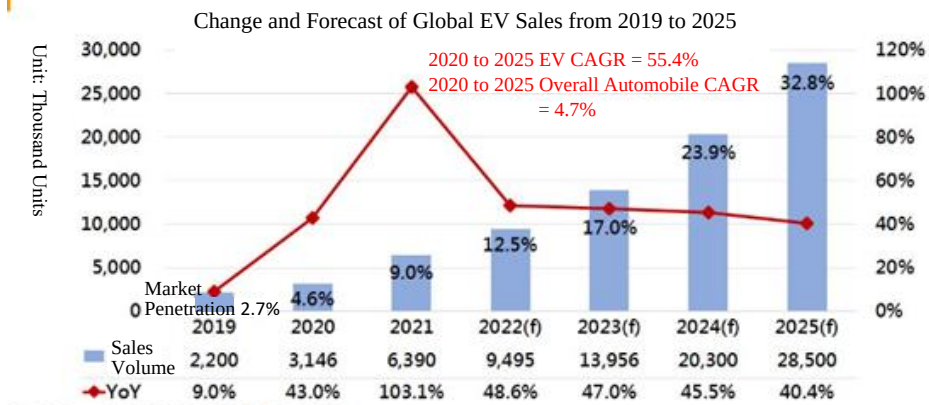
In 2022, users are spending more and more time on their laptops for a variety of activities, such as work, entertainment, learning, editing, etc. The processor and graphics card have been upgraded for optimal performance, and the screen has been improved with better image quality and visualization for an enhanced experience. To enable remote learning and remote work anytime anywhere as well as multitasking, some laptops also come with a foldable screen, multiple screens, or other additional features. Consumers are provided a variety of laptops with versatile features to choose from and are ensured an optimized experience.

In addition to the upgrade and improvement mentioned above, the laptops are designed with the environment in mind. In recent years, in order to achieve the goal of global sustainability, various notebook manufacturers have modified the design of notebooks by using recyclable materials, adopting green energy in the manufacturing process, or improving service life and optimizing maintenance and recycling, as an effort to promote environmental protection and fulfill sustainable development goals.

Internet of Things (IoT):

From 2018 to 2025, the global EV market is expected to expand more than 13 times, and the demand for vehicle charging equipment will continue to grow exponentially. Therefore, besides the AC/DC charging equipment, ECS is also putting great efforts into maintaining grid balance, providing not only hardware equipment but overall solutions. The charging station technology can be applied to solar energy storage solutions as well and contribute to the ESG movement. In terms of long-term development, we will continue to design hardware and key components as well as commit more efforts to green energy, environmental protection, and accessibility of the overall software platform.

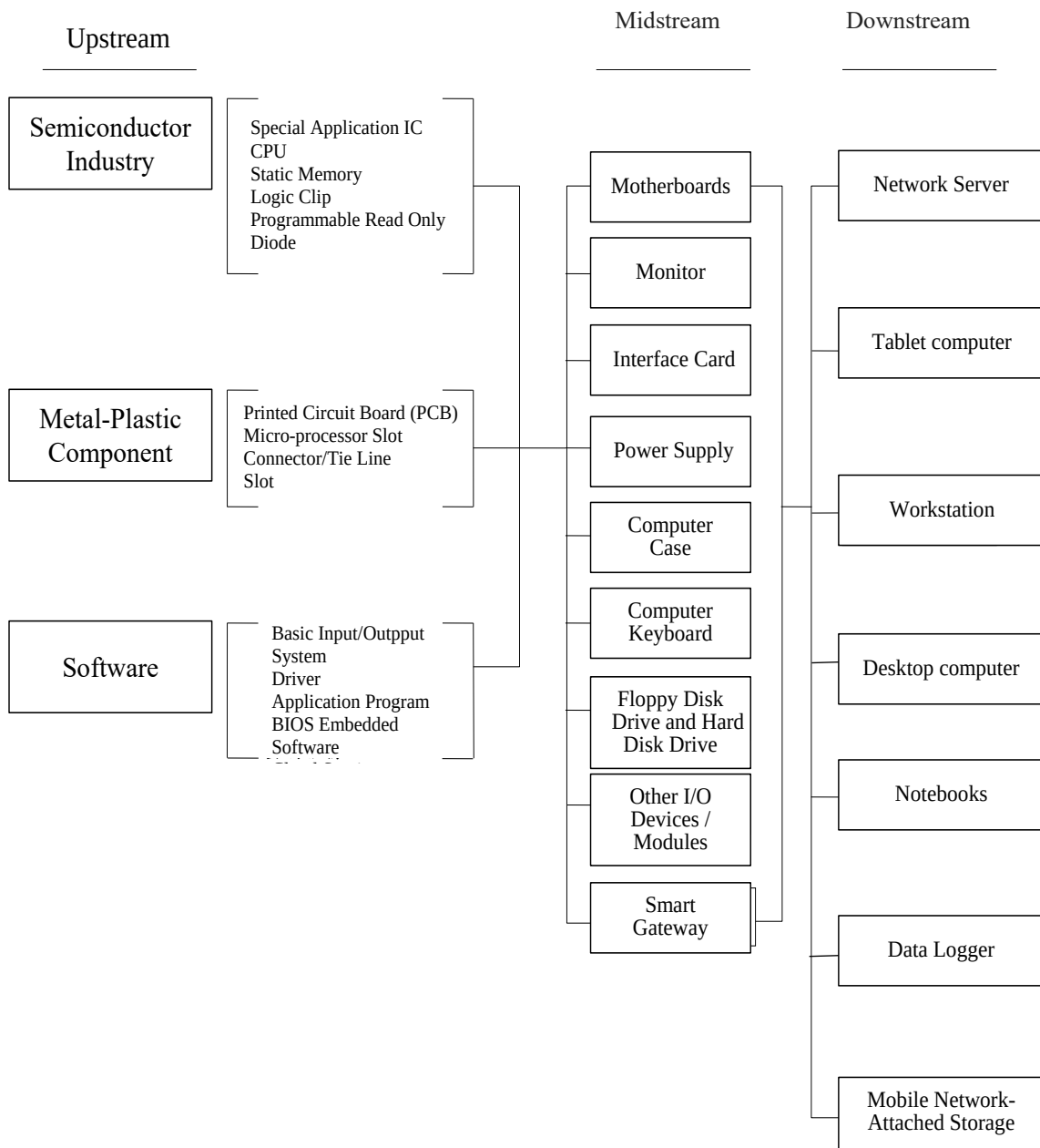
Global EV Annual Sales to Grow at Double-Digit Rates by 2025 Market Penetration to Exceed 30%



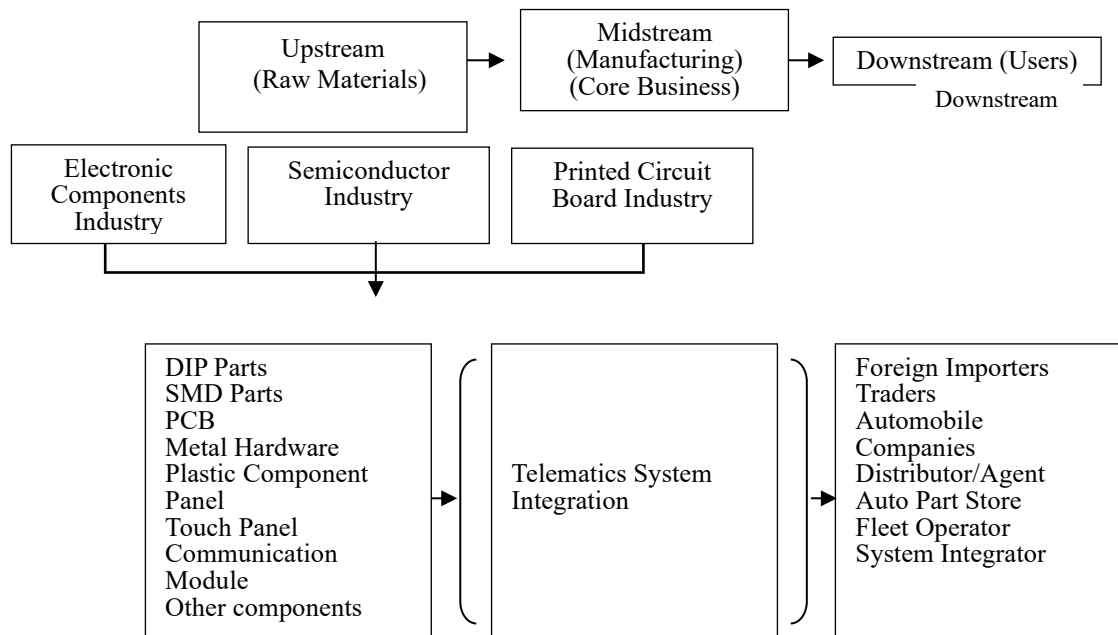
Note: Factors contributing to the reduction of subsidies and concessions after 2022 have been taken into account.
Sources: Automobile associations around the world, DIGITIMES Research, January 2022

2. Industry relevance of upstream, midstream and downstream companies

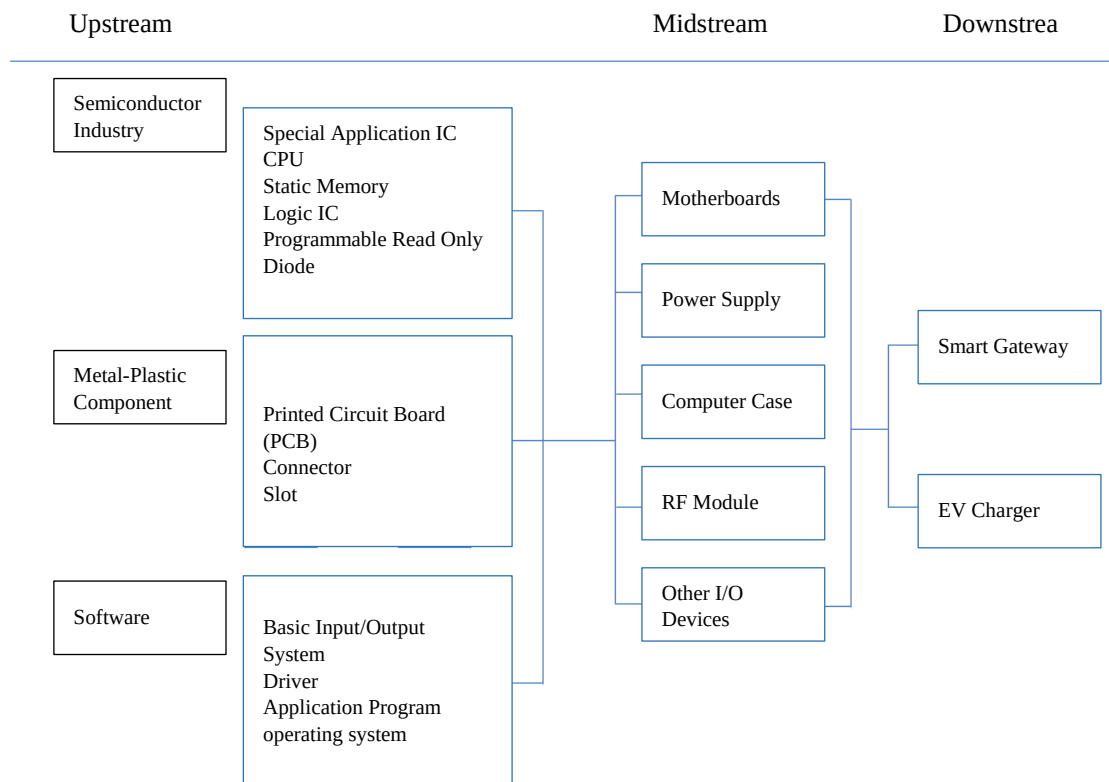
Information industry supply chains



Telematics System Integration



Smart EV Chargers



After years of development, the information industry's supply chain system consists of upstream, midstream and downstream companies has taken shape. Major suppliers in various fields have adopted the economies of scale approach and leave little room for small suppliers to survive. At the same time, the interdependence and strategic alliances among upstream, midstream and downstream companies have also become increasingly closer. In order to enhance competitive edges, certain companies have expanded their product ranges through vertical integration with a view to produce production components required for finished products themselves. This competition

pattern which adopts vertical integration has undoubtedly increased the competitive threshold significantly and created difficult barriers for new comers or smaller players.

In the face of global competition, ECS aggressively integrates companies within the supply chain in order to obtain more competitive prices to lower production costs on key components, thereby enhances our overall competitive advantages.

In recent years, new competition and collaboration mechanisms are taking shape in Taiwan, which have positive effects on the overall industry integration. In addition to having unique supply sources of components, our product development is even more distinctive. Therefore, appropriate partnerships will be more conducive to our growth and competitiveness, creating a win-win relationship for mutually beneficial collaboration.

3. Product development trends and competitions

Edge Computing:

Edge computing is a flexible architecture. Compared with cloud computing, edge computing adopts a more decentralized thinking to design the computing architecture, and builds more diverse computing structures, products, and software and hardware services between the cloud and the terminal. It can be expected that the computing, storage, and connection performance of terminal devices will further change in the future, and software definition and network virtualization technologies will become edge-centric.

According to a report by the market research firm IDC, the worldwide spending on edge computing is expected to reach a total of \$176 billion by 2022, an increase of 14.8% from 2021. The spending on hardware, software, and services for edge solutions by businesses and service providers is expected to keep growing at this rate through 2025, at which point the spending will reach nearly \$274 billion.

IDC also states: “Edge computing continues to gain momentum as organizations that prioritize digitalization pursue innovations beyond data centers. Different needs for edge computing create huge opportunities for technology providers, as they can promote more new solutions to the market through their business partners.” For enterprises, in 2022, edge computing is expected to be used largely in manufacturing operations, production asset management, smart grids, public safety, freight monitoring, and smart transportation systems. In terms of industries, the manufacturing industry will invest \$33.6 billion in edge solutions this year, and retail and professional services will spend more than \$10 billion on edge computing. It is expected that, within a period of five years, about 19 industries will have a double-digit spending growth.

The global edge market has grown significantly over the past few years and is expected to double in value over the forecast period. As nearly 30% of the enterprises plan to start using edge technologies within the next few years, edge solutions related to smart buildings, manufacturing operations, or production asset management will become more widely implemented. These solutions are also beneficial to ECS’s development in the vertical application market over the past few years, and ECS expects to present optimized performance in the future.

AIoT

According to a research study by Digitimes, the global automobile sales amount to about 80 million to 100 million units. With the current development and launch of electric vehicles by various automobile companies, it will amount to about 25 million by 2025, and the ratio of AC charging stations to electric vehicles is about 10: 1,

meaning an electric vehicle will have access to 10 AC charging stations. Based on the approximate amount of 25 million electric vehicles in 2025, there will be about 200 million AC charging stations, a large market share in the future. Therefore, ECS took the advantage and expanded into the development of charging stations in 2018. From the original dummy charging stations to the current smart charging stations with cloud platform services, the charging station technology has improved considerably in recent years and will continue to evolve dynamically.

The governments of various countries will start actively reducing fuel vehicles from 2025 as well as developing green energy. ECS will utilize its charging station technology in developing solar energy storage equipment and earn its place in the green energy market.

Notebooks

The panel ratio has changed from 16: 9 widescreen to 16: 10. For users who mainly use notebooks for work, more document information can be displayed on the screen. For creative users, such as image editing, the images and editing progress bar can both be displayed on the same screen. Therefore, laptops with a 16:10 aspect ratio are mainly meant for professional users, and laptops with 16:9 screens are more popular for video viewing and among gamers.

With the increasing use of notebooks for more and more activities, the demand for multi-tasking features has also increased. Therefore, more notebooks are built with a 16: 10 panel, and these notebooks are used by more people for purposes other than just business and creative work.

The adoption of Mini LED display technology in notebooks is about to take off, and Mini LED display technology is gradually introduced into the high-end business laptop market. Also, through the dual-screen display technology, these notebooks can have the 16: 10 panel with Mini LED display as the main screen and the other as the secondary screen, allowing gamers to see more information or use other softwares while gaming.

As for multi-purpose foldable notebooks, they can be used as regular notebooks, tablets, and e-books. By folding the screen, the size of the notebook can be reduced to the size of A5 paper, making it easy to carry and meet the hybrid lifestyle during the pandemic. When the panel technology is further developed and improved, it can be used to enhance process yield and reduce panel costs. At the same time, Microsoft can support and optimize the user experience in Windows 11, making foldable notebooks a unique product and design trend.

Environmental sustainability has become an imperative issue and movement worldwide, and carbon neutrality has become the key to the sustainable development for enterprises. Therefore, many notebook manufacturers have started using environment-friendly sustainable materials in the design of notebooks, following the 3R (Reduce, Reuse, Recycle) concept, and promoting the concept of environmental protection and sustainability. Environmental elements will be more and more actively reflected in the design and development of notebooks. The packaging is made from recycled aluminum alloy and recycled artificial leather or made of bamboo and sugarcane, the case and keyboard are made from recycled plastic, creating both stylish and environment-friendly notebooks. Easy upgrade and maintenance options also ensure that these notebooks will have a long life cycle.

(III) Technology and R&D

1. R&D expenses during the most recent fiscal year up to April 2022:

The R&D expenses amounted to approximately NT\$ 1,152,307 thousand in 2021,

and were about NT\$350,000 thousand up to April 2022.

2. Technology or products successfully developed

Motherboards and systems:

- Products supporting Intel 10nm / AMD 7nm (+) processor technology.
- Equipped with USB3.2 Gen 2x2 Type-C with transmission speed of 20Gbps
- Continue to develop new Small Form Factor barebones combining with business, education, family and entertainment functions.
- Continue to study high-end and gaming motherboards, produce cost-effective products and create win-win with agents.
- Embedded and digital signage motherboards and Mini PCs with quasi-industrial grades.
- Research and develop the world's smallest Mini PC with the ARM cores.
- Increased Mini PC products with AMD Zen3 (7nm+) core.

Notebooks:

Adopt Intel/AMD/Qualcomm-architecture mobile platforms with the latest Microsoft Windows 11 operating system and emphasize the unique human machine interface design, the four modes for convertible laptops, compact size for portability, and durable reinforced casing design which is suitable for classrooms where bumps occur frequently. In addition, high-performance batteries allow students to use laptops for a full day, i.e., during or after class. For laptops with full-HD or HD resolution touch-screens, users can have intuitive interface operation and interactive experience when browsing websites or using the app. The models also come with water-resistant keyboard designs which can withstand up to 330ml of water. Underneath the keyboard and touch panel, a unique drainage system is installed to navigate and drain water from the bottom of the computers.

This year, we schedule to develop laptops featuring lightness, thinness, and durability with Intel 12th Gen Alder Lake mobile processors. The models will come with built-in high-resolution lenses, smart card readers, WiFi 6 and Bluetooth modules, 4G networks as well as military-grade protection of MIL-STD-810H. The inbuilt Intel vPro® platform provides a more in-depth safeguard function, facilitating enterprises with information security. We use remote management solutions to achieve strong computer management capabilities and provide enterprises with higher productivity, management capabilities and safety.

IoT:

ECS has expanded into the development of Smart EV Charger since 2017 and has developed the 80Ah Smart EV Charger. So far, we have been actively developing not only AC charging stations but also DC charging stations and services. The quick charging design has made them easier to use, and they are compliant with the latest standard IEC-15118. At the same time, this product will incorporate the online management platform of OCPP2.0 agreement published by OCA, giving ECS an unique competitive advantage on smart EV chargers. As for the key components, instead of being supplied by a third-party, ECS designs its own modules.

(IV) Long- and Short-Term Business Plans

1. Short-term plans (product development)

Motherboards:

- The COVID-19 pandemic has affected our life drastically in 2021 and 2022. The shortage of IC materials and the release of Windows 11 have triggered higher demands for notebooks and desktop computers, driving enterprises and end customers to purchase new devices or replacements. The purchases of desktop

computers and motherboards have increased significantly, and due to longer lead times for ICs, it is estimated that the market supply gap will not be completely fulfilled until at least the end of 2022. Compared with desktop computers in 2022, the demand for motherboards will remain strong.

- With Intel & AMD continues to launch new products, we not only release Intel 5 series and 6 series products accordingly to meet market demands but also have motherboard products ready with CPU/GPU supported by Ryzen chipsets as AMD Vermeer, Renoir and Cezanne CPU/GPU are rolled out. Intel's Alder Lake product line has gradually improved, while CPU and GPU have better performance, giving the development of Mini PC and 2-in-1 devices more competitiveness in terms of price, performance and development thresholds.

Mini systems:

- With the brand reputation of LIVA, we comprehensively update the Intel Alder Lake and Jasper Lake product lines. Diverse expansion interfaces can meet various demands from all levels. As for Small Form Factors, they are upgraded to Intel's 12th Gen processors, Alder Lake, and integrated with the business-use 600 series chipsets as we actively develop our mini systems for personal and business use.
- In order to meet the diverse specification requirements of the market, new models from the LIVA Q3 series with various specifications and applications will be launched in 2022 to gain more business opportunities and serve more customers.

Notebooks:

- We are continuing to cultivate the education market, from K12 education to higher education, and to develop the Chromebook product line. The products are built with Intel Jasper Lake and Qualcomm 7C Gen 1 processor platform. They are durable and meet the MIL-STD-810H military standard. With the built-in high-resolution lens, Wi-Fi 6, Bluetooth module, and support of 5G network connection, classes can be conducted anywhere via 5G high bandwidth, low latency, and 4K/8K display quality, even for students who are located in remote areas. We are committed to helping teachers and students engage in live teaching and learning, real-time connection in dual-teacher classrooms, and facilitating the development of educational resources.
- We are also developing new high-performance and lightweight business laptops with the Intel® 12th Gen Alder Lake processor. They will come with built-in 2 million pixels of high-resolution lenses, Windows Hello fingerprint recognition, Wi-Fi 6, Bluetooth modules, and support of 4G network. They are also compliant with the MIL-STD-810H military standard, ensuring a durable and sturdy design. The inbuilt Intel vPro® platform provides a more in-depth safeguard function, facilitating enterprises with information security. We use remote management solutions to achieve strong computer management capabilities and provide enterprises with higher productivity, management capabilities and safety.

IoT:

As a continuing effort in the development of AC and DC smart charging stations, we are working with coach bus companies and freight forwarders to develop the new-generation smart fleet cloud management system. The next-generation DC fast charger, green energy, and energy storage management platform services are also under planning. Our commitment to strengthening our capabilities in the development of charging stations makes our products more competitive in the market. Through collaborating with third parties, we are co-creating a smart charging ecosystem to pave the way for the future of electric vehicles and green energy.

Short-term plan marketing plans:

- We design and develop our products with Sustainable Development in mind, factoring environmental impacts into our products at all stages. Through our products, we wish to deliver to customers our belief in sustainability as our guiding business principle as well as to enhance our brand image and create business opportunities.
- Forge deeper relationships with existing customers and continue to expand our business with international brands. Besides developing OEM/ODM customers, we cooperate with system integrators (SI) to build a complete customer portfolio.
- Enhance our image of being a professional OEM and ODM and brand awareness.
- Work with content and application software providers to increase the add-on features of hardware and innovate user scenarios.
- Continue to pursue improvement in quality and provide comprehensive services by combining the established global sales and service channels, so as to offer customers comprehensive technical support and services, strengthen brand value and meet customers' needs.
- In consideration of the overall industry demand and trend, we provide complete product lines and integrated systems to address customers' single solutions needs, and to increase the added value of products as well as enhance brand value in order to create the blue ocean market with economic value.
- By instilling uniqueness into our products and services, we have advantages over competitors and thus competitive edges. Through differentiation, e.g., special products and uniqueness, we create new value for our products and enhance customer satisfaction.
- Through collaborated research and development and design with internal and external parties, we accelerate the new product launches, improve product quality and reduce development costs as our competitive advantages.
- We actively participate in online or physical product launches held by Intel/AMD/Qualcomm/Microsoft, expanding product application scopes and exploring different market opportunities (such as business, telecommunication, etc.).
- Incorporate our products into our overall smart city IoT application scenario with a view to expand the level and scope of cooperation with customers. We work with local system integrators to provide governments various solutions for problem-solving scenario (such as smart classroom.)

2. Long-term plans (product development)**Motherboards:**

We will enhance our research and development capacity in gaming products through collaborations with gaming brands in projects. By gradually establishing our gaming product line and changing the existing habits of gaming players, we aim to enter the e-sports market. As for demands from the business sector, we will continue to provide motherboards with specifications required by enterprises and projects. With R&D and manufacturing experience accumulated over the years, we will assist customers with making customized products and take part in the project market.

Mini systems:

Since we launched the "LIVA" Mini PC, our sales as well as profits have continued to increase year by year. Both the quality appearance and diverse multi-media specifications of our products received excellent reviews and gain popularity worldwide. Besides taking into account the needs of consumer market, we also adopt modular designs for Mini PCs to be expandable and extended our products lines to applications in different scenarios such as business, AIOT, Digital signage, edge

computing, etc. Also, we plan to launch brand-new Mini PC products with higher specifications and performance to satisfy the needs of different user groups.

Notebooks:

In line with global customers' demand on privacy protection and security, we will adopt new technologies including voice recognition and biometrics. We will continue our collaboration with Qualcomm on enhancing LTE network design and verification technology and have our existing LTE channels and customers as our first step into the 5G market.

In some of the newly developed markets, we will enter the vertical channels with our own brands as well as work with agents, distributors and system integrators to gain insight on local market demand and provide solutions.

We will expand into markets with more diversified applications and optimize our product scenario to maximize our sales. As for our production bases, we will introduce AI and automation to reduce production costs and improve product quality.

Internet of Things (IoT):

ECS will focus on electric vehicle charging products, provide charging stations with efficient connection features to reduce the load on the grid, and estimate the usage of the grid to reduce the risk of grid collapse.

Long-term product marketing strategies:

- Employ comprehensive information network to support Build to Order (BTO) production model. Fully satisfy customers' demand for customization and immediacy through complete integration of the global supply chain.
- Adopt innovative product designs and emphasize product differentiation. Rapidly expand market share by shortening the development process and possessing competitive cost advantage.
- Actively identify local strategic partners in line with regional characteristics. Construct comprehensive marketing channels and sound after-sales services with the advantage of localization, thereby increase market share.
- Actively develop vertical market and built a complete customer portfolio.
- Create value for our customers and strengthen product competitiveness through business model and product innovations, thereby enhance profitability.
- Vertically integrated partners in the IoT value chain and actively developed new application markets with partners.
- Offers flexible modularized product designs to provide IoT customers with products for different market applications quickly.
- Actively participate in international exhibitions to enhance corporate image and aggressively expand business.

Marketing plans:

In the future, the design and application of education laptop products will be increasingly diversified. In addition to functional considerations, they encompass new technologies such as semi-rugged mechanism designs, voice recognition and biometrics to satisfy product requirements and user scenario for business/vertical/embedded markets, providing customers with differentiated and highly competitive products. We also focus on customer needs, provide customized services, and strengthen our connections with strategic partners.

Technology learning (or digital learning) has become a global trend with governments and related industries actively invest in human, material and financial resources to meet current needs. ECS will use technology tools as the teaching foundation and combine them with classroom management applications to actively

build smart classrooms and continuously expand solutions to provide customers with rich choices. We will build automated operation mechanisms, reduce labor management costs, and improve overall learning efficiency through electronization.

We will develop a series of business laptops for business application field, focusing on providing convenient, suitable, safe and cost-effective solutions for enterprises and small and medium enterprises in various industries. The designs of business laptop focus on lightweight and durability to cope with all kinds of trials during business travels and still have steady operation. Strict testing standards enable them to maintain superior performance and stability, making them the most reliable solutions that meet both business quality and safety needs.

II. Analysis of the Market as well as Production and Marketing Situation

(I) Market analysis

1. Sales areas of main products (services)

The main sales destinations of the major products in the last two years are as follows:

Unit: NT\$1,000

Region \ Years	2020 (Consolidated)		2021 (Consolidated)	
	Amount	%	Amount	%
America	5,237,531	20%	6,785,442	21%
Asia	16,011,328	62%	19,252,536	60%
Europe	4,422,873	17%	5,612,943	18%
Other	324,003	1%	286,939	1%

2. Market shares

The Company's major products are PC motherboards, notebooks, desktop computers and interface cards. The Company formulates different products and marketing strategies in response to differences in market demands, customer characteristics and competitions. For motherboards, desktop and notebook PCs, our main customers are ODM/OEM system manufacturers, major system assembly plants and distributors in various regions/countries. Interface cards are mostly graphics cards and customers are motherboard assembly plants.

In 2021, our market shares of motherboard, laptops and desktop computers were 5.28%, 0.53% and 2.47%, respectively. (Source of the global shipment volume: MIC, February 2022)

3. Future market supply and demand as well as prospect

Market supply and demand for motherboards

Intel launched the 12th Gen Core processor, Alder Lake, which was built on the 10 nm process. With the number of cores and performance increased and power consumption reduced, consumers are able to enjoy more competitive products. According to Intel's official data, the performance of Alder Lake has been improved by 30%. ECS will continue to expand the motherboard business and aggressively take part in the niche market for vertical applications to further develop the motherboard sector.

Market supply and demand for Mini PCs

As technology advances and work style transforms, traditional desktop PCs are no longer the mainstream. Lightweight, power-saving, and portable Mini PCs are slowly gaining market shares. They also starting to play an important role in the field of

business applications. In recent years, the scale of Mini PCs has continued to grow in the business vertical market. Major brands have continued to launch various types of Mini PCs to serve different consumer groups. ECS is also continuing to focus on expanding the Mini PC market and will invest more manpower in developing more competitive products across Intel, AMD, and ARM framework. With B2B as the main and B2C supplement strategies, we are confident in not only meeting market demand but also promoting our products to more places worldwide to increase revenue.

Market supply and demand for notebooks

In 2021, the global notebook market shipment volume reached a record high of 245.6 million units, of which Chromebooks amounted to about 15.2%. It is estimated that the global shipment volume in 2022 will amount to about 237.2 million units, a slight decline of 3.4% compared to 2021 (YOY), of which Chromebooks is expected to amount to about 12.3%. Due to the COVID-19 pandemic, people have been working and schooling remotely, and the need for home entertainment has also increased. The notebook market has been able to fulfilled these surging and new demands. Yet, with the increasing vaccination rates and the decline in consumer demand, there has been a notable decrease in the shipment volume. As people are returning to physical offices in Europe and the U.S., the replacement wave of old devices that occurred in the fourth quarter of 2021 is likely to return, which will create more opportunities for the business notebook market, along with Windows 11 and Intel's next-generation processors.

Due to the overall shortage of semiconductor components in the supply chain, there is still a lack of materials such as Wi-Fi module ICs, Type C PD ICs, and PMICs. The supply of mainstream 14- and 15.6-inch FHD IPS panels is also tight. On the other hand, the demand for mid-to-low-end notebook panels, such as 11.6, 14, and 15.6 HD TN, has gradually been satisfied, and the overall shortage of notebook components is expected to slow down in 2022. Shortage of containers and shipping congestion have resulted in longer transportation time. The shipping time from mainland China to the United States has increased by two to three times compared to before the pandemic. The longer the transportation time, the more likely downstream customers in the supply chain will place repeated orders, eventually resulting in an excess inventory. While another surge of COVID-19 is likely to hit the world, in the past two years, the consumer market has met most of the demand. The replacement wave of devices is yet to be observed. How the market develops this year will depend crucially on logistics, supplies of materials, and the COVID-19 pandemic.

Market supply and demand for IoT

ECS will continue to actively penetrate the vertical application markets of EV charging stations and renewable energy in 2022. Also, we will work with local influential system integrators to provide comprehensive services and customized products to customers.

Market growth of motherboards

In terms of PC applications, ECS will continue to cooperate with Intel and AMD to launch various platforms and release Alder Lake and AMD Ryzen platform products in 2022 to strengthen the Windows-based market. In addition, as the functions of tablets are approaching to those of traditional PCs, the boundaries between these two have become increasingly vague. ECS will continue to develop platforms required by customers based on PCB applications, and strengthen product development and sales especially in Linux and Android to enter niche markets and increase profit margin.

Market growth of notebooks

Computer sales have generally declined over the past decade, but according to the market researcher IDC, quarterly PC sales during the pandemic have surged more than 50% from a year ago. Therefore, the notebook market is still likely to grow.

All PC brands are starting to implement more mobile phone technologies into their computers. These technologies have made life much more convenient and effective for consumers, such as power-saving yet powerful processors, higher resolutions screens, thinness and lightness, as well as an improved battery life. As these technologies continue to evolve, there are more and more possibilities in the design of notebooks, including convertible notebooks, detachable notebooks, and two-in-one notebooks (with a 360-degree rotation into a tablet).

In addition, these notebooks can directly connect to mobile network, including the fifth generation mobile communication technology (5G). Portable PCs that support mobile network were once briefly introduced to the market a few years ago, but they did not meet the mainstream expectations, mainly due to ineffective collaboration between hardware manufacturers and mobile communication companies. The uninterrupted connection of mobile phone network has been gradually implemented in notebooks. Analysts predict that the application of mobile technologies in PCs might open a new door for notebooks in the future.

Apple Silicon processor built on the ARM architecture not only maintains high performance, but also greatly extends battery life, thus attracting many users. In recent years, Microsoft has also continued to promote the design of Windows on ARM architecture and maintained in-depth collaboration with Qualcomm. It has launched Windows 11 to support the ARM architecture and added support for Android apps to compete with Apple in the ARM-based laptop market.

MediaTek collaborated with Google and applied its Xun Kun processor to Chromebook product design; it also worked with NVIDIA to enhance the image display performance of ARM-based laptops, expanding into the ARM-based laptop market.

The ARM-based notebook market will still be dominated by Apple for some time because of better product implementation. Microsoft has been implementing ARM in Windows over the past few years and has improved the compatibility between the ARM architecture and Windows 11. It has also enabled compatible Android applications to run on Windows to create more sales opportunities.

Market growth of EVs

With the world focusing more and more on environmental awareness, many countries have put great efforts in developing green energy and environment-friendly electric vehicles. The supply of charging station equipment grows at a rapid rate every year. According to a research by Digitimes, after 2030, there will be more than 50 million electric vehicles, and the demand for charging stations will exceed 500 million units, creating enormous business opportunities. ECS is striving to develop more charging equipment and software platforms for cloud services. ECS expects to have more than 5-10% market shares in the market of 500 million charging stations.

4. Competitive edge

- ECS has manufacturing centers in South China in Mainland China. From motherboards, graphics cards to computer assembly, all processes are certified under ISO 9001 and ISO 14001. We have also adopted the global eco trend of IECQ QC080000 for production and process, and practice the 4-stages of non-toxic management, i.e., non-toxic suppliers, non-toxic material, non-toxic

manufacturing process, and non-toxic quality controls.

- Advantageous synergy from vertical integration: We have strategic alliances with PCB factories, connector and socket factories, power supply manufacturer and computer case manufacturers to effectively reduce costs and delivery times and enhance competitiveness.
- Sound supply chain management: Most of our suppliers are located within an hour's drive away and have implemented the Just in Time (JIT) system. We enjoy a quick supply of materials with low inventory costs.
- Swift responding capacity: Our global sales and service offices can provide timely reports on market demand, allowing the Company to develop products that meet customer needs quickly.
- Full market coverage: Our customers include ODM/OEM, regional system integrators and DIY markets. Changes in demand from different customer level have only limited effect on our sales. Therefore, our sales enjoy a steady growth.
- Professional management team and technology development capability: The Company's management team has comprehensive industry background and knowledge. With rich industry intelligence and technology, managers can accurately pinpoint market trends and explore innovative technologies and concepts. In addition, ECS has made continuous efforts in product development, technology improvement, process improvement and business development. Especially under the leadership of experienced and professional management team, the Company has achieved excellent performance in enhancing production technology, quality control and delivery, and has received positive feedback from customers.
- Strong R&D team: Our R&D team has extensive industry experience accumulated over the years. Its ability to deliver designs quickly can effectively shorten the time for R&D. Apart from the outstanding R&D capabilities, the team has also developed many innovative technologies and obtained a number of important patents.

5. Advantages and disadvantages for developmental and action plans

Advantages:

- We have excellent advantages in production scale, shipment volume and production cost. Our scale and strength are unchallenged and will remain competitive in the future.
- We have the experience and ability to cooperate with major brands in product development and outsourcing. By replicating our successful experience, we actively take part in the supply chain of international brands.
- ECS has vast manufacturing experience accumulated over the years and a comprehensive production supply chain in China. With advanced automation equipment, process technology, engineering research and development capabilities, high quality as well as a sound IT system, we can provide speedy delivery services which not only increase the efficiency of production management but also create more flexible value in the manufacturing process. High quality and low cost are the core competitiveness of ECS.
- We have outstanding R&D talents and years of experience in product design. Through continuous innovation in product development and a shortened product development time, we continue to enhance our competitiveness.
- With the support of suppliers and strategic partners, we have advantages in stable

supply of raw materials and purchasing cost control with less risk of material shortage.

Disadvantages and action plans

- Global economy is highly unpredictable and we see declines in corporate IT spending and PC growth.
- Action plan: In response to the weak growth momentum in the PC market, the Company will actively adjust the cost structure of each product and continue to monitor the market demand dynamics. Enhancing our core competitiveness in our markets is our number one priority. We would strengthen the company through improving production and operation performance, innovating design techniques and controlling inventory costs. During economic downturn, we shall strive to solidify existing customer relationship and aggressively explore new customer groups to maintain our market share.
- An increasing proportion of ODM/OEM customers may reduce profit margin and increase inventory level.
- Action plan: We will actively monitor the changes in the end market's demand and adjust our product directions by focusing on orders of more profitable products. Meanwhile, we will actively develop new customers to reduce risks. Internally, we would aggressively reduce inventory and control costs to enhance product competitiveness.
- If the global economy recovers too slowly or the momentum is too weak in the future, the impact on computer demand worldwide will be significant. Overall, PC is not the most essential item for consumers in developing countries. The drop in purchasing power will have certain effect on computer sales.
- Action plan: We will tailor products for local needs in specific markets, improve design and develop products suitable for local consumers. We plan to gain market share with competitive prices.
- International brands constantly employ strategies of brand effect, price and quick rollout of new products to squeeze the margins of regional brands as well as gaining market shares of the latter. Consequently, the shipment of ODM is affected.
- Action plan: We would enhance the overall performance and added value of computer products through innovative designs for hardware and development of application software. By working with strategic partners on the research and development of new technologies, we can enter the niche market with product differentiation and diversification. In addition, we will continue to develop the education laptop and tablets markets, improve customer service and satisfaction, and strengthen the business relationship with strategic partners, so as to shorten the cycle of product innovation and development and release new products at a faster rate to enhance product competitiveness.
- Computer manufactures launch low-priced products to gain market shares. The fierce price war results in declining average selling prices, which hurt the profitability.
- Action plan: We will employ the strategy of product diversification, increasing product mixes for segmented markets.
- The export industry is significantly impacted by exchange rate fluctuations.
- Action plan: We will closely monitor exchange rate movements, strictly implement cost controls and initiate risk management to reduce the extent of

impact.

- Escalating conflicts between U.S. and China increase import costs.
- Action plan: The Company establishes production bases in Southeast Asia and cooperates with local manufacturers to further develop the Southeast Asian market.

(II) Applications and processes of major products

1. Applications of major products

PC motherboard:

Its main components are PCBs, system chipsets, IC chips of different functions, and passive components (resistances, capacitors, inductances, connectors, etc.) They are the core components of the PC system and control the internal computing, input, output and expansion functions of PC.

Graphics card:

Its main components are PCBs, graphics chipsets, IC chips of different functions, and passive components (resistances, capacitors, inductances, connectors, etc.) They are the core components of the PC system and control the image processing and output functions of PC.

Desktop computer:

It is mainly made up of motherboards, case, power supplies, floppy disc drives and optical disc drives. Once CPU, HDD, DRAM and software are installed, it is ready for use. In addition to the traditional functions of data processing and storage, electronic communication, and word processing, the main changes in desktop computers are the added accessories to improve their computing capability and audio-visual entertainment. There are also constant innovations on their designs and incorporation of home entertainment.

Notebook computer:

It is a form of PCs. Compared to desktop computers, notebooks have portability and they are normally presented as a PC in a closed-book form due to their mechanism design. Notebooks do not include WebPad or Pocket PC. Their main functions include document and data processing, engineering design, briefing and typesetting applications, multimedia applications, and internet-related hardware and software applications. Notebook PCs can be used in a variety of occasions and easily and conveniently carried by all. They can also be a basic platform for basic mobile data communication, increasing their internet and communication applications.

Tablet computer:

It is a form of PCs. Compared to notebooks, tablets are more portable and they are normally presented as a PC in a flat form due to their mechanism design. Their main functions are multimedia browser applications and software and hardware applications related to online instant communications. They are easy to be carried around at any given occasion.

Smart Gateway:

The IoT gateway is an intermediate hardware between sensors and devices. Its applications would calculate data captured and transform them into useful information. Gateways allow you to efficiently collect and safely transmit data between remote users, hardware devices and applications.

2. Production process of the major products

Production process of motherboard (graphics card):

Incoming quality control → Solder paste printing → Parts placement → Reflow welding → <AOI inspection> → Manual assembly → Soldering furnace → PCBA

processing → Functional test → Packing → Inventory.

Production process of desktop computer:

Incoming quality control → Solder paste printing → Parts placement → Reflow welding → AOI inspection → Manual assembly → Soldering furnace → PCBA processing → Functional test → System assembly → Preliminary test → Burn-in testing → Final testing → Packing → Inspection → Inventory.

Production process of desktop computer, notebook computer (tablets), and IoT products:

Incoming quality control → Solder paste printing → Parts placement → Reflow welding → AOI inspection → PCBA manual assembly → Functional test → System assembly → Preliminary test → Burn-in testing → Final test → Packing → Inspection → Inventory.

Production process of the EV Charger products :

Incoming quality control → Material storage → Assembly → Interior and exterior inspection → ATE test → Aging → Full inspection test → Visual inspection → Packing → Finished product inspection → Inventory.

(III) Supply and demand of major materials

The raw materials used in the PC motherboards, desktop computers, notebooks and tablets come from major computer and communication components manufacturers both at home and abroad. Categories and suppliers are as follows:

Chipsets: Lenovo PC HK, Dell Global B.V., Synnex Technology International, Acer Incorporated

Motherboards: Golden Elite Technology (Shenzhen)

Resistors/Capacitors: Everwiner Enterprise, Yageo Corp., Taiwan Murata Electronics, Ralec Electronic Corp.

CPU: INTEL, Acer Incorporated, Lenovo PC HK, JP SA COUTO, Medion AG

LCD Panel: Starry Electronic Technology, F-LINK ELECTRONIC, F-LINK ELECTRONIC

Battery: BMSPow Green Energy, Hangzhou Future Power Technology Co., Ltd.

As we have extensive procurement plan, we provide estimated procurement volume to each supplier on a quarterly and monthly basis and all materials have more than two supply sources. Thus, our material supply has been normal and there are no shortages or idle materials for the both parties. Also, we maintain long-term cooperation and good relationship with each supplier, thereby obtain competitive prices.

(IV) Names of customers who accounted for more than 10% of the total amount of purchases and sales in any year of the recent two years and the amount and proportion of purchases and sales, together with the reasons for the increase or decrease:

1. Information of Major Suppliers

Unit: NT\$1,000

Item	2020				2021				Up to the Previous Quarter of 2022 (Note 2)			
	Name	Amount	As a Percentage of the Annual Net Purchases (%)	Relationship with the Issuer	Name	Amount	As a Percentage of the Annual Net Purchases (%)	Relationship with the Issuer	Name	Amount	As a Percentage of the Net Purchases up to the Previous Quarter of the Year (%)	Relationship with the Issuer
1	Manufacturer A	5,553,252	23.06	None	Manufacturer A	3,903,264	12.99	None	Manufacturer A	1,875,715	26.53	None
	Other	18,532,240	76.94		Manufacturer B	3,706,163	12.34	None	Other	5,194,790	73.47	
					Other	22,429,926	74.67					
	Net purchase	24,085,492	100.00		Net purchase	30,039,353	100.00		Net purchase	7,070,505	100.00	

Note 1: A list of any suppliers accounting for 10 percent or more of the company's total procurement amount in either of the 2 most recent fiscal years, the amounts bought from each. Where the company is prohibited by contract from revealing the name of a client, or where a trading counterpart is an individual person who is not a related party, it may use a code in place of the actual name:

Note 2: For a public company whose stocks are listed on a stock exchange (a "listed" company) or by an OTC company, if, before the date of publication of the annual report, there is any financial data for the most recent period audited and attested or reviewed by a CPA, it shall also be disclosed therewith.

Reasons for the increase or decrease: due to changes in market trends, changes in customer demand for products, and other reasons.

2. Information of Major Customers

Unit: NT\$1,000

	2020				2021				Up to the Previous Quarter of 2022 (Note 2)			
Item	Name	Amount	As a Percentage of the Annual Net Sales [%]	Relationship with the Issuer	Name	Amount	As a Percentage of the Annual Net Sales [%]	Relationship with the Issuer	Name	Amount	As a Percentage of the Net Sales up to the Previous Quarter of the Year (%)	Relationship with the Issuer
1	Customer A	3,451,405	13.28	None	Customer A	9,291,278	29.09	None	Customer A	1,972,057	26.43	None
2	Customer B	7,779,879	29.93	None	Customer B	6,281,878	19.67	None	Customer B	2,165,944	29.03	None
3	Customer C	2,926,510	11.26	None	Customer C	2,510,867	7.86	None	Customer C	633,962	8.50	None
4	Other	11,837,941	45.53		Other	13,853,837	43.38		Other	2,688,548	36.04	
	Net sales	25,995,735	100.00		Net sales	31,937,860	100.00		Net sales	7,460,511	100.00	

Note 1: Name of the customer with more than 10% of the total sales amount in the last two years and the amount and proportion of the sales. Due to the contractual agreement, the name of the sales or the object of the transaction may not be disclosed as an individual and a non-relevant person.

Note 2: For a public company whose stocks are listed on a stock exchange (a "listed" company) or by an OTC company, if, before the date of publication of the annual report, there is any financial data for the most recent period audited and attested or reviewed by a CPA, it shall also be disclosed therewith.

Reasons for the increase or decrease: due to changes in market trends, changes in customer demand for products, and other reasons.

(V) Indication of Production Volume for the Most Recent Two Fiscal Years

Unit: piece; set; NT\$ thousands

Years Main Products (or by Department)	2020			2021		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Computer & Peripherals	13,489,868	8,615,358	22,177,476	15,556,092	9,254,540	28,143,032
Total	13,489,868	8,615,358	22,177,476	15,556,092	9,254,540	28,143,032

Note 1: Capacity is the amount of production that the Company can produce using existing production facilities and under normal operation, taking into account necessary downtime, holidays, etc.

Note 2: The capacity of the Company includes the capacity of outsourced production.

(VI) Indication of Sales Volume for the Most Recent Two Fiscal Years

Unit: piece; set; NT\$ thousands

Years Main Products (or by Department)	2020				2021			
	Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Computer & Peripherals	122,500	548,318	7,444,929	25,240,621	84,695	355,372	7,283,463	31,358,938
Other	-	2,639	-	204,157	-	25,126	-	198,424
Total	122,500	550,957	7,444,929	25,444,778	84,695	380,498	7,283,463	31,557,362

III. Information on Employees

Information on employees in the last two years and as of the published date of the annual report:

Years		2020	2021	The Current Fiscal Year up to April 30, 2022
Number of Employees	Direct personnel	5716	4387	4299
	Indirect personnel	2230	2041	1977
	Total	7946	6428	6276
Average Age		29.8	30.9	32.8
Average Service Year		1.6	2.1	2.1
Academic Background Distribution (%)	PhD	0.01%	0.02%	0.02%
	Master's	3.20%	3.28%	3.30%
	Bachelor's	17.27%	18.28%	18.31%
	High school	5.11%	5.80%	6.44%
	Below high school	74.41%	72.62%	71.93%

IV. Environmental Protection Expenditures

- (I) The waste gas, waste water, noise, and waste produced in the production process of the Company meet the requirements of local laws and regulations, and no environmental pollution occurred.
- (II) From 2021 to the date of publication of this Annual Report, the Company has not experienced any environmental pollution, nor has it experienced any major environmental punishment or loss, and its products are all designed in an ecological manner. No major environmental pollution incident is expected in the future.
- (III) The financial and business impacts of international environmental laws and regulations and customer environmental requirements on the Company are as follows:

Financial impact:

To comply with the environmental protection laws and regulations of various countries and the environmental protection requirements of customers, the plants constantly updated or purchased production equipment and verification and testing equipment, resulting in additional capital requirements; however, there is no material impact on the financial condition of the Company because the Company had sufficient funds to support them.

Business impact:

ECS is committed to sustainable development. We integrate the green concept into the whole enterprise to meet the needs of customers, protect the environment, and advance

business development, creating benefits for the customers, the society, and the enterprise. ECS is engaged in the design and manufacture of motherboards, display cards, desktop computers, laptops, and tablets. With green innovations, we have introduced the concept of "green products" and the "four non-toxic principles" of non-toxic suppliers, non-toxic materials, non-toxic processes, and non-toxic products. We implement these concepts and principles in each step of operations to achieve certification for each stage.

The Company has observed the environmental protection laws and regulations and customer requirements of environmental protection, never used hazardous materials, and introduced the concept of "green design". We have built a green supply chain prohibiting hazardous substances and adopting green design, green manufacturing, and green manufacturer, which have all been in line with the requirements of green consumers and international brands, so they have no significant impact on the business of the Company.

V. Labor Relations

In order to take good care of our employees, the Company has formulated vacation and retirement systems, and a variety of benefits. As a result, the employees have a high degree of dedication to the Company. There is a harmonious relationship between the labor and capital and a lack of labor dispute.

(I) Employee welfare measures:

The Company has set up the Staff Welfare Committee, which is responsible for promoting various staff welfare works.

1. Activities held: subsidize employees' travel at home and abroad, and organize parties, outdoor activities, public welfare activities, art lectures, music appreciation, various ball games, festival activities, employees' family day, and other activities to help employees to de-stress and have fun.
2. Annual festival gift and subsidy measures: wedding, funeral, and festival grants, birthday gift, three-festival gift, association subsidy, travel subsidy, emergency relief subvention, etc.
3. Community activities: Currently, the clubs include Yoga Club, Tai Chi Fitness Club, Hot Dance Club, Pilates Club, Table Tennis Club, Running Club, Basketball Club, Dance Club, Women's Basketball Club, Fitness Club, Riding Club, Table Games Club, Badminton Club, Flower Art Club, Mountaineering Club, etc., which enrich the staff's leisure time.
4. Staff canteen: free lunch is provided for employees, with nutritional buffet, noodles area, and fruit-based meals. The calorie of each meal is displayed to help employees stay on their diets.
5. Staff leisure center: Gym room, lactation room, rhythm classroom, karaoke room, billiard area, library, rest area, and lavatory are set up to provide staff with places to relax.

(II) Personnel training and further training and measures to safeguard the rights and interests of employees

1. Employees are the most important assets of the Company, and the annual talent training is also one of the important annual projects. Based on functions, the curriculum structure of the functional system is comprehensively introduced, and a series of courses are launched for different functions, so as to comprehensively improve the competence of employees and achieve organizational goals.

(1) The staff training in 2021 was function-based, aiming to assist staff's career development, strengthen professional competence required by various categories of business, and combine various online learning resources with external professional training to help staff grow.

(2) The employee training details of the Company in 2021 were as follows:

	2021 (consolidated information)
Total education and training expenditures	\$539,739
Average training cost per person	\$322.99
Training Hours	86,326
Annual total number of training participants	8,653
Average training hours per enrollment	8.07

2. The Company set up a Health Promotion Committee to implement the healthy weight management plan for employees and promote the employee assistance program, and establish the correct awareness of independent health management for employees through the promotion of health and sports knowledge.
 - (1) Staff health management: provide staff health examination, physical fitness test, on-site service of special physician, and regular health information service.
 - (2) Handling of courses and lectures: smoke hazard prevention and control, healthy weight management program, stress relief lectures.
 - (3) Activities and competitions: smoke cessation activities, stress relief activities, and parent-child activities.
 - (4) Employee assistance program: established ECS employee assistance service map, combined with internal and external resources, to help solve the personal problems that affect the performance and safety of employees, help the Company and employees grow steadily together, and enhance competitiveness of the organization.
3. Formulated the measures for employee remuneration to share the operating results.
4. The Company provides labor insurance, health insurance, group insurance, business trip FPA insurance to ensure the livelihood of employees.
5. Retirement system

The Company formulated the retirement management measures in accordance with the laws and regulations related to the Labor Standards Act. If the new system of labor pension is applicable, 6% of the employee's salary will be contributed to the pension on a monthly basis according to the "Regulations on Labor Pension (New System of Labor Pension)", which will be deposited in the individual account of labor pension set up by the Bureau of Labor Insurance. Employees can also contribute 0~6% of the pension voluntarily. The part of the voluntary contribution shall be deducted from the total personal comprehensive income of the year according to law. For employees who apply to the old pension system and have already chosen to apply to the new pension system, according to the Labor Standards Act (old pension system), 2% of the employee's taxable salary shall be allocated to the old pension reserve account of the Trust Department of the Bank of Taiwan as the fund source of the old pension payment.

(III) Employee Code of Conduct and Ethics

The company has an honest policy statement, which serves as a code of conduct for all staff to follow, and specifies in the employment contract the duty of loyalty and the integrity clause to be observed as a member of the Company to strive for the sustainable operation of the Company.

- (IV) The losses suffered due to labor disputes in the most recent fiscal year up to the publication date of this annual report are listed (including labor inspection results in violation of the Labor Standards Act, punishment date, punishment name, violated provision of laws and regulations, content of violated laws and regulations, and punishment content), and the estimated amount for current and possible future occurrences and response measures are disclosed. If the amount cannot be reasonably estimated, the reason should be clarified:
None

VI. cyber security management

- (I) Describe the information security risk management structure, information security policy, specific management plan and resources invested in information security management of the Company;

Information security risk assessment analysis and response measures: the Company refers to the international ISO 27001 information security risk management control system, measures the control environment, risk assessment, control activities, information and communication, supervision and other elements, establishes the enterprise operation management mechanism, and the information unit establishes a strict process system for information security according to the company's internal control system. In order to improve information security management, an information security management team was set up in 2020, which is responsible for supervising the management and operation of information security, is regularly inspected and verified in information security by internal and external auditors, and formulates the management measures for information security in accordance with the relevant laws and regulations and the Company's operational needs.

1. Organization structure of information security risk management

The information security unit of the Company is responsible for the information security, formulates the internal information security regulations and systems, and sets up the Information Security Committee to coordinate information security management and promote coordination of information security policies, according to the Information Security Organization Management Procedure, which assigns the rights and responsibilities of relevant units and personnel. The Information Security Committee is convened by the director of the Information Division, who is the management representative, and the immediate subordinate (supervisors) are the members, including the information security group, the system group, the network group and the ERP DBA group, with one team leader in each group, who shall be appointed by the convener, and the group members shall be tasked and appointed by the team leader. In order to strengthen information security management, enhance the awareness of information security among personnel and partners, and ensure the security of data, systems, equipment and networks, any deliberate violation of information security will be subject to relevant norms or legal responsibilities. The audit office of the Company conducts an information security audit on the internal control system every year to check whether the information operation conforms to the internal control system. The Information Security Committee conducts reviews at least once according to the Information Security Management Review Procedure to reflect the latest development of government laws, technology and business, so as to ensure the continuous operation of the Company and the practical operation ability in information security. ECS ensures the Confidentiality, Integrity, Availability and Compliance of important information and services, define and measure the quantitative indicators of information security performance according to the Information Security Performance Management Procedure, so as to confirm the implementation status of the information security management system and whether the information security objectives have been achieved.

2. Cyber security management policies

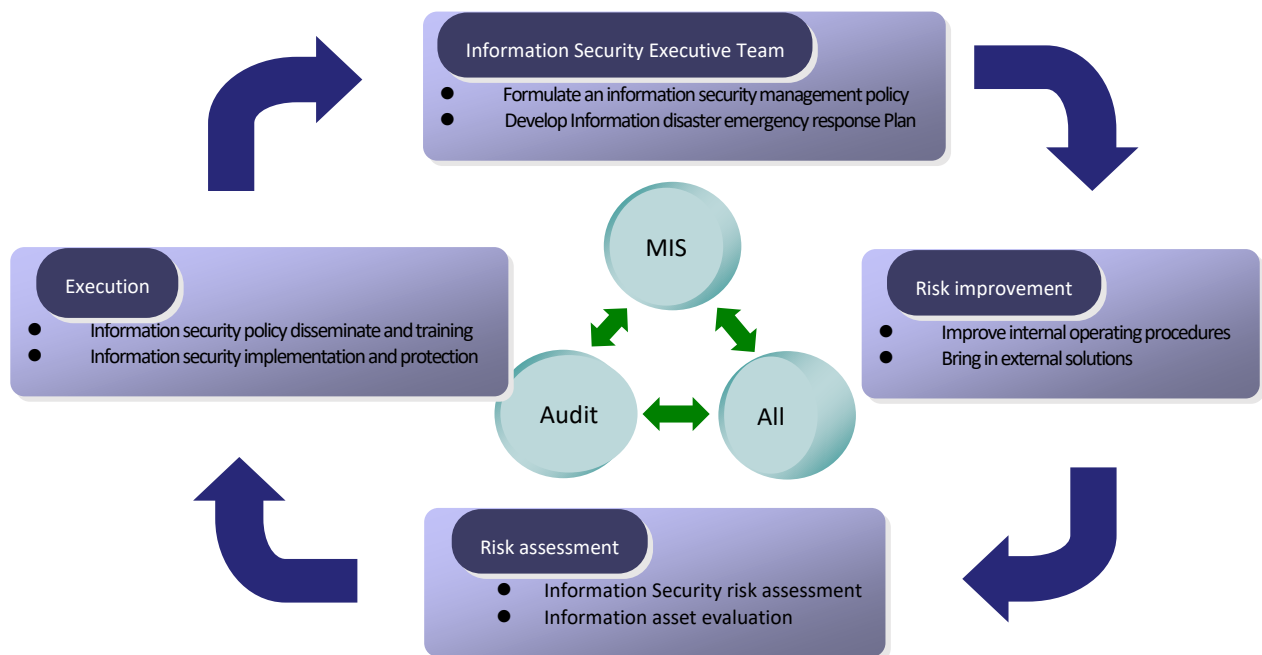
The Company's information security management regulations must comply with the relevant government laws and regulations. The information security management mechanism is made by the information unit and expert consultants, referring to the Company's approval authority, procurement procedures, manufacturing, recruitment and training, fixed assets management and other management procedures, and the top management of the information unit formulates information security management policies to provide the Company with a stable and safe information environment and perfect business decision-making information through effective system operation. They also provide innovative and diversified information services and improve customer satisfaction, and comply with the requirements of relevant laws and regulations to prevent unauthorized access, use, control, leakage, damage, tampering, destruction or infringement of information or cyber systems, and avoid internal and external threats, be it intentional or accidental. This policy is hereby specified. In addition, ECS regularly publicizes and educate the importance of information security to employees, establishes an information security management system (ISMS) conforming to international standards in order to strengthen information security management. In 2020, ISO 27001 management system certification was introduced and ECS passed the verification in 2021 to ensure that the management of the information system and computer room at the core of the Company's operation conforms to the international information security management standards, exempt from the impact of internal and external risks, and ensure the confidentiality, integrity and availability of its information assets.

Cyber security management policies:

- (1) Provide information security management guidelines in accordance with operational requirements and relevant laws and regulations.
- (2) The information policy is formulated and approved by the management and communicated internally and externally.
- (3) The information policy should be reviewed regularly or in case of major changes to ensure its appropriateness and effectiveness.

3. Information security risk management framework and specific management plan

Operation mode - PDCA (Plan-Do-Check-Act) circular management is adopted to ensure the reliability goal is achieved and continuously improved.



The Company's audit office is the supervising unit of information security supervision. The office has an audit supervisor and several full-time auditors, who are responsible for supervising the implementation of internal information security, and regularly report the Company's information security inspection to the Audit Committee. If any defects are found in the audit, the audited unit is required to put forward relevant improvement plans and specific actions to regularly track the improvement results and reduce internal information security risks.

Information security management policies and specific management measures are as follows:

Network Information Security Management	Device Security Management	Data security	System Security Monitoring	Operational Continuity Management	Audit Certification Review Training
✓ Firewall & Intrusion protection ✓ URL filtering & LAN isolation ✓ Network services implementation follow information security policy ✓ Track abnormal of system log regularly ✓ Multifactor Authentication ✓ Information Security weekly	✓ Virus scans / Windows security updates regularly ✓ Antivirus and Intrusion Detection ✓ Network Domain management ✓ Connected Devices authentication	✓ Documents encryption ✓ Cloud/Local Backup ✓ Email protection ✓ Permission control ✓ HR system and network account Synchronization	✓ Track abnormal of System Log regularly ✓ Cyber security, vulnerability and technical understand ✓ Ensure security of people and physical environment ✓ Information Security Weekly Report	✓ Cloud/Local Backup ✓ Disaster recovery planning ✓ Follow international standards for ISO/IEC 27001 ✓ Setup notification and operations processing of event level	✓ Information security review regularly ✓ External audits regularly ✓ Vulnerability scans regularly ✓ Disseminate information security and training ✓ Assign staff certification of information security

- (II) In the most recent fiscal year and up to the date of publication of the Annual Report, the suffered losses, possible impacts and countermeasures due to major cyber security incidents should be stated about the facts if they cannot be reasonably estimated: In 2021 and as of the date of this Annual Report, ECS has successfully prevented attacks on the corporate network from the Internet, which have or may have prevented significant adverse impact on the business and operations of the Company. In addition, the Company has not been involved in any legal case or regulatory investigation related thereto, and there were no major security events during the year that affected the Company's business and operating production. The Company also identified potential losses that might be caused by disasters, reduced the loss of critical systems and equipment when they were out of operation, developed specific and feasible emergency response plans and disaster recovery strategies, and performed personnel training, regular drills and tests, and maintenance to ensure the continuity of business operations.

VII. Important Contracts

Type of Contract	Party	Contract Duration	Contract Content	Restrictions
Sales contract	CONFIDENTIAL	Effective as of Aug. 11, 2009	Trading of products	Nontransferable
Purchase Contract	CONFIDENTIAL	Effective as of May 20, 2011	Purchase of products	Nontransferable
Sales contract	CONFIDENTIAL	Effective as of Dec. 1, 2013	Trading of products	Nontransferable
Sales contract	CONFIDENTIAL	2016/5/4~ 2021/5/3	Trading of products	Nontransferable
License contract	CONFIDENTIAL	Effective as of Jun. 27, 2016	Technical license	Nontransferable
Sales contract	CONFIDENTIAL	Effective as of May 31, 2011	Trading of products	Nontransferable
License contract	CONFIDENTIAL	Effective as of Aug. 24, 2018	Software Authorization	Nontransferable
Sale and purchase agreement	CONFIDENTIAL	2018/11/14~2024/3/30	Purchase of products	Nontransferable
Sale and purchase agreement	CONFIDENTIAL	2019/3/30~2024/3/30	Trading of products	Nontransferable
License contract	CONFIDENTIAL	Effective as of Sep. 24, 2020	Patent licensing	Sublicense forbidden
License contract	CONFIDENTIAL	Effective as of 7/17/2020	Patent licensing	Sublicense forbidden
Sale and purchase agreement	CONFIDENTIAL	2020/07/17~2021/07/16	Patent licensing	Nontransferable
Sale and purchase agreement	CONFIDENTIAL	Effective as of Dec. 17, 2021~Jul. 16, 2024	Trading of products	Nontransferable
License contract	CONFIDENTIAL	Effective as of Sep. 28, 2021	Patent licensing	Nontransferable

Chapter 6. Financial Information

I. Incidents of Condensed Balance Sheets, Income Statements, Accountant Name, and Audit Opinions for the Recent 5 Years

(I) Condensed Balance Sheets and Statements of Comprehensive Income

Condensed Balance Sheets - Consolidated

Unit: NT\$1,000

Item	Years	Financial Information For The Past 5 Years					Financial Data for the Current Fiscal Year up to March 31, 2022 (Note 1)
		2017	2018	2019	2020	2021	
Current Assets		15,582,748	16,896,467	16,236,514	17,640,877	18,284,392	17,638,315
Property, Plant, and Equipment		3,020,874	2,854,471	2,671,997	2,801,574	2,661,510	2,690,289
Intangible Assets		632,871	632,810	617,718	605,759	595,738	601,849
Other Assets		2,684,226	3,116,635	3,826,999	2,701,700	2,590,225	2,535,947
Total Assets		21,920,719	23,500,383	23,353,228	23,749,910	24,131,865	23,466,400
Current Liabilities	Before distribution	9,631,841	11,845,410	11,572,898	11,897,142	12,986,433	12,057,922
	After distribution	10,189,244	11,845,410	11,572,898	12,455,363	12,986,433	12,057,922
Non-current Liabilities		528,556	483,609	761,566	766,084	633,635	606,088
Total Liabilities	Before distribution	10,160,397	12,329,019	12,334,464	12,663,226	13,620,068	12,664,010
	After distribution	10,717,800	12,329,019	12,334,464	13,221,447	13,620,068	12,664,010
Equity Attributable to Owners of the Parent		11,606,333	11,010,705	10,950,004	11,015,472	10,441,739	10,766,245
Capital Stock		5,574,030	5,574,030	5,574,030	5,574,030	5,574,030	5,574,030
Capital Surplus		5,869,892 (Note 2)	5,881,933	5,913,183	5,413,220 (Note 4)	5,438,962	5,437,323
Retained Earnings	Before distribution	207,486	228,096	279,862	342,705	362,814	540,038
	After distribution	207,486 (Note 2)	228,096	279,862	286,147 (Note 3 & 5)	362,814 (Note 6)	540,038
Other Equity		(602,478)	(673,354)	(817,071)	(816,146)	(934,067)	(785,146)
Treasury Stock		0	0	0	0	0	0
Non-controlling Interests		153,989	160,659	68,760	71,212	70,058	36,145
Total Equity	Before distribution	11,760,322	11,171,364	11,018,764	11,086,684	10,511,797	10,802,390
	After distribution	11,202,919	11,171,364	11,018,764	10,528,463	10,511,797	10,802,390

Note 1: It is the Company's consolidated financial data for the first quarter of 2022 reviewed by the CPA adopting the International Financial Reporting Standards (IFRSs).

Note 2: The plans of earnings distribution and cash payment from capital reserves have been adopted by the resolution of the general shareholders' meeting in 2018.

Note 3: It is the amount resolved by the Board of Directors on March 22, 2021.

Note 4: It is the capital reserves of NT\$501,663 thousand that was resolved to pay by the Board of Directors on April 21, 2021.

Note 5: The 2020 earnings distribution plan has been adopted by the resolution of the general shareholders' meeting in 2021.

Note 6: The resolution is passed by the Board of Directors on March 7, 2022.

Condensed Balance Sheets - Parent Company Only

Unit: NT\$1,000

Years Item		Financial Information For The Past 5 Years				
		2017	2018	2019	2020	2021
Current Assets		9,831,858	13,131,698	12,671,787	13,273,595	13,202,509
Property, Plant, and Equipment		66,824	74,985	59,757	63,422	91,625
Intangible Assets		415,219	403,181	393,094	394,326	391,343
Other Assets		8,160,110	6,220,687	6,360,343	7,468,870	7,173,739
Total Assets		18,474,011	19,830,551	19,484,981	21,200,213	20,859,216
Current Liabilities	Before distribution	6,349,881	8,348,684	7,895,004	9,515,031	9,886,620
	After distribution	6,907,284	8,348,684	7,895,004	10,073,252	9,886,620 (Note 5)
Non-current Liabilities		517,797	471,162	639,973	669,710	530,857
Total Liabilities	Before distribution	6,867,678	8,819,846	8,534,977	10,184,741	10,417,477
	After distribution	7,425,081	8,819,846	8,534,977	10,742,962	10,417,477
Equity Attributable to Owners of the Parent		11,606,333	11,010,705	10,950,004	11,015,472	10,441,739
Capital Stock		5,574,030	5,574,030	5,574,030	5,574,030	5,574,030
Capital Surplus		5,869,892(Note 1)	5,881,933	5,913,183	5,413,220(Note 3)	5,438,962
Retained Earnings	Before distribution	207,486	228,096	279,862	342,705	362,814
	After distribution	207,486(Note 1)	228,096	279,862	286,147(Note 2, 4)	362,814(Note 5)
Other Equity		(602,478)	(673,354)	(817,071)	(816,146)	(934,067)
Treasury Stock		0	0	0	0	0
Non-controlling Interests						
Total Equity	Before distribution	11,606,333	11,010,705	10,950,004	11,015,472	10,441,739
	After distribution	11,048,930	11,010,705	10,950,004	10,457,251	10,441,739

Note 1: The plans of earnings distribution and cash payment from capital reserves in 2017 have been adopted by the resolution of the general shareholders' meeting in 2018.

Note 2: It is the amount resolved by the Board of Directors on March 22, 2021.

Note 3: It is the capital reserves of NT\$501,663 thousand that was resolved to pay by the Board of Directors on April 21, 2021.

Note 4: The 2020 earnings distribution plan has been adopted by the resolution of the general shareholders' meeting in 2021.

Note 5: The resolution is passed by the Board of Directors on March 7, 2022.

Condensed Composite Income Statement (Consolidated)

Unit: NT\$1,000

Item \ Years	Financial Information For The Past 5 Years					Financial Data for the Current Fiscal Year up to March 31, 2022 (Note 1)
	2017	2018	2019	2020	2021	
Operating Revenue	29,947,340	31,796,016	28,291,303	25,995,735	31,937,860	7,460,511
Gross Profit	3,033,483	2,516,987	3,095,283	2,731,669	2,661,816	592,070
Operating Income	(2,845)	(323,584)	14,191	40,677	(260,293)	(3,236)
Non-operating Income and Expenses	378,646	352,884	74,015	378,491	428,958	233,898
Income before Tax	375,801	29,300	88,206	419,168	168,665	230,662
Income from Continuing Operations	224,119	22,014	53,061	65,950	93,391	175,901
Loss from Discontinued Operations	0	0	0	0	0	0
Net Income (Loss)	224,119	22,014	53,061	65,950	93,391	175,901
Other Comprehensive Income (after tax)	(429,894)	(55,644)	(142,324)	270	(135,799)	150,430
Total Comprehensive Income	(205,775)	(33,630)	(89,263)	66,220	(42,408)	326,331
Net Income Attributable to Shareholders of the Parent	221,761	20,412	45,779	62,084	71,527	177,224
Net Income Attributable to Non-controlling Interests	2,358	1,602	7,282	3,866	21,864	(1,323)
Comprehensive Income Attributable to Owners of the Parent	(197,867)	(40,300)	(91,951)	63,768	(41,254)	326,145
Comprehensive Income Attributable to Non-controlling Interests	(7,908)	6,670	2,688	2,452	(1,154)	186
Earnings per Share	0.40	0.04	0.08	0.11	0.13	0.32

Note 1: It is the Company's consolidated financial data for the first quarter of 2022 reviewed by the CPA adopting the International Financial Reporting Standards (IFRSs).

Condensed Composite Income Statement (Parent Company Only)

Unit: NT\$1,000

Item \ Years	Financial Information For The Past 5 Years				
	2017	2018	2019	2020	2021
Operating Revenue	27,137,286	29,108,941	25,612,724	23,256,321	28,414,777
Gross Profit	2,123,189	1,680,572	2,196,007	1,886,223	2,016,920
Operating Income	57,394	(209,464)	461,043	(63,129)	(25,640)
Non-operating Income and Expenses	201,270	236,994	(401,722)	427,876	112,016
Income before Tax	258,664	27,530	59,321	364,747	86,376
Income from Continuing Operations	221,761	20,412	45,779	62,084	71,527
Loss from Discontinued Operations	0	0	0	0	0
Net Income (Loss)	221,761	20,412	45,779	62,084	71,527
Other Comprehensive Income (after tax)	(419,628)	(60,712)	(137,730)	1,684	(112,781)
Total Comprehensive Income	(197,867)	(40,300)	(91,951)	63,768	(41,254)
Earnings per Share	0.4	0.04	0.08	0.11	0.13

(II) Names of CPAs and audit opinions in recent 5 years:

Years	Name of CPA Firm	Name of CPA	Opinions
2017	Deloitte & Touche	Hsiu-Chun Huang, Shih-Tsung Wu	Unqualified opinion (emphasis matter paragraphs and other matter paragraphs)-The financial statements of the Company were audited and reviewed by another auditor, and the responsibility is divided.
2018	Deloitte & Touche	Hsiu-Chun Huang, Shih-Tsung Wu	Unqualified opinion (emphasis matter paragraphs and other matter paragraphs)-The financial statements of the Company were audited and reviewed by another auditor, and the responsibility is divided.
2019	Deloitte & Touche	Hsiu-Chun Huang, Shih-Tsung Wu	Unqualified opinion (emphasis matter paragraphs and other matter paragraphs)-The financial statements of the Company were audited and reviewed by another auditor, and the responsibility is divided.
2020	Deloitte & Touche	Hsiu-Chun Huang, Cheng-Chun Chiu	Unqualified opinion (emphasis matter paragraphs and other matter paragraphs)-The financial statements of the Company were audited and reviewed by another auditor, and the responsibility is divided.
2021	Deloitte & Touche	Cheng-Chun Chiu and Shih-Tsung Wu	Unqualified opinion (emphasis matter paragraphs and other matter paragraphs)-The financial statements of the Company were audited and reviewed by another auditor, and the responsibility is divided.

II. Financial Ratio Analysis for the Most Recent Five Years

(I) Financial Analysis (Consolidated)

Analysis Item		Financial Analyses for the Past Five Fiscal Years					The Current Fiscal Year up to March 31, 2022 (Note 1)
		2017	2018	2019	2020	2021	
Financial Structure (%)	Debt ratio	46.35	52.46	52.82	53.32	56.44	53.97
	Ratio of long-term capital to property, plant, and equipment	406.80	408.31	440.88	423.08	418.76	424.06
Solvency (%)	Current ratio	161.78	142.64	140.30	148.28	140.80	146.28
	Quick ratio	125.37	113.13	115.62	116.99	106.77	107.65
	Interest coverage ratio	7.62	1.38	1.85	6.56	6.53	23.63
Operating ability	Accounts receivable turnover rate (times)	5.88	6.18	5.96	5.87	5.15	4.46
	Average days for cash receipts	62.07	59.06	61.24	62.18	70.87	81.84
	Inventory turnover rate (times)	7.42	8.33	7.86	7.00	7.11	5.98
	Accounts payable turnover rate (times)	4.94	5.90	5.70	5.48	6.05	5.51
	Average days for sale of goods	49.19	43.81	46.43	52.14	51.33	61.04
	Property, plant, and equipment turnover rate (times) (a)	9.53	10.82	10.24	9.50	11.69	2.79
	Total assets turnover rate (times) (a)	1.32	1.40	1.21	1.10	1.33	0.31
Profitability	Return on total assets (%)	1.19	0.37	0.58	0.54	0.49	0.22
	Return on equity (%) (b)	1.89	0.19	0.48	0.60	0.86	6.60
	Ratio of income before tax to paid-in capital (%) (e)	6.74	0.53	1.58	7.52	3.03	16.55
	Net profit margin (%)	0.75	0.07	0.19	0.25	0.29	2.36
	Earnings Per Share (NT\$)	0.40	0.04	0.08	0.11	0.13	0.32
Cash Flows	Cash flow ratio (%) (c)	8.50	(6.10)	13.15	(3.31)	(15.40)	14.05
	Cash flow adequacy ratio (%) (c)	82.12	63.27	121.82	48.84	(19.91)	2.48
	Cash reinvestment ratio (%) (c)	6.66	(10.99)	8.92	(2.30)	(15.25)	9.77
Leverage	Operating leverage (d)	(1,036.63)	(8.11)	230.15	68.50	(10.19)	(193.20)
	Financial leverage (d)	0.05	0.81	(0.16)	(1.17)	0.90	0.24
Explain the reasons why the financial ratios have changed by more than 20% in the last two years (a) It was mainly due to the increase in the net sales in 2021. (b) It was mainly due to the increase in the overall profit in 2021. (c) It was mainly due to the decrease in net cash flows from operating activities in 2021. (d) It was mainly due to the decrease in net operating profit in 2021. (e) It was mainly due to the decrease in net profit before tax in 2021.							

Note 1: It is the Company's consolidated financial data for the first quarter of 2022 reviewed by the CPA adopting the International Financial Reporting Standards (IFRSs).

(II) Financial Analysis (Parent Company Only)

Analysis Item		Years	Financial Analyses for the Past Five Fiscal Years				
			2017	2018	2019	2020	2021
Financial Structure (%)	Debt ratio		37.17	44.48	43.80	48.04	49.94
	Ratio of long-term capital to property, plant, and equipment (a)		18,143.28	15,312.30	19,395.30	18,424.44	11,975.50
Solvency (%)	Current ratio		154.84	157.29	160.50	139.50	133.54
	Quick ratio		134.77	146.11	150.16	126.08	115.88
	Interest coverage ratio (b)		24.36	16.50	3.51	17.82	5.72
Operating ability	Accounts receivable turnover rate (times)		6.49	6.74	6.62	6.46	5.36
	Average days for cash receipts (c)		56	54	55	57	68
	Inventory turnover rate (times)		23.99	25.85	28.05	20.78	17.39
	Accounts payable turnover rate (times)		6.15	8.25	8.14	8.02	8.32
	Average days for sale of goods		15	14	13	18	21
	Property, plant, and equipment turnover rate (times)		418.19	410.54	380.18	377.60	366.53
	Total assets turnover rate (times)		1.43	1.52	1.30	1.14	1.35
Profitability	Return on total assets (%)		1.21	0.11	0.33	0.39	0.41
	Return on equity (%)		1.89	0.18	0.42	0.57	0.67
	Ratio of income before tax to paid-in capital (%) (b)		4.64	0.49	1.06	6.54	1.55
	Net profit margin (%)		0.82	0.07	0.18	0.27	0.25
	Earnings Per Share (NT\$)		0.4	0.04	0.08	0.11	0.13
Cash Flows	Cash flow ratio (%) (d)		(9.02)	(12.37)	19.32	(27.55)	(13.10)
	Cash flow adequacy ratio (%) (e)		106.62	91.97	79.25	(59.32)	(152.53)
	Cash reinvestment ratio (%) (d)		(4.62)	(13.52)	12.84	(21.86)	(16.45)
Leverage	Operating leverage (f)		28.59	(6.64)	4.18	(24.63)	(61.79)
	Financial leverage (f)		1.24	0.99	1.05	0.74	0.58

Explain the reasons why the financial ratios have changed by more than 20% in the last two years

- (a) It was mainly due to the increase in the net amount of property, plant, and equipment in 2021.
- (b) It was mainly due to the decrease in net profit before tax in 2021.
- (c) It was mainly due to the increase in the balance of average account receivables in 2021.
- (d) It was mainly due to the decrease in net cash outflows from operating activities in 2021.
- (e) It was mainly due to the increase in net cash outflows from operating activities in the most recent five fiscal years.
- (f) It was mainly due to the decrease in operating losses in 2021.

Note 2: The formulas of the above table are as follows:

1. Financial structure
 - (1) Debt ratio = Total liabilities/Total assets.
 - (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities)/Net value of property, plant, and equipment.
2. Solvency
 - (1) Current ratio = Current assets/Current liabilities.
 - (2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.
 - (3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses.
3. Operating ability
 - (1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of accounts receivable (including

accounts receivable and notes receivable generated from operations) for each period.

- (2) Average days for cash receipts = $365 / \text{Accounts receivable turnover rate}$.
- (3) Inventory turnover rate = $\text{Cost of goods sold} / \text{Average inventories}$.
- (4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = $\text{Cost of goods sold} / \text{Average balance of accounts payable (including accounts payable and notes payable generated from operations)}$ for each period.
- (5) Average days for sale of goods = $365 / \text{Inventory turnover rate}$.
- (6) Property, plant, and equipment turnover rate = $\text{Net sales} / \text{Average net property, plant, and equipment}$.
- (7) Total assets turnover rate = $\text{Net sales} / \text{Average total assets}$.

4. Profitability

- (1) Return on assets = $[\text{Income after tax} + \text{Interest expenses} \times (1 - \text{Tax rate})] / \text{Average total assets}$.
- (2) Return on equity = $\text{Income after tax} / \text{Average total equity}$.
- (3) Net profit margin = $\text{Income after tax} / \text{Net sales}$.
- (4) Earnings per share = $(\text{Income attributable to owners of the parent} - \text{Preferred stock dividends}) / \text{Weighted average number of shares issued}$.

5. Cash flows

- (1) Cash flow ratio = $\text{Net cash flows generated from operating activities} / \text{Current liabilities}$.
- (2) Cash flow adequacy ratio = $\text{Five-year sum of net cash flows generated from operating activities} / \text{Five-year sum of capital expenditure, inventory additions and cash dividends}$.
- (3) Cash reinvestment ratio = $(\text{Net cash flows from operating} - \text{cash dividends}) / (\text{Gross amount of property, plant, and equipment} + \text{Long term investment} + \text{Other non-current assets} + \text{Working capital})$.

6. Leverage

- (1) Operating leverage = $(\text{Net operating revenue} - \text{Variable operating costs \& expenses}) / \text{Operating income}$.
- (2) Financial leverage = $\text{Operating income} / (\text{Operating income} - \text{Interest expenses})$.

Note 3: Special attention shall be paid to the following matters when using the calculation formula of earning per share above:

1. Shares outstanding is based on weighted average shares, and not based on year-end shares outstanding.
2. Cash offerings or treasury stock transactions are considered in calculating weighted average shares.
3. Earnings appropriation or reserves to paid-in capital shall be calculated and adjusted accordingly.
4. If preferred shares are cumulative non-convertible preferred shares, dividends shall be subtracted (regardless of whether they are paid out in dividends), from after-tax net profit. If preferred shares are non-cumulative, in the event of net profits, preferred shares shall be subtracted after-tax, but no adjustments needed if there are losses.

Note 4: Special attention should be paid to the following when measuring cash flow analysis:

1. Cash flow from operating activities refers to operating cash flows.
2. Capital expenditures are from the annual cash flow statements on capital expenditure outflows.
3. Inventory increases are from period end balance greater than period beginning balances, if inventories are less, then zero is applied.
4. Cash dividends include common stock and preferred shares dividends.
5. Property, plant, and machinery balance is after subtracting accumulative depreciation.

Note 5: The issuer shall classify the operating costs and operating expenses as fixed or variable as per their nature. If it involves estimation or subjective judgment, they are classified based on rationality and consistency.

Note 6: Where Corporation shares have no par value or where the par value per share is not NT\$10, any calculations that involve paid-in capital and its ratio shall be replaced with the equity ratio belonging to the owner of the parent Corporation of the asset balance sheet.

III. The Audit Committee's Audit Report on the Financial Report of 2021

Audit Committee's Review Report

The Board of Directors has prepared and submitted the Company's 2021 business report, financial statements (including the consolidated financial statements), and the profit distribution proposal, of which the financial statements have been audited by the Certified Public Accountants of Deloitte Touche, Cheng-Chun Chiu, and Shih-Tsung Wu, with an audit report issued. The aforementioned business report, financial statements, and profit distribution proposal have been reviewed by us, the Audit Committee of the Company. We have not found any inconsistencies with applicable laws in our review of the aforementioned documents. We hereby issue this report in compliance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely,

2022 Annual Shareholders' Meeting of Elitegroup Computer Systems Co., Ltd.

Convener of the Audit Committee: Maw-In Tsai

March 9, 2022

IV. 2021 Financial Statements

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, 2021 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 9, 2022

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, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, based on our audits and the reports of other 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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, 2021. 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, 2021 is 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 2021 increased by about 23% compared with that of 2020. The sales revenue of the customer whose growth rate was higher than the average and reaches a certain amount accounted for approximately 29% of the consolidated net sales revenue in 2021; thus, the recognition of these specific sales revenue was identified as a key audit matter.

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

1. We understood the design and implementation of internal controls and tested the operating effectiveness of relevant 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 customers 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 in identifying the existence of unusual circumstances.

Other Matter

As of and for the years ended December 31, 2021 and 2020, we did not audit the financial statements of ECS Holding (America) Co., Elitegroup Computer Systems (HK) Co., Limited, Elitegroup Computer Systems Korea Co., Ltd., ECS Holding (HK) Co., Limited, 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. Our opinion, insofar as it relates to the amounts included for the abovementioned subsidiaries and affiliates, is based solely on the reports of other auditors. The total assets of the abovementioned subsidiaries were \$1,397,555 thousand and \$1,484,186 thousand, respectively, which constituted 6% of the consolidated total assets as of December 31, 2021 and 2020, and total revenues was \$854,491 thousand and \$780,899 thousand, respectively, which constituted 3% of the consolidated total revenues for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, 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 audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 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 Cheng-Chun Chiu and Shih-Tsung Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 9, 2022

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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,766,617	11	\$ 4,529,482	19
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	625,248	3	612,732	3
Financial assets at amortized cost - current (Notes 4, 9 and 33)	2,383,320	10	3,923,199	16
Notes receivable (Notes 4 and 10)	6,548	-	-	-
Accounts receivables (Notes 4, 5 and 10)	7,729,516	32	4,257,076	18
Accounts receivables from related parties (Notes 4, 5, 10 and 32)	143,163	1	258,909	1
Other receivables (Notes 4, 10 and 32)	83,069	-	186,536	1
Inventories (Notes 4, 5 and 11)	4,318,587	18	3,566,229	15
Prepayments	111,231	-	190,256	1
Other current assets - others	<u>117,093</u>	<u>1</u>	<u>116,458</u>	<u>-</u>
Total current assets	<u>18,284,392</u>	<u>76</u>	<u>17,640,877</u>	<u>74</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	41,696	-	41,702	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	-	-	10,135	-
Investments accounted for using the equity method (Notes 4 and 13)	9,926	-	150	-
Property, plant and equipment (Notes 4, 14 and 32)	2,661,510	11	2,801,574	12
Right-of-use assets (Notes 4, 15 and 32)	616,291	3	737,913	3
Investment properties (Notes 4 and 16)	470,041	2	509,282	2
Goodwill (Notes 4, 5 and 17)	587,573	2	593,155	3
Other intangible assets (Notes 4, 18 and 32)	8,165	-	12,604	-
Deferred tax assets (Notes 4, 5 and 27)	973,513	4	894,439	4
Prepayments for equipment	31,277	-	54,241	-
Refundable deposits	221,077	1	228,363	1
Overdue receivables (Notes 4 and 10)	41,520	-	42,720	-
Net defined benefit assets (Notes 4 and 23)	131,966	1	128,220	1
Other non-current assets	<u>52,918</u>	<u>-</u>	<u>54,535</u>	<u>-</u>
Total non-current assets	<u>5,847,473</u>	<u>24</u>	<u>6,109,033</u>	<u>26</u>
TOTAL	<u>\$ 24,131,865</u>	<u>100</u>	<u>\$ 23,749,910</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 19)	\$ 1,079,520	5	\$ 1,247,424	5
Accounts payable (Notes 4 and 20)	5,396,818	22	4,280,803	18
Accounts payables to related parties (Notes 4, 20 and 32)	1,414	-	-	-
Other payables (Notes 21 and 32)	1,246,945	5	1,259,089	5
Current tax liabilities (Notes 4, 5 and 27)	204,542	1	185,801	1
Provisions - current (Notes 4, 5 and 22)	219,457	1	210,683	1
Lease liabilities - current (Notes 4, 15 and 32)	220,883	1	230,609	1
Other advances received (Notes 12, 21 and 30)	3,677,260	15	3,677,260	16
Other current liabilities (Notes 4 and 21)	<u>939,594</u>	<u>4</u>	<u>805,473</u>	<u>3</u>
Total current liabilities	<u>12,986,433</u>	<u>54</u>	<u>11,897,142</u>	<u>50</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4, 5 and 27)	316,306	1	260,249	1
Lease liabilities - non-current (Notes 4, 15 and 32)	253,495	1	440,937	2
Long-term deferred revenue (Notes 4 and 21)	34,933	-	41,794	-
Net defined benefit liabilities - non-current (Note 4)	1,472	-	2,205	-
Guarantee deposits received	<u>27,429</u>	<u>-</u>	<u>20,899</u>	<u>-</u>
Total non-current liabilities	<u>633,635</u>	<u>2</u>	<u>766,084</u>	<u>3</u>
Total liabilities	<u>13,620,068</u>	<u>56</u>	<u>12,663,226</u>	<u>53</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 24 and 27)				
Share capital				
Ordinary shares	<u>5,574,030</u>	<u>23</u>	<u>5,574,030</u>	<u>24</u>
Capital surplus	<u>5,438,962</u>	<u>23</u>	<u>5,914,883</u>	<u>25</u>
Retained earnings				
Legal reserve	35,679	-	29,394	-
Special reserve	250,468	1	250,468	1
Unappropriated earnings	<u>76,667</u>	<u>-</u>	<u>62,843</u>	<u>-</u>
Total retained earnings	<u>362,814</u>	<u>1</u>	<u>342,705</u>	<u>1</u>
Other equity	<u>(934,067)</u>	<u>(4)</u>	<u>(816,146)</u>	<u>(3)</u>
Total equity attributable to owners of the Company	10,441,739	43	11,015,472	47
NON-CONTROLLING INTERESTS (Notes 4 and 24)	<u>70,058</u>	<u>1</u>	<u>71,212</u>	<u>-</u>
Total equity	<u>10,511,797</u>	<u>44</u>	<u>11,086,684</u>	<u>47</u>
TOTAL	<u>\$ 24,131,865</u>	<u>100</u>	<u>\$ 23,749,910</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 9, 2022)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22, 25 and 32)	\$ 31,937,860	100	\$ 25,995,735	100
OPERATING COSTS (Notes 11, 26 and 32)	<u>29,276,044</u>	<u>92</u>	<u>23,264,066</u>	<u>90</u>
GROSS PROFIT	<u>2,661,816</u>	<u>8</u>	<u>2,731,669</u>	<u>10</u>
OPERATING EXPENSES (Notes 4, 23, 26 and 32)				
Marketing	704,551	2	634,121	2
General and administrative	1,065,251	3	982,872	4
Research and development	<u>1,152,307</u>	<u>4</u>	<u>1,073,999</u>	<u>4</u>
Total operating expenses	<u>2,922,109</u>	<u>9</u>	<u>2,690,992</u>	<u>10</u>
INCOME FROM OPERATIONS	<u>(260,293)</u>	<u>(1)</u>	<u>40,677</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 13, 14, 15, 26 and 32)				
Other gains and losses	120,966	-	(180,282)	(1)
Gains on disposal assets	-	-	343,491	1
Finance costs	(30,515)	-	(75,418)	-
Interest income	63,333	-	99,471	-
Other income	289,942	1	201,253	1
Share of loss of associates	<u>(14,768)</u>	<u>-</u>	<u>(10,024)</u>	<u>-</u>
Total non-operating income and expenses	<u>428,958</u>	<u>1</u>	<u>378,491</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	168,665	-	419,168	1
INCOME TAX EXPENSE (Notes 4, 5 and 27)	<u>75,274</u>	<u>-</u>	<u>353,218</u>	<u>1</u>
NET PROFIT	<u>93,391</u>	<u>-</u>	<u>65,950</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 23, 24 and 27)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	281	-	948	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	2,839	-	(110)	-
Income tax relating to items that will not be reclassified subsequently	<u>(56)</u>	<u>-</u>	<u>(189)</u>	<u>-</u>
	<u>3,064</u>	<u>-</u>	<u>649</u>	<u>-</u>

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (167,824)	-	\$ (8,581)	-
Income tax related to components of other comprehensive income	<u>28,961</u>	<u>-</u>	<u>8,202</u>	<u>-</u>
	<u>(138,863)</u>	<u>-</u>	<u>(379)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(135,799)</u>	<u>-</u>	<u>270</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ (42,408)</u>	<u>-</u>	<u>\$ 66,220</u>	<u>-</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 71,527	-	\$ 62,084	-
Non-controlling interests	<u>21,864</u>	<u>-</u>	<u>3,866</u>	<u>-</u>
	<u>\$ 93,391</u>	<u>-</u>	<u>\$ 65,950</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ (41,254)	-	\$ 63,768	-
Non-controlling interests	<u>(1,154)</u>	<u>-</u>	<u>2,452</u>	<u>-</u>
	<u>\$ (42,408)</u>	<u>-</u>	<u>\$ 66,220</u>	<u>-</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 28)				
Basic	<u>\$ 0.13</u>		<u>\$ 0.11</u>	
Diluted	<u>\$ 0.13</u>		<u>\$ 0.11</u>	

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

(With Deloitte & Touche auditors' report dated March 9, 2022)

(Concluded)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent (Notes 4, 8, 13, 23, 24 and 27)									
						Other Equity				
			Retained Earnings							
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Financial Assets at Fair Value Through Other Comprehensive Income	Total	Non-controlling Interests (Notes 4 and 24)	Total Equity
BALANCE AT JANUARY 1, 2020	\$ 5,574,030	\$ 5,913,183	\$ 24,217	\$ 203,879	\$ 51,766	\$ (819,257)	\$ 2,186	\$ 10,950,004	\$ 68,760	\$ 11,018,764
Appropriation of the 2019 earnings										
Legal reserve	-	-	5,177	-	(5,177)	-	-	-	-	-
Special reserve	-	-	-	46,589	(46,589)	-	-	-	-	-
Other changes in capital surplus - dividends unclaimed by shareholders	-	1,700	-	-	-	-	-	1,700	-	1,700
Net profit for the year ended December 31, 2020	-	-	-	-	62,084	-	-	62,084	3,866	65,950
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	759	1,035	(110)	1,684	(1,414)	270
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	62,843	1,035	(110)	63,768	2,452	66,220
BALANCE AT DECEMBER 31, 2020	5,574,030	5,914,883	29,394	250,468	62,843	(818,222)	2,076	11,015,472	71,212	11,086,684
Appropriation of the 2020 earnings										
Legal reserve	-	-	6,285	-	(6,285)	-	-	-	-	-
Cash dividends	-	-	-	-	(56,558)	-	-	(56,558)	-	(56,558)
Other changes in capital surplus										
Cash dividends distributed from capital surplus	-	(501,663)	-	-	-	-	-	(501,663)	-	(501,663)
Dividends unclaimed by shareholders	-	1,143	-	-	-	-	-	1,143	-	1,143
Changes in capital surplus from investments in associates accounted for using the equity method	-	24,599	-	-	-	-	-	24,599	-	24,599
Net profit for the year ended December 31, 2021	-	-	-	-	71,527	-	-	71,527	21,864	93,391
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	225	(115,845)	2,839	(112,781)	(23,018)	(135,799)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	71,752	(115,845)	2,839	(41,254)	(1,154)	(42,408)
Disposal of investments in equity instruments at fair value through other comprehensive income by subsidiary	-	-	-	-	4,915	-	(4,915)	-	-	-
BALANCE AT DECEMBER 31, 2021	\$ 5,574,030	\$ 5,438,962	\$ 35,679	\$ 250,468	\$ 76,667	\$ (934,067)	\$ -	\$ 10,441,739	\$ 70,058	\$ 10,511,797

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

(With Deloitte & Touche auditors' report dated March 9, 2022)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 168,665	\$ 419,168
Adjustments for:		
Depreciation expenses	606,939	583,146
Amortization expenses	77,634	66,650
Reversal of expected credit loss on accounts receivable	(1,752)	(8,278)
Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	4,017	(6,316)
Finance costs	30,515	75,418
Interest income	(63,333)	(99,471)
Dividend income	(348)	(312)
Share of loss of associates	14,768	10,024
Loss (gain) on disposal of property, plant and equipment, net	1,928	(11)
Gain on disposal of assets	-	(343,491)
Impairment loss recognized on financial assets	-	2,423
Recognition (reversal) of impairment loss on non-financial asset	11,430	(4,305)
Unrealized net gain on foreign currency exchange	(84,244)	(9,945)
Gain on disposal of associate	(55,920)	-
Loss from lease modifications	517	-
Reversal of long-term deferred revenue	(6,861)	(6,862)
Net changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(16,527)	(166)
Notes receivables	(6,548)	-
Accounts receivables	(3,310,124)	(181,764)
Other receivables	42,142	(105,540)
Inventories	(760,051)	(813,681)
Prepayments	43,433	(63,015)
Other current assets	(635)	272,417
Net defined benefit assets	(3,465)	(3,988)
Accounts payables	1,120,079	113,629
Other payables	(11,139)	82,165
Provisions	8,846	(13,465)
Other current liabilities	134,121	(224,601)
Net defined benefit liabilities	(480)	1,658
Long-term deferred revenue	-	5,002
Cash used in operations	(2,056,393)	(253,511)
Interest received	66,956	106,445
Dividends received	348	312
Interest paid	(15,327)	(52,146)
Income tax refund (paid)	4,892	(195,212)
Net cash used in operating activities	(1,999,524)	(394,112)

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Financial assets at amortized cost	\$ 1,586,378	\$ (470,521)
Proceeds from sale of financial assets at fair value through other comprehensive income	12,974	-
Acquisition of associates	-	(150)
Payments for property, plant and equipment	(156,943)	(231,418)
Proceeds from disposal of property, plant and equipment	1,762	27,578
Increase in other advances received	-	2,315,500
Increase in refundable deposits	(365)	(2,150)
Decrease in refundable deposits	8,925	1,328
Payments for intangible assets	(5,550)	(10,329)
Payments for investment properties	-	(191)
Increase in other non-current assets	(22,016)	(44,319)
Increase in prepayments for equipment	<u>(144,579)</u>	<u>(76,200)</u>
Net cash generated from investing activities	<u>1,280,586</u>	<u>1,509,128</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(178,357)	(534,838)
Guarantee deposits received	8,037	5,642
Guarantee deposits refunded	(966)	(8,319)
Repayment of the principal portion of lease liabilities	(247,366)	(239,793)
Cash dividends paid	(558,221)	-
Dividends unclaimed by shareholders recognized as the capital reserve	<u>1,143</u>	<u>1,700</u>
Net cash used in financing activities	<u>(975,730)</u>	<u>(775,608)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(68,197)</u>	<u>(62,558)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,762,865)	276,850
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,529,482</u>	<u>4,252,632</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,766,617</u>	<u>\$ 4,529,482</u>

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

(With Deloitte & Touche auditors' report dated March 9, 2022)

(Concluded)

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (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, tablet computers, barebone systems and add-on cards.

The ordinary 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 7, 2022.

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)

As of date the consolidated financial statements were authorized for issue, the initial application of IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

1) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Group shall restate its comparative information when it initially applies the aforementioned amendments.

2) Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”

The amendments specify that when assessing whether a contract is onerous, the “cost of fulfilling a contract” includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

The Group will recognize the cumulative effect of the initial application of the amendments in the retained earnings at the date of the initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

- Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.
- Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.
- Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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, 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, 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, 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, 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 over an associate, 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 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.

3) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and

decommissioning obligations on January 1, 2022, and recognize the cumulative effect of initial application in retained earnings at that date. The Group will apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022.

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 of the Group.

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 7 and 8 for details on subsidiaries, including the percentages of their ownership and main businesses.

e. Foreign currencies

In preparing the financial statements of each individual entity in the Group, 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 item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

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 an entity in the Group 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.

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. 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. 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.

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 property, plant and equipment, right-of-use assets, investment properties, and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, investment properties, 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 31.

ii. Financial assets at amortized cost

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

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

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

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

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

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

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 accounts receivable).

The Group always recognizes lifetime expected credit losses (ECLs) for accounts receivable. 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.

For internal credit risk management purpose, the Group considers the following situation as indication that a financial asset is in default (without taking into account any collateral held by the Group):

- Internal or external information shows that the debtor is unlikely to pay its creditors.

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 entity in the Group 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 entity in the Group 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 31.

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 Group 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 accounts receivable 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

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. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease. 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.

For sale and leaseback transactions, if the transfer of an asset satisfies the requirements of IFRS 15 to be accounted for as a sale, the Group recognizes only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor, and adjusts the off-market terms to measure the sale proceeds at fair value. If the transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale, it is accounted for as a financing transaction.

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 related to income are recognized in other income 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. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue from the carrying amount of the relevant assets and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

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

According to the Income Tax Law in the ROC, an additional tax 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 on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. 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 accounts receivable, investments in debt instruments, and financial guarantee contracts is based on assumptions on probability of default and loss given default. 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. Furthermore, the estimate of the probability of default is subject to greater uncertainties in the current year due to impact on credit risk of financial assets arising from the uncertainty on COVID-19 pandemic and volatility in financial markets.

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, or change in facts and circumstances results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise. Furthermore, the estimated cash flows, growth rate and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on the impact arising from potential disruptions of the Group's operations and volatility in financial markets due to the evolution of COVID-19 pandemic.

As of December 31, 2021 and 2020, the carrying amounts of goodwill are disclosed in Note 17.

d. Income taxes

A key source of estimation uncertainty is the determination of the realizability of deferred tax assets, which mainly depends on whether sufficient future profit or taxable temporary differences will be available. Change in facts and circumstances might result in a significant recognition or reversal of deferred tax assets to be recognized in profit or loss in the period the recognition or 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.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Petty cash and foreign cash on hand	\$ 925	\$ 891
Checking accounts and demand deposits	1,079,564	1,690,919
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	1,547,728	2,780,712
Repurchase agreements collateralized by bonds	<u>138,400</u>	<u>56,960</u>
	<u>\$ 2,766,617</u>	<u>\$ 4,529,482</u>

The interest rates for time deposits with original maturities of less than three months were ranging from 0.10% to 3.70% and from 0.10% to 2.80% as at December 31, 2021 and 2020, respectively.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2021	2020
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ 625,248</u>	<u>\$ 612,732</u>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Foreign unlisted shares	\$ 19	\$ 25
Domestic unlisted shares	<u>41,677</u>	<u>41,677</u>
	<u>\$ 41,696</u>	<u>\$ 41,702</u>

The Group entered into dual currency investment to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities. As of December 31, 2021 and 2020, it did not hold any outstanding derivative financial products. The investment income from derivative financial products for the year ended December 31, 2021 and 2020 were \$18,943 thousand and \$11,133 thousand, respectively. However, those derivative financial products did not meet the criteria of hedge effectiveness and, therefore, were not accounted for using hedge accounting.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investment in Equity Instruments at FVTOCI

	December 31	
	2021	2020
<u>Equity instruments</u>		
<u>Non-current</u>		
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares - MiTAC Holdings Corporation	\$ -	\$ 10,135

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.

In 2021, the Group sold its shares in MiTAC Holdings Corporation at fair value and its cumulated unrealized gain of \$4,915 thousand was transferred from other equity to retained earnings.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2021	2020
<u>Current</u>		
Domestic investments		
Time deposits with original maturity of more than 3 months (a)	\$ 1,404,181	\$ 2,485,857
Repurchase agreements collateralized by bonds with original maturities of more than 3 months (a)	975,089	1,433,249
Pledged time deposits (b)	<u>4,050</u>	<u>4,093</u>
	<u>\$ 2,383,320</u>	<u>\$ 3,923,199</u>

- The interest rates for time deposits with original maturities of more than 3 months were ranging from 0.26% to 2.75% and from 0.30% to 2.80% as at December 31, 2021 and 2020, respectively.
- Refer to Note 33 for information relating to investments in financial assets at amortized cost pledged as security.
- Refer to Note 10 for information relating to their credit risk management and impairment.

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

	December 31	
	2021	2020
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount - operating	\$ 6,548	\$ -
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount - third parties - operating	\$ 7,730,315	\$ 4,259,627
Less: Allowance for impairment loss	(799)	(2,551)
	7,729,516	4,257,076
At amortized cost		
Gross carrying amount - related parties - operating	143,163	258,909
	<u>\$ 7,872,679</u>	<u>\$ 4,515,985</u>
<u>Other receivables</u>		
Value-added tax refund receivable	\$ 26	\$ 72,138
Tax refund receivable	13,378	69,363
Receivable from resale of scrap	29,092	22,165
Others	61,016	43,756
Less: Allowance for impairment loss	(20,443)	(20,886)
	<u>\$ 83,069</u>	<u>\$ 186,536</u>
<u>Overdue receivables</u>		
Overdue receivable	\$ 2,863,403	\$ 2,941,558
Less: Allowance for impairment loss	(2,821,883)	(2,898,838)
	<u>\$ 41,520</u>	<u>\$ 42,720</u>

a. Accounts receivable

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 accounts receivable 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 measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a accounts receivable when there is evidence 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 accounts receivable are not recoverable. For the uncollectible accounts 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 accounts receivable based on the Group's provision matrix.

December 31, 2021

	Not Past Due	1 to 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 7,664,903	\$ 208,316	\$ -	\$ -	\$ 259	\$ 7,873,478
Loss allowance (Lifetime ECLs)	-	(540)	-	-	(259)	(799)
Amortized cost	<u>\$ 7,664,903</u>	<u>\$ 207,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,872,679</u>

December 31, 2020

	Not Past Due	1 to 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 4,220,952	\$ 296,149	\$ 941	\$ 19	\$ 475	\$ 4,518,536
Loss allowance (Lifetime ECLs)	-	(2,048)	(19)	(9)	(475)	(2,551)
Amortized cost	<u>\$ 4,220,952</u>	<u>\$ 294,101</u>	<u>\$ 922</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 4,515,985</u>

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

	2021	2020
Balance at January 1	\$ 2,551	\$ 8,471
Less: Net remeasurement of loss allowance reversed	(1,752)	(5,913)
Foreign exchange gains and losses	-	(7)
Balance at December 31	<u>\$ 799</u>	<u>\$ 2,551</u>

b. Other receivables

For other receivables that have 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:

	2021	2020
Balance at January 1	\$ 20,886	\$ 21,717
Foreign exchange gains and losses	<u>(443)</u>	<u>(831)</u>
Balance at December 31	<u>\$ 20,443</u>	<u>\$ 20,886</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 overdue receivables were as follows:

	2021	2020
Balance at January 1	\$ 2,898,838	\$ 3,096,358
Less: Amount written off	-	(50,702)
Less: Net remeasurement of loss allowance reversed	-	(2,365)
Foreign exchange gains and losses	<u>(76,955)</u>	<u>(144,453)</u>
Balance at December 31	<u>\$ 2,821,883</u>	<u>\$ 2,898,838</u>

11. INVENTORIES

	December 31	
	2021	2020
Finished goods	\$ 1,733,541	\$ 1,239,650
Work in progress	180,344	137,942
Raw materials	<u>2,404,702</u>	<u>2,188,637</u>
	<u>\$ 4,318,587</u>	<u>\$ 3,566,229</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020, was \$29,276,044 thousand and \$23,264,066 thousand, respectively. The cost of goods sold for the years ended December 31, 2021 and 2020 included inventory write-downs of \$11,430 thousand and reversal of inventory write-down of \$4,305 thousand, respectively.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Principal Activities	% of Ownership		Note
			2021	2020	
Elitegroup Computer Systems Co., Ltd.	Elitegroup Computer Systems (HK) Co., Limited	Sale of motherboards, computer peripheral products and related components	100.00	100.00	
	Elitegroup Computer Systems (Japan) Co., Ltd.	Sale of motherboards, notebook, computer peripheral products and related components	100.00	100.00	
	Elitegroup Computer System Holding Co., Ltd. (BVI)	Holding company	100.00	100.00	c
	ECS Holding (America) Co. (USA)	Holding company	100.00	100.00	
	Elitegroup Computer Systems Korea Co., Ltd.	Sale of motherboards, maintenance and sales support	100.00	100.00	
	Dragon Asia Trading Co., Ltd. (BVI) (Dragon Asia)	Holding company	-	-	a
	Unitop International Corp.	Holding company	100.00	100.00	d
	Unity Investments Limited	Holding company	100.00	100.00	
	ECS Holding (HK) Co., Limited (ECS Holding (HK))	Holding company	100.00	100.00	a, b
	Elitegroup Technology (Thailand) Co., Ltd.	Manufacture and sale of computer and computer peripheral products	99.99	99.99	

(Continued)

Name of Investor	Name of Subsidiary	Principal Activities	% of Ownership December 31		Note
			2021	2020	
Dragon Asia Trading Co., Ltd. (BVI)	Million Up Finance Limited (Million Up)	Holding company	-	-	a
Elitegroup Computer System Holding Co., Ltd. (BVI)	Venture Well Holdings Limited (BVI)	Holding company	68.45	68.45	
Elitegroup Computer Systems (HK) Co., Limited	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 Run Technology Co., Ltd.	Manufacture and maintenance of electrical equipment and instrument, computer peripheral products and cases	100.00	100.00	
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, computer peripheral products, related components and systems assembled	100.00	100.00	
Unitop International Corp.	Elitegroup Computer Systems (SIP) Co., Ltd.	Research, development and manufacture of notebook, tablets and related components	100.00	100.00	d
Unity Investments Limited	Unique Sino Limited	Holding company	100.00	100.00	
Million Up Finance Limited	Golden Elite Technology (Shenzhen) Ltd. (興英科技 (深圳)有限公司) (Golden Elite Technology (興英科技))	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook, tablets and peripheral products	-	-	a
	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技 (深圳)有限公司) (Golden Elite Technology (興英數位科技))	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook, tables and peripheral products	-	-	a
Venture Well Holdings Limited (BVI)	Affirm International Limited (BVI)	Holding company	100.00	100.00	
	Advazone International Limited (BVI)	Holding company	100.00	100.00	
	Alpha Leader Limited (HK)	Trading of IC and electric components	100.00	100.00	
Unique Sino Limited	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 Limited Company	Wholesale, maintenance and technical consultation of computers and peripheral products and related components	-	100.00	e
ECS Holding (HK) Co., Limited	ECS Digital Technology (Shenzhen) Ltd. (ECS Digital Technology)	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook, tablets and peripheral products	100.00	100.00	a, b
	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技 (深圳)有限公司)	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook, tablets 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, 2021 and 2020. Although the financial statements of some subsidiaries which were undergoing liquidation or whose operations have ceased were not audited by the independent accountants, they would have no material effect on the Group's consolidated financial statements for the years ended December 31, 2021 and 2020.

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. And the Company entered into a contract with Ever Unicorn Estate Limited (the "Ever Unicorn") in April 2017, 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 (興英科技), 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 to operate for ECS Digital Technology.

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 (興英科技), with both parties reaching a consensus on the prerequisites including the change in procedure to the land category by Golden Elite Technology (興英科技), phase 2 of the transaction will then commence. The Company will complete the transfer of remaining 48% interest in Dragon Asia to Ever Unicorn for RMB550,000 thousand.

The Company will be in negotiate the rest of the contract with Ever Unicorn if the land is not contained in the urban planning by the competent authority.

In order to cooperate with Mainland Assets Activation Plan, The board of directors of the Company approved to reduce the capital of Dragon Asia and Million Up on January 23, 2018, the total amount of capital reduction was US\$69,327 thousand for both subsidiaries.

The Company obtained the phase 1 share price for RMB600,000 thousand on March 27, 2018 as well as share transfer of 52% equity of Dragon Asia and recognized as other advanced receipts (refer to Note 21) because the Company has not completed the transfer of significant risks and rewards of related assets. The foregoing transaction of 52% equity of Dragon Asia had received a letter of approval from the Investment Commission, Ministry of Economic Affairs.

According to the contract signed with Ever Unicorn, the Company should strip non-target assets and liabilities from Golden Elite Technology (興英科技). The board of directors of Golden Elite Technology (興英科技) approved on April 26, 2018 to proceed with the splitting process, by means of transferring non-target assets and liabilities into newly registered company, Golden Elite Technology (興英數位科技). Golden Elite Technology (興英科技) and Golden Elite Technology (興英數位科技) 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 RMB113,963 thousand of Golden Elite Technology (興英科技) on June 24, 2019 which was issued in 2020. Golden Elite Technology (興英科技) completed the splitting process on July 1, 2019, and transferred non-target's 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 sales of 100% of Golden Elite Technology's (興英數位科技) shares to ECS Holding (HK) by Million Up on August 12, 2019. The transaction price will be determined according to Golden Elite Technology's (興英數位科技) net value at the time of execution. The application for transferring the equity was approved by the Investment Commission, Ministry of Economic Affairs, Rule No. 10800244950, on May 4, 2020. On May 29, 2020, four parties (Dragon Asia, Million Up, ECS Holding (HK) and the Company) agreed to offset the creditor's rights and liabilities. The amounts used by the four parties to offset the creditor's rights and liabilities are based on (1) the amount of capital reduction received (paid) by the Company, Dragon Asia and Million Up; (2) the amount of capital increase that the Company owed to its subsidiary, ECS Holding (HK), which amounted to US\$69,327 thousand; and (3) the amount received from selling 100% equity of Golden Elite Technology (興英數位科技) to ECS Holding (HK) and completion of the transfer of shares of Golden Elite Technology (興英數位科技) to ECS Holding (HK).

Ever Unicorn requested the Company to transfer the remaining 48% shares of Dragon Asia according to the supplementary contract, the Company obtained the phase 2 share price for RMB550,000 thousand on August 25, 2020, which was recognized as other advanced receipts (refer to Note 21), and finished the 48% share transfer process of Dragon Asia at the same day. The foregoing transaction of 48% equity of Dragon Asia had received the a letter of approval from the Investment Commission, Ministry of Economic Affairs on September 29, 2020. After transferring all of the shares of Dragon Asia, the Company lost control of Dragon Asia, Million Up and Golden Elite Technology (興英科技), and derecognized the related subsidiaries. The Company accounted for the residual equity in ECS Holding (HK) and Golden Elite Technology (興英數位科技), respectively.

The Company had finished part of the transfer of significant risks and rewards of related assets after evaluating the agreement and the status of implementation, therefore the Company derecognized the right-of-use assets, deferred income tax assets, and other current assets, which amount was NT\$190,759 thousand, NT\$627,104 thousand and NT\$184,682 thousand, respectively, and derecognised the other advanced receipts of NT\$1,346,036 thousand (RMB315,453 thousand) as the selling price to get a profit of NT\$343,491 thousand, and recognized a tax expense of NT\$288,248 thousand, refer to Notes 15, 21 and 27.

As of the end of 2021, the Company had not fully completed the transfer of significant risks and rewards of related assets, and the other advanced receipts of NT\$3,677,260 thousand (RMB834,547 thousand) of Ever Unicorn's phase 1 share price were classified as other advanced receipts.

The terms of the abovementioned 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.

- b. The board of directors of the Company approved 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), and US\$100,000 thousand be invested in ECS Digital Technology, a wholly-owned subsidiary of ECS Holding (HK). 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), US\$5,500 thousand and US\$10,000 thousand were then remitted to ECS Digital Technology by ECS Holding (HK) in 2017 and 2019, respectively.
- c. The board of directors of Elitegroup Computer System Holding Co., Ltd. (BVI) approved the reduction of its capital by US\$6,845 thousand in June 2020, which was remitted back to the Company.

- d. The board of directors of Elitegroup Computer Systems (SIP) Co., Ltd. approved the reduction of its capital by US\$10,000 thousand in February 2021. These amounts were remitted to its investor, Unitop International Corp. in May 2021. The board of directors of Unitop International Corp. approved the reduction of its capital by US\$10,000 thousand in June 2021. These amounts were remitted to the Company on August 2, 2021.
- e. Beijing Advazone Electronic Limited Company was liquidated by the resolution of its board of directors in October 2020, and was approved for cancellation of registration by the Beijing Municipal Bureau of market supervision and administration on April 19, 2021. The remaining share proceeds of US\$3,870 thousand was remitted to its investor, Advazone International Limited (BVI) in the fourth quarter of 2021.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Associates that are not individually material		
IoTecha Corp.		
Ordinary shares	\$ -	\$ -
Preference shares	<u>9,804</u>	<u>-</u>
	9,804	-
FoxElite Computer System Co., Ltd.	<u>122</u>	<u>150</u>
	<u>\$ 9,926</u>	<u>\$ 150</u>

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2021	2020
The Group's share of:		
Loss from continuing operations	\$ (14,768)	\$ (10,024)
Other comprehensive income/(loss)	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u>\$ (14,768)</u>	<u>\$ (10,024)</u>

a. IoTecha Corp.

IoTecha Corp. is mainly engaged in the design and development of smart charging systems and software developments. During the fourth quarter of 2020, Iotech Corp. increased its capital by cash; however, ECS Holding (America) Co. (USA) subscribed for the newly issued shares at a percentage different from its existing ownership, thereby causing a change in its existing ownership percentage to 19.62% (ordinary shares) and 14.47% (preference shares). During the second quarter of 2021, Iotech Corp. completed its capital increase and caused a change in the existing ownership percentage of ECS Holding (America) Co. (USA) to 19.61% (ordinary shares) and 8.15% (preference shares). However, ECS Holding (America) Co. (USA) is still a board member of IoTecha Corp, so it is accounted for using the equity method.

b. FoxElite Computer System Co., Ltd.

The Company invested NT\$150 thousand in FoxElite Computer System Co., Ltd. in July 2020 and had 35% ownership. The registration was completed with NT\$429 thousand of initial capital on January 26, 2021.

The shareholders' meeting of FoxElite Computer System Co., Ltd. approved the liquidation in November 2021. As of December 31, 2021, the liquidation process has not been completed.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings and Improvements	Equipment	Transportation Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2021	\$ 2,934,183	\$ 4,208,507	\$ 21,123	\$ 940,622	\$ 8,104,435
Additions	-	223,074	476	89,261	312,811
Disposals	-	(22,315)	(106)	(44,962)	(67,383)
Transfers	-	9	-	(116)	(107)
Effect of foreign currency exchange differences	(21,142)	(38,457)	(207)	(7,024)	(66,830)
Balance at December 31, 2021	<u>2,913,041</u>	<u>4,370,818</u>	<u>21,286</u>	<u>977,781</u>	<u>8,282,926</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2021	1,973,089	2,527,168	14,932	739,844	5,255,033
Depreciation expenses	127,808	227,620	1,674	58,662	415,764
Disposals	-	(18,663)	(64)	(42,893)	(61,620)
Transfers	-	-	-	(41)	(41)
Effect of foreign currency exchange differences	(14,457)	(14,569)	(114)	(4,081)	(33,221)
Balance at December 31, 2021	<u>2,086,440</u>	<u>2,721,556</u>	<u>16,428</u>	<u>751,491</u>	<u>5,575,915</u>
<u>Accumulated impairment</u>					
Balance at January 1, 2021	-	36,637	228	10,963	47,828
Disposals	-	(1,889)	-	(184)	(2,073)
Effect of foreign currency exchange differences	-	(195)	(1)	(58)	(254)
Balance at December 31, 2021	<u>-</u>	<u>34,553</u>	<u>227</u>	<u>10,721</u>	<u>45,501</u>
Carrying amounts at December 31, 2021	<u>\$ 826,601</u>	<u>\$ 1,614,709</u>	<u>\$ 4,631</u>	<u>\$ 215,569</u>	<u>\$ 2,661,510</u>
<u>Cost</u>					
Balance at January 1, 2020	\$ 2,908,206	\$ 4,101,511	\$ 21,609	\$ 914,750	\$ 7,946,076
Additions	-	458,425	1,441	57,255	517,121
Disposals	(3,193)	(411,804)	(2,160)	(39,759)	(456,916)
Transfers	-	(870)	-	628	(242)
Effect of foreign currency exchange differences	29,170	61,245	233	7,748	98,396
Balance at December 31, 2020	<u>2,934,183</u>	<u>4,208,507</u>	<u>21,123</u>	<u>940,622</u>	<u>8,104,435</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2020	1,828,910	2,629,392	15,326	715,174	5,188,802
Depreciation expenses	127,275	206,850	1,471	53,615	389,211
Disposals	(3,193)	(347,656)	(2,012)	(36,418)	(389,279)
Transfers	-	(897)	-	864	(33)
Effect of foreign currency exchange differences	20,097	39,479	147	6,609	66,332
Balance at December 31, 2020	<u>1,973,089</u>	<u>2,527,168</u>	<u>14,932</u>	<u>739,844</u>	<u>5,255,033</u>
<u>Accumulated impairment</u>					
Balance at January 1, 2020	-	74,215	224	10,838	85,277
Disposals	-	(38,050)	-	(44)	(38,094)
Effect of foreign currency exchange differences	-	472	4	169	645
Balance at December 31, 2020	<u>-</u>	<u>36,637</u>	<u>228</u>	<u>10,963</u>	<u>47,828</u>
Carrying amounts at December 31, 2020	<u>\$ 961,094</u>	<u>\$ 1,644,702</u>	<u>\$ 5,963</u>	<u>\$ 189,815</u>	<u>\$ 2,801,574</u>

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

Buildings and improvements	
Buildings	20 years
Improvements	2 to 20 years
Equipment	3 to 15 years
Transportation	4 to 5 years
Other equipment	2 to 10 years

There was no capitalization of interests for the years ended December 31, 2021 and 2020.

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. IFRS 16 has been applied since January 1, 2019 to reclassify unrealized sale and leaseback benefits to impairment of right-of-use assets. Please refer to Note 15.

Subsidiary Golden Elite Technology (興英科技) and Elitegroup Computer Systems (SIP) Co., Ltd. dealt with the equipment that had been impaired in 2020, so the relevant accumulated impairments were excluded.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Land	\$ 486,403	\$ 571,757
Buildings	126,705	156,047
Machinery	-	917
Office equipment	906	273
Transportation equipment	<u>2,277</u>	<u>8,919</u>
	<u>\$ 616,291</u>	<u>\$ 737,913</u>
	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 38,757</u>	<u>\$ 25,866</u>
Depreciation charge for right-of-use assets		
Land	\$ 80,002	\$ 84,873
Buildings	63,452	60,122
Machinery	913	2,006
Office equipment	312	298
Transportation equipment	<u>5,784</u>	<u>5,939</u>
	<u>\$ 150,463</u>	<u>\$ 153,238</u>

Except for the abovementioned additions, recognition of depreciation expenses, and the transfer of 100% of Dragon Asia's equity, the ownership of certain right-of-use assets and significant risk and rewards had been transferred. The related right-of-use assets of \$190,759 thousand were derecognized (refer to Note 12(a)). In addition, there was no major sublease or impairment of the right-of-use assets of the Group in 2021 and 2020.

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

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Current	<u>\$ 220,883</u>	<u>\$ 230,609</u>
Non-current	<u>\$ 253,495</u>	<u>\$ 440,937</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Land	0.28%	-
Buildings	1.61%-4.65%	1.61%-4.65%
Machinery	-	4.65%
Office equipment	0.61%	0.61%
Transportation equipment	0.61%-4.35%	0.61%-4.35%

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 Systems (SIP) Co., Ltd. and Golden Elite Technology (Shenzhen) Co., Ltd. (興英科技). 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 forth to seventh year and the eighth to tenth year are adjusted to increase by a certain multiplier. At the third month before expiration, if the Company intends to continue renting, it has the right of first refusal with the same renting terms, and should negotiate related terms of contract extension. If both of them do not complete the negotiations by one month before the expiration, the Company is regarded as abandoning the right of first refusal, and the rental relations would be terminated automatically upon the completion of the contract. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

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

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	\$ <u>1,212</u>	\$ <u>4,489</u>
Expenses relating to low-value asset leases	\$ <u>2,624</u>	\$ <u>2,540</u>
Total cash outflow for leases	\$ <u>(251,202)</u>	\$ <u>(246,823)</u>

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.

16. INVESTMENT PROPERTIES

	Land	Buildings and Improvements	Right-of-use Assets	Total
<u>Cost</u>				
Balance at January 1, 2021	\$ 377,129	\$ 155,397	\$ 180,374	\$ 712,900
Additions	<u>-</u>	<u>-</u>	<u>1,471</u>	<u>1,471</u>
Balance at December 31, 2021	<u>377,129</u>	<u>155,397</u>	<u>181,845</u>	<u>714,371</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2021		116,795	72,150	188,945
Depreciation expense		<u>4,551</u>	<u>36,161</u>	<u>40,712</u>
Balance at December 31, 2021		<u>121,346</u>	<u>108,311</u>	<u>229,657</u>
<u>Accumulated impairment</u>				
Balances at January 1, 2021 and December 31, 2021	<u>14,673</u>	<u>-</u>	<u>-</u>	<u>14,673</u>
Carrying amounts at December 31, 2021	<u>\$ 362,456</u>	<u>\$ 34,051</u>	<u>\$ 73,534</u>	<u>\$ 470,041</u>

(Continued)

	Land	Buildings and Improvements	Right-of-use Assets	Total
<u>Cost</u>				
Balance at January 1, 2020	\$ 377,129	\$ 155,206	\$ 180,374	\$ 712,709
Additions	<u>-</u>	<u>191</u>	<u>-</u>	<u>191</u>
Balance at December 31, 2020	<u>377,129</u>	<u>155,397</u>	<u>180,374</u>	<u>712,900</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2020		112,173	36,075	148,248
Depreciation expense		<u>4,622</u>	<u>36,075</u>	<u>40,697</u>
Balance at December 31, 2020		<u>116,795</u>	<u>72,150</u>	<u>188,945</u>
<u>Accumulated impairment</u>				
Balances at January 1, 2020 and December 31, 2020	<u>14,673</u>	<u>-</u>	<u>-</u>	<u>14,673</u>
Carrying amounts at December 31, 2020	<u>\$ 362,456</u>	<u>\$ 38,602</u>	<u>\$ 108,224</u>	<u>\$ 509,282</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 10 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 3 to 10 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, the headquarters land and building located in Neihu, 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 was as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Year 1	\$ 70,909	\$ 69,266
Year 2	36,159	64,873
Year 3	6,883	30,685
Year 4	6,885	-
Year 5 onwards	<u>38,489</u>	<u>-</u>
	<u>\$ 159,325</u>	<u>\$ 164,824</u>

17. GOODWILL

	For the Year Ended December 31	
	2021	2020
<u>Cost</u>		
Balance at January 1	\$ 996,652	\$ 1,007,117
Effect of foreign currency exchange differences	<u>(5,582)</u>	<u>(10,465)</u>
Balance at December 31	991,070	996,652
<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>\$ 587,573</u>	<u>\$ 593,155</u>

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

	For the Year Ended December 31	
	2021	2020
Motherboard and barebone system business	\$ 193,123	\$ 198,705
Mobile product business	<u>394,450</u>	<u>394,450</u>
	<u>\$ 587,573</u>	<u>\$ 593,155</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, 2021 and 2020, the CGUs used discount rates ranging from 7.76% to 13.15% and from 12.12% to 13.36% per annum, respectively.

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

- 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.
- Estimate of gross margin: The estimate was based on the actual ratio for 2021 and historical operating performance.
- Estimate of operating profit: The operating expenses were estimated on the basis of the actual ratio of operating expenses to revenue for 2021.

The CGUs used the above key assumptions to calculate their recoverable amounts, which were higher than their carrying values as of December 31, 2021; thus, there was no indication of impairment.

18. OTHER INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2021	\$ 39,763
Additions	5,550
Disposals	(2,911)
Effect of foreign currency exchange differences	(158)
Balance at December 31, 2021	<u>42,244</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2021	27,159
Amortization expense	9,966
Disposals	(2,911)
Effect of foreign currency exchange differences	(135)
Balance at December 31, 2021	<u>34,079</u>
Carrying amounts at December 31, 2021	<u>\$ 8,165</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 57,930
Additions	10,329
Transfers	(86)
Disposals	(28,860)
Effect of foreign currency exchange differences	450
Balance at December 31, 2020	<u>39,763</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2020	43,832
Amortization expense	11,799
Disposals	(28,860)
Effect of foreign currency exchange differences	388
Balance at December 31, 2020	<u>27,159</u>
Carrying amounts at December 31, 2020	<u>\$ 12,604</u>
The amortization expense is recognized on a straight-line basis per annum at the following useful lives:	
Computer software	2 to 5 years

19. SHORT-TERM BORROWINGS

	<u>December 31</u>	
	2021	2020
Line of credit borrowings	<u>\$ 1,079,520</u>	<u>\$ 1,247,424</u>

The ranges of interest rate on bank loans were 0.68%-2.21% and 0.75%-0.96% per annum as of December 31, 2021 and 2020, respectively.

20. ACCOUNTS PAYABLE

	December 31	
	2021	2020
<u>Accounts payable</u>		
Third parties - operating	\$ 5,396,818	\$ 4,280,803
Related parties - operating	<u>1,414</u>	<u>-</u>
	<u>\$ 5,398,232</u>	<u>\$ 4,280,803</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.

21. OTHER LIABILITIES

	December 31	
	2021	2020
<u>Current</u>		
Other payables		
Salaries and bonuses	\$ 545,564	\$ 609,485
Royalties	144,580	126,432
Service expenses	90,130	47,509
Import and export services	51,299	48,783
Others	<u>415,372</u>	<u>426,880</u>
	<u>\$ 1,246,945</u>	<u>\$ 1,259,089</u>
Other advances received (a)	<u>\$ 3,677,260</u>	<u>\$ 3,677,260</u>
Other liabilities		
Financial guarantee contracts (b)	\$ 497,109	\$ 546,459
Contract liabilities (c)	348,168	225,748
Temporary credits	82,521	18,954
Others	<u>11,796</u>	<u>14,312</u>
	<u>\$ 939,594</u>	<u>\$ 805,473</u>
<u>Non-current</u>		
Deferred revenue		
Arising from government grants	<u>\$ 34,933</u>	<u>\$ 41,794</u>

- a. The Company received equity transfer price RMB600,000 and RMB550,000 thousand according to the Mainland Assets Activation Plan on March 27, 2018 and August 25, 2019, respectively, and recognized the amounts as other advanced receipts.

After evaluating the agreement and the status of implementation, the Company derecognized the relevant assets and other advanced receipts of NT\$1,346,036 thousand (RMB315,453 thousand) as disposal price, and recognized a gain on disposal as of the end of 2020, refer to Note 12(a).

- 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.

22. PROVISIONS

	December 31	
	2021	2020
Warranties	<u>\$ 219,457</u>	<u>\$ 210,683</u>
		Warranties
Balance at January 1, 2021		\$ 210,683
Additional provisions recognized		103,917
Usage		(87,023)
Reversing unused balances		(8,048)
Effect of foreign currency exchange differences		<u>(72)</u>
Balance at December 31, 2021		<u>\$ 219,457</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.

23. 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	
	2021	2020
Present value of the defined benefit obligation	\$ (176,282)	\$ (178,071)
Fair value of plan assets	<u>308,248</u>	<u>306,291</u>
Net defined benefit assets	<u>\$ 131,966</u>	<u>\$ 128,220</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, 2021	<u>\$ (178,071)</u>	<u>\$ 306,291</u>	<u>\$ 128,220</u>
Service cost			
Current service cost	(316)	-	(316)
Net interest (expense) income	<u>(890)</u>	<u>1,539</u>	<u>649</u>
Recognized in profit or loss	<u>(1,206)</u>	<u>1,539</u>	<u>333</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	3,913	3,913
Actuarial gain (loss)			
Changes in demographic assumptions	(4,786)	-	(4,786)
Experience adjustments	<u>1,154</u>	<u>-</u>	<u>1,154</u>
Recognized in other comprehensive income	<u>(3,632)</u>	<u>3,913</u>	<u>281</u>
Contributions from the employer	-	3,132	3,132
Benefits paid	<u>6,627</u>	<u>(6,627)</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ (176,282)</u>	<u>\$ 308,248</u>	<u>\$ 131,966</u>
Balance at January 1, 2020	<u>\$ (171,264)</u>	<u>\$ 294,548</u>	<u>\$ 123,284</u>
Service cost			
Current service cost	(332)	-	(332)
Net interest (expense) income	<u>(1,499)</u>	<u>2,592</u>	<u>1,093</u>
Recognized in profit or loss	<u>(1,831)</u>	<u>2,592</u>	<u>761</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	9,247	9,247
Actuarial loss			
Changes in demographic assumptions	(120)	-	(120)
Changes in financial assumptions	(8,057)	-	(8,057)
Experience adjustments	<u>(122)</u>	<u>-</u>	<u>(122)</u>
Recognized in other comprehensive income	<u>(8,299)</u>	<u>9,247</u>	<u>948</u>
Contributions from the employer	-	3,227	3,227
Benefits paid	<u>3,323</u>	<u>(3,323)</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ (178,071)</u>	<u>\$ 306,291</u>	<u>\$ 128,220</u>

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

- 1) Investment risk: The plan assets are invested in domestic 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	
	2021	2020
Discount rate	0.500%	0.500%
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	
	2021	2020
Discount rate(s)		
0.25% increase	<u>\$ (5,172)</u>	<u>\$ (5,427)</u>
0.25% decrease	<u>\$ 5,383</u>	<u>\$ 5,659</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 5,188</u>	<u>\$ 5,453</u>
0.25% decrease	<u>\$ (5,013)</u>	<u>\$ (5,260)</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	
	2021	2020
Expected contributions to the plan for the next year	<u>\$ 3,148</u>	<u>\$ 3,297</u>
Average duration of the defined benefit obligation	11.9 years	12.3 years

24. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2021	2020
Number of shares authorized (in thousands)	<u>1,750,000</u>	<u>1,750,000</u>
Value of shares authorized	<u>\$ 17,500,00</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

	December 31	
	2021	2020
May be used to offset deficit, distributed as cash dividends, or transferred to share capital*		
Share premium	\$ 5,112,831	\$ 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	14,884	13,741
Changes in percentage of ownership interest in associates	<u>55,849</u>	<u>31,250</u>
	<u>\$ 5,438,962</u>	<u>\$ 5,914,883</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 meetings on June 22, 2020, the amendments to the Company's Articles of Incorporation (the "Articles") were 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 board of directors, 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 earnings distribution by the Company's board of directors. The proposal shall be approved by shareholders if earnings will be distributed by issuance of new shares, 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 earnings distribution by the Company's board of directors. The proposal shall be approved by shareholders if earnings will be distributed by issuance of new shares. 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 as stated in the Article 241-1 of the Company Act by cash, and a report shall be submitted to the shareholders' meeting. Refer to Note 26(i) "Compensation of employees and remuneration of directors" for the distribution policy of compensation of employees and remuneration of directors 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 2020 and 2019 were as follows

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2020	2019	2020	2019
Legal reserve	\$ 6,285	\$ 5,177	\$ -	\$ -
Special reserve	-	46,589	-	-
Cash dividends	56,558	-	0.1015	-

The above appropriation for cash dividends was resolved by the Company's board of directors on March 22, 2021; the other proposed appropriations were resolved by the shareholders in their meeting on July 21, 2021 and June 22, 2020, respectively.

The Company's shareholders also resolved in the shareholders' meeting on April 21, 2021 to issue cash dividends of \$501,663 thousand from the capital surplus. Cash dividends was \$0.9 per share.

The appropriations of earnings for 2021 approved in the shareholders' meeting on March 7, 2022 are as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 7,667	\$ -
Special reserve	69,000	-

The Company's board of directors resolved to no distribute cash dividend for the year ended December 31, 2021, and the rest is subject to the resolution of the shareholders in their meeting to be held on June 23, 2022.

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

The Company recognized unrealized (loss) gain of \$2,839 thousand and \$(110) thousand in 2021 and 2020, respectively, due to change in fair value of financial assets at FVTOCI.

Refer to Note 8 for the cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal by the Group in 2021.

e. Non-controlling interests

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 71,212	\$ 68,760
Attributable to non-controlling interests:		
Share of profit for the year	21,864	3,866
Exchange differences on translating the financial statements of foreign entities	<u>(23,018)</u>	<u>(1,414)</u>
Balance at December 31	<u>\$ 70,058</u>	<u>\$ 71,212</u>

25. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from contracts with customers		
Revenue from sale of goods	\$ 31,737,279	\$ 25,814,553
Revenue from rendering of services	<u>200,581</u>	<u>181,182</u>
	<u>\$ 31,937,860</u>	<u>\$ 25,995,735</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.

26. NET PROFIT (LOSS)

The components of net income are as follows:

a. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Net foreign exchange loss	\$ (103,946)	\$ (143,558)
Net gain arising on financial assets designated as at FVTPL	29,598	21,213
Gain on disposal of subsidiaries	55,920	-
Net gain (loss) on disposal of property, plant and equipment	(1,928)	11
Reversal of impairment loss	188,535	-
Miscellaneous disbursements	(46,696)	(58,466)
Others	<u>(517)</u>	<u>518</u>
	<u>\$ 120,966</u>	<u>\$ (180,282)</u>

The reversal of impairment loss was due to the recovery of the tax refund that had been set aside for impairment.

b. Gain on disposal of assets

	For the Year Ended December 31	
	2021	2020
Gain on disposal of assets	<u>\$ -</u>	<u>\$ 343,491</u>

Refer to Note 12 for explanation about gain on disposal of assets.

c. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on bank overdrafts and loans	\$ 14,758	\$ 52,720
Interest on lease liabilities	14,109	19,014
Other finance costs	<u>1,648</u>	<u>3,684</u>
	<u>\$ 30,515</u>	<u>\$ 75,418</u>

d. Interest income

	For the Year Ended December 31	
	2021	2020
Financial assets at amortized cost	\$ 31,298	\$ 53,195
Bank deposits	29,692	39,763
Other interest income	<u>2,343</u>	<u>6,513</u>
	<u>\$ 63,333</u>	<u>\$ 99,471</u>

e. Other income

	For the Year Ended December 31	
	2021	2020
Government subsidy	\$ 152,865	\$ 72,335
Rental income	115,624	74,365
Dividend revenue	348	312
Others	<u>21,105</u>	<u>54,241</u>
	<u>\$ 289,942</u>	<u>\$ 201,253</u>

f. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	\$ 415,764	\$ 389,211
Right-of-use assets	150,463	153,238
Investment properties	40,712	40,697
Prepayments	38,229	21,970
Other intangible assets	9,966	11,799
Other non-current assets	<u>29,439</u>	<u>32,881</u>
	<u>\$ 684,573</u>	<u>\$ 649,796</u>
An analysis of depreciation by function		
Operating costs	\$ 309,314	\$ 293,403
Operating expenses	256,913	249,046
Non-operating expenses	<u>40,712</u>	<u>40,697</u>
	<u>\$ 606,939</u>	<u>\$ 583,146</u>
An analysis of amortization by function		
Operating costs	\$ 57,846	\$ 46,350
Operating expenses	<u>19,788</u>	<u>20,300</u>
	<u>\$ 77,634</u>	<u>\$ 66,650</u>

g. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2021	2020
Direct operating expenses from investment properties that generated rental income	\$ 41,948	\$ 41,956
Direct operating expenses from investment properties that did not generate rental income	<u>-</u>	<u>-</u>
	<u>\$ 41,948</u>	<u>\$ 41,956</u>

h. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits (Note 23)		
Defined contribution plans	\$ 38,931	\$ 40,779
Defined benefit plans	(333)	(761)
	<u>38,598</u>	<u>40,018</u>
Other employee benefits		
Payroll	2,919,336	2,920,713
Labor and health insurance	235,975	200,249
Other employee costs	<u>25,283</u>	<u>20,731</u>
	<u>3,180,594</u>	<u>3,141,693</u>
Total employee benefit expense	<u>\$ 3,219,192</u>	<u>\$ 3,181,711</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 1,763,903	\$ 1,790,645
Operating expenses	<u>1,455,289</u>	<u>1,391,066</u>
	<u>\$ 3,219,192</u>	<u>\$ 3,181,711</u>

i. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrues 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, 2021 and 2020, which were approved by the Company's board of directors on March 7, 2022 and March 22, 2021, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2021	2020
Employees' compensation	6.0%	6.0%
Remuneration of directors	0.6%	-

	For the Year Ended December 31			
	2021		2020	
	Cash	Shares	Cash	Shares
Employees' compensation	\$ 5,549	\$ -	\$ 23,431	\$ -
Remuneration of directors	-	-	-	-

The remuneration of directors approved in the board of directors' meeting on March 7, 2022 and March 22, 2021 differed from those recognized in the consolidated financial statements for the year ended December 31, 2021 and 2020, respectively. The differences were recorded as an adjustment to profit and loss in 2021 and 2020, respectively.

	For the Year Ended December 31			
	2021		2020	
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amounts approved in the board of directors' meeting	<u>\$ 5,549</u>	<u>\$ -</u>	<u>\$ 23,431</u>	<u>\$ -</u>
Amounts recognized in the consolidated financial statements	<u>\$ 5,549</u>	<u>\$ 555</u>	<u>\$ 23,431</u>	<u>\$ 2,343</u>

There is no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year of 2019.

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

27. 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	
	2021	2020
Current tax		
In respect of the current year	\$ 72,051	\$ 109,961
Adjustments for prior years	(2,272)	(30,862)
Regional income tax	<u>1,049</u>	<u>683</u>
	<u>70,828</u>	<u>79,782</u>
Deferred tax		
In respect of the current year	2,570	272,905
Adjustments for prior years	<u>1,876</u>	<u>531</u>
	<u>4,446</u>	<u>273,436</u>
Income tax expense recognized in profit or loss	<u>\$ 75,274</u>	<u>\$ 353,218</u>

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

	For the Year Ended December 31	
	2021	2020
Profit before tax from continuing operations	<u>\$ 168,665</u>	<u>\$ 419,168</u>
Income tax expense calculated at the statutory rate	\$ 79,012	\$ 147,931
Nondeductible expenses in determining taxable income	2,525	1,634
Tax-exempt income	(1,259)	(546)
Unrecognized loss carryforwards	-	(12,136)
Adjustment of deductible temporary difference in current year	(5,209)	260,094
Regional income tax	903	683
Adjustment of deferred tax from the prior years	1,876	(5,038)
Adjustments for prior years' tax	(2,272)	(30,500)
Others	<u>(302)</u>	<u>(8,904)</u>
Income tax expense recognized in profit or loss	<u>\$ 75,274</u>	<u>\$ 353,218</u>

The applicable corporate income tax rate of used by the Group in the ROC is 20%, and the corporate surtax applicable to the unappropriated earnings is 5%. While the applicable tax rate used by subsidiaries in China is 25%, tax rates used by other entity in the group operating in other jurisdictions are based on the tax laws in those jurisdictions.

The Group did not recognize the deferred income tax assets of \$627,104 thousand from the completed transfer of Dragon Asia's equity in the third quarter of 2020 (refer to Note 12(a)).

b. Income tax recognized directly in other comprehensive income

	For the Year Ended December 31	
	2021	2020
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	\$ (28,961)	\$ (8,202)
Remeasurement on defined benefit plans	<u>56</u>	<u>189</u>
	<u>\$ (28,905)</u>	<u>\$ (8,013)</u>

c. Current income tax assets and liabilities

	December 31	
	2021	2020
Current income tax liabilities		
Income tax payable	<u>\$ 204,542</u>	<u>\$ 185,801</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, 2021

	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	\$ 37,295	\$ 3,775	\$ -	\$ (121)	\$ 40,949
Provisions	150,658	(7,837)	-	(14)	142,807
Gain on disposal of property, plant and equipment	27,383	(9,202)	-	-	18,181
Disposal of interest in subsidiary	393,092	-	-	-	393,092
Allowance for impairment loss	41,097	-	-	(1,155)	39,942
Difference in estimated useful lives of property, plant and equipment	2,990	-	-	(21)	2,969
Effect of foreign currency exchange differences	213,016	-	28,961	-	241,977
Loss on investment in equity	8,832	22,008	-	-	30,840
Loss carryforwards	1,680	51,071	-	(47)	52,704
Others	18,396	(8,260)	-	(84)	10,052
	<u>\$ 894,439</u>	<u>\$ 51,555</u>	<u>\$ 28,961</u>	<u>\$ (1,442)</u>	<u>\$ 973,513</u>

Deferred tax liabilities

Temporary differences					
Defined benefit plan	\$ (25,643)	\$ (693)	\$ (56)	\$ -	\$ (26,392)
Financial assets at FVTPL	(1,319)	728	-	-	(591)
Effect of foreign currency exchange differences	-	(5,020)	-	-	(5,020)
Gain on investment in equity	(233,287)	(51,016)	-	-	(284,303)
	<u>\$ (260,249)</u>	<u>\$ (56,001)</u>	<u>\$ (56)</u>	<u>\$ -</u>	<u>\$ (316,306)</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Others	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Unrealized loss on inventory	\$ 36,099	\$ 982	\$ -	\$ 214	\$ -	\$ 37,295
Provisions	180,747	(30,063)	-	(26)	-	150,658
Gain on disposal of property, plant and equipment	36,584	(9,201)	-	-	-	27,383
Disposal of interest in subsidiary	258,138	(24,749)	-	-	159,703	393,092
Allowance for impairment loss	645,873	(598,339)	-	(6,437)	-	41,097
Difference in estimated useful lives of property, plant and equipment	2,969	(12)	-	33	-	2,990
Effect of foreign currency exchange differences	204,814	-	8,202	-	-	213,016
Loss on investment in equity	-	8,832	-	-	-	8,832

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Others	Closing Balance
Loss carryforwards	\$ 1,919	\$ (148)	\$ -	\$ (91)	\$ -	\$ 1,680
Others	<u>39,823</u>	<u>(21,140)</u>	<u>-</u>	<u>(287)</u>	<u>-</u>	<u>18,396</u>
	<u>\$ 1,406,966</u>	<u>\$ (673,838)</u>	<u>\$ 8,202</u>	<u>\$ (6,594)</u>	<u>\$ 159,703</u>	<u>\$ 894,439</u>
<u>Deferred tax liabilities</u>						
Temporary differences						
Defined benefit plan	\$ (24,657)	\$ (797)	\$ (189)	\$ -	\$ -	\$ (25,643)
Financial assets at						
FVTPL	(400)	(919)	-	-	-	(1,319)
Gain on investment in						
equity	<u>(8,299)</u>	<u>(224,988)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(233,287)</u>
	<u>\$ (33,356)</u>	<u>\$ (226,704)</u>	<u>\$ (189)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (260,249)</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>	
	2021	2020
Deductible temporary differences		
Allowance for doubtful accounts	<u>\$ 64,303</u>	<u>\$ 86,781</u>
Loss carryforwards	<u>\$ 931,699</u>	<u>\$ 1,114,813</u>

- f. Information about unused loss carryforwards

As of December 31, 2021, loss carryforwards comprised of:

The Company, Elitegroup Computer Systems Inc. (USA), Elitegroup Computer Systems (HK) Co., Limited, Elitegroup Computer Systems (Korea) Co., Ltd., Beijing Advazone Electronic Co., Ltd. and Elitegroup Computer Systems (SIP) Co., Ltd.

Unused Amount	Expiry Year
\$ 919,538	2021-2035
<u>369,862</u>	Unlimited duration
<u>\$ 1,289,400</u>	

- g. Income tax assessments

The Company's income tax returns through 2019 have been assessed by the tax authorities.

28. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	2021	2020
Basic earnings per share	<u>\$ 0.13</u>	<u>\$ 0.11</u>
Diluted earnings per share	<u>\$ 0.13</u>	<u>\$ 0.11</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

	For the Year Ended December 31	
	2021	2020
Profit for the period attributable to owners of the Company	<u>\$ 71,527</u>	<u>\$ 62,084</u>
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 71,527</u>	<u>\$ 62,084</u>

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

	For the Year Ended December 31	
	2021	2020
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>396</u>	<u>1,013</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>557,799</u>	<u>558,416</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.

29. 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	
	2021	2020
Debt	\$ 13,620,068	\$ 12,663,226
Less: Cash and cash equivalents (including cash and cash equivalents in a disposal group held for sale)	<u>(2,766,617)</u>	<u>(4,529,482)</u>
Net debt	10,853,451	8,133,744
Equity	<u>10,511,797</u>	<u>11,086,684</u>
Total capital*	<u>\$ 21,365,248</u>	<u>\$ 19,220,428</u>
Net debt to equity ratio	<u>50.80%</u>	<u>42.32%</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, 2021, the Group's capital management approach had not changed.

30. INFORMATION OF CASH FLOW

Non-cash Transaction

Except for those disclosed in other notes, the Group conducted the following non-cash transactions of investment activities for the year ended December 31, 2020 (December 31, 2021: None):

The Company disposed of 100% equity of Dragon Asia in August 2020 and derecognized the relevant assets (refer to Notes 12, 15 and 27). The Company received equity transfer price from Dragon Asia in 2018 and 2020 and recognized the amounts as other advanced receipts; therefore, the Company derecognized the relevant assets based on the actual implementation progress and classified the relevant other advanced receipts as disposal price, see Notes 12(1) and 21 for more information.

31. 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, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 625,248	\$ -	\$ -	\$ 625,248
Domestic unlisted shares	-	-	41,677	41,677
Foreign unlisted shares	-	-	19	19
	<u>\$ 625,248</u>	<u>\$ -</u>	<u>\$ 41,696</u>	<u>\$ 666,944</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 612,732	\$ -	\$ -	\$ 612,732
Domestic unlisted shares	-	-	41,677	41,677
Foreign unlisted shares	-	-	25	25
	<u>\$ 612,732</u>	<u>\$ -</u>	<u>\$ 41,702</u>	<u>\$ 654,434</u>
Financial assets at FVTOCI				
Domestic listed shares - equity securities	<u>\$ 10,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,135</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	
	2021	2020
Balance at January 1	\$ 41,702	\$ 44,108
Recognized in profit or loss (included in other gains and losses)	<u>(6)</u>	<u>(2,406)</u>
Balance at December 31	<u>\$ 41,696</u>	<u>\$ 41,702</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, 2021 and 2020 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 \$463 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, 2021 and 2020 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 less than \$1 thousand.

c. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets at FVTPL		
Designated as at FVTPL - current	\$ 666,944	\$ 654,434
Financial assets at amortized cost (1)	13,361,426	13,284,784
Financial assets at FVTOCI - equity instruments	-	10,135
<u>Financial liabilities</u>		
Amortized cost (2)	7,206,562	6,198,730

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

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, accounts receivables, trade payables, borrowings and lease liabilities. 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	
	2021	2020
Profit or loss	\$ (164,600)	\$ (209,623)

b) Interest rate risk

The Group was exposed to fair value interest risk because entities in the Group hold financial assets and liabilities with fix rate, and the Group was exposed to cash flow interest rate risk because entities in the Group hold financial asset and liabilities with floating rate.

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	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 4,015,748	\$ 6,663,523
Financial liabilities	1,553,898	1,918,970
Cash flow interest rate risk		
Financial assets	1,106,763	1,722,783
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 100 basis points 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 100 basis points higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would increase by \$11,068 thousand and \$17,228 thousand, respectively. Had market interest rates been 100 basis points 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, 2021 and 2020 would increase/decrease by \$33,347 thousand and \$32,722 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, 2020 would have increased/decreased by \$507 thousand, as a result of the changes in fair value of financial assets at FVTOCI (December 31, 2021: None).

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, 2021 and 2020, the Group's five largest customers accounted for 81% and 64% 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, 2021

	Less than 1 Year	2 to 3 Years	More than 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Accounts payable	\$ 5,396,818	\$ -	\$ -	\$ 5,396,818
Accounts payable-related parties	1,414	-	-	1,414
Lease liabilities	230,075	242,123	16,136	488,334
Short-term debts	<u>1,079,520</u>	<u>-</u>	<u>-</u>	<u>1,079,520</u>
	<u>\$ 6,707,827</u>	<u>\$ 242,123</u>	<u>\$ 16,136</u>	<u>\$ 6,966,086</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>\$ 230,075</u>	<u>\$ 257,581</u>	<u>\$ 677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2020

	Less than 1 Year	2 to 3 Years	More than 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Accounts payable	\$ 4,280,803	\$ -	\$ -	\$ 4,280,803
Lease liabilities	243,971	441,684	9,932	695,587
Short-term debts	<u>1,247,424</u>	<u>-</u>	<u>-</u>	<u>1,247,424</u>
	<u>\$ 5,772,198</u>	<u>\$ 441,684</u>	<u>\$ 9,932</u>	<u>\$ 6,223,814</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>\$ 243,971</u>	<u>\$ 451,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2021

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheets	Net Amounts of Financial Assets Presented in the Balance Sheets
Accounts receivable	\$ 9,081,386	\$ (1,351,071)	\$ 7,730,315
Accounts receivable from related parties	\$ 143,180	\$ (17)	\$ 143,163

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheets	Net Amounts of Financial Liabilities Presented in the Balance Sheets
Accounts payable	\$ 6,747,889	\$ (1,351,071)	\$ 5,396,818
Accounts payable from related parties	\$ 1,431	\$ (17)	\$ 1,414

December 31, 2020

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheets	Net Amounts of Financial Assets Presented in the Balance Sheets
Accounts receivable	\$ 5,626,613	\$ (1,366,986)	\$ 4,259,627
Accounts receivable from related parties	\$ 259,160	\$ (251)	\$ 258,909

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheets	Net Amounts of Financial Liabilities Presented in the Balance Sheets
Accounts payable	\$ 5,647,789	\$ (1,366,986)	\$ 4,280,803
Accounts payable from related parties	\$ 251	\$ (251)	\$ -

32. 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

Related Party Name	Related Party Category
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 consumer products (Taiwan) Co., Ltd.	Subsidiaries of the investors with significant influence over the Group
Forward Electronics Co., 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
IoTecha Corp.	Associates

b. Sales of goods

Related Party Category	For the Year Ended December 31	
	2021	2020
Investors with significant influence over the Group	\$ 597,482	\$ 745,936
Associates	64,864	23,065
Subsidiaries of the investors with significant influence over the Group	<u>10,542</u>	<u>4</u>
	<u>\$ 672,888</u>	<u>\$ 769,005</u>

The terms and conditions of sales transactions with related parties were not significantly different from those for third parties. For other related party transactions, price and terms were determined in accordance with mutual agreements.

c. Purchases of goods

Related Party Category	For the Year Ended December 31	
	2021	2020
Subsidiaries of the investors with significant influence over the Group	\$ 1,411	\$ 716
Investors with significant influence over the Group	<u>926</u>	<u>944</u>
	<u>\$ 2,337</u>	<u>\$ 1,660</u>

d. Receivables from related parties

Line Items	Related Party Category	December 31	
		2021	2020
Accounts receivable	Investors with significant influence over the Group	\$ 139,209	\$ 248,379
	Subsidiaries of the investors with significant influence over the Group	3,755	1,454
	Associates	<u>199</u>	<u>9,076</u>
		<u>\$ 143,163</u>	<u>\$ 258,909</u>
Other accounts receivable	Investors with significant influence over the Group	\$ 801	\$ 1,753
	Associates	<u>73</u>	<u>-</u>
		<u>\$ 874</u>	<u>\$ 1,753</u>

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment loss was recognized for receivables from related parties.

e. Payables to related parties

Line Items	Related Party Category	December 31	
		2021	2020
Accounts payable	Associates	<u>\$ 1,414</u>	<u>\$ -</u>
Other accounts payable	Subsidiaries of the investors with significant influence over the Group	<u>\$ 728</u>	<u>\$ 706</u>

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

f. Acquisition of property, plant and equipment

Related Party Category	Line Items	Purchase Price For the Year Ended December 31	
		2021	2020
Subsidiaries of the investors with significant influence over the Group	Property, plant and equipment	<u>\$ 1,840</u>	<u>\$ 1,374</u>

g. Lease agreement

Related Party Name	Purchase Price For the Year Ended December 31	
	2021	2020
Tatung (Thailand) Co., Ltd.	<u>\$ 2,226</u>	<u>\$ 2,245</u>

Line Items	Related Party Name	December 31	
		2021	2020
Lease liabilities - current	Tatung (Thailand) Co., Ltd.	\$ <u>-</u>	\$ <u>11,179</u>

Line Items	Related Party Category	For the Year Ended December 31	
		2021	2020
Interest expenses	Subsidiaries of the investors with significant influence over the Group	\$ <u>217</u>	\$ <u>597</u>

h. Other operating expenses

Related Party Category	Line Item	For the Year Ended December 31	
		2021	2020
Subsidiaries of the investors with significant influence over the Group	Repair expenses	\$ 429	\$ 229
	Miscellaneous purchase	104	-
	Research material	-	470
	Abnormal quality	-	54
	Miscellaneous expense	-	15
	Service expense	<u>-</u>	<u>11</u>
		\$ <u>533</u>	\$ <u>779</u>
Investors with significant influence over the Group	Repair expenses	\$ 18	\$ 21
	Miscellaneous expense	<u>-</u>	<u>58</u>
		\$ <u>18</u>	\$ <u>79</u>

i. Other transactions with related parties

Related Party Category	Line Item	For the Year Ended December 31	
		2021	2020
Investors with significant influence over the Group	Other revenue	\$ 162	\$ 118
Associates	Other revenue	<u>154</u>	<u>206</u>
		\$ <u>316</u>	\$ <u>324</u>

j. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 77,605	\$ 69,759
Post-employment benefits	<u>645</u>	<u>718</u>
	\$ <u>78,250</u>	\$ <u>70,477</u>

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

33. ASSETS PLEDGED AS COLLATERAL

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

	December 31	
	2021	2020
Pledged deposits (classified as financial assets at amortized cost)	\$ 4,050	\$ 4,093

34. OTHER EVENTS

The Group was affected by the COVID-19 pandemic. The operations of subsidiaries in mainland China were delayed in the first quarter of 2020. However, they have returned to normal level at the end of March 2020. Therefore, the Group considers that the impact of COVID-19 is not significant.

According to the announcement by the local government, the Group's subsidiaries in mainland China are eligible for tax reduction to cover the costs of retirement insurance, unemployment compensation and injury insurance from February to June 2020.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2021

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 534,711	27.68	\$ 14,800,801
RMB	305,949	4.341	1,328,126
HKD	492	3.549	1,745
Non-monetary items			
Financial assets held for trading			
USD	2,105	27.68	58,268
<u>Financial liabilities</u>			
Monetary items			
USD	415,780	27.68	11,508,803
HKD	4,975	3.549	17,657
JPY	10,921	0.241	2,627

December 31, 2020

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 412,345	28.48	\$ 11,743,582
RMB	340,874	4.365	1,487,916
HKD	982	3.673	3,606
JPY	7,527	0.276	2,080
Non-monetary items			
Financial assets held for trading			
USD	5,106	28.48	145,417
<u>Financial liabilities</u>			
Monetary items			
USD	265,137	28.48	7,551,113
HKD	3,972	3.673	14,588
JPY	5,706	0.276	1,577

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange losses were \$103,946 thousand and \$143,558 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.

36. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (Table 3)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital (Table 4)
- 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 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)

- 9) Trading in derivative instruments (Note 7)
- 10) Intercompany relationships and significant intercompany transactions (Table 10)
- b. Information on investees (Table 7)
- c. Information on investments in mainland China
 - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 8)
 - 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 9):
 - 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.
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 11).

37. 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	
	2021	2020	2021	2020
Asia	\$ 19,252,536	\$ 16,011,328	\$ 4,609,399	\$ 4,978,572
America	6,785,442	5,237,531	80,973	55,815
Europe	5,612,943	4,422,873	-	-
Others	<u>286,939</u>	<u>324,003</u>	<u>-</u>	<u>-</u>
	<u>\$ 31,937,860</u>	<u>\$ 25,995,735</u>	<u>\$ 4,690,372</u>	<u>\$ 5,034,387</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	
	2021	2020
Customer A	\$ 9,291,278	\$ 3,451,405
Customer B	6,281,878	7,779,879
Customer C	<u>2,510,867</u>	<u>2,926,510</u>
	<u>\$ 18,084,023</u>	<u>\$ 14,157,794</u>

TABLE 1

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(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	ECS Digital Technology (Shenzhen) Ltd.	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技(深圳)有限公司)	Other receivables	Y	\$ 108,950 (RMB 25,000,000) (Note 2)	\$ 108,525 (RMB 25,000,000) (Note 3)	\$ 108,525	1.890	Short-term financing	\$ -	Operational needs	\$ -	N/A	\$ -	\$ 182,418 (Note 4)	\$ 182,418 (Note 4)	

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

- a. Business relationship: 1
- 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 2021.

Note 3: The calculation of the amount was based on the closing rate on December 31, 2021.

Note 4: The total amount of lending to borrower for funding of short-term period shall not exceed forty percent of lender’s net worth between the subsidiaries and the foreign company in which the company directly or indirectly holds more than 100 percent of the voting shares. Individual amount of lending shall not exceed forty percent of lender’s net worth.

TABLE 2

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Nature of Relationship										
1	Elitegroup Computer Systems Co., Ltd.	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	(b) (Note 1)	\$ 10,441,739 (Note 2)	\$ 160,367 (US\$ 5,620,000) (Note 4)	\$ - (US\$ -) (Note 5)	\$ - (US\$ -) (Note 5)	\$ -	-	\$ 10,441,739 (Note 3)	Y	N	Y

- Note 1: Relationships between the endorsement/guarantee provider and the guaranteed party:
- a. A company with which it does business.
 - b. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
 - c. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.
 - d. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
 - e. The Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
 - f. All shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentage.
 - g. Companies in the same industry provide among themselves joint and several guarantees for the performance of a sales contract for pre-construction homes pursuant to the Consumer Protection Act.

Note 2: The total amount of the guarantee provided by Elitegroup Computer Systems Co., Ltd. to any individual entity shall not exceed 100% of Elitegroup Computer Systems Co., Ltd.’s net worth.

Note 3: The total accumulated amount of guarantee shall not exceed one hundred percent of Elitegroup Computer Systems Co., Ltd.’s net worth.

Note 4: The calculation of the amount was based on the highest exchange rate during 2021.

Note 5: The calculation of the amount was based on the closing rate on December 31, 2021.

TABLE 3

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(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, 2021					Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value/ Net Asset Value	Maximum Shares/Units Held During the Year	
Elitegroup Computer Systems Co., Ltd.	<u>Ordinary shares</u> Lu-Chu Development Corporation	No	Financial assets at fair value through profit or loss - non-current	4,851,680	\$ 41,677	2.24	\$ 41,677	4,851,680	
	Trigem Computer Inc.	No	Financial assets at fair value through profit or loss - non-current	16	19	-	19	16	
	<u>Beneficiary certificate</u> Franklin Templeton Sinoam Money Market Fund	No	Financial assets at fair value through profit or loss - current	2,988,000	31,236	-	31,236	12,558,844	
	FSITC Taiwan Money Market Fund	No	Financial assets at fair value through profit or loss - current	3,270,218	50,594	-	50,294	6,542,512	
	Jih Sun Money Market Fund	No	Financial assets at fair value through profit or loss - current	13,348,845	200,060	-	200,060	21,383,325	
	Mega Diamond Money Market Fund	No	Financial assets at fair value through profit or loss - current	7,895,560	100,097	-	100,097	7,895,560	
	JPMorgan (Taiwan) China Income Fund - Accumulation Share Class	No	Financial assets at fair value through profit or loss - current	764,727	11,132	-	11,132	764,727	
	Franklin Templeton SinoAm Asia Pacific Balanced Fund-Accu-TWD	No	Financial assets at fair value through profit or loss - current	1,386,722	15,281	-	15,281	1,386,722	
	Nomura Taiwan Dynamic Asset Allocation Fund	No	Financial assets at fair value through profit or loss - current	117,647	5,825	-	5,825	117,647	
	Fuh Hwa Global Balanced Fund-TWD	No	Financial assets at fair value through profit or loss - current	807,852	22,628	-	22,628	877,802	
	Fuh Hwa Olympic II Fund of Funds-TWD	No	Financial assets at fair value through profit or loss - current	697,344	12,322	-	12,322	1,037,344	
	Taishin Senior Secured High Yield Bond Fund A TWD	No	Financial assets at fair value through profit or loss - current	2,000,000	20,413	-	20,413	2,000,000	
	Union Advantage Global Fixed Income Portfolio Fund.	No	Financial assets at fair value through profit or loss - current	594,832	9,075	-	9,075	594,832	
	KGI Taiwan Multi-Asset Income Fund-TWD A	No	Financial assets at fair value through profit or loss - current	2,940,317	33,373	-	33,373	2,940,317	
	Capital Multi-Asset Allocation Fund	No	Financial assets at fair value through profit or loss - current	242,131	5,027	-	5,027	242,131	
	SinoPac Greater China Convertible Bond Fund	No	Financial assets at fair value through profit or loss - current	20,339	58,268	-	58,268	20,339	
Elitegroup Computer Systems (HK) Co., Limited	<u>Beneficiary certificate</u> SinoPac Greater China Convertible Bond Fund	No	Financial assets at fair value through profit or loss - current	7,882	22,581	-	22,581	7,882	
	SinoPac USD Money Market Funds	No	Financial assets at fair value through profit or loss - current	100,007	(US\$ 815,796)	-	(US\$ 815,796)	100,007	
					(US\$ 987,571)		(US\$ 987,571)		

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

TABLE 4

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance (Note)		Acquisition		Disposal				Ending Balance (Note)	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Elitegroup Computer Systems Co., Ltd.	<u>Beneficiary certificate</u> Jih Sun Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	3,346,451	\$ 50,030	30,050,276	\$ 450,000	20,047,882	\$ 300,319	\$ 300,000	\$ 319	13,348,845	\$ 200,000

Note: The book amount was the original acquisition cost.

TABLE 5**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, 2021**

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Elitegroup Computer Systems Co., Ltd.	Elitegroup Computer Systems Inc. (USA)	Subsidiary of ECS Holding (America) Co. (USA)	Sale	\$ 209,549	1	OA 60 days	\$ -	-	\$ 10,554	-	Note
	Super ECS USA Inc.	Subsidiary of ECS Holding (America) Co. (USA)	Sale	515,034	2	OA 90 days	-	-	54,018	1	Note
	Tatung Company	Investors with significant influence over the Group	Sale	597,482	2	Open account 90 days	-	-	139,209	2	-
	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Subsidiary of ECS Holding (HK) Co., Limited	Purchase	(10,681,362)	(40)	OA 60 days	-	-	(2,259,525)	(58)	Note
Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Elitegroup Computer Systems Co., Ltd.	Ultimate parent company	Sale	10,681,362	88	OA 60 days	-	-	2,259,525	70	Note
Elitegroup Computer Systems Inc. (USA)	Elitegroup Computer Systems Co., Ltd.	Ultimate parent company	Purchase	(209,549)	(100)	OA 60 days	-	-	(10,554)	(100)	Note
Super ECS USA Inc.	Elitegroup Computer Systems Co., Ltd.	Ultimate parent company	Purchase	(515,034)	(100)	OA 90 days	-	-	(54,018)	(100)	Note

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

TABLE 6

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, 2021
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Receivables from Related Parties Ending Balance	Turnover Rate (Note 1)	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss	Note
					Amount	Actions Taken			
Elitegroup Computer Systems Co., Ltd.	Tatung Company	Investors with significant influence over the Company	\$ 140,010	3.08	\$ 32,171	Strengthen the collection	\$ 61,476	\$ -	-
	Golden Elite Technology (Shenzhen) Ltd. (興英科技)	Subsidiary	604,169	-	-	-	-	-	Notes 2 and 3
Golden Elite Technology (Shenzhen) Ltd. (興英科技)	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Fellow company	115,548	-	-	-	108,537	-	Notes 2 and 3
Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Elitegroup Computer Systems Co., Ltd.	Ultimate parent company	2,376,026	6.73	435,862	Strengthen the collection	2,376,026	-	Note 2

Note 1: The calculation of turnover days excludes other receivables.

Note 2: The above transactions were not included in the consolidated financial statements.

Note 3: The Company disposed of one hundred percent equity of Dragon Asia in August 2020, lost control of Dragon Asia, Million Up and Golden Elite Technology (興英科技), and derecognized the related subsidiaries. The Company accounted for the residual equity in ECS Holding (HK) Co., Limited and Golden Elite Technology (興英數位科技).

TABLE 7

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(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, 2021			Net Income (Loss) of the Investee (Note 2)	Share of Profit (Loss) (Note 2)	Note
				December 31, 2021	December 31, 2020	Shares	%	Carrying Amount (Note 1)			
Elitegroup Computer Systems Co., Ltd.	Elitegroup Computer Systems (HK) Co., Limited	Hong Kong	Sale of motherboards, computer peripheral products and related components	\$ 62,413	\$ 62,413	16,560,000	100.00	\$ 241,154	\$ (17,196)	\$ (17,196)	Note 3
	Elitegroup Computer Systems (Japan) Co., Ltd.	Japan	Sale of motherboards, notebook, computer peripheral products and related components	19,078	19,078	1,136	100.00	20,714	1,009	1,009	Note 3
	Elitegroup Computer System Holding Co., Ltd. (BVI)	British Virgin Islands	Holding company	762,621	762,621	18,381,296	100.00	142,461	(21,223)	(21,223)	Note 3
	ECS Holding (America) Co. (USA)	USA	Holding company	830,259	830,259	3,362	100.00	756,339	9,038	9,038	Note 3
	Elitegroup Computer Systems Korea Co., Ltd.	Korea	Sale of motherboards, maintenance and sales support	66,780	66,780	469,000	100.00	9,138	812	812	Note 3
	Unitop International Corp.	British Virgin Islands	Holding company	123,151	399,151	1,600	100.00	561,788	(19,870)	(19,870)	Note 3
	Unity Investments Limited	Samoa	Holding company	62,052	62,052	1,905,000	100.00	83,507	1,905	1,905	Note 3
	ECS Holding (HK) Co., Limited	Hong Kong	Holding company	2,592,795	2,592,795	86,327,000	100.00	3,191,090	215,637	217,300	Notes 3, 5, 6 and 7
	Elitegroup Technology (Thailand) Co., Ltd.	Thailand	Manufacture and sales of computer and computer peripheral products	360,898	360,898	3,999,998	99.99	216,359	(22,163)	(22,163)	Note 3
	FoxElite Computer System Co., Ltd.	Taiwan	Manufacture of computer, computer peripheral products and related components	150	-	150,000	35.00	122	(79)	(28)	Notes 3 and 9
Elitegroup Computer System Holding Co., Ltd. (BVI)	Venture Well Holdings Limited (BVI)	British Virgin Islands	Holding company	418,241 (US\$ 15,109,864)	418,241 (US\$ 15,109,864)	15,109,864	68.45	151,996 (US\$ 5,491,180)	69,299 (US\$ 2,473,814)	35,498 (US\$ 1,267,211)	Note 3
ECS Holding (America) Co. (USA)	Elitegroup Computer Systems Inc. (USA)	USA	Sale of motherboards, notebook, computer peripheral products, related components and systems assembled	464,267 (US\$ 16,772,643)	464,267 (US\$ 16,772,643)	47,552	100.00	584,086 (US\$ 21,101,389)	12,415 (US\$ 443,180)	12,415 (US\$ 443,180)	Note 3
	Super ECS USA, Inc.	USA	Sale of motherboards, computer peripheral products and related components	13,840 (US\$ 500,000)	13,840 (US\$ 500,000)	2,500,000	100.00	131,348 (US\$ 4,745,215)	14,552 (US\$ 519,480)	14,552 (US\$ 519,480)	Note 3
	IoTecha Corp.	USA	Design and development of smart charging systems and software development	27,680 (US\$ 1,000,000)	27,680 (US\$ 1,000,000)	Ordinary share 2,000,000	19.61	- (US\$ -)	- (219,506)	- (US\$ -)	Notes 3 and 8
				31,140 (US\$ 1,125,000)	31,140 (US\$ 1,125,000)	Preference share 1,108,942	8.15	9,804 (US\$ 354,182)	(US\$ -7,835,850)	(14,740) (US\$ -526,183)	Notes 3 and 8
Unity Investments Limited	Unique Sino Limited	Samoa	Holding company	52,315 (US\$ 1,890,000)	52,315 (US\$ 1,890,000)	1,890,000	100.00	83,490 (US\$ 3,016,249)	1,905 (US\$ 68,005)	1,905 (US\$ 68,005)	Note 3
Venture Well Holdings Limited (BVI)	Alpha Leader Limited (HK)	Hong Kong	Trading of IC and electric components	84,284 (US\$ 3,044,947)	84,284 (US\$ 3,044,947)	23,689,688	100.00	108,275 (US\$ 3,911,677)	(355) (US\$ -12,688)	(355) (US\$ -12,688)	Note 3
	Advazone International Limited (BVI)	British Virgin Islands	Holding company	513,464 (US\$ 18,550,000)	513,464 (US\$ 18,550,000)	18,550,000	100.00	107,258 (US\$ 3,874,940)	72,536 (US\$ 2,589,380)	69,924 (US\$ 2,496,111)	Note 3
	Affirm International Limited (BVI)	British Virgin Islands	Holding company	121,238 (US\$ 4,380,000)	121,238 (US\$ 4,380,000)	4,380,000	100.00	40 (US\$ 1,454)	- (US\$ -)	- (US\$ -)	Note 3
Affirm International Limited (BVI)	Protac International Computer, S.L.	Spain	Sale of computer peripheral products	- (US\$ -)	- (US\$ -)	-	100.00	- (US\$ -)	- (US\$ -)	- (US\$ -)	Notes 3 and 4

(Continued)

- Note 1: The amount was calculated based on the closing rate on December 31, 2021.
- Note 2: The amount was calculated using the average exchange rates from January to December 2021.
- 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: In order to cooperate with Mainland Assets Activation Plan, the board of directors of the Company approved to reduce capital of Dragon Asia and Million Up on January 23, 2018, the amount of capital reduction was US\$69,327 thousand for both subsidiaries, which was approved by the Investment Commission, Ministry of Economic Affairs, Rule No. 10800244950, on May 4, 2020, and offset the creditor’s rights and liabilities of the four parties in May 2020. Refer to Note 12.
- Note 6: The board of directors approved Mainland Assets Activation Plan on January 23, 2018, and completed the transfers of 52% and 48% interest of Dragon Asia on March 27, 2018 and August 25, 2020, respectively. After the disposal of one hundred percent equity of Dragon Asia, the Company had lost control of Dragon Asia, Million Up and Golden Elite Technology (興英科技), and derecognized the related subsidiaries. The Company accounted for the residual equity in ECS Holding (HK) Co., Limited and Golden Elite Technology (興英數位科技). Refer to Note 12.
- Note 7: The transfer amount of 52% and 48% interest in Dragon Asia (RMB600,000 thousand and RMB550,000 thousand) had been remitted to the Company on March 27, 2018 and August 25, 2020, respectively, and were included in other advances received. The transaction was authorized by Investment Commission, MOEA on May 1, 2018 and September 29, 2020. After evaluating the agreement and the status of implementation, the Company derecognized the relevant assets and other advanced receipts of RMB315,453 thousand as disposal price, and recognized a gain on disposal. Refer to Note 12 and 21.
- Note 8: ECS Holding (America) Co. (USA) held 2,000,000 ordinary shares (19.61%) and 1,108,942 preference shares (8.15%) of IoTecha Corp. as of December 31, 2021.
- Note 9: The shareholder’s meeting of FoxElite Computer System Co., Ltd. approved the liquidation in November 2021. As of December 31, 2021, the liquidation process has not been completed.

(Concluded)

TABLE 8

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(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, 2021 (Note 2)	Remittance of Funds (Note 2)		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 (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, 2021 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
Xun Rui Electron (Shenzhen) Co., Ltd.	Manufacture and maintenance of electric equipment and instrument, computer peripheral products and cases	\$ 29,064 (US\$ 1,050,000)	Indirect investment by Elitegroup Computer Systems (HK) Co., Limited	\$ 21,998 (US\$ 794,718)	\$ -	\$ -	\$ 21,998 (US\$ 794,718)	\$ (1,697) (RMB -390,615)	100.00	\$ (1,697) (US\$ -60,573)	\$ 15,488 (US\$ 559,524)	\$ -	-
Beijing Xun Run Technology Co., Ltd.	Manufacture and maintenance of electric equipment and instrument, computer peripheral products and cases	44,288 (US\$ 1,600,000)	Indirect investment by Elitegroup Computer Systems (HK) Co., Limited	48,151 (US\$ 1,739,577)	-	-	48,151 (US\$ 1,739,577)	(14,895) (RMB -3,428,816)	100.00	(14,895) (US\$ -531,710)	60,229 (US\$ 2,175,889)	-	-
Beijing Advazone Electronic Limited Company	Wholesale, maintenance and technical consultation of computers and peripheral products and related components	- (US\$ -)	Indirect investment by Advazone International Ltd. (BVI) of Venture Well Holdings Limited (BVI) of Elitegroup Computer Systems Holding Co., Ltd. (BVI)	309,023 (US\$ 11,164,138)	-	-	309,023 (US\$ 11,164,138)	677 (RMB 155,946)	-	71,099 (US\$ 2,522,952)	- (US\$ -)	-	Note 9
ECS Trading (Shenzhen) Co., Ltd.	Wholesale, trade, maintenance and technical consultation of computers and peripheral products	55,360 (US\$ 2,000,000)	Indirect investment by Unique Sino Limited of Unity Investments Limited	55,360 (US\$ 2,000,000)	-	-	55,360 (US\$ 2,000,000)	1,905 (RMB 438,540)	100.00	1,905 (US\$ 68,005)	83,488 (US\$ 3,016,174)	-	-
Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook, tablets and peripheral products	1,674,640 (US\$ 60,500,000)	Indirect investment by ECS Holding (HK) Co., Limited	1,918,971 (US\$ 69,327,000)	-	-	1,918,971 (US\$ 69,327,000)	238,784 (RMB 54,968,710)	100.00 (Notes 5, 6, 7 and 8)	240,447 (US\$ 8,583,433)	2,268,519 (US\$ 81,955,181)	-	-
Elitegroup Computer Systems (SIP) Co., Ltd.	Research, development and manufacture of notebook, tablets and related components	442,880 (US\$ 16,000,000)	Indirect investment by Unitop International Corp.	719,680 (US\$ 26,000,000)	-	276,800 (US\$ 10,000,000)	442,880 (US\$ 16,000,000)	(10,654) (RMB -2,452,501)	100.00	(10,654) (US\$ -380,311)	539,027 (US\$ 19,473,509)	539,820 (US\$ 18,000,000)	Note 10
ECS Digital Technology (Shenzhen) Ltd.	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook, tablets and peripheral products	429,040 (US\$ 15,500,000)	Indirect investment by ECS Holding (HK) Co., Limited	429,040 (US\$ 15,500,000)	-	-	429,040 (US\$ 15,500,000)	1,376 (RMB 316,648)	100.00	1,376 (US\$ 49,103)	456,046 (US\$ 16,475,665)	-	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
\$3,225,424 (US\$116,525,433) (Note 2)	\$3,342,937 (US\$120,770,829) (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, 2021.

Note 3: The calculation was based on the average exchange rate from January to December 2021.

Note 4: On March 13, 2018, the Company obtained the certification as being qualified for operating the headquarters, which was issued by the Industrial Development Bureau, MOEA (Letter No. 10620404950), the effective period started from February 23, 2017 to February 22, 2020, there's no limitation of the amount which the Company invested in China; on February 7, 2020, the Company obtained the updated certification as being qualified for operating the headquarters, which was issued by the Industrial Development Bureau, MOEA (Letter No. 10920404360), the effective period started from February 5, 2020 to February 4, 2023, thus, the ceiling amount of investment in mainland China is not applicable to the Company.

(Continued)

- Note 5: The board of directors approved Mainland Assets Activation Plan on January 23, 2018, and completed the transfers of 52% and 48% interest of Dragon Asia on March 27, 2018 and August 25, 2020, respectively, after the disposal of one hundred percent equity of Dragon Asia, the Company had lost control of Dragon Asia, Million Up and Golden Elite Technology (興英科技), and derecognized the related subsidiaries. The Company accounted for the residual equity in ECS Holding (HK) Co., Limited and Golden Elite Technology (興英數位科技). Refer to Note 12.
- Note 6: The transfer amount of 52% and 48% interest in Dragon Asia (RMB600,000 thousand and RMB550,000 thousand) had been remitted to the Company on March 27, 2018 and August 25, 2020 and was included in other advances received. The transaction was authorized by Investment Commission, MOEA on May 1, 2018 and September 29, 2020. After evaluating the agreement and the status of implementation, the Company derecognized the relevant assets and other advanced receipts of RMB315,453 thousand as disposal price, and recognized a gain on disposal. Refer to Note 12 and 21.
- Note 7: The board of directors of Golden Elite Technology (興英科技) approved the splitting process of Mainland Assets Activation Plan on April 26, 2018, which divided non-target assets to Golden Elite Technology (興英數位). Refer to Note 12.
- Note 8: Million Up sold one hundred percent of Golden Elite Technology’s shares (興英數位科技) to ECS Holding (HK) Co., Limited in May 2020, and offset the creditor’s rights and liabilities of the four parties for the transferring price of US\$69,327 thousand. Refer to Note 12.
- Note 9: Beijing Advazone Electronic Limited Company was liquidated by the resolution of it board of directors in October 2020, and was approved for cancellation of registration by the Beijing Municipal Bureau of market supervision and administration on April 19, 2021. The remaining share proceeds of US\$3,870 thousand was remitted to its investor, Advazone International Limited (BVI) in the fourth quarter of 2021.
- Note 10: The board of directors of Elitegroup Computer Systems (SIP) Co., Ltd. approved the reduction of its capital by US\$10,000 thousand in February 2021. These amounts were remitted to its investor, Unitop International Corp. in May 2021. The board of directors of Unitop International Corp. approved the reduction of its capital by US\$10,000 thousand in June 2021. These amounts were remitted to the Company on August 2, 2021.

(Concluded)

TABLE 9

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, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Counterparty (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	%		
Elitegroup Computer Systems Co., Ltd.	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Purchase	\$ (10,681,362)	(40)	No significant difference	OA 60 days	No significant difference	\$ (2,259,525)	(58)	\$ 2,230	Notes 1 and 2

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

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

TABLE 10

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transaction Details				Note
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets (Note 3)	
0	Elitegroup Computer Systems Co., Ltd.	Elitegroup Computer Systems Inc. (USA)	a	Sales revenue	\$ 209,549	No significant difference	1	-
		Elitegroup Computer Systems Inc. (USA)	a	Commission expense	(48,442)	No significant difference	-	-
		Elitegroup Computer Systems Inc. (USA)	a	Accounts receivable from related parties	10,554	No significant difference	-	-
		Elitegroup Computer Systems Inc. (USA)	a	Other accounts payable to related parties	(17,960)	No significant difference	-	-
		Elitegroup Computer Systems (Japan) Co., Ltd.	a	Professional fees	(16,574)	No significant difference	-	-
		Elitegroup Computer Systems (Korea) Co., Ltd.	a	Professional fees	(15,088)	No significant difference	-	-
		Super ECS USA Inc.	a	Sales revenue	515,034	No significant difference	2	-
		Super ECS USA Inc.	a	Accounts receivable from related parties	54,018	No significant difference	-	-
		Elitegroup Technology (Thailand) Co., Ltd.	a	Manufacturing overhead - outsourcing	(58,744)	No significant difference	-	-
		Golden Elite Technology (Shenzhen) Ltd. (興英科技)	a	Other accounts receivable from related parties	604,169	No significant difference	3	Note 5
		Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	a	Purchases	(10,681,362)	No significant difference	(33)	-
		Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	a	Accounts payable to related parties	(2,259,525)	No significant difference	(9)	-
		Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	a	Other accounts payable to related parties	(116,502)	No significant difference	-	-
		Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	a	Research material	(64,660)	No significant difference	-	-
		Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	a	Abnormal quality	(10,498)	No significant difference	-	-
		ECS Trading (Shenzhen) Co., Ltd.	a	Sales revenue	29,937	No significant difference	-	-
		Beijing Xun Run Technology Co., Ltd.	a	Product repair expenses	(30,734)	No significant difference	-	-
		Beijing Xun Run Technology Co., Ltd.	a	Professional fees	(111,591)	No significant difference	-	-
		Xun Rui Electron (Shenzhen) Co., Ltd.	a	Product repair expenses	(18,332)	No significant difference	-	-
		ECS Digital Technology (Shenzhen) Ltd.	a	Other accounts payable to related parties	(16,198)	No significant difference	-	-
1	Elitegroup Computer Systems (SIP) Co., Ltd.	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	c	Accounts receivable from related parties	13,211	No significant difference	-	-
2	Golden Elite Technology (Shenzhen) Ltd. (興英科技)	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	c	Other accounts receivable from related parties	115,548	No significant difference	1	Note 5
		Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	c	Rental income	18,731	No significant difference	-	Note 5
3	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Beijing Xun Run Technology Co., Ltd.	c	Sales revenue	10,445	No significant difference	-	-
		ECS Digital Technology (Shenzhen) Ltd.	c	Rental expense	(35,590)	No significant difference	-	-
		ECS Digital Technology (Shenzhen) Ltd.	c	Other short-term debt	(108,525)	No significant difference	(1)	-

(Continued)

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

- a. The Company indicated by “0”.
- b. The subsidiaries were marked from 1 in ascending order of numerals.

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.

Note 5: The Company disposed of one hundred percent equity of Dragon Asia in August 2020, lost control of Dragon Asia, Million Up and Golden Elite Technology (興英科技), and derecognized the related subsidiaries. The Company accounted for the residual equity in ECS Holding (HK) Co., Limited and Golden Elite Technology (興英數位科技), respectively.

(Concluded)

TABLE 11**ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Tatung Company	168,545,397	30.23
Pou Chen Corporation	68,884,949	12.35

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

V. 2021 Parent Company Only Financial Statements (excluding the important accounting items), Audited by CPAs

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Elitegroup Computer Systems Co., Ltd. (the Company), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, based on our audits and the report of other auditors (refer to the Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters in the audit of the Company's financial statements for the year ended December 31, 2021 are stated as follows:

Recognition of Specific Sales Revenue

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

The Group's sales revenue in 2021 increased by about 22% compared with that of 2020. The sales revenue of the customer whose growth rate was higher than the average and reaches a certain amount accounted for approximately 33% of the net sales revenue in 2021; thus, the recognition of these specific sales revenue was identified as a key audit matter.

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

1. We understood the design and implementation of internal controls and tested the operating effectiveness of relevant 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 customers 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 in identifying the existence of unusual circumstances.

Other Matter

As of and for the years ended December 31, 2021 and 2020, we did not audit the financial statements of ECS Holding (America) Co., Elitegroup Computer Systems (HK) Co., Limited, Elitegroup Computer Systems Korea Co., Ltd., ECS Holding (HK) Co., Limited, Alpha Leader Limited (HK), and Elitegroup Technology (Thailand) Co., Ltd. which were subsidiaries included in the financial statements, such statements were audited by the other auditors instead. Our opinion, insofar as it relates to the amounts included for such subsidiaries is based solely on the report of other auditors. The total assets of the abovementioned investments accounted for using the equity method were \$1,260,076 thousand and \$1,310,542 thousand, respectively, which constituted 6% of the total assets as of December 31, 2021 and 2020, and other comprehensive loss of subsidiaries and associates accounted for using the equity method amounted to \$19,214 thousand and \$29,177 thousand, respectively, which constituted 47% and (46%) of total comprehensive gain (loss) for the years then ended, respectively.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 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 Cheng-Chun Chiu and Shih-Tsung Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 9, 2022

Notice to Readers

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

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

ELITEGROUP COMPUTER SYSTEMS CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,389,062	7	\$ 2,814,008	13
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	575,331	3	561,008	3
Financial assets at amortized cost - current (Notes 4, 8 and 31)	2,070,598	10	3,673,865	17
Accounts receivable (Notes 4, 5 and 9)	6,554,029	31	3,445,722	16
Accounts receivable from related parties (Notes 4, 5, 9 and 30)	212,033	1	390,688	2
Other receivables (Notes 4, 9 and 30)	644,935	3	1,084,214	5
Inventories (Notes 4, 5 and 10)	1,689,491	8	1,183,854	6
Prepayments	56,572	-	113,500	1
Other current assets	10,458	-	6,736	-
Total current assets	13,202,509	63	13,273,595	63
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	41,696	-	41,702	-
Investments accounted for using the equity method (Notes 3, 4, 5, 11 and 19)	5,222,672	25	5,457,513	26
Property, plant and equipment (Notes 3, 4, 12 and 30)	91,625	1	63,422	-
Right-of-use assets (Notes 4, 13 and 14)	195,767	1	298,419	1
Investment properties (Notes 4 and 14)	470,041	2	509,282	2
Goodwill (Notes 4, 5 and 15)	386,205	2	386,205	2
Other intangible assets (Notes 4, 16 and 30)	5,138	-	8,121	-
Deferred tax assets (Notes 4, 5 and 25)	898,743	4	824,737	4
Prepayments for equipment	532	-	-	-
Refundable deposits	196,175	1	194,093	1
Net defined benefit assets (Notes 4 and 21)	131,966	1	128,220	1
Other non-current assets	16,147	-	14,904	-
Total non-current assets	7,656,707	37	7,926,618	37
TOTAL	\$ 20,859,216	100	\$ 21,200,213	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	\$ 27,680	-	\$ 1,247,424	6
Accounts payable (Notes 4 and 18)	1,651,501	8	1,226,552	6
Accounts payable to related parties (Notes 4, 18 and 30)	2,260,939	11	1,208,275	6
Other payables (Notes 19 and 30)	821,954	4	858,163	4
Current tax liabilities (Notes 4, 5 and 25)	149,304	1	149,304	1
Provisions - current (Notes 4, 5 and 20)	216,981	1	208,136	1
Lease liabilities - current (Notes 4 and 13)	196,818	1	197,166	1
Other advances received (Notes 11 and 19)	3,677,260	17	3,677,260	17
Other current liabilities (Notes 4 and 19)	884,183	4	742,751	3
Total current liabilities	9,886,620	47	9,515,031	45
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4, 5 and 25)	316,306	2	260,249	1
Lease liabilities - non-current (Notes 4 and 13)	202,151	1	397,187	2
Guarantee deposit received	12,400	-	12,274	-
Total non-current liabilities	530,857	3	669,710	3
Total liabilities	10,417,477	50	10,184,741	48
EQUITY (Notes 4, 21, 22 and 25)				
Share capital				
Common shares	5,574,030	27	5,574,030	26
Capital surplus	5,438,962	26	5,914,883	28
Retained earnings				
Legal reserve	35,679	-	29,394	-
Special reserve	250,468	1	250,468	1
Unappropriated earnings	76,667	1	62,843	1
Total retained earnings	362,814	2	342,705	2
Other equity	(934,067)	(5)	(816,146)	(4)
Total equity	10,441,739	50	11,015,472	52
TOTAL	\$ 20,859,216	100	\$ 21,200,213	100

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

(With Deloitte & Touche auditors' report dated March 9, 2022)

ELITEGROUP COMPUTER SYSTEMS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 5, 23 and 30)	\$ 28,414,777	100	\$ 23,256,321	100
OPERATING COSTS (Notes 10 and 30)	<u>26,397,857</u>	<u>93</u>	<u>21,370,098</u>	<u>92</u>
GROSS PROFIT	2,016,920	7	1,886,223	8
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	<u>8,343</u>	<u>-</u>	<u>(5,498)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>2,025,263</u>	<u>7</u>	<u>1,880,725</u>	<u>8</u>
OPERATING EXPENSES (Notes 12, 13, 21, 24 and 30)				
Marketing	643,833	2	568,384	3
General and administrative	455,464	2	505,344	2
Research and development	<u>951,606</u>	<u>3</u>	<u>870,126</u>	<u>4</u>
Total operating expenses	<u>2,050,903</u>	<u>7</u>	<u>1,943,854</u>	<u>9</u>
LOSS FROM OPERATIONS	<u>(25,640)</u>	<u>-</u>	<u>(63,129)</u>	<u>(1)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 11, 14, 24 and 30)				
Other gains and losses	(166,984)	(1)	(188,515)	(1)
Finance costs	(18,292)	-	(21,685)	-
Share of profit or loss of subsidiaries and associates	149,584	1	472,571	2
Interest income	50,277	-	75,889	-
Other income	<u>97,431</u>	<u>-</u>	<u>89,616</u>	<u>1</u>
Total non-operating income and expenses	<u>112,016</u>	<u>-</u>	<u>427,876</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	86,376	-	364,747	1
INCOME TAX EXPENSE (Notes 4, 5 and 25)	<u>14,849</u>	<u>-</u>	<u>302,663</u>	<u>1</u>
NET PROFIT	<u>71,527</u>	<u>-</u>	<u>62,084</u>	<u>-</u>

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 4, 21, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 281	-	\$ 948	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	2,839	-	(110)	-
Income tax benefit related to items that will not be reclassified subsequently	(56)	-	(189)	-
	<u>3,064</u>	<u>-</u>	<u>649</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(144,806)	-	(7,167)	-
Income tax relating to components of other comprehensive income	28,961	-	8,202	-
	<u>(115,845)</u>	<u>-</u>	<u>1,035</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(112,781)</u>	<u>-</u>	<u>1,684</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ (41,254)</u>	<u>-</u>	<u>\$ 63,768</u>	<u>-</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 26)				
Basic	<u>\$ 0.13</u>		<u>\$ 0.11</u>	
Diluted	<u>\$ 0.13</u>		<u>\$ 0.11</u>	

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

(With Deloitte & Touche auditors' report dated March 9, 2022)

(Concluded)

ELITEGROUP COMPUTER SYSTEMS CO., LTD.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	Share Capital (Note 22)	Capital Surplus (Notes 4 and 22)	Retained Earnings (Notes 21, 22 and 25)			Other Equity (Notes 4, 22 and 25)		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2020	\$ 5,574,030	\$ 5,913,183	\$ 24,217	\$ 203,879	\$ 51,766	\$ (819,257)	\$ 2,186	\$ 10,950,004
Appropriation of the 2019 earnings								
Legal reserve	-	-	5,177	-	(5,177)	-	-	-
Special reserve	-	-	-	46,589	(46,589)	-	-	-
Other changes in capital surplus - dividends unclaimed by shareholders	-	1,700	-	-	-	-	-	1,700
Net profit for the year ended December 31, 2020	-	-	-	-	62,084	-	-	62,084
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	759	1,035	(110)	1,684
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	62,843	1,035	(110)	63,768
BALANCE AT DECEMBER 31, 2020	5,574,030	5,914,883	29,394	250,468	62,843	(818,222)	2,076	11,015,472
Appropriation of the 2020 earnings								
Legal reserve	-	-	6,285	-	(6,285)	-	-	-
Cash dividends	-	-	-	-	(56,558)	-	-	(56,558)
Other changes in capital surplus								
Cash dividends distributed from capital surplus	-	(501,663)	-	-	-	-	-	(501,663)
Dividends unclaimed by shareholders	-	1,143	-	-	-	-	-	1,143
Changes in capital surplus from investments in associates accounted for using the equity method	-	24,599	-	-	-	-	-	24,599
Net profit for the year ended December 31, 2021	-	-	-	-	71,527	-	-	71,527
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	225	(115,845)	2,839	(112,781)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	71,752	(115,845)	2,839	(41,254)
Disposal of investments in equity instruments at fair value through other comprehensive income by subsidiary	-	-	-	-	4,915	-	(4,915)	-
BALANCE AT DECEMBER 31, 2021	<u>\$ 5,574,030</u>	<u>\$ 5,438,962</u>	<u>\$ 35,679</u>	<u>\$ 250,468</u>	<u>\$ 76,667</u>	<u>\$ (934,067)</u>	<u>\$ -</u>	<u>\$ 10,441,739</u>

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

(With Deloitte & Touche auditors' report dated March 9, 2022)

ELITEGROUP COMPUTER SYSTEMS CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 86,376	\$ 364,747
Adjustments for:		
Depreciation expenses	167,706	166,180
Amortization expenses	3,733	6,939
Reversal of expected credit loss on accounts receivable	(1,742)	(5,410)
Net loss (gain) on fair value change of financial assets at fair value through profit or loss	3,640	(4,594)
Finance costs	18,292	21,685
Interest income	(50,277)	(75,889)
Share of profit of subsidiaries	(149,584)	(472,571)
Impairment loss recognized on financial assets	-	2,423
(Reversal) recognition of impairment loss on non-financial assets	(17,487)	53,610
Realized gross profit on transactions with subsidiaries	(8,343)	-
Unrealized gross profit on transactions with subsidiaries	-	5,498
Unrealized net (gain) loss on foreign currency exchange	(40,249)	34,142
Loss from lease modifications	510	-
Net changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(17,957)	27,131
Accounts receivable	(2,850,344)	(483,818)
Other receivables	377,793	(1,055,279)
Inventories	(488,148)	(490,483)
Prepayments	56,928	(24,427)
Other current assets	(3,722)	(3,278)
Net defined benefit assets	(3,465)	(3,988)
Accounts payable	1,411,070	(473,722)
Other payables	(32,307)	102,359
Provisions	8,845	(12,224)
Other current liabilities	134,954	(186,295)
Cash used in operations	(1,393,778)	(2,507,264)
Interest received	53,619	74,982
Interest paid	(7,567)	(5,440)
Income tax refund (paid)	52,306	(183,641)
Net cash used in operating activities	(1,295,420)	(2,621,363)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in other advance received	-	2,315,500
Purchase of financial assets measured at amortized cost	(7,320,383)	(11,510,867)
Proceeds from sale of financial assets measured at amortized cost	8,970,149	10,493,601
Payments for investments accounted for using the equity method	-	(158,133)
Return of capital on investments accounted for using the equity method	275,400	202,461
Payments for property, plant and equipment	(54,972)	(22,337)
Increase in refundable deposits	-	(7)

(Continued)

ELITEGROUP COMPUTER SYSTEMS CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Payments for intangible assets	\$ (750)	\$ (8,171)
Acquisition of investment properties	-	(191)
Increase in other non-current assets	(1,243)	(11,329)
Increase in prepayments for equipment	<u>(532)</u>	<u>-</u>
Net cash generated from investing activities	<u>1,867,669</u>	<u>1,300,527</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(1,231,880)	1,259,580
Guarantee deposits received	126	110
Guarantee deposits refunded	-	(100)
Repayment of the principal portion of lease liabilities	(208,363)	(202,587)
Cash dividends paid	(558,221)	-
Dividends unclaimed by shareholders recognized as the capital reserve	<u>1,143</u>	<u>1,700</u>
Net cash (used in) generated from financing activities	<u>(1,997,195)</u>	<u>1,058,703</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,424,946)	(262,133)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,814,008</u>	<u>3,076,141</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,389,062</u>	<u>\$ 2,814,008</u>

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

(With Deloitte & Touche auditors' report dated March 9, 2022)

(Concluded)

ELITEGROUP COMPUTER SYSTEMS CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(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, tablet computers, barebone systems and add-on cards.

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors and authorized for issue on March 7, 2022.

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)

As of date the financial statements were authorized for issue, the initial application of IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

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

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

1) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Group shall restate its comparative information when it initially applies the aforementioned amendments.

2) Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”

The amendments specify that when assessing whether a contract is onerous, the “cost of fulfilling a contract” includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

The Group will recognize the cumulative effect of the initial application of the amendments in the retained earnings at the date of the initial application.

Except for the above impact, as of the date the financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

- Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.
- Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.
- Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

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

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

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

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

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

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

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

e. Inventories

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

f. Investments in subsidiaries

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

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

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

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

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

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

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

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

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

g. Investment in associates

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

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

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

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

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

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

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

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

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

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

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

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

i. Investment properties

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

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

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

Depreciation is recognized using the straight-line method.

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

j. Goodwill

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

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

l. Impairment of property, plant and equipment, right-of-use assets, investment property and intangible assets excluding goodwill

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

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

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (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 Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at 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 category

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 29.

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, account receivables at amortized cost, other receivables and overdue receivables, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

b) Impairment of financial assets

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

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

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

For internal credit risk management purpose, the Company considers the following situation as induction that a financial assets is in default (without taking into account any collateral held by the Company):

- Internal or external information shows that the debtor is unlikely to pay its creditors.

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

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

2) Equity instruments

Debt and equity instruments issued by the Group 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 are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company'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, issuance or cancellation of the Company'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, and any interest paid on such financial liabilities is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 29.

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 Company's obligations.

o. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods 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 account 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 Company recognizes revenue upon completion of service contracts.

p. Leasing

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

1) The Company as lessor

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

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

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

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

2) The Company as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease. Lease liabilities are presented on a separate line in the balance sheets.

For sale and leaseback transactions, if the transfer of an asset satisfies the requirements of IFRS 15 to be accounted for as a sale, the Group recognizes only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor, and adjusts the off-market terms to measure the sale proceeds at fair value. If the transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale, it is accounted for as a financing transaction.

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. 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 account receivables is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

The provision for impairment of trade receivables is based on assumptions on probability of default and loss given default. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise. Furthermore, the estimate of the probability of default is subject to greater uncertainties in the current year due to impact on credit risk of financial assets arising from the uncertainty on COVID-19 pandemic and volatility in financial markets.

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 the goodwill included in the investments in subsidiaries is impaired requires an estimation of the value in use of the cash-generating units which are expected to benefit from the synergies of the related combination and to which the goodwill has been allocated since the acquisition date. 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.

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, or change in facts and circumstances results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise. Furthermore, the estimated cash flows, growth rate and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on the impact arising from potential disruptions of the Company's operations and volatility in financial markets due to the evolution of COVID-19 pandemic.

As of December 31, 2021 and 2020, the carrying amounts of goodwill are disclosed in Note 15.

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.

A key source of estimation uncertainty is the determination of the realizability of deferred tax assets,

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Petty cash and foreign cash	\$ 768	\$ 736
Checking accounts and demand deposits	411,924	565,705
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	837,970	2,190,607
Repurchase agreements collateralized by bonds	<u>138,400</u>	<u>56,960</u>
	<u>\$ 1,389,062</u>	<u>\$ 2,814,008</u>

As of December 31, 2021 and 2020, the market rate interval of time deposits with original maturities of less than 3 months were ranging from 0.16% to 1.80% and from 0.21% to 2.80%, respectively.

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

	December 31	
	2021	2020
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ 575,331</u>	<u>\$ 561,008</u>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Foreign unlisted shares - equity securities	\$ 19	\$ 25
Domestic unlisted shares - equity securities	<u>41,677</u>	<u>41,677</u>
	<u>\$ 41,696</u>	<u>\$ 41,702</u>

The Company entered into dual currency investment to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities. As of December 31, 2021 and 2020, it did not hold any outstanding derivative financial products. The investment income from derivative financial products for the years ended December 31, 2021 and 2020 was \$18,943 thousand and \$11,133 thousand, respectively. However, those derivative financial products did not meet the criteria of hedge effectiveness and, therefore, were not accounted for using hedge accounting.

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2021	2020
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months (a)	\$ 1,091,809	\$ 2,236,916
Repurchase agreements collateralized by bonds with original maturities of more than 3 months	975,089	1,433,249
Pledged time deposits (b)	<u>3,700</u>	<u>3,700</u>
	<u>\$ 2,070,598</u>	<u>\$ 3,673,865</u>

- a. As of December 31, 2021 and 2020, the interest rates for time deposits with original maturities of more than 3 months were ranging from 0.26% to 2.75% and from 0.30% to 2.80%, respectively.
- b. Refer to Note 31 for information related to pledged financial assets at amortized cost.
- c. Refer to Note 9 for information related to credit risk management and impairment valuation of other financial assets at amortized cost.

9. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OVERDUE RECEIVABLES

	December 31	
	2021	2020
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount - third parties	\$ 6,554,827	\$ 3,448,262
Less: Allowance for impairment loss	<u>(798)</u>	<u>(2,540)</u>
	6,554,029	3,445,722
At amortized cost		
Gross carrying amount - related parties	<u>212,033</u>	<u>390,688</u>
	<u>\$ 6,766,062</u>	<u>\$ 3,836,410</u>

(Continued)

	December 31	
	2021	2020
<u>Other receivables</u>		
Other receivables - related parties (Notes 11 and 29)	\$ 617,714	\$ 1,007,603
Tax refund receivable	13,189	69,363
Others	30,959	24,175
Less: Allowance for impairment loss	<u>(16,927)</u>	<u>(16,927)</u>
	<u>\$ 644,935</u>	<u>\$ 1,084,214</u>
<u>Overdue receivables</u>		
Overdue receivables	\$ 159,257	\$ 159,257
Less: Allowance for impairment loss	<u>(159,257)</u>	<u>(159,257)</u>
	<u>\$ -</u>	<u>\$ -</u>
		(Concluded)

a. Accounts receivable

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

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

The Company measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company recognized an allowance for impairment loss of 100% against account receivable when there is information indicating that the debtor is in severe financial difficulty, and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, or when the accounts receivable are not recoverable. For the uncollectible account receivable, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2021

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 6,567,028	\$ 199,573	\$ -	\$ -	\$ 259	\$ 6,766,860
Loss allowance (Lifetime ECL)	-	(539)	-	-	(259)	(798)
Amortized cost	<u>\$ 6,567,028</u>	<u>\$ 199,034</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,766,062</u>

December 31, 2020

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 3,555,570	\$ 281,964	\$ 941	\$ -	\$ 475	\$ 3,838,950
Loss allowance (Lifetime ECL)	-	(2,046)	(19)	-	(475)	(2,540)
Amortized cost	<u>\$ 3,555,570</u>	<u>\$ 279,918</u>	<u>\$ 922</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,836,410</u>

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

	<u>December 31</u>	
	2021	2020
Balance at January 1	\$ 2,540	\$ 7,950
Less: Net remeasurement of loss allowance reversed	<u>(1,742)</u>	<u>(5,410)</u>
Balance at December 31	<u>\$ 798</u>	<u>\$ 2,540</u>

b. Other receivables

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

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

	<u>December 31</u>	
	2021	2020
Balance at January 1	\$ 16,927	\$ 16,927
Add: Net remeasurement of loss allowance	<u>-</u>	<u>-</u>
Balance at December 31	<u>\$ 16,927</u>	<u>\$ 16,927</u>

c. Overdue receivables

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

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

	December 31	
	2021	2020
Balance at January 1	\$ 159,257	\$ 159,257
Add: Net remeasurement of loss allowance	<u>-</u>	<u>-</u>
Balance at December 31	<u>\$ 159,257</u>	<u>\$ 159,257</u>

10. INVENTORIES

	December 31	
	2021	2020
Finished goods	\$ 937,119	\$ 642,737
Work in progress	10,701	14,937
Raw materials	<u>741,671</u>	<u>526,180</u>
	<u>\$ 1,689,491</u>	<u>\$ 1,183,854</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 were \$26,397,857 thousand and \$21,370,098 thousand, respectively.

The cost of goods sold for the years ended December 31, 2021 and 2020 included reversal of inventory write-down of \$17,487 thousand and inventory write-down of \$53,610 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Investments in subsidiaries	\$ 5,222,550	\$ 5,457,363
Associates that are not individually material	<u>122</u>	<u>150</u>
	<u>\$ 5,222,672</u>	<u>\$ 5,457,513</u>

a. Investments in subsidiaries

	December 31	
	2021	2020
Unlisted companies		
Elitegroup Computer Systems (HK) Co., Limited	\$ 241,154	\$ 263,628
Elitegroup Computer Systems (Japan) Co., Ltd.	20,714	22,704
Elitegroup Computer System Holding Co., Ltd. (BVI)	142,461	202,356
ECS Holding (America) Co. (USA)	756,339	732,528
Elitegroup Computer Systems Korea Co., Ltd.	9,138	9,407
Dragon Asia Trading Co., Ltd. (BVI)	-	-
Unitop International Corp.	561,788	871,479
Unity Investments Limited	83,507	82,139
ECS Holding (HK) Co., Limited	3,191,090	3,001,412
Elitegroup Technology (Thailand) Co., Ltd.	<u>216,359</u>	<u>271,710</u>
	<u>\$ 5,222,550</u>	<u>\$ 5,457,363</u>

	Proportion of Ownership and Voting Rights December 31		Note
	2021	2020	
Elitegroup Computer Systems (HK) Co., Limited	100.00%	100.00%	
Elitegroup Computer Systems (Japan) Co., Ltd.	100.00%	100.00%	
Elitegroup Computer System Holding Co., Ltd. (BVI)	100.00%	100.00%	3)
ECS Holding (America) Co. (USA)	100.00%	100.00%	
Elitegroup Computer Systems Korea Co., Ltd.	100.00%	100.00%	
Dragon Asia Trading Co., Ltd. (BVI)	-	-	1)
Unitop International Corp.	100.00%	100.00%	4)
Unity Investments Limited	100.00%	100.00%	
ECS Holding (HK) Co., Limited	100.00%	100.00%	1), 2)
Elitegroup Technology (Thailand) Co., Ltd.	99.99%	99.99%	

- 1) The board of directors of the Company approved the Plan of Activating the Assets Located in People's Republic of China ("Mainland Assets Activation Plan") on April 7, 2017. And the Company entered into a contract with Ever Unicorn Estate Limited (the "Ever Unicorn") in April 2017, which was to be executed in two sections.

a) Transfer of interests in Dragon Asia:

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

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

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

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

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 (興英科技), with both parties reaching a consensus on the prerequisites including the change in procedure to the land category by Golden Elite Technology (興英科技), phase 2 of the transaction will then commence. The Company will complete the transfer of remaining 48% interest in Dragon Asia to Ever Unicorn for RMB550,000 thousand. The Company will be in negotiate the rest of the contract with Ever Unicorn if the land is not contained in the urban planning by the competent authority.

In order to cooperate with Mainland Assets Activation Plan, The board of directors of the Company approved to reduce the capital of Dragon Asia and Million Up on January 23, 2018, the total amount of capital reduction was US\$69,327 thousand for both subsidiaries.

The Company obtained the phase 1 share price for RMB600,000 thousand, and recognized as other

advances received (refer to Note 19) because the Company has not completed the transfer of significant risks and rewards of related assets as well as share transfer of 52% equity of Dragon Asia. The foregoing transaction of 52% equity of Dragon Asia had received a letter of approval from the Investment Commission, Ministry of Economic Affairs.

According to the contract signed with Ever Unicorn, the Company should strip non-target assets and liabilities from Golden Elite Technology (興英科技). The board of directors of Golden Elite Technology (興英科技) approved on April 26, 2018 to proceed with the splitting process, by means of transferring non-target assets and liabilities into newly registered company, Golden Elite Technology (興英數位科技). Golden Elite Technology (興英科技) and Golden Elite Technology (興英數位科技) 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 RMB113,963 thousand of Golden Elite Technology (興英科技) on June 24, 2019 which was issued in 2020. Golden Elite Technology (興英科技) completed the splitting process on July 1, 2019, and transferred non-target's net assets of RMB454,051 thousand to Golden Elite Technology (興英數位科技) as capital.

Due to the adjustment to the investment structure, the board of directors of the Company approved the sales of 100% of Golden Elite Technology's shares (興英數位科技) to ECS Holding (HK) Co., Limited by Million Up Finance Limited on August 12, 2019. The transaction price will be determined according to Golden Elite Technology's (興英數位科技) net value at the time of execution. The application for transferring the equity was approved by the Investment Commission, Ministry of Economic Affairs, Rule No. 10800244950, on May 4, 2020. On May 29, 2020, four parties (Dragon Asia, Million Up, ECS Holding (HK) Co., Limited and the Company) agreed to offset the creditor's rights and liabilities. The amounts used by the four parties to offset the creditor's rights and liabilities are based on (1) the amount of capital reduction received (paid) by the Company, Dragon Asia and Million Up; (2) the amount of capital increase that the Company owed to its subsidiary, ECS Holding (HK), which amounted to US\$69,327 thousand; and (3) the amount received from selling 100% equity of Golden Elite Technology (興英數位科技) to ECS Holding (HK) and completion of the transfer of shares of Golden Elite Technology (興英數位科技) to ECS Holding (HK).

Ever Unicorn requested the Company to transfer the remaining 48% shares of Dragon Asia according to the supplementary contract, the Company obtained the phase 2 share price for RMB550,000 thousand on August 25, 2020, which was recognized as other advanced receipts (refer to Note 19), and finished the 48% share transfer process of Dragon Asia at the same day. The foregoing transaction of 48% equity of Dragon Asia had received the a letter of approval from the Investment Commission, Ministry of Economic Affairs on September 29, 2020. After transferring all of the shares of Dragon Asia, the Company lost control of Dragon Asia, Million Up and Golden Elite Technology (興英科技), and derecognized the related subsidiaries. The Company accounted for the residual equity in ECS Holding (HK) Co., Limited and Golden Elite Technology (興英數位科技), respectively.

The Company had finished part of the transfer of significant risks and rewards of related assets after evaluating the agreement and the status of implementation. Refer to Note 12 to the consolidated financial statements.

As of the end of 2021, the Company had not fully completed the transfer of significant risks and rewards of related assets, and other advanced receipts of Ever Unicorn's phase 1 share price \$3,677,260 thousand (RMB 834,547 thousand) were classified as other advanced receipts.

The terms of the abovementioned 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.

- 2) The board of directors of the Company approved 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., Limited, and US\$100,000 thousand be invested in ECS Digital Technology, a wholly-owned subsidiary of ECS Holding (HK) Co., Limited. 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., Limited, US\$5,500 thousand and US\$10,000 thousand were then remitted to ECS Digital Technology by ECS Holding (HK) Co., Limited in 2017 and 2019, respectively.
- 3) The board of directors of Elitegroup Computer Systems Holding Co., Ltd. (BVI) approved the reduction of its capital by US\$6,845 thousand in June 2020, which was remitted back to the Company.
- 4) The board of directors of Unitop International Corp. approved the reduction of its capital by US\$10,000 thousand in June 2020, which was remitted back to the Company on August 2, 2021.

Refer to Note 34 for information about the subsidiaries indirectly held by the Company.

b. Investments in associates

	December 31	
	2021	2020
Associates that are not individually material		
FoxElite Computer System Co., Ltd.	\$ <u>122</u>	\$ <u>150</u>

The Company invested NT\$150 thousand in FoxElite Computer System Co., Ltd. in July 2020 and had 35% ownership. The registration was completed with NT\$429 thousand of initial capital on January 26, 2021.

The board of directors of FoxElite Computer System Co., Ltd. approved the liquidation in November 2021. As of December 31, 2021, the liquidation process has not been completed.

12. PROPERTY, PLANT AND EQUIPMENT

	Equipment	Transportation Equipment	Other Equipment	Total
<u>Cost</u>				
Balance at January 1, 2021	\$ 38,353	\$ 719	\$ 333,394	\$ 372,466
Additions	2,241	-	50,599	52,840
Disposals	<u>(942)</u>	<u>-</u>	<u>(38,879)</u>	<u>(39,821)</u>
Balance at December 31, 2021	<u>39,652</u>	<u>719</u>	<u>345,114</u>	<u>385,485</u>

(Continued)

	Equipment	Transportation Equipment	Other Equipment	Total
<u>Accumulated depreciation</u>				
Balance at January 1, 2021	\$ 38,353	\$ 719	\$ 269,972	\$ 309,044
Depreciation	8	-	24,629	24,637
Disposals	<u>(942)</u>	<u>-</u>	<u>(38,879)</u>	<u>(39,821)</u>
Balance at December 31, 2021	<u>37,419</u>	<u>719</u>	<u>255,722</u>	<u>293,860</u>
Carrying amounts at December 31, 2021	<u>\$ 2,233</u>	<u>\$ -</u>	<u>\$ 89,392</u>	<u>\$ 91,625</u>

Cost

Balance at January 1, 2020	\$ 39,390	\$ 719	\$ 310,937	\$ 351,046
Additions	-	-	26,075	26,075
Disposals	<u>(1,037)</u>	<u>-</u>	<u>(3,618)</u>	<u>(4,655)</u>
Balance at December 31, 2020	<u>38,353</u>	<u>719</u>	<u>333,394</u>	<u>372,466</u>

Accumulated depreciation

Balance at January 1, 2020	38,942	719	251,628	291,289
Depreciation	448	-	21,962	22,410
Disposals	<u>(1,037)</u>	<u>-</u>	<u>(3,618)</u>	<u>(4,655)</u>
Balance at December 31, 2020	<u>38,353</u>	<u>719</u>	<u>269,972</u>	<u>309,044</u>

Carrying amounts at December 31, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,422</u>	<u>\$ 63,422</u> (Concluded)

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

Equipment	2 to 5 years
Transportation equipment	4 years
Other equipment	2 to 10 years

There was no capitalization of interests for the years ended December 31, 2021 and 2020.

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

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

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Land	\$ 138,059	\$ 207,088
Buildings	56,190	84,285
Office equipment	906	273
Transportation equipment	<u>612</u>	<u>6,773</u>
	<u>\$ 195,767</u>	<u>\$ 298,419</u>
	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 1,019</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Land	\$ 69,029	\$ 69,029
Buildings	28,095	28,095
Office equipment	312	298
Transportation equipment	<u>4,921</u>	<u>5,651</u>
	<u>\$ 102,357</u>	<u>\$ 103,073</u>

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

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Current	<u>\$ 196,818</u>	<u>\$ 197,166</u>
Non-current	<u>\$ 202,151</u>	<u>\$ 397,187</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Buildings	2.33%	2.33%
Office equipment	0.16%	0.61%
Transportation equipment	0.61%	0.61%
Land	0.28%	-

c. Material lease-in activities and terms

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

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

d. Other lease information

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

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	\$ -	\$ -
Expenses relating to low-value asset leases	\$ 34	\$ 34
Total cash outflow for leases	\$ (208,397)	\$ (202,621)

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

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

14. INVESTMENT PROPERTIES

	Land	Buildings and Improvements	Right-of-use Assets	Total
<u>Cost</u>				
Balance at January 1, 2021	\$ 377,129	\$ 155,397	\$ 180,374	\$ 712,900
Additions	-	-	1,471	1,471
Balance at December 31, 2021	<u>377,129</u>	<u>155,397</u>	<u>181,845</u>	<u>714,371</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2021		116,795	72,150	188,945
Depreciation expense		<u>4,551</u>	<u>36,161</u>	<u>40,712</u>
Balance at December 31, 2021		<u>121,346</u>	<u>108,311</u>	<u>229,657</u>

(Continued)

	Land	Buildings and Improvements	Right-of-use Assets	Total
<u>Accumulated impairment</u>				
Balance at January 1 and December 31, 2021	\$ 14,673	\$ -	\$ -	\$ 14,673
Carrying amounts at December 31, 2021	\$ 362,456	\$ 34,051	\$ 73,534	\$ 470,041

Cost

Balance at January 1, 2020	\$ 377,129	\$ 155,206	\$ 180,374	\$ 712,709
Additions	-	191	-	191
Balance at December 31, 2020	<u>377,129</u>	<u>155,397</u>	<u>180,374</u>	<u>712,900</u>

Accumulated depreciation

Balance at January 1, 2020		112,173	36,075	148,248
Depreciation expense		<u>4,622</u>	<u>36,075</u>	<u>40,697</u>
Balance at December 31, 2020		<u>116,795</u>	<u>72,150</u>	<u>188,945</u>

Accumulated impairment

Balance at January 1 and December 31, 2020	<u>14,673</u>	<u>-</u>	<u>-</u>	<u>14,673</u>
Carrying amounts at December 31, 2020	<u>\$ 362,456</u>	<u>\$ 38,602</u>	<u>\$ 108,224</u>	<u>\$ 509,282</u>

(Concluded)

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

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

Land and buildings included in investment properties were leased out for 3 to 10 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, the headquarters land and building located in Neihu, included in investment properties were leased out for 2 to 10 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, 2021 and 2020 was as follows:

	December 31	
	2021	2020
Year 1	\$ 70,909	\$ 69,266
Year 2	36,159	64,873
Year 3	6,883	30,685
Year 4	6,885	-
Year 5 onwards	<u>38,489</u>	<u>-</u>
	<u>\$ 159,325</u>	<u>\$ 164,824</u>

15. GOODWILL

	For the Year Ended December 31	
	2021	2020
<u>Cost</u>		
Balances at January 1 and December 31	\$ 539,663	\$ 539,663
<u>Accumulated impairment losses</u>		
Balances at January 1 and December 31	<u>(153,458)</u>	<u>(153,458)</u>
Carrying amounts at December 31	<u>\$ 386,205</u>	<u>\$ 386,205</u>

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

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

The calculation of the recoverable amount of the above CGUs was based on their value in use. In this calculation, the Company used cash flow projections for a budget period based on the key asset's remaining durable years, which was determined as 7 years. The cash flows beyond that five-year period have been extrapolated using a steady 2% to 3% per annum growth rate. For the CGUs impairment test made on December 31, 2021 and 2020, the discount rate used was 7.76% and 12.12%, respectively.

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

- Estimate of the growth rate: The estimation of sales was based on the expected future global growth rate of the market trend for similar products.
- Estimate of gross margin: The estimate was based on the actual ratio for 2021 and historical operating performance.
- Estimate of operating profit: The operating expenses were estimated on the basis of the actual ratio of operating expenses to revenue for 2021.

The CGUs used the above key assumptions to calculate their recoverable amounts, which were higher than their carrying values as of December 31, 2021; thus there was no indication of impairment.

16. OTHER INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2021	\$ 10,874
Additions	750
Disposals	<u>(1,221)</u>
Balance at December 31, 2021	<u>10,403</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	2,753
Amortization expenses	3,733
Disposals	<u>(1,221)</u>
Balance at December 31, 2021	<u>5,265</u>
Carrying amounts at December 31, 2021	<u>\$ 5,138</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 31,563
Additions	8,171
Disposals	<u>(28,860)</u>
Balance at December 31, 2020	<u>10,874</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2020	24,674
Amortization expenses	6,939
Disposals	<u>(28,860)</u>
Balance at December 31, 2020	<u>2,753</u>
Carrying amounts at December 31, 2020	<u>\$ 8,121</u>
The amortization expense is recognized on a straight-line basis per annum at the following useful lives:	
Computer software	2 to 5 years

17. SHORT-TERM BORROWINGS

	<u>December 31</u>	
	2021	2020
Line of credit borrowings-USD	<u>\$ 27,680</u>	<u>\$ 1,247,424</u>

The interest rate on revolving bank loans was 0.68% and 0.75%-0.96% per annum as of December 31, 2021 and 2020, respectively.

18. ACCOUNTS PAYABLE

	December 31	
	2021	2020
<u>Accounts payable</u>		
Third parties - operating	\$ 1,651,501	\$ 1,226,552
Related parties - operating	<u>2,260,939</u>	<u>1,208,275</u>
	<u>\$ 3,912,440</u>	<u>\$ 2,434,827</u>

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

19. OTHER ADVANCES RECEIVED AND OTHER LIABILITIES

	December 31	
	2021	2020
<u>Current</u>		
Other payables		
Salaries and bonus	\$ 360,815	\$ 400,442
Royalty expense	144,558	126,432
Research material	52,598	33,718
Export services expense	41,908	38,912
Others	<u>222,075</u>	<u>258,659</u>
	<u>\$ 821,954</u>	<u>\$ 858,163</u>
Other advances received (a)	<u>\$ 3,677,260</u>	<u>\$ 3,677,260</u>
Other liabilities		
Financial guarantee contracts (b)	\$ 494,694	\$ 542,727
Contracts liability (c)	308,303	181,429
Temporary receipts	66,389	7,234
Others	<u>14,797</u>	<u>11,361</u>
	<u>\$ 884,183</u>	<u>\$ 742,751</u>

- a. The Company had received the other advance receipts of RMB600,000 and RMB550,000 thousand according to the Phase 1 and Phase 2 of the Mainland Assets Activation Plan on March 27, 2018 and August 25, 2019, respectively.

After evaluating the agreement and the status of implementation, the Company derecognized the relevant assets and other advance receipts of NT\$1,346,036 thousand (RMB315,453 thousand) as disposal price, and recognized a gain on disposal as of the end of 2020, 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.

20. PROVISIONS - CURRENT

	December 31	
	2021	2020
Warranties (a)	<u>\$ 216,981</u>	<u>\$ 208,136</u>
		Warranties
Balance at January 1, 2020		\$ 208,136
Additional provisions recognized		103,910
Usage		(87,017)
Reversal of unused balances		<u>(8,048)</u>
Balance at December 31, 2020		<u>\$ 216,981</u>

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

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ (176,282)	\$ (178,071)
Fair value of plan assets	<u>308,248</u>	<u>306,291</u>
Net defined benefit assets	<u>\$ 131,966</u>	<u>\$ 128,220</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2021	<u>\$ (178,071)</u>	<u>\$ 306,291</u>	<u>\$ 128,220</u>
Service cost	(316)		
Current service cost		-	(316)
	<u>(890)</u>		
Net interest (expense) income	-	<u>1,539</u>	<u>649</u>
	<u>(1,206)</u>		
Recognized in profit or loss		<u>1,539</u>	<u>333</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	3,913	3,913
Actuarial gain (loss)	(4,786)		
Changes in demographic assumptions		-	(4,786)
Experience adjustments	<u>1,154</u>	<u>-</u>	<u>1,154</u>
	<u>(3,632)</u>		
Recognized in other comprehensive income		<u>3,913</u>	<u>281</u>
Contributions from the employer	-	3,132	3,132
		<u>(6,627)</u>	
Benefits paid	<u>6,627</u>		<u>-</u>
	<u>\$ (176,282)</u>		
Balance at December 31, 2021		<u>\$ 308,248</u>	<u>\$ 131,966</u>
Balance at January 1, 2020	<u>\$ (171,264)</u>	<u>\$ 294,548</u>	<u>\$ 123,284</u>
Service cost			
Current service cost	(332)	-	(332)
Net interest (expense) income	<u>(1,499)</u>	<u>2,592</u>	<u>1,093</u>
Recognized in profit or loss	<u>(1,831)</u>	<u>2,592</u>	<u>761</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	9,247	9,247
Actuarial loss			
Changes in demographic assumptions	(120)	-	(120)
Changes in financial assumptions	(8,057)	-	(8,057)
Experience adjustments	<u>(122)</u>	<u>-</u>	<u>(122)</u>
Recognized in other comprehensive income	<u>(8,299)</u>	<u>9,247</u>	<u>948</u>
Contributions from the employer	-	3,227	3,227
Benefits paid	<u>3,323</u>	<u>(3,323)</u>	<u>-</u>
	<u>\$ (178,071)</u>	<u>\$ 306,291</u>	<u>\$ 128,220</u>
Balance at December 31, 2020			

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank

deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

- 2) Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

- 3) Salary risk: The present value of the defined benefit obligation is calculated 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 were as follows:

	December 31	
	2021	2020
Discount rate	0.500%	0.500%
Expected rate of salary increase	2.500%	2.500%

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

	December 31	
	2021	2020
Discount rate(s)		
0.25% increase	<u>\$ (5,172)</u>	<u>\$ (5,427)</u>
0.25% decrease	<u>\$ 5,383</u>	<u>\$ 5,659</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 5,188</u>	<u>\$ 5,453</u>
0.25% decrease	<u>\$ (5,013)</u>	<u>\$ (5,260)</u>

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

	December 31	
	2021	2020
Expected contributions to the plans for the next year	<u>\$ 3,148</u>	<u>\$ 3,297</u>
Average duration of the defined benefit obligation	11.9 years	12.3 years

22. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2021	2020
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, which have a par value of \$10, carry one vote per share and carry a right to receive dividends.

b. Capital surplus

	December 31	
	2021	2020
May be used to offset a deficit, distributed as <u>cash dividends or transferred to share capital*</u>		
Share premium	\$ 5,112,831	\$ 5,614,494
Treasury share transaction	216,663	216,663
<u>May be used to offset a deficit only</u>		
Employee share options - expired	38,735	38,735
Dividends unclaimed by shareholders	14,884	13,741
Changes in percentage of ownership interest in associates	<u>55,849</u>	<u>31,250</u>
	<u>\$ 5,438,962</u>	<u>\$ 5,914,883</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 meetings on June 22, 2020, the amendments to the Company's Articles of Incorporation (the "Articles") were 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 board of directors, 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 shares, 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 earnings distribution by the Company's board of directors. The proposal shall be approved by shareholders if earnings will be distributed by issuance of new shares. 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 as stated in the Article 241-1 of the Company Act by cash, and a report shall be submitted to the shareholders' meeting. Refer to Note 24(h) "Compensation of employees and remuneration of directors" for the distribution policy of compensation of employees and remuneration of directors 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.

The appropriations of earnings for 2020 and 2019 were as follows

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2020	2019	2020	2019
Legal reserve	\$ 6,285	\$ 5,177	\$ -	\$ -
Special reserve	-	46,589	-	-
Cash dividends	56,558	-	0.1015	-

The above appropriation for cash dividends was resolved by the Company's board of directors on March 22, 2021; the other proposed appropriations were resolved by the shareholders in their meeting on July 21, 2021 and June 22, 2020, respectively.

The Company's shareholders also resolved in the shareholders' meeting on April 21, 2021 to issue cash dividends of \$501,663 thousand from the capital surplus. Cash dividends was \$0.9 per share.

The appropriations of earnings for 2021 approved in the shareholders' meeting on March 7, 2022 are as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 7,667	\$ -
Special reserve	69,000	-

The Company's board of directors resolved to no distribute cash dividend for the year ended December 31, 2021, and the rest is subject to the resolution of the shareholders in their meeting to be held on June 23, 2022.

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

The Company recognized unrealized (loss) gain of \$2,839 thousand and \$(110) thousand in 2021 and 2020, respectively, due to change in fair value of financial assets at FVTOCI.

The Company transferred cumulative unrealized gain of equity instruments to retained earnings due to disposal by the subsidiary in 2021.

23. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 28,214,196	\$ 23,075,139
Revenue from the rendering of services	<u>200,581</u>	<u>181,182</u>
	<u>\$ 28,414,777</u>	<u>\$ 23,256,321</u>

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

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

24. NET PROFIT (LOSS)

The components of net income were as follow:

a. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Net foreign exchange losses	\$ (145,438)	\$ (161,217)
Net gains arising on financial assets designated as at FVTPL	22,555	18,160
Others	<u>(44,101)</u>	<u>(45,458)</u>
	<u>\$ (166,984)</u>	<u>\$ (188,515)</u>

b. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on bank overdrafts and loans	\$ 6,902	\$ 5,887
Interest on lease liabilities	11,294	15,671
Other finance costs	<u>96</u>	<u>127</u>
	<u>\$ 18,292</u>	<u>\$ 21,685</u>

c. Interest income

	For the Year Ended December 31	
	2021	2020
Financial assets at amortized cost	\$ 30,364	\$ 49,590
Bank deposits	17,570	22,155
Other interest income	<u>2,343</u>	<u>4,144</u>
	<u>\$ 50,277</u>	<u>\$ 75,889</u>

d. Other income

	For the Year Ended December 31	
	2021	2020
Rental income	\$ 66,143	\$ 65,942
Others	<u>31,288</u>	<u>23,674</u>
	<u>\$ 97,431</u>	<u>\$ 89,616</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	\$ 24,637	\$ 22,410
Right-of-use assets	102,357	103,073
Investment property	40,712	40,697
Other intangible assets	<u>3,733</u>	<u>6,939</u>
	<u>\$ 171,439</u>	<u>\$ 173,119</u>
An analysis of depreciation by function		
Operating expenses	\$ 126,994	\$ 125,483
Non-operating expenses	<u>40,712</u>	<u>40,697</u>
	<u>\$ 167,706</u>	<u>\$ 166,180</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 3,733</u>	<u>\$ 6,939</u>

f. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2021	2020
Direct operating expenses from investment properties that generated rental income	\$ 41,948	\$ 41,956
Direct operating expenses from investment properties that did not generate rental income	<u>-</u>	<u>-</u>
	<u>\$ 41,948</u>	<u>\$ 41,956</u>

g. Employee benefit expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits (Note 21)		
Defined contribution plans	\$ 38,309	\$ 37,932
Defined benefit plans	<u>(333)</u>	<u>(761)</u>
	37,976	37,171
Other employee benefits		
Payroll	828,989	786,431
Labor and health insurance	70,413	65,739
Other employee costs	<u>39,575</u>	<u>33,526</u>
Total employee benefit expense	<u>\$ 976,953</u>	<u>\$ 922,867</u>
An analysis of employee benefit expense by function		
Operating expenses	<u>\$ 976,953</u>	<u>\$ 922,867</u>

h. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of 6% and no higher than 0.6%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on March 7, 2022 and March 22, 2021, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2021	2020
Employees' compensation	6.0%	6.0%
Remuneration of directors	0.6%	-

Amount

	For the Year Ended December 31			
	2021		2020	
	Cash	Shares	Cash	Shares
Employees' compensation	<u>\$ 5,549</u>	<u>\$ -</u>	<u>\$ 23,431</u>	<u>\$ -</u>
Remuneration of directors	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The remuneration of directors approved in the board of directors' meeting on March 7, 2022 and March 22, 2021 differed from those recognized in the financial statements for the years ended December 31, 2021 and 2020. The differences were recorded as an adjustment to profit and loss in 2022 and 2021.

	For the Year Ended December 31			
	2021		2020	
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amounts approved in the board of directors' meeting	<u>\$ 5,549</u>	<u>\$ -</u>	<u>\$ 23,431</u>	<u>\$ -</u>
Amounts recognized in the financial statements	<u>\$ 5,549</u>	<u>\$ 555</u>	<u>\$ 23,431</u>	<u>\$ 2,343</u>

There is no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the year of 2019.

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

25. INCOME TAXES

a. Income tax recognized in profit or loss

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

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ -	\$ 67,931
Adjustments for prior years	<u>3,893</u>	<u>(30,385)</u>
	<u>3,893</u>	<u>37,546</u>
Deferred tax		
In respect of the current year	10,976	264,586
Adjustments for prior years	<u>(20)</u>	<u>531</u>
	<u>10,956</u>	<u>265,117</u>
Income tax expense recognized in profit or loss	<u>\$ 14,849</u>	<u>\$ 302,663</u>

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

	For the Year Ended December 31	
	2021	2020
Profit before tax	\$ <u>86,376</u>	\$ <u>364,747</u>
Income tax expense calculated at the statutory rate	\$ 17,275	\$ 72,949
Nondeductible expenses in determining taxable income	-	20
Tax-exempt income	(1,259)	(546)
Adjustment of deductible temporary difference in current year	(5,102)	260,094
Adjustment of deferred tax from the prior years	(20)	531
Adjustments for prior years' tax	3,893	(30,385)
Others	<u>62</u>	<u>-</u>
Income tax expense recognized in profit or loss	\$ <u>14,849</u>	\$ <u>302,663</u>

The applicable corporate income tax rate of used by the Company in the ROC is 20%, and the corporate surtax applicable to the unappropriated earnings is 5%.

b. Income tax recognized directly in other comprehensive income

	For the Year Ended December 31	
	2021	2020
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	\$ (28,961)	\$ (8,202)
Remeasurement on defined benefit plans	<u>56</u>	<u>189</u>
	\$ <u>(28,905)</u>	\$ <u>(8,013)</u>

c. Income tax assets and liabilities

	December 31	
	2021	2020
Current income tax liabilities		
Income tax payable	\$ <u>149,304</u>	\$ <u>149,304</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized loss on inventory	\$ 17,998	\$ (3,498)	\$ -	\$ 14,500
Provisions	150,173	(7,837)	-	142,336
Effect of foreign currency exchange differences	213,017	-	28,961	241,978
Gain on disposal of property, plant and equipment	27,382	(9,202)	-	18,180
Loss on investment in equity	8,832	22,008	-	30,840
Effect of foreign currency exchange differences	5,496	(5,496)	-	-
Disposal of subsidiaries	393,092	-	-	393,092
Loss carryforwards	-	51,016	-	51,016
Others	<u>8,747</u>	<u>(1,946)</u>	<u>-</u>	<u>6,801</u>
	<u>\$ 824,737</u>	<u>\$ 45,045</u>	<u>\$ 28,961</u>	<u>\$ 898,743</u>

Deferred tax liabilities

Temporary differences				
Defined benefit plan	\$ (25,643)	\$ (693)	\$ (56)	\$ (26,392)
Financial assets at FVTPL	(1,319)	728	-	(591)
Effect of foreign currency exchange differences	-	(5,020)	-	(5,020)
Gain on investment in equity	<u>(233,287)</u>	<u>(51,016)</u>	<u>-</u>	<u>(284,303)</u>
	<u>\$ (260,249)</u>	<u>\$ (56,001)</u>	<u>\$ (56)</u>	<u>\$ (316,306)</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Unrealized loss on inventory	\$ 7,276	\$ 10,722	\$ -	\$ -	\$ 17,998
Provisions	180,236	(30,063)	-	-	150,173
Effect of foreign currency exchange differences	204,815	-	8,202	-	213,017
Gain on disposal of property, plant and equipment	36,584	(9,202)	-	-	27,382
Loss on investment in equity	-	8,832	-	-	8,832
Effect of foreign currency exchange differences	1,453	4,043	-	-	5,496
Disposal of subsidiaries	258,138	(24,749)	-	159,703	393,092
Others	<u>6,743</u>	<u>2,004</u>	<u>-</u>	<u>-</u>	<u>8,747</u>
	<u>\$ 695,245</u>	<u>\$ (38,413)</u>	<u>\$ 8,202</u>	<u>\$ 159,703</u>	<u>\$ 824,737</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Closing Balance
<u>Deferred tax liabilities</u>					
Temporary differences					
Defined benefit plan	\$ (24,657)	\$ (797)	\$ (189)	\$ -	\$ (25,643)
Financial assets at FVTPL	(400)	(919)	-	-	(1,319)
Gain on investment in equity	<u>(8,299)</u>	<u>(224,988)</u>	<u>-</u>	<u>-</u>	<u>(233,287)</u>
	<u>\$ (33,356)</u>	<u>\$ (226,704)</u>	<u>\$ (189)</u>	<u>\$ -</u>	<u>\$ (260,249)</u>
					(Concluded)

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

	<u>December 31</u>	
	2021	2020
Deductible temporary differences		
Allowance for doubtful accounts	<u>\$ 64,603</u>	<u>\$ 86,781</u>

- f. Information about unused loss carryforwards

As of December 31, 2021, loss carryforwards comprised of:

Unused Amount	Expiry Year
<u>\$ 255,077</u>	2031

- g. Income tax assessment

The Company's income tax returns through 2019 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

	Unit: NT\$ Per Share	
	<u>For the Year Ended December 31</u>	
	2021	2020
Basic earnings per share	<u>\$ 0.13</u>	<u>\$ 0.11</u>
Diluted earnings per share	<u>\$ 0.13</u>	<u>\$ 0.11</u>

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

Net Profit for the Year

	For the Year Ended December 31	
	2021	2020
Profit for the period attributable to owners of the Company	<u>\$ 71,527</u>	<u>\$ 62,084</u>
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 71,527</u>	<u>\$ 62,084</u>

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

	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares in computation of basic earnings per share	557,403	557,403
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>396</u>	<u>1,013</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>557,799</u>	<u>558,416</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.

27. CAPITAL MANAGEMENT

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

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

	December 31	
	2021	2020
Debt	\$ 10,417,477	\$ 10,184,741
Less: Cash and cash equivalents	<u>(1,389,062)</u>	<u>(2,814,008)</u>
Net debt	9,028,415	7,370,733
Equity	<u>10,441,739</u>	<u>11,015,472</u>
Total capital*	<u>\$ 19,470,154</u>	<u>\$ 18,386,205</u>
Net debt to equity ratio	<u>46.37%</u>	<u>40.09%</u>

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

As of December 31, 2021, the Company's capital management approach had not changed.

28. INFORMATION OF CASH FLOW

Non-cash Transaction

Except for those disclosed in other notes, the Company conducted the following non-cash transactions of investment activities for the year ended December 31, 2020 (December 31, 2021: None).

The Company disposed of 100% equity of Dragon Asia in August 2020 and derecognized the relevant assets, and recognized the amounts as other advanced receipts. Refer to Note 12 to the consolidated financial statements.

29. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 575,331	\$ -	\$ -	\$ 575,331
Domestic unlisted shares - equity securities	-	-	41,677	41,677
Foreign unlisted shares - equity securities	-	-	19	19
	<u>\$ 575,331</u>	<u>\$ -</u>	<u>\$ 41,696</u>	<u>\$ 617,027</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 561,008	\$ -	\$ -	\$ 561,008
Domestic unlisted shares - equity securities	-	-	41,677	41,677
Foreign unlisted shares - equity securities	-	-	25	25
	<u>\$ 561,008</u>	<u>\$ -</u>	<u>\$ 41,702</u>	<u>\$ 602,710</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

	2021	2020
Balance at January 1	\$ 41,702	\$ 44,108
Recognized in profit or loss (included in other gains and losses)	_____ (6)	_____ (2,406)
Balance at December 31	<u>\$ 41,696</u>	<u>\$ 41,702</u>

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

The fair values of domestic unlisted shares are determined using the market approach and net value of investees' major assets. The significant unobservable input used by the Company as of December 31, 2021 and 2020 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 both decrease by \$463 thousand.

c. Categories of financial instruments

	<u>December 31</u>	
	2021	2020
<u>Financial assets</u>		
Financial assets at FVTPL		
Designated as at FVTPL	\$ 617,027	\$ 602,710
Financial assets at amortized cost (1)	11,053,643	11,533,227
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	4,413,659	4,152,246

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, accounts receivable (including related parties), other receivables (excluding tax refund receivables), overdue receivables and refundable deposits.

2) The balances include financial liabilities at amortized cost, which comprise short-term loans, accounts payable (including related parties), other payables, and guarantee deposit received.

d. Financial risk management objectives and policies

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

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

1) Market risk

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

a) Foreign currency risk

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

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 33.

Sensitivity analysis

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

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

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

	U.S. Dollars Impact	
	For the Year Ended December 31	
	2021	2020
Profit or loss	<u>\$ (212,937)</u>	<u>\$ (232,606)</u>

b) Interest rate risk

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

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

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 2,993,268	\$ 5,867,732
Financial liabilities	426,649	1,841,777
Cash flow interest rate risk		
Financial assets	464,724	618,635
Financial liabilities	-	-

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. 100 basis points 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 100 basis points higher and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2021 and 2020 would have increased by \$4,647 thousand and \$6,186 thousand, respectively. Had market interest rates been 100 basis points lower, the impact would have been negative but at the same amounts.

c) Other price risk

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

Sensitivity analysis

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

Sensitivity analyses were used to measure equity price risks at the end of the reporting period. Had the positions of domestic and foreign equity investments been 5% higher/lower, the Company's pre-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by \$30,851 thousand and \$30,136 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL.

2) Credit risk

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

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

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

As of December 31, 2021 and 2020, the Company's five largest customers (including the transaction of the Company and its related parties) accounted for 86% and 71% of accounts receivable, respectively, and the concentration of credit risk was relatively insignificant for the remaining accounts receivable. After considering specific factors and conducting risk evaluation, the credit risks of the Company's five largest customers would not have had any material impact on the Company.

3) Liquidity risk

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

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

December 31, 2021

	Less than 1 Year	2 to 3 Years	More than 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Short-term debts	\$ 27,680	\$ -	\$ -	\$ 27,680
Accounts payable	3,912,440	-	-	3,912,440
Lease liabilities	<u>203,583</u>	<u>203,338</u>	<u>974</u>	<u>407,895</u>
	<u>\$ 4,143,703</u>	<u>\$ 203,338</u>	<u>\$ 974</u>	<u>\$ 4,348,015</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>\$ 203,583</u>	<u>\$ 203,635</u>	<u>\$ 677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2020

	Less than 1 Year	2 to 3 Years	More than 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Short-term debts	\$ 1,247,424	\$ -	\$ -	\$ 1,247,424
Accounts payable	2,434,827	-	-	2,434,827
Lease liabilities	<u>208,459</u>	<u>406,094</u>	<u>-</u>	<u>614,553</u>
	<u>\$ 3,890,710</u>	<u>\$ 406,094</u>	<u>\$ -</u>	<u>\$ 4,296,804</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>\$ 208,459</u>	<u>\$ 406,094</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

e. Offsetting financial assets and financial liabilities

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

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

December 31, 2021

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheets	Net Amounts of Financial Assets Presented in the Balance Sheets
Accounts receivable	<u>\$ 7,905,898</u>	<u>\$ (1,351,071)</u>	<u>\$ 6,554,827</u>
Accounts receivable - related parties	\$ 212,050	\$ (17)	\$ 212,033
Other receivables - related parties	<u>2,416,921</u>	<u>(1,799,207)</u>	<u>617,714</u>
	<u>\$ 2,628,971</u>	<u>\$ (1,799,224)</u>	<u>\$ 829,747</u>
Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheets	Net Amounts of Financial Liabilities Presented in the Balance Sheets
Accounts payable	<u>\$ 3,002,572</u>	<u>\$ (1,351,071)</u>	<u>\$ 1,651,501</u>
Accounts payable - related parties	<u>\$ 4,060,163</u>	<u>\$ (1,799,224)</u>	<u>\$ 2,260,939</u>

December 31, 2020

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheets	Net Amounts of Financial Assets Presented in the Balance Sheets
Accounts receivable	\$ 4,815,248	\$ (1,366,986)	\$ 3,448,262
Accounts receivable - related parties	\$ 390,939	\$ (251)	\$ 390,688
Other receivables - related parties	3,287,707	(2,280,104)	1,007,603
	<u>\$ 3,678,646</u>	<u>\$ (2,280,355)</u>	<u>\$ 1,398,291</u>
Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheets	Net Amounts of Financial Liabilities Presented in the Balance Sheets
Accounts payable	\$ 2,593,538	\$ (1,366,986)	\$ 1,226,552
Accounts payable - related parties	\$ 3,488,630	\$ (2,280,355)	\$ 1,208,275

30. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

Related Party Name	Related Party Category
Elitegroup Computer Systems (HK) Co., Limited	Subsidiaries
Elitegroup Computer Systems (Japan) Co., Ltd.	Subsidiaries
Elitegroup Computer System Holding Co., Ltd. (BVI)	Subsidiaries
Elitegroup Computer Systems Korea Co., Ltd.	Subsidiaries
Dragon Asia Trading Co., Ltd. (BVI)	Subsidiaries (until August 25, 2020)
Unitop International Corp.	Subsidiaries
ECS Holding (HK) Co., Limited	Subsidiaries
Elitegroup Technology (Thailand) Co., Ltd.	Subsidiaries
Million Up Finance Limited	Indirect holding subsidiaries (until August 25, 2020)
Golden Elite Technology (Shenzhen) Co., Ltd. (興英科技(深圳)有限公司)	Indirect holding subsidiaries (until August 25, 2020)
Elitegroup Computer Systems (SIP) Co., Ltd.	Indirect holding subsidiaries
Elitegroup Computer Systems Inc. (USA)	Indirect holding subsidiaries

(Continued)

<u>Related Party Name</u>	<u>Related Party Category</u>
Super ECS USA, Inc.	Indirect holding subsidiaries
Alpha Leader Limited (HK)	Indirect holding subsidiaries
Xun Rui Electron (Shenzhen) Co., Ltd.	Indirect holding subsidiaries
Beijing Xun Run Technology Co., Ltd.	Indirect holding subsidiaries
ECS Trading (Shenzhen) Co., Ltd.	Indirect holding subsidiaries
ECS Digital Technology (Shenzhen) Ltd.	Indirect holding subsidiaries
Golden Elite Technology (Shenzhen) Co., Ltd. (興英數位科技(深圳)有限公司)	Indirect holding subsidiaries
Protac International Computer, S.L.	Indirect holding subsidiaries
Tatung Co.	Investors with significant influence over the Company
Tatung Consumer Products (Taiwan) CO., Ltd.	Subsidiaries of the investors with significant influence over the Company
Tatung System Technologies Inc.	Subsidiaries of the investors with significant influence over the Company
Central Research Technology Co.	Subsidiaries of the investors with significant influence over the Company
Forward Electronics Co., Ltd.	Subsidiaries of the investors with significant influence over the Company
IoTecha Corp.	Associates

(Concluded)

The Company disposed of 100% equity of Dragon Asia in August 2020, lost control of Dragon Asia, Million Up and Golden Elite Technology (興英科技), and derecognized the related subsidiaries. The Company accounted for the residual equity in ECS Holding (HK) Co., Limited and Golden Elite Technology (興英數位科技).

b. Sales of goods

<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Subsidiaries	\$ 754,635	\$ 873,659
Investors with significant influence over the Company	597,482	745,936
Associates	64,282	23,065
Subsidiaries of the investors with significant influence over the Company	<u>-</u>	<u>4</u>
	<u>\$ 1,416,399</u>	<u>\$ 1,642,664</u>

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

For the years ended December 31, 2021 and 2020, deferred unrealized sales revenue of the Company to its subsidiaries were \$4,075 thousand and \$12,418 thousand, respectively.

c. Purchases of goods

Related Party Category	For the Year Ended December 31	
	2021	2020
Subsidiaries		
Golden Elite Technology (興英科技)	\$ -	\$ 5,334,562
Golden Elite Technology (興英數位科技)	<u>10,682,932</u>	<u>3,826,794</u>
	10,682,932	9,161,356
Investors with significant influence over the Company	926	944
Subsidiaries of the investors with significant influence over the Company	-	716
Associates	<u>1,411</u>	<u>-</u>
	<u>\$ 10,685,269</u>	<u>\$ 9,163,016</u>

d. Receivables from related parties

Line Items	Related Party Category	December 31	
		2021	2020
Accounts receivable	Subsidiaries		
	Super ECS USA, Inc.	\$ 54,018	\$ 123,731
	ECS Trading (Shenzhen) Co., Ltd.	8,231	9,492
	Elitegroup Computer Systems Inc. (USA)	10,554	-
	Others	<u>21</u>	<u>10</u>
		72,824	133,233
	Investors with significant influence over the Company	139,209	248,379
Associates		-	9,076
		<u>\$ 212,033</u>	<u>\$ 390,688</u>
Other accounts receivables	Subsidiaries		
	Golden Elite Technology (興英數位科技)	\$ 604,848	\$ 993,852
	Others	<u>11,992</u>	<u>11,998</u>
		616,840	1,005,850
	Investors with significant influence over the Company	801	1,753
	Associates	73	-
	Less: Allowance for doubtful account	<u>(11,821)</u>	<u>(11,821)</u>
		<u>\$ 605,893</u>	<u>\$ 995,782</u>

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment loss was recognized for receivables from related parties.

e. Payables to related parties

Line Items	Related Party Category	December 31	
		2021	2020
Accounts payable	Subsidiaries		
	Golden Elite Technology (興英數位科技)	\$ 2,259,525	\$ 914,931
	Elitegroup Computer Systems (SIP) Co., Ltd.	-	277,403
	Others	<u>1,414</u>	<u>15,941</u>
		<u>\$ 2,260,939</u>	<u>\$ 1,208,275</u>
Other accounts payable	Subsidiaries		
	Golden Elite Technology (興英數位科技)	\$ 116,502	\$ 87,890
	Others	<u>53,956</u>	<u>45,752</u>
		170,458	133,642
	Subsidiaries of the investors with significant influence over the Company	<u>178</u>	<u>36</u>
		<u>\$ 170,636</u>	<u>\$ 133,678</u>
Payables for equipment	Subsidiaries	<u>\$ -</u>	<u>\$ 5,949</u>

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

f. Acquisition of property, plant and equipment

Related Party Category	Line Item	Purchase Price	
		For the Year Ended December 31	
		2021	2020
Subsidiaries	Property, plant and equipment	\$ 141	\$ 5,677
Subsidiaries of the investors with significant influence over the Company	Property, plant and equipment	<u>1,610</u>	<u>-</u>
		<u>\$ 1,751</u>	<u>\$ 5,677</u>

g. Other operating costs - processing fee

Related Party Category	For the Year Ended December 31	
	2021	2020
Subsidiaries		
Elitegroup Technology (Thailand) Co., Ltd.	<u>\$ 58,744</u>	<u>\$ 57,290</u>

h. Other operating expenses

Related Party Category	Line Item	For the Year Ended December 31	
		2021	2020
Subsidiaries	Service expense	\$ 143,253	\$ 88,591
	Research material	64,660	58,734
	Product repair expenses	59,678	54,570
	Commission expense	48,442	27,851
	Miscellaneous purchase	124	-
	Others	<u>570</u>	<u>136</u>
		<u>\$ 316,727</u>	<u>\$ 229,882</u>
Subsidiaries of the investors with significant influence over the Company	Research material	\$ -	\$ 470
	Repair expense	429	229
	Products repair expenses	-	54
	Service expense	-	10
	Others	<u>104</u>	<u>16</u>
		<u>\$ 533</u>	<u>\$ 779</u>
Investors with significant influence over the Company	Repair expense	<u>\$ 18</u>	<u>\$ 79</u>

i. Endorsements and guarantees

Endorsements and guarantees provided by the Company

Related Party Category	For the Year Ended December 31	
	2021	2020
Subsidiaries		
Guaranteed amount	<u>\$ -</u>	<u>\$ 160,058</u>

j. Other transactions with related parties

Related Party Category	Line Item	For the Year Ended December 31	
		2021	2020
Subsidiaries	Other current assets	<u>\$ 377</u>	<u>\$ 3,214</u>
	Service revenue (classified as the deduction of service expense)	<u>\$ 6,283</u>	<u>\$ 7,165</u>
Associates	Other revenue	<u>\$ 508</u>	<u>\$ 103</u>
	Other revenue	<u>\$ 154</u>	<u>\$ 206</u>
Investors with significant influence over the Company	Other revenue	<u>\$ 162</u>	<u>\$ 118</u>

k. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 63,119	\$ 59,985
Post-employment benefits	<u>645</u>	<u>718</u>
	<u>\$ 63,764</u>	<u>\$ 60,703</u>

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

31. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as guarantees for tariff:

	December 31	
	2021	2020
Pledge deposits (classified as financial assets at amortized cost - current)	<u>\$ 3,700</u>	<u>\$ 3,700</u>

32. OTHER EVENTS

The Company was affected by the COVID-19 pandemic. The operations of subsidiaries in mainland China were delayed in the first quarter of 2020. However, they have returned to normal level at the end of March 2020. Therefore, the Company considers that the impact of COVID-19 is not significant.

According to the announcement by the local government, the Company's subsidiaries in mainland China are eligible for tax reduction to cover the costs of retirement insurance, unemployment compensation and injury insurance from February to June 2020.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company 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 were as follows:

December 31, 2021

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 332,505	27.68	\$ 9,203,734
RMB	304,297	4.341	1,320,952
JPY	1,936	0.2405	466
HKD	165	3.549	584
			(Continued)

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Non-monetary items			
Financial assets held for trading			
USD	\$ 2,105	27.68	\$ 58,268
Investments accounted for using the equity method			
USD	179,781	27.68	4,976,339
THB	228,179	0.9482	216,359
JPY	86,128	0.2405	20,714
KRW	392,196	0.0233	9,138
<u>Financial liabilities</u>			
Monetary items			
USD	178,649	27.68	4,944,993
HKD	3,654	3.549	12,967
JPY	5,461	0.2405	1,313
EUR	10	31.32	301
			(Concluded)

December 31, 2020

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 327,806	28.48	\$ 9,335,914
RMB	341,891	4.365	1,492,352
JPY	7,527	0.2763	2,080
HKD	653	3.673	2,398
Non-monetary items			
Financial assets held for trading			
USD	5,106	28.48	145,417
Investments accounted for using the equity method			
USD	180,846	28.48	5,150,489
THB	286,553	0.9482	271,709
JPY	82,172	0.2763	22,704
KRW	359,047	0.0262	9,407
<u>Financial liabilities</u>			
Monetary items			
USD	164,459	28.48	4,683,798
HKD	2,545	3.673	9,347
JPY	5,706	0.2763	1,577
EUR	11	35.02	387

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange losses were \$145,438 thousand and \$161,217 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Company.

34. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

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

b. Information on investees (Table 7)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 8)
- 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 9):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.

- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10).

TABLE 1

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(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	ECS Digital Technology (Shenzhen) Ltd.	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技(深圳)有限公司)	Other receivables	Y	\$ 108,950 (RMB 25,000,000) (Note 2)	\$ 108,525 (RMB 25,000,000) (Note 3)	\$ 108,525	1.890	Short-term financing	\$ -	Operational needs	\$ -	N/A	\$ -	\$ 182,418 (Note 4)	\$ 182,418 (Note 4)	

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

- a. Business relationship: 1
- 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 2021.

Note 3: The calculation of the amount was based on the closing rate on December 31, 2021.

Note 4: The total amount of lending to borrower for funding of short-term period shall not exceed forty percent of lender’s net worth between the subsidiaries and the foreign company in which the company directly or indirectly holds more than 100 percent of the voting shares. Individual amount of lending shall not exceed forty percent of lender’s net worth.

TABLE 2

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Nature of Relationship										
1	Elitegroup Computer Systems Co., Ltd.	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	(b) (Note 1)	\$ 10,441,739 (Note 2)	\$ 160,367 (US\$ 5,620,000) (Note 4)	\$ - (US\$ -) (Note 5)	\$ - (US\$ -) (Note 5)	\$ -	-	\$ 10,441,739 (Note 3)	Y	N	Y

- Note 1: Relationships between the endorsement/guarantee provider and the guaranteed party:
- a. A company with which it does business.
 - b. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
 - c. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.
 - d. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
 - e. The Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
 - f. All shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentage.
 - g. Companies in the same industry provide among themselves joint and several guarantees for the performance of a sales contract for pre-construction homes pursuant to the Consumer Protection Act.

Note 2: The total amount of the guarantee provided by Elitegroup Computer Systems Co., Ltd. to any individual entity shall not exceed 100% of Elitegroup Computer Systems Co., Ltd.’s net worth.

Note 3: The total accumulated amount of guarantee shall not exceed one hundred percent of Elitegroup Computer Systems Co., Ltd.’s net worth.

Note 4: The calculation of the amount was based on the highest exchange rate during 2021.

Note 5: The calculation of the amount was based on the closing rate on December 31, 2021.

TABLE 3

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(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, 2021				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value/ Net Asset Value	
Elitegroup Computer Systems Co., Ltd.	<u>Ordinary shares</u>							
	Lu-Chu Development Corporation	No	Financial assets at fair value through profit or loss - non-current	4,851,680	\$ 41,677	2.24	\$ 41,677	
	Trigem Computer Inc.	No	Financial assets at fair value through profit or loss - non-current	16	19	-	19	
	<u>Beneficiary certificate</u>							
	Franklin Templeton Sinoam Money Market Fund	No	Financial assets at fair value through profit or loss - current	2,988,000	31,236	-	31,236	
	FSITC Taiwan Money Market Fund	No	Financial assets at fair value through profit or loss - current	3,270,218	50,594	-	50,294	
	Jih Sun Money Market Fund	No	Financial assets at fair value through profit or loss - current	13,348,845	200,060	-	200,060	
	Mega Diamond Money Market Fund	No	Financial assets at fair value through profit or loss - current	7,895,560	100,097	-	100,097	
	JPMorgan (Taiwan) China Income Fund - Accumulation Share Class	No	Financial assets at fair value through profit or loss - current	764,727	11,132	-	11,132	
	Franklin Templeton SinoAm Asia Pacific Balanced Fund-Accu-TWD	No	Financial assets at fair value through profit or loss - current	1,386,722	15,281	-	15,281	
	Nomura Taiwan Dynamic Asset Allocation Fund	No	Financial assets at fair value through profit or loss - current	117,647	5,825	-	5,825	
	Fuh Hwa Global Balanced Fund-TWD	No	Financial assets at fair value through profit or loss - current	807,852	22,628	-	22,628	
	Fuh Hwa Olympic II Global Fund of Funds-TWD	No	Financial assets at fair value through profit or loss - current	697,344	12,322	-	12,322	
	Taishin Senior Secured High Yield Bond Fund A TWD	No	Financial assets at fair value through profit or loss - current	2,000,000	20,413	-	20,413	
	Union Advantage Global Fixed Income Portfolio Fund.	No	Financial assets at fair value through profit or loss - current	594,832	9,075	-	9,075	
	KGI Taiwan Multi-Asset Income Fund-TWD A	No	Financial assets at fair value through profit or loss - current	2,940,317	33,373	-	33,373	
	Capital Multi-Asset Allocation Fund	No	Financial assets at fair value through profit or loss - current	242,131	5,027	-	5,027	
	SinoPac Greater China Convertible Bond Fund	No	Financial assets at fair value through profit or loss - current	20,339	58,268	-	58,268	
Elitegroup Computer Systems (HK) Co., Limited	<u>Beneficiary certificate</u>							
	SinoPac Greater China Convertible Bond Fund	No	Financial assets at fair value through profit or loss - current	7,882	22,581	-	22,581	
	SinoPac USD Money Market Funds	No	Financial assets at fair value through profit or loss - current	100,007	(US\$ 815,796) 27,336 (US\$ 987,571)	-	(US\$ 815,796) 27,336 (US\$ 987,571)	

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

TABLE 4

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance (Note)		Acquisition		Disposal				Ending Balance (Note)	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Elitegroup Computer Systems Co., Ltd.	<u>Beneficiary certificate</u> Jih Sun Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	3,346,451	\$ 50,030	30,050,276	\$ 450,000	20,047,882	\$ 300,319	\$ 300,000	\$ 319	13,348,845	\$ 200,000

Note: The book amount was the original acquisition cost.

TABLE 5**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, 2021**

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Elitegroup Computer Systems Co., Ltd.	Elitegroup Computer Systems Inc. (USA)	Subsidiary of ECS Holding (America) Co. (USA)	Sale	\$ 209,549	1	OA 60 days	\$ -	-	\$ 10,554	-	-
	Super ECS USA Inc.	Subsidiary of ECS Holding (America) Co. (USA)	Sale	515,034	2	OA 90 days	-	-	54,018	1	-
	Tatung Company	Investors with significant influence over the Group	Sale	597,482	2	Open account 90 days	-	-	139,209	2	-
	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Subsidiary of ECS Holding (HK) Co., Limited	Purchase	(10,681,362)	(40)	OA 60 days	-	-	(2,259,525)	(58)	-
Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Elitegroup Computer Systems Co., Ltd.	Ultimate parent company	Sale	10,681,362	88	OA 60 days	-	-	2,259,525	70	-
Elitegroup Computer Systems Inc. (USA)	Elitegroup Computer Systems Co., Ltd.	Ultimate parent company	Purchase	(209,549)	(100)	OA 60 days	-	-	(10,554)	(100)	-
Super ECS USA Inc.	Elitegroup Computer Systems Co., Ltd.	Ultimate parent company	Purchase	(515,034)	(100)	OA 90 days	-	-	(54,018)	(100)	-

TABLE 6

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, 2021
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Receivables from Related Parties Ending Balance	Turnover Rate (Note 1)	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss	Note
					Amount	Actions Taken			
Elitegroup Computer Systems Co., Ltd.	Tatung Company	Investors with significant influence over the Company	\$ 140,010	3.08	\$ 32,171	Strengthen the collection	\$ 61,476	\$ -	-
	Golden Elite Technology (Shenzhen) Ltd. (興英科技)	Subsidiary	604,169	-	-	-	-	-	Note 2
Golden Elite Technology (Shenzhen) Ltd. (興英科技)	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Fellow company	115,548	-	-	-	108,537	-	Note 2
Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Elitegroup Computer Systems Co., Ltd.	Ultimate parent company	2,376,026	6.73	435,862	Strengthen the collection	2,376,026	-	-

Note 1: The calculation of turnover days excludes other receivables.

Note 2: The Company disposed of one hundred percent equity of Dragon Asia in August 2020, lost control of Dragon Asia, Million Up and Golden Elite Technology (興英科技), and derecognized the related subsidiaries. The Company accounted for the residual equity in ECS Holding (HK) Co., Limited and Golden Elite Technology (興英數位科技).

TABLE 7

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(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, 2021			Net Income (Loss) of the Investee (Note 2)	Share of Profit (Loss) (Note 2)	Note
				December 31, 2021	December 31, 2020	Shares	%	Carrying Amount (Note 1)			
Elitegroup Computer Systems Co., Ltd.	Elitegroup Computer Systems (HK) Co., Limited	Hong Kong	Sale of motherboards, computer peripheral products and related components	\$ 62,413	\$ 62,413	16,560,000	100.00	\$ 241,154	\$ (17,196)	\$ (17,196)	Note 3
	Elitegroup Computer Systems (Japan) Co., Ltd.	Japan	Sale of motherboards, notebook, computer peripheral products and related components	19,078	19,078	1,136	100.00	20,714	1,009	1,009	Note 3
	Elitegroup Computer System Holding Co., Ltd. (BVI)	British Virgin Islands	Holding company	762,621	762,621	18,381,296	100.00	142,461	(21,223)	(21,223)	Note 3
	ECS Holding (America) Co. (USA)	USA	Holding company	830,259	830,259	3,362	100.00	756,339	9,038	9,038	Note 3
	Elitegroup Computer Systems Korea Co., Ltd.	Korea	Sale of motherboards, maintenance and sales support	66,780	66,780	469,000	100.00	9,138	812	812	Note 3
	Unitop International Corp.	British Virgin Islands	Holding company	123,151	399,151	1,600	100.00	561,788	(19,870)	(19,870)	Note 3
	Unity Investments Limited	Samoa	Holding company	62,052	62,052	1,905,000	100.00	83,507	1,905	1,905	Note 3
	ECS Holding (HK) Co., Limited	Hong Kong	Holding company	2,592,795	2,592,795	86,327,000	100.00	3,191,090	215,637	217,300	Notes 3, 5, 6 and 7
	Elitegroup Technology (Thailand) Co., Ltd.	Thailand	Manufacture and sales of computer and computer peripheral products	360,898	360,898	3,999,998	99.99	216,359	(22,163)	(22,163)	Note 3
Elitegroup Computer System Holding Co., Ltd. (BVI)	FoxElite Computer System Co., Ltd.	Taiwan	Manufacture of computer, computer peripheral products and related components	150	-	150,000	35.00	122	(79)	(28)	Notes 3 and 9
	Venture Well Holdings Limited (BVI)	British Virgin Islands	Holding company	418,241 (US\$ 15,109,864)	418,241 (US\$ 15,109,864)	15,109,864	68.45	151,996 (US\$ 5,491,180)	69,299 (US\$ 2,473,814)	35,498 (US\$ 1,267,211)	Note 3
	ECS Holding (America) Co. (USA)	USA	Sale of motherboards, notebook, computer peripheral products, related components and systems assembled	464,267 (US\$ 16,772,643)	464,267 (US\$ 16,772,643)	47,552	100.00	584,086 (US\$ 21,101,389)	12,415 (US\$ 443,180)	12,415 (US\$ 443,180)	Note 3
	Super ECS USA, Inc.	USA	Sale of motherboards, computer peripheral products and related components	13,840 (US\$ 500,000)	13,840 (US\$ 500,000)	2,500,000	100.00	131,348 (US\$ 4,745,215)	14,552 (US\$ 519,480)	14,552 (US\$ 519,480)	Note 3
	IoTecha Corp.	USA	Design and development of smart charging systems and software development	27,680 (US\$ 1,000,000)	27,680 (US\$ 1,000,000)	2,000,000	19.61	- (US\$ -)	- (219,506)	- (US\$ -)	Notes 3 and 8
				31,140 (US\$ 1,125,000)	31,140 (US\$ 1,125,000)	1,108,942	8.15	9,804 (US\$ 354,182)	(US\$ -7,835,850)	(14,740) (US\$ -526,183)	Notes 3 and 8
	Unity Investments Limited	Samoa	Holding company	52,315 (US\$ 1,890,000)	52,315 (US\$ 1,890,000)	1,890,000	100.00	83,490 (US\$ 3,016,249)	1,905 (US\$ 68,005)	1,905 (US\$ 68,005)	Note 3
	Venture Well Holdings Limited (BVI)	Hong Kong	Trading of IC and electric components	84,284 (US\$ 3,044,947)	84,284 (US\$ 3,044,947)	23,689,688	100.00	108,275 (US\$ 3,911,677)	(355) (US\$ -12,688)	(355) (US\$ -12,688)	Note 3
	Advazone International Limited (BVI)	British Virgin Islands	Holding company	513,464 (US\$ 18,550,000)	513,464 (US\$ 18,550,000)	18,550,000	100.00	107,258 (US\$ 3,874,940)	72,536 (US\$ 2,589,380)	69,924 (US\$ 2,496,111)	Note 3
Affirm International Limited (BVI)	Affirm International Limited (BVI)	British Virgin Islands	Holding company	121,238 (US\$ 4,380,000)	121,238 (US\$ 4,380,000)	4,380,000	100.00	40 (US\$ 1,454)	- (US\$ -)	- (US\$ -)	Note 3
	Protac International Computer, S.L.	Spain	Sale of computer peripheral products	- (US\$ -)	- (US\$ -)	-	100.00	- (US\$ -)	- (US\$ -)	- (US\$ -)	Notes 3 and 4

(Continued)

- Note 1: The amount was calculated based on the closing rate on December 31, 2021.
- Note 2: The amount was calculated using the average exchange rates from January to December 2021.
- 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: In order to cooperate with Mainland Assets Activation Plan, the board of directors of the Company approved to reduce capital of Dragon Asia and Million Up on January 23, 2018, the amount of capital reduction was US\$69,327 thousand for both subsidiaries, which was approved by the Investment Commission, Ministry of Economic Affairs, Rule No. 10800244950, on May 4, 2020, and offset the creditor’s rights and liabilities of the four parties in May 2020. Refer to Note 11.
- Note 6: The board of directors approved Mainland Assets Activation Plan on January 23, 2018, and completed the transfers of 52% and 48% interest of Dragon Asia on March 27, 2018 and August 25, 2020, respectively. After the disposal of one hundred percent equity of Dragon Asia, the Company had lost control of Dragon Asia, Million Up and Golden Elite Technology (興英科技), and derecognized the related subsidiaries. The Company accounted for the residual equity in ECS Holding (HK) Co., Limited and Golden Elite Technology (興英數位科技). Refer to Note 11.
- Note 7: The transfer amount of 52% and 48% interest in Dragon Asia (RMB600,000 thousand and RMB550,000 thousand) had been remitted to the Company on March 27, 2018 and August 25, 2020, respectively, and were included in other advances received. The transaction was authorized by Investment Commission, MOEA on May 1, 2018 and September 29, 2020. After evaluating the agreement and the status of implementation, the Company derecognized the relevant assets and other advanced receipts of RMB315,453 thousand as disposal price, and recognized a gain on disposal. Refer to Note 11 and 19.
- Note 8: ECS Holding (America) Co. (USA) held 2,000,000 ordinary shares (19.61%) and 1,108,942 preference shares (8.15%) of IoTecha Corp. as of December 31, 2021.
- Note 9: The shareholder’s meeting of FoxElite Computer System Co., Ltd. approved the liquidation in November 2021. As of December 31, 2021, the liquidation process has not been completed.

(Concluded)

TABLE 8

ELITEGROUP COMPUTER SYSTEMS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(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, 2021 (Note 2)	Remittance of Funds (Note 2)		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 (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, 2021 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
Xun Rui Electron (Shenzhen) Co., Ltd.	Manufacture and maintenance of electric equipment and instrument, computer peripheral products and cases	\$ 29,064 (US\$ 1,050,000)	Indirect investment by Elitegroup Computer Systems (HK) Co., Limited	\$ 21,998 (US\$ 794,718)	\$ -	\$ -	\$ 21,998 (US\$ 794,718)	\$ (1,697) (RMB -390,615)	100.00	\$ (1,697) (US\$ -60,573)	\$ 15,488 (US\$ 559,524)	\$ -	-
Beijing Xun Run Technology Co., Ltd.	Manufacture and maintenance of electric equipment and instrument, computer peripheral products and cases	44,288 (US\$ 1,600,000)	Indirect investment by Elitegroup Computer Systems (HK) Co., Limited	48,151 (US\$ 1,739,577)	-	-	48,151 (US\$ 1,739,577)	(14,895) (RMB -3,428,816)	100.00	(14,895) (US\$ -531,710)	60,229 (US\$ 2,175,889)	-	-
Beijing Advazone Electronic Limited Company	Wholesale, maintenance and technical consultation of computers and peripheral products and related components	- (US\$ -)	Indirect investment by Advazone International Ltd. (BVI) of Venture Well Holdings Limited (BVI) of Elitegroup Computer Systems Holding Co., Ltd. (BVI)	309,023 (US\$ 11,164,138)	-	-	309,023 (US\$ 11,164,138)	677 (RMB 155,946)	-	71,099 (US\$ 2,522,952)	- (US\$ -)	-	Note 9
ECS Trading (Shenzhen) Co., Ltd.	Wholesale, trade, maintenance and technical consultation of computers and peripheral products	55,360 (US\$ 2,000,000)	Indirect investment by Unique Sino Limited of Unity Investments Limited	55,360 (US\$ 2,000,000)	-	-	55,360 (US\$ 2,000,000)	1,905 (RMB 438,540)	100.00	1,905 (US\$ 68,005)	83,488 (US\$ 3,016,174)	-	-
Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook, tablets and peripheral products	1,674,640 (US\$ 60,500,000)	Indirect investment by ECS Holding (HK) Co., Limited	1,918,971 (US\$ 69,327,000)	-	-	1,918,971 (US\$ 69,327,000)	238,784 (RMB 54,968,710)	100.00 (Notes 5, 6, 7 and 8)	240,447 (US\$ 8,583,433)	2,268,519 (US\$ 81,955,181)	-	-
Elitegroup Computer Systems (SIP) Co., Ltd.	Research, development and manufacture of notebook, tablets and related components	442,880 (US\$ 16,000,000)	Indirect investment by Unitop International Corp.	719,680 (US\$ 26,000,000)	-	276,800 (US\$ 10,000,000)	442,880 (US\$ 16,000,000)	(10,654) (RMB -2,452,501)	100.00	(10,654) (US\$ -380,311)	539,027 (US\$ 19,473,509)	539,820 (US\$ 18,000,000)	Note 10
ECS Digital Technology (Shenzhen) Ltd.	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook, tablets and peripheral products	429,040 (US\$ 15,500,000)	Indirect investment by ECS Holding (HK) Co., Limited	429,040 (US\$ 15,500,000)	-	-	429,040 (US\$ 15,500,000)	1,376 (RMB 316,648)	100.00	1,376 (US\$ 49,103)	456,046 (US\$ 16,475,665)	-	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
\$3,225,424 (US\$116,525,433) (Note 2)	\$3,342,937 (US\$120,770,829) (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, 2021.

Note 3: The calculation was based on the average exchange rate from January to December 2021.

Note 4: On March 13, 2018, the Company obtained the certification as being qualified for operating the headquarters, which was issued by the Industrial Development Bureau, MOEA (Letter No. 10620404950), the effective period started from February 23, 2017 to February 22, 2020, there's no limitation of the amount which the Company invested in China; on February 7, 2020, the Company obtained the updated certification as being qualified for operating the headquarters, which was issued by the Industrial Development Bureau, MOEA (Letter No. 10920404360), the effective period started from February 5, 2020 to February 4, 2023, thus, the ceiling amount of investment in mainland China is not applicable to the Company.

(Continued)

- Note 5: The board of directors approved Mainland Assets Activation Plan on January 23, 2018, and completed the transfers of 52% and 48% interest of Dragon Asia on March 27, 2018 and August 25, 2020, respectively, after the disposal of one hundred percent equity of Dragon Asia, the Company had lost control of Dragon Asia, Million Up and Golden Elite Technology (興英科技), and derecognized the related subsidiaries. The Company accounted for the residual equity in ECS Holding (HK) Co., Limited and Golden Elite Technology (興英數位科技). Refer to Note 11.
- Note 6: The transfer amount of 52% and 48% interest in Dragon Asia (RMB600,000 thousand and RMB550,000 thousand) had been remitted to the Company on March 27, 2018 and August 25, 2020 and was included in other advances received. The transaction was authorized by Investment Commission, MOEA on May 1, 2018 and September 29, 2020. After evaluating the agreement and the status of implementation, the Company derecognized the relevant assets and unearned receipts of RMB315,453 thousand as disposal price, and recognized a gain on disposal. Refer to Note 11 and 19.
- Note 7: The board of directors of Golden Elite Technology (興英科技) approved the splitting process of Mainland Assets Activation Plan on April 26, 2018, which divided non-target assets to Golden Elite Technology (興英數位). Refer to Note 11.
- Note 8: Million Up sold one hundred percent of Golden Elite Technology’s shares (興英數位科技) to ECS Holding (HK) Co., Limited in May 2020, and offset the creditor’s rights and liabilities of the four parties for the transferring price of US\$69,327 thousand. Refer to Note 11.
- Note 9: Beijing Advazone Electronic Limited Company was liquidated by the resolution of it board of directors in October 2020, and was approved for cancellation of registration by the Beijing Municipal Bureau of market supervision and Administration on April 19, 2021. The remaining share proceeds of US\$3,870 thousand was remitted to its investor, Advazone International Limited (BVI) in the fourth quarter of 2011.
- Note 10: The board of directors of Elitegroup Computer Systems (SIP) Co., Ltd. approved the reduction of its capital by US\$10,000 thousand in February 2021. These amounts were remitted to its investor, Unitop International Corp. in May 2021. The board of directors of Unitop International Corp. approved the reduction of its capital by US\$10,000 thousand in June 2021. These amounts were remitted to the Company on August 2, 2021.

(Concluded)

TABLE 9

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, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Counterparty (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	%		
Elitegroup Computer Systems Co., Ltd.	Golden Elite Technology (Shenzhen) Ltd. (興英數位科技)	Purchase	\$ (10,681,362)	(40)	No significant difference	OA 60 days	No significant difference	\$ (2,259,525)	(58)	\$ 2,230	Note

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

TABLE 10**ELITEGROUP COMPUTER SYSTEMS CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Tatung Company	168,545,397	30.23
Pou Chen Corporation	68,884,949	12.35

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

VI. If the Company or its Affiliates have Experienced Financial Difficulties in 2021 or During the Current Fiscal Year up to the Date of Publication of the Annual Report, the Annual Report shall Explain how Said Difficulties will Affect the Company's Financial Situation:
None

Chapter 7. Financial Status and Operating Results

I. Financial Position

Unit: NT\$1,000

Item \ Years	2021	2020	Difference	
			Amount	%
Current Assets	18,284,392	17,640,877	643,515	3.65
Property, Plant, and Equipment	2,661,510	2,801,574	(140,064)	(5.00)
Other Assets	3,185,963	3,307,459	(121,496)	(3.67)
Total Assets	24,131,865	23,749,910	381,955	1.61
Current Liabilities	12,986,433	11,897,142	1,089,291	9.16
Non-current Liabilities	633,635	766,084	(132,449)	(17.29)
Total Liabilities	13,620,068	12,663,226	956,842	7.56
Capital Stock	5,574,030	5,574,030	0	0.00
Capital Surplus	5,438,962	5,914,883	(475,921)	(8.05)
Retained Earnings	362,814	342,705	20,109	5.87
Other Equity	(934,067)	(816,146)	(117,921)	(14.45)
Non-controlling Interests	70,058	71,212	(1,154)	(1.62)
Total Equity	10,511,797	11,086,684	(574,887)	(5.19)
If the change reaches 20% and the amount of change is up to NT\$10 million, the description is as follows: None				

II. Financial Performance

(I) Comparative analysis of financial performance

Unit: NT\$1,000

Item \ Years	2021	2020	Change, by Amount	Change, by Percentage
Net Operating Revenue	31,937,860	25,995,735	5,942,125	22.86
Operating Costs	29,276,044	23,264,066	6,011,978	25.84
Gross Profit	2,661,816	2,731,669	(69,853)	(2.56)
Operating Expenses	2,922,109	2,690,992	231,117	8.59
Operating Income	(260,293)	40,677	(300,970)	(739.90)
Non-operating Income and Expenses	428,958	378,491	50,467	13.33
Profit before tax from continuing operations	168,665	419,168	(250,503)	(59.76)
Income Tax Expense	75,274	353,218	(277,944)	(78.69)
Net profit after tax from continuing operations	93,391	65,950	27,441	41.61
Net Income Attributable to Non-controlling Interests	21,864	3,866	17,998	465.55
Net Income Attributable to Shareholders of the Parent	71,527	62,084	9,443	15.21
Explain the reasons why the financial ratios have changed by more than 20% in the last two years (1) The increase of operating revenue and operating cost in 2021 compared with 2020 was mainly due to the higher average unit price of products sold in 2021. (2) The decrease in operating profit and loss in 2021 compared with 2020 was mainly due to the increase in operating expenses in 2021. (3) The decrease in pretax profit and after-tax net profit in 2021 compared with 2020 was mainly due to the income from disposal of assets in 2020. (4) The decrease in income tax expense in 2021 compared with 2020 was mainly due to the recognition of income tax corresponding to the disposal of assets in 2020. (5) The increase in non-controlling interests in 2021 compared with 2020 was mainly due to the increase in profit of subsidiaries.				

(II) Expected sales volume and its basis:

In addition to the existing products, the Company will also vigorously promote the market development of non-PC products, such as smart gateways, home displays, tablet computers, IoT, and other products. In line with future market conditions, we will continue to launch more products according to diverse customer demand and new technology developments.

(III) Possible impact on the Company's future financial business and the corresponding plan: In order to respond to the external competitive environment and future reinvestment, the Company has developed an appropriate financial strategy and a capital demand plan for the current year.

III. Cash Flows

Unit: NT\$1,000

Cash at beginning of period	Net Cash Flows from Operating Activities	Net cash flow from investment and financing activities in the year	Cash surplus amount	Remedial Measures for Cash Inadequacy	
				Investment Plan	Financing Plan
(1)	(2)	(3)	(1) + (2) + (3)		
4,529,482	(1,999,524)	236,659	2,766,617	-	-

1. Analysis and description of cash flow changes in recent year

The net cash of the Company in 2021 decreased by NT\$1,762,865 thousand compared with 2020. The changes in cash flow from various operating activities were as follows:

(1) Operating activities: mainly due to cash outflow from changes in operating assets/liabilities in 2021.

(2) Investment and financing activities: the decrease of financial assets measured at amortized cost generates cash inflow.

2. Corrective Measures to Be Taken in Response to Illiquidity: None.

3. Cash liquidity analysis for the coming fiscal year:

Unit: NT\$1,000

Cash at beginning of period	Projected net cash flow from operating activities during the year	Projected net cash flow from investment and financing activities in the year	Cash surplus amount	Remedial Measures for Cash Inadequacy	
				Investment Plan	Financing Plan
(1)	(2)	(3)	(1) + (2) + (3)		
2,766,617	1,865,540	(339,168)	4,292,989	-	-

IV. Major Capital Expenditures in 2021 and Their Impacts on the Company's Finance and Operations

(I) Use of major capital expenditures and sources of funds: None

(II) Expected benefits: N/A

V. Reinvestment Policies of the Most Recent Year, Main Reasons for Investment Gains or Losses, Improvement Plans, and Investment Plans of the Upcoming Year:

The Company's reinvestments were all long-term strategic investments; The Company made a profit of NT\$149,584 thousand through the reinvestment made by equity method in 2021, mainly due to the global economic recovery, and the sound operation of overseas reinvestment enterprises, resulting in the profit from the overseas reinvested enterprises. In the future, the Company will continue to carefully evaluate the reinvestment plan based on the principle of long-term strategic investment.

VI. Risk Analysis and Assessment:

(I) Effect on the Profit (Loss) of Interest and Exchange Rate Fluctuations and Changes in the Inflation Rate, and Response Measures to Be Taken in the Future

1. Foreign exchange risk

The consolidated company is exposed to the risk of exchange rate fluctuations due to its holding of foreign currency assets and liabilities. The consolidated company appropriately uses the amount instruments such as spot transactions and forward foreign exchange contracts to hedge the exchange rate risk of foreign currency assets, and the financial safe-haven position shall not exceed the hedge position.

The purpose of the consolidated company to engage in foreign exchange and interest rate transactions is mainly to hedge the risks arising from the fluctuation of foreign currency assets and liabilities due to exchange rate and interest rate fluctuations.

The amount of monetary assets denominated in non-functional currency and the carrying amount of monetary liabilities of the consolidated company on the balance sheet date (including the monetary items in non-functional currency that have been offset in the consolidated financial statements) are as follows:

Information on significant foreign currency assets and liabilities

The following information is summarized in terms of foreign currencies other than the functional currencies of each individual of the consolidated company. The exchange rates disclosed refer to the exchange rates converted from such foreign currencies to functional currencies. The significant impact on assets and liabilities recognized in foreign currencies is as follows:

Dec. 31, 2021

	<u>Foreign currency (1,000)</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 534,711	27.68	\$14,800,801
CNY	305,949	4.341	1,328,126
HKD	492	3.549	1,745
<u>Non-monetary items</u>			
Financial assets held for trading			
USD	2,105	27.68	58,268
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	415,780	27.68	11,508,803
HKD	4,975	3.549	17,657
JPY	10,921	0.241	2,627

Dec. 31, 2020

	Foreign currency (1,000)	Exchange Rate	Carrying amount
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 412,345	28.48	\$11,743,582
CNY	340,874	4.365	1,487,916
HKD	982	3.673	3,606
JPY	7,527	0.276	2,080
<u>Non-monetary items</u>			
Financial assets held for trading			
USD	5,106	28.48	145,417
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	265,137	28.48	7,551,113
HKD	3,972	3.673	14,588
JPY	5,706	0.276	1,577

The consolidated company's losses (realized and unrealized) from foreign currency exchange for the years 2021 and 2020 were NT\$103,946 thousand and NT\$143,558 thousand, respectively. Due to the variety of functional currencies involved in foreign currency transactions and group entities, it is impractical to disclose net foreign exchange gains or losses by each foreign currency with significant impact.

Sensitivity analysis

For the consolidated company's materially influential positions in foreign currency financial assets and liabilities, the risks are measured is performed by considering the net position of unmatured forward foreign exchange contracts.

The consolidated company is mainly affected by the fluctuation of the US dollar exchange rate. When the exchange rate of the New Taiwan dollar (functional currency) against the US dollar increases or decreases by 5%, the sensitivity analysis of the consolidated company is shown in the table below. 5% is the consolidated company's assessment of the reasonable range of possible changes in foreign exchange rates. The sensitivity analysis includes only monetary items of foreign currency in circulation and adjusted the ending calculation according to the exchange rate change of 5%. The positive (negative) numbers in the following table indicate the increase (decrease) in the amount of net profit before tax due to the appreciation of the NT dollar by 5% relative to the respective currencies; When the NT dollar depreciates by 5% relative to the respective foreign currencies, the effect on net profit before tax will be negative (positive) of the same amount.

	Dec. 31, 2021	Dec. 31, 2020
Profit or loss from change of 5%		
USD	(\$ 164,600)	(\$ 209,623)

2. Interest rate risk

The consolidated company is exposed to fair value risk of interest rate change due to its holding of financial assets and financial liabilities with fixed interest rate; Holding financial assets and financial liabilities with floating interest rates exposes the Company to cash flow risk due to interest rate fluctuations.

The carrying amount of financial assets and financial liabilities of the consolidated company exposed to interest rate risk on the balance sheet date was as followed:

	Dec. 31, 2021	Dec. 31, 2020
Fair value interest rate risk		
— Financial assets	\$ 4,015,748	\$ 6,663,523
— Financial liabilities	1,553,898	1,918,970
Cash flow interest rate risk		
— Financial assets	1,106,763	1,722,783
— Financial liabilities	-	-

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk of derivative and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis assumes that both the assets in circulation on the balance sheet date and the amount of the liability are in circulation during the reporting period. The rate of change used by the Company internally to report interest rate to key management is a 1% increase or decrease in interest rate and represents the management's assessment on the reasonable range of possible changes in interest rate.

If the interest rate increased while all other variables kept unchanged, the Company's net profit before tax for 2021 and 2020 would increase by NT\$11,068 thousand and NT\$17,228 thousand, respectively. When market interest rate fell by 1%, the impact would be negative for the same amount.

3. Other price risk

The consolidated company is exposed to equity price risk due to holding equity securities investment and mutual funds.

Sensitivity analysis

Perform risk measurement for the financial assets with the change of equity price of the consolidated company. The Group adopted sensitivity analysis to measure the equity price risk.

Sensitivity analysis is based on the exposed risk of equity investment position on the balance sheet date. If the price of the domestic and foreign equity investment position increased/decreased by 5%, the profit and loss before tax for 2021 and 2020 would be increased/decreased by NT\$33,347 thousand and NT\$32,722 thousand, respectively due to the increase/decrease in the fair value of the financial asset as measured at fair value through the profit or loss. The profit and loss before tax for 2020 would be increased/decreased by NT\$507 thousand, due to the increase/decrease in the fair value of the financial asset as measured at fair value through other composite profit or loss (2021: None).

(II) Policy regarding High-risk Investments, Highly Leveraged Investments, Loans to Other

Parties, Endorsements/Guarantees, and Derivatives Transactions, Main Reasons for the Profit (Loss) Generated Thereby, and Response Measures to Be Taken in the Future

1. The Company has not engaged in high-risk and highly leveraged investments in the year 2021 up to the publication date of the annual report.
2. As of 2021 and the publication date of the annual report, the Company's lending to others:

In order to meet the Company's operating needs, the "Operating Procedures for Lending Funds to Others" have been formulated in accordance with the relevant laws and regulations of the competent authority, and are under the management of specific units. As of 2021 end and the publication date of the Annual Report, the Company's lending to others was zero, and ECS Digital Technology (SHENZHEN) LTD., a subsidiary of the Company, had the following lending to others:

		Unit: NT\$1,000
Lend to	2021/12/31	2022/3/31
Golden Elite Technology (Shenzhen) Co.,(興英數位) Ltd.	<u>\$ 108,525</u>	<u>\$ 112,725</u>
Total	<u>\$ 108,525</u>	<u>\$ 112,725</u>

3. As of 2021 and the publication date of the annual report, the Company's endorsement and warranty:

In order to meet the Company's operating needs, the "Operating Procedures for Endorsement and Guarantee" have been formulated in accordance with the relevant laws and regulations of the competent authority, and are under the management of specific units. As of the end of 2021 and the publication date of the annual report, the Company's endorsement and guarantee:

4. The Company is engaged in derivative transactions mainly to hedge risks, and the transactions are subject to the "Procedures for Handling Derivative Financial Commodity Transactions". There were no derivative commodity contracts outstanding as of Dec. 31, 2021, and Mar. 31, 2022.

(III) Future R&D plans and estimated R&D costs:

R&D Project	Current progress of uncompleted R&D projects	Projected investment in R&D	Projected date for completion and commercial production	Major factors that influence the success of R&D in the future
Intel Raptor /Alder Lake Motherboard Two mATX models	Circuit design/ product proofing/ testing and mass production	NT\$56,000 thousand	2022.Q2~Q4	1. Is the shortage of materials improved? 2. Test the shortage of human resources about the crowding out effect, and the effect on the progress.
11Raptor Lake Gaming motherboard Two ATX and mATX models	Circuit design/ product proofing/ testing and mass production	NT\$3,240 thousand	2022-Q4	1. Shortage and allocation of HW RD resources 2. Is the shortage of materials improved?
Alder Lake N Series mini ITX motherboards *2 models	Circuit design/ product proofing/ testing and mass production	NT\$2,000 thousand	2022.Q2~Q4	RD Resource and raw material supply
Intel Alder Lake series 1.2L system*2 models	Circuit design/ product proofing/ testing and mass production	NT\$4,500 thousand	2022.Q1~Q3	1. Structure and heat dissipation problem handling 2. Progress of test verification and safety certification in multiple countries
ECS AMD new AM4-Column Motherboard 1 MicroATX model	Circuit design/ product proofing/ testing and mass production	NT\$2,200 thousand	2022.Q2~Q3	1. RD Resource and testing progress 2. AMD APU supply situation
ECS AMD new AM5 series motherboard *1 MicroATX	Circuit design/ product proofing/ testing and mass production	NT\$2,200 thousand	2022.Q2~Q4	1. RD Resource and testing progress 2. AMD APU supply situation
LIVA Q3D_Q3H Intel Jasper Lake system project	Circuit design/ product proofing/ testing and mass production	NT\$2,800 thousand	2022.Q2~Q4	1. Structure and heat dissipation problem handling 2. Progress of test verification and safety certification in multiple countries
Elkhart Lake, IPC motherboard 1 model mini ITX, IPC project	Circuit design/ product proofing/ testing and mass production	NT\$2,8000 thousand	2022.Q3~Q4	1. IPC new specifications and technology introduction 2. Ten years of material life cycle needs 3. Progress of certification requirements in multiple countries
H610, IPC motherboard 1 mini ITX model IPC project	Circuit design/ product proofing/ testing and mass production	NT\$2,800 thousand	2022.Q3~Q4	1. IPC new specifications and technology introduction 2. Ten years of material life cycle needs 3. Progress of certification requirements in multiple countries
Jasper Lake Series project	Circuit design/ product proofing/ testing and mass production	NT\$10,000 thousand	2022.Q1~Q2	1. Mechanism, hardware, and software development progress 2. Is the shortage of materials improved?
Alder Lake Platform Series project	Circuit design/ product proofing/ testing and mass production	NT\$20,000 thousand	2022.Q1~Q4	1. New specifications and technology introduction 2. Mechanism, hardware, and software development progress

R&D Project	Current progress of uncompleted R&D projects	Projected investment in R&D	Projected date for completion and commercial production	Major factors that influence the success of R&D in the future
				3. Is the shortage of materials improved?
AMD Platform Series project	Circuit design/ product proofing/ testing and mass production	NT\$10,000 thousand	2022.Q1~Q4	1. New specifications and technology introduction 2. Mechanism, hardware, and software development progress 3. Is the shortage of materials improved?
Windows on ARM series project	Circuit design/ product proofing/ testing and mass production	NT\$30,000 thousand	2022.Q1~Q4	1. New specifications and technology introduction 2. Product testing, hardware, and software development progress 3. Is the shortage of materials improved?
Chromebook Series project	Circuit design/ product proofing/ testing and mass production	NT\$30,000 thousand	2022.Q1~Q4	1. New specifications and technology introduction 2. Product testing, hardware, and software development progress 3. Is the shortage of materials improved?
ECS SMART AC Charger project	Circuit design/ product proofing and testing	NT\$25,000 thousand	2022.Q3	1. Software and hardware development progress 2. Certification and testing progress 3. Customer cross-examination progress

(IV) Effect on the Financial Operations of Important Policies Adopted and Changes in the Legal Environment at Home and Abroad, and Measures to Be Taken in Response

The Company operates in accordance with the relevant laws and regulations at home and abroad, and pays attention to the development trend of domestic and foreign policies and regulations at any time, collects relevant information for the reference of the decision-making level, and consults relevant professionals, so as to fully grasp and timely adjust the Company's relevant operating policies in response to changes in the market environment.

As of the date of publication of the Annual Report, the Company has not been affected by changes in important policies and laws at home and abroad.

(V) Effect on the Financial Operations of Developments in Science and Technology and Industrial Change (including cyber security risk), and Measures to Be Taken in Response

In recent years, cyber attacks and ransomware Information security incidents have been frequently reported, so ECS attaches extra emphasis on information security risk control and protection, and sets up a multi-level defense-in-depth security control and protection network to implement strict control measures. Up to the date of publication of the Annual Report, there have been no technological changes (including the cyber security risks) and industrial changes that have affected the Company's finance and business.

(VI) Effect on the Crisis Management of Changes in the Corporate Image, and Measures to Be Taken in Response:

Since its establishment, the Company has been committed to maintaining its corporate image and abided by various laws and regulations. As of the date of publication of the Annual Report, there has been no business crisis caused by the change of corporate image.

(VII) Expected Benefits and Possible Risks Associated with Any Mergers and Acquisitions, and Measures to Be Taken in Response:

There has been no merger & acquisition in the Company in 2021 and up to the publication date of the annual report.

(VIII) Expected Benefits and Possible Risks Associated with Any Plant Expansion, and Measures to Be Taken in Response:

There has been no plant expansion plan in the Company in 2021 and up to the publication date of the annual report.

(IX) Risks Associated with Any Consolidation of Sales or Purchasing Operations, and Measures to Be Taken in Response:

The Company is scattered in purchase and sales, and has no significant risk.

(X) Effect on and Risk to the Company in the Event a Major Quantity of Shares Belonging to a Director or Shareholder Holding Greater than a 10% Stake in the Company Has Been Transferred or Has Otherwise Changed Hands, and Measures to Be Taken in Response

(XI) Effect on and Risk to the Company Associated with Any Change in Governance Personnel or Top Management, and Measures to Be Taken in Response:

The change of governance personnel has no negative impact and risk on the Company's operation.

(XII) For litigation or non-litigation events, the major litigation, non-litigation, or administrative dispute cases that have been judged or are pending of the Company and its directors, President, substantive person in charge, major shareholders holding more than 10% of the shares and its affiliates shall be listed; if the results of which are likely to have a material impact on shareholders' equity or the price of securities, the facts in dispute, the amount of the subject matter, the commencement date of the proceeding, the principal parties involved and the disposition as of the date of publication of the annual report shall be disclosed:

1. Any material litigation, non-litigation, or administrative dispute proceeding of the Company which has been judged or is pending in 2021 and as of the publication date of the annual report, the outcome of which is likely to have a material effect on shareholders' equity or securities prices: none.
2. Any material litigation, non-litigation, or administrative dispute proceeding of the directors, President, substantive person in charge, major shareholders holding more than 10% of the shares of the Company and its affiliates, which has been judged or is pending in 2021 and as of the publication date of the annual report, the outcome of which is likely to have a material effect on shareholders' equity or securities prices: none.

(XIII) Other important risks and countermeasures:

Impact of COVID-19 Pandemic Situation and Countermeasures

Based on the idea that employees are the important assets of the Company, the Company

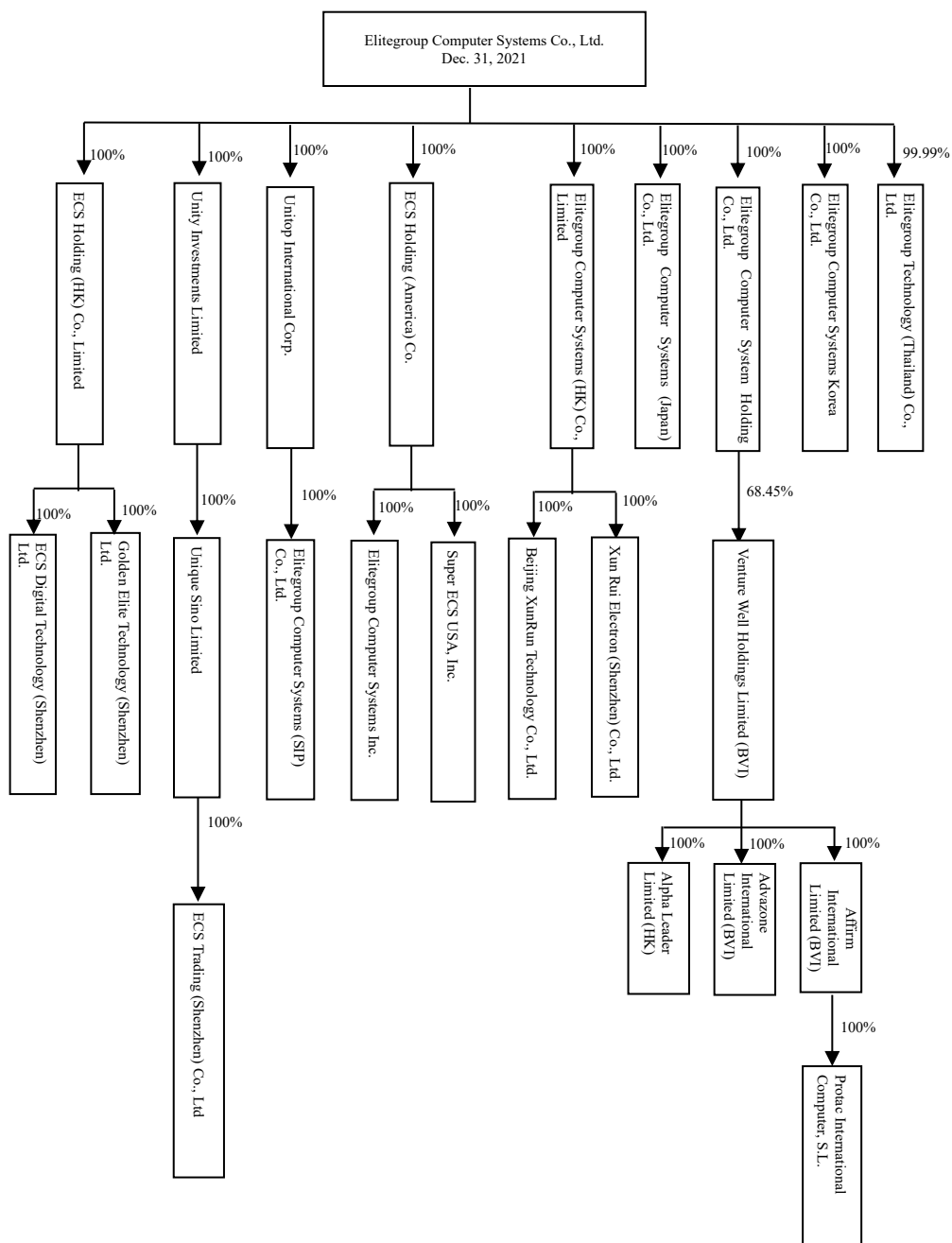
takes the care of employee health and maintenance of the complete competitiveness of the Company as the starting point, and takes the daily prevention of infectious diseases as the basic preparation work in the initial prevention, carries out risk assessment and draws up pandemic prevention and contingency plans according to possible pandemic situations, and actively collects and pays attention to the pandemic development trend, provides the basis for internal staff health management and countermeasure formulation, and makes annual review and adjustment to be practical and feasible.

VII. Other Important Matters: None.

Chapter 8. Special Notes

Elitegroup Computer Systems Co., Ltd. and affiliates
Consolidated Operating Report for Affiliated Enterprises
2021

I. Organizational chart of affiliates



II. Basic information of affiliates

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

Enterprise Name	Date of Incorporation	Address	Paid-in Capital	Main Business or Production Item
Elitegroup Computer Systems (HK) Co., Limited	1993/7/6	Hong Kong	58,771 (HKD 16,560,000)	Sale of motherboards, computer peripheral products and related components
Elitegroup Computer Systems (Japan) Co., Ltd.	1991/1/17	Japan	13,660 (YEN 56,800,000)	Sale of motherboards, notebook, computer peripheral products and related components
Elitegroup Computer System Holding Co., Ltd.	2001/2/23	British Virgin Islands	508,794 (USD 18,381,296)	Holding company
ECS Holding (America) Co.	2001/6/21	U.S.A	1 (USD 34)	Holding company
Elitegroup Computer Systems Korea Co., Ltd.	2005/6/23	Korea	54,639 (KRW 2,345,000,000)	Sale of motherboards, maintenance and sales support
Dragon Asia Trading Co., Ltd.	2003/1/2	British Virgin Islands	- (USD -)	Holding company (Note 4)
Unitop International Corp.	1999/3/15	British Virgin Islands	84,424 (USD 3,050,000)	Holding company
Unity Investments Limited	2003/3/20	Samoa	52,730 (USD 1,905,000)	Holding company
ECS Holding (HK) Co., Limited	2017/4/20	Hong Kong	2,389,531 (USD 86,327,000)	Holding company
Elitegroup Technology (Thailand) Co., Ltd.	2019/1/18	Thailand	304,364 (THB 367,500,000)	Manufacture and sales of computer and computer peripheral products
Xun Rui Electron (Shenzhen) Co., Ltd.	2003/10/9	China	29,064 (USD 1,050,000)	Manufacture and maintenance of electric equipment and instrument, computer peripheral products and cases
Beijing XunRun Technology Co., Ltd.	2005/7/27	China	44,288 (USD 1,600,000)	Manufacture and maintenance of electric equipment and instrument, computer peripheral products and cases
Venture Well Holdings Limited	2003/5/5	British Virgin Islands	707,098 (USD 25,545,462)	Holding company
Elitegroup Computer Systems Inc.	1990/1/4	U.S.A	526,278 (USD 19,012,930)	Sale of motherboards, notebook, computer peripheral products, related components and systems assembled
Super ECS USA, Inc.	2005/11/29	U.S.A	13,840 (USD 500,000)	Sale of motherboards, computer peripheral products and related components
Million Up Finance Limited	2001/8/22	British Virgin Islands	- (USD -)	Holding company (Note 4)
Elitegroup Computer Systems (SIP) Co., Ltd.	2001/8/22	China	442,880 (USD 16,000,000)	Research, development and manufacture of notebook, tablets and related components
Unique Sino Limited	2003/3/5	Samoa	52,315 (USD 1,890,000)	Holding company

(To be continued)

(Continued)

Enterprise Name	Date of Incorporation	Address	Paid-in Capital	Main Business or Production Item
ECS Digital Technology (Shenzhen) Ltd.	2017/6/28	China	429,040 (USD 15,500,000)	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook, tablets and peripheral products
Alpha Leader Limited	2002/10/4	Hong Kong	84,075 (HKD 23,689,688)	Trading of IC and electric components
Advazone International Limited	2003/5/5	British Virgin Islands	513,464 (USD 18,550,000)	Holding company
Affirm International Limited	2002/8/8	British Virgin Islands	121,238 (USD 4,380,000)	Holding company
Golden Elite Technology (Shenzhen) Ltd.(興英科技(深圳)有限公司)	2002/12/10	China	- (USD -)	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook, tablets and peripheral products (Note 4)
Golden Elite Technology (Shenzhen) Ltd.(興英數位科技(深圳)有限公司)	2018/5/17	China	1,674,640 (USD 60,500,000)	Manufacture, research and development of PCBs, motherboards, systems, assembly of notebook, tablets and peripheral products
ECS Trading (Shenzhen) Co., Ltd	2006/8/18	China	55,360 (USD 2,000,000)	Wholesale, trade, maintenance and technical consultation of computers and peripheral products
Beijing Advazone Electronic Limited Company.	2003/5/9	China	- (USD -)	Wholesale, maintenance and technical consultation of computers and peripheral products and related components (Note 1)
Protac International Computer, S.L.	1995/7/20	Spain	- (USD -)	Sales of computer peripheral products (Note 2)

- Note: (1) Beijing Advazone Electronic Limited Company has been liquidated in 2021.
(2) Protac International Computer, S.L. is in the process of liquidation.
(3) Exchange rate of paid-in capital: Based on the Company's closing rates as of December 31, 2021: USD (27.68), HKD (3.549), YEN (0.2405), KRW (0.0233), THB (0.8282)
(4) The Company disposed of one hundred percent equity of Dragon Asia Trading Co., Ltd. in August 2020, lost control of Dragon Asia Trading Co., Ltd. , Million Up Finance Limited and Golden Elite Technology (Shenzhen) Ltd. (興英科技(深圳)有限公司), and derecognized the related subsidiaries.

III. Profiles on shareholders deemed to have dominant-subordinate relations

Unit: NT\$1,000; share; %

Presumed reason	Name	Shareholding		Date of Incorporation	Address	Paid-in Capital	Main Business Activities
		Number of Shares	Percentage of Ownership				
			Not	applicable			

IV. The division of businesses between the affiliated enterprises

The Company and its affiliated enterprises are mainly engaged in the design, manufacture, and sales of motherboards, desktop, laptop, tablet, systems, control interface cards, computer peripheral products, and related computer components; The Company (parent company) focuses on product research and development, design and sales of the products, and sets up marketing sites all over the world. The sales units of affiliated enterprises (subsidiaries) are mainly responsible for the collection of relevant production and sales information and the sales and services of products; the manufacturing sites of Golden Elite Technology (Shenzhen) Ltd.(興英數位科技(深圳)有限公司) and Elitegroup Technology (Thailand) Co., Ltd. are responsible for the production and maintenance of motherboards, tablet, computer assembly and computer peripheral products, as well as the production, processing, and trading of printed circuit boards.

V. Information on directors, supervisors, and presidents of affiliates (Dec.31, 2021)

Unit: share; %

Enterprise Name	Title	Name or Representative	Shareholding	
			Number of Shares	Percentage of Ownership
Elitegroup Computer Systems (HK) Co., Limited	Director	Hui-Mei Chen	-	-
	Director	Ming-Hung Hsieh	-	-
Elitegroup Computer Systems (Japan) Co., Ltd.	Representative director	Okayama Ishin	-	-
	Director	Ming-Hui Cheng	-	-
	Director	Chin-Lai Wang	-	-
	Supervisor	Wei-Lung Cheng	-	-
Elitegroup Computer System Holding Co., Ltd.		Elitegroup Computer Systems Co., Ltd.	18,381,296	100.00%
	Director	I-Wen Chung (representative)	-	-
	Director	Yi-Ching Chung (representative)	-	-
ECS Holding (America) Co.	Director	I-Wen Chung	-	-
	Director	Yi-Ching Chung	-	-
	Director	Ming-Hung Hsieh	-	-
	CEO	Maggie Liu	-	-
Elitegroup Computer Systems Korea Co., Ltd.	Director	Hak Sun Park	-	-
	Director	Chin-Lai Wang	-	-
	Director	Hui-Mei Chen	-	-
	Supervisor	Wei-Lung Cheng	-	-

Enterprise Name	Title	Name or Representative	Shareholding	
			Number of Shares	Percentage of Ownership
Dragon Asia Trading Co., Ltd. (Note)	-	-	-	-
Unitop International Corp.		Elitegroup Computer Systems Co., Ltd.	1,600	100.00%
	Director	I-Wen Chung (representative)	-	-
	Director	Ming-Hung Hsieh (representative)	-	-
Unity Investments Limited		Elitegroup Computer Systems Co., Ltd.	1,905,000	100.00%
	Director	Hui-Mei Chen (representative)	-	-
	Director	Yi-Ching Chung (representative)	-	-
	Director	Hsiu-Hsien Chou (representative)	-	-
ECS Holding (HK) Co., Limited	Director	I-Wen Chung	-	-
	Director	Yi-Ching Chung	-	-
Elitegroup Technology (Thailand) Co., Ltd.	Director	Hao-Cheng Chen	1	0.00%
	Director	Li-Chun Ho	-	-
	Director	Chao-Cheng Chang	-	-
	Director	Huan-Yen Liu	-	-
	Director	Yi-Ching Chung	1	0.00%
	President	Li-Chun Ho	-	-
Xun Rui Electron (Shenzhen) Co., Ltd.	Director	Tien-Sung Lu	-	-
	Director	Ming-Hung Hsieh	-	-
	Director	Hui-Mei Chen	-	-
	President	Sheng-Chin Yang	-	-
	Supervisor	Mei-Hua Lin	-	-
Beijing XunRun Technology Co., Ltd.	Director	Tien-Sung Lu	-	-
	Director	Ming-Hung Hsieh	-	-
	Director	Hui-Mei Chen	-	-
	President	Sheng-Chin Yang	-	-
	Supervisor	Mei-Hua Lin	-	-
Venture Well Holdings Limited	Director	Chin-Lai Wang	-	-
	Director	Yi-Ching Chung	-	-
	Director	Ming-Hung Hsieh	-	-
	Director	Pan-Tsu Wu	-	-
	Director	Ming-Kun Ho	-	-
Elitegroup Computer Systems Inc.	Director	Maggie Liu	-	-
	Director	Chin-Lai Wang	-	-
	Director	Ming-Hung Hsieh	-	-
	CEO	Maggie Liu	-	-
Super ECS USA, Inc.	Director	I-Wen Chung	-	-
	Director	Chin-Lai Wang	-	-
	President	Huan-Yen Liu	-	-
Million Up Finance Limited (Note)	-	-	-	-

Enterprise Name	Title	Name or Representative	Shareholding	
			Number of Shares	Percentage of Ownership
Elitegroup Computer Systems (SIP) Co., Ltd.	Director	Tien-Sung Lu	-	-
	Director	Chin-Lai Wang	-	-
	Director	Yi-Hsiung Su	-	-
	President	Tien-Sung Lu	-	-
	Supervisor	Ming-Hung Hsieh	-	-
Unique Sino Limited		Unity Investments Limited	1,890,000	100.00%
	Director	Hui-Mei Chen (representative)	-	-
	Director	Ling-Wei Wang (representative)	-	-
ECS Digital Technology (Shenzhen) Ltd.	Director	Tien-Sung Lu	-	-
	Director	Chin-Lai Wang	-	-
	Director	Hsiu-Hsien Chou	-	-
	President	Tien-Sung Lu	-	-
	Supervisor	Yi-Ching Chung	-	-
Alpha Leader Limited	Director	Chin-Lai Wang	-	-
	Director	Yi-Ching Chung	-	-
	Director	Tzu-An Chang	-	-
Advazone International Limited		Venture Well Holdings Limited	18,550,000	100.00%
	Director	Yi-Ching Chung (representative)	-	-
	Director	Ling-Wei Wang (representative)	-	-
Affirm International Limited		Venture Well Holdings Limited	4,380,000	100.00%
	Director	Yi-Ching Chung (representative)	-	-
	Director	Ling-Wei Wang (representative)	-	-
Golden Elite Technology (Shenzhen) Ltd. (興英科技(深圳)有限公司) (Note)	-	-	-	-
Golden Elite Technology (Shenzhen) Ltd.(興英數位科技(深圳)有限公司)	Director	Tien-Sung Lu	-	-
	Director	Chin-Lai Wang	-	-
	Director	Hsiu-Hsien Chou	-	-
	President	Tien-Sung Lu	-	-
	Supervisor	Ming-Hung Hsieh	-	-
ECS Trading (Shenzhen) Co., Ltd	Director	Tien-Sung Lu	-	-
	Director	Chih-Kun Feng	-	-
	Director	Hsiu-Hsien Chou	-	-
	President	Tien-Sung Lu	-	-
	Supervisor	Ming-Hung Hsieh	-	-
Protac International Computer, S.L.	Director	Fu-Ping Chang	-	-

Note: The Company disposed of one hundred percent equity of Dragon Asia Trading Co., Ltd. in August 2020, lost control of Dragon Asia Trading Co., Ltd. , Million Up Finance Limited and Golden Elite Technology (Shenzhen) Ltd. (興英科技(深圳)有限公司), derecognized the related subsidiaries, and did not disclosure information of directors, supervisors, and presidents.

VI. Operating status of affiliates

Unit: Except for earnings per share in NT\$, the remaining amount is in NT\$1,000

Enterprise Name	Capital Amount	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income	Income (loss) (after Tax)	Earnings per share (NT\$) (after Tax)
Elitegroup Computer Systems (HK) Co., Limited	58,771	241,446	292	241,154	-	(1,515)	(17,196)	(1.04)
Elitegroup Computer Systems (Japan) Co., Ltd.	13,660	27,293	6,579	20,714	16,903	1,658	1,009	888.01
Elitegroup Computer System Holding Co., Ltd.	508,794	207,452	64,991	142,461	-	(56,807)	(21,223)	(1.15)
ECS Holding (America) Co.	1	752,532	328	752,204	-	(280)	9,038	2,688.15
Elitegroup Computer Systems Korea Co., Ltd.	54,639	12,894	3,756	9,138	15,327	427	812	1.73
Unitop International Corp.	84,424	561,788	-	561,788	-	(9,312)	(19,870)	(12,418.78)
Unity Investments Limited	52,730	83,507	-	83,507	-	-	1,905	1.00
ECS Holding (HK) Co., Limited	2,389,531	3,200,485	2,635	3,197,850	-	(6,119)	215,637	2.50
Elitegroup Technology (Thailand) Co., Ltd.	304,364	223,555	7,196	216,359	67,070	(28,512)	(22,163)	(5.54)
Xun Rui Electron (Shenzhen) Co., Ltd.	29,064	40,089	24,601	15,488	40,379	(581)	(1,697)	-
Beijing XunRun Technology Co., Ltd.	44,288	92,961	32,732	60,229	145,967	(16,741)	(14,895)	-
Venture Well Holdings Limited	707,098	222,759	705	222,054	-	(306)	69,299	3.14
Elitegroup Computer Systems Inc.	526,278	674,034	89,948	584,086	302,380	11,930	12,415	261.08
Super ECS USA, Inc.	13,840	199,579	68,231	131,348	590,128	19,138	14,552	5.82
Elitegroup Computer Systems (SIP) Co., Ltd.	442,880	552,749	13,722	539,027	8,595	(58,335)	(10,654)	-
Unique Sino Limited	52,315	83,490	-	83,490	-	-	1,905	1.01
ECS Digital Technology (Shenzhen) Ltd.	429,040	456,068	22	456,046	35,590	(253)	1,376	-
Alpha Leader Limited	84,075	109,368	1,093	108,275	-	(1,353)	(355)	(0.02)
Advazone International Limited	513,464	107,258	-	107,258	-	(101)	72,536	3.91
Affirm International Limited	121,238	40	-	40	-	-	-	-
Golden Elite Technology (Shenzhen) Ltd.(興英數位科技(深圳)有限公司)	1,674,640	12,135,433	9,864,563	2,270,870	27,684,697	(90,250)	238,784	-
ECS Trading (Shenzhen) Co., Ltd	55,360	87,792	8,395	79,397	30,969	(33)	1,905	-
Beijing Advazone Electronic Limited Company.	-	-	-	-	596	596	677	-
Protac International Computer, S.L.	-	-	-	-	-	-	-	-

Note: (1) Exchange rate of balance sheet items: (the Company's closing rates as of December 31, 2021)

USD (27.68), RMB (4.341), HKD (3.549), YEN (0.2405), KRW (0.0233), THB (0.8282)

(2) Exchange rate of income statement items (the Company's average exchange rates from January to December, 2021)

USD (28.013), RMB (4.344), HKD (3.604), YEN (0.255), KRW (0.0245), THB (0.8756)

(3) The Company disposed of one hundred percent equity of Dragon Asia Trading Co., Ltd. in August 2020, lost control of Dragon Asia Trading Co., Ltd., Million Up Finance Limited and Golden Elite Technology (Shenzhen) Ltd. (興英科技(深圳)有限公司), and derecognized the related subsidiaries. The Company accounted for the residual equity in ECS Holding (HK) Co., Limited and Golden Elite Technology (Shenzhen) Ltd. (興英數位科技(深圳)有限公司), respectively.

(4) Beijing Advazone Electronic Limited Company has been liquidated in 2021.

(5) Protac International Computer, S.L. is in the process of liquidation.

- II. Private Placement of Securities in 2021 and during the Current Fiscal Year Up to the Date of Publication of the Annual Report
- III. Holding or Disposal of Shares in the Company by Subsidiaries in 2021 and during the Current Fiscal Year Up to the Date of Publication of the Annual Report: None
- IV. Additional Disclosures:
For the year 2021 and up to the date of publication of the annual report, if there is an event that has a material impact on shareholders' equity or securities prices as set forth in Subparagraph 2, Paragraph 3, Article 36 of the Act: none.

**ELITEGROUP COMPUTER
SYSTEMS CO., LTD.**



Chairman: I-Wen Chung



