AXIOMTEK CO., LTD.

Parent Company Only Financial Statements for the Years ended December, 2020 and 2019 and Independent Auditors' Report

(Stock Code:3088)

Address: 8F., No.55, Nanxing Road, Xizhi District, New Taipei City 221026, Taiwan

Phone:+886-2-86462111

Notice to Readers

The accompanying parent company only financial statements are intended only to present the parent company only 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 parent company only financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying parent company only 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 parent company only financial statements shall prevail.

2020 Independent Auditors' Report

(Parent Company Only Financial Statements)

To the Board of Directors and Shareholders of
AXIOMTEK CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of AXIOMTEK CO., LTD. (hereinafter referred to as "Axiomtek" or "the Company") as at December 31, 2020 and 2019, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in order to comply with the Regulations Governing the Preparations of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in order to comply with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Individual Financial Statements section of our report. We are independent of the Company In order to comply with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in order to comply with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matters for the parent company only financial statements for the year ended December 31, 2020 are stated as follows:

Cut off of Operating Revenue

Description

Please refer to Note 4(31) for accounting policy on revenue recognition and Note 6(20) for details of operating revenue.

The Company’s operating revenue mainly comes from the manufacture and sale of finished products, and is mainly for export. The operating revenue for export is based on the transaction conditions with customers as the basis for revenue recognition. Different customers have different transaction conditions and revenue recognition procedures. Involving manual judgment by management, for sales transactions before and after the balance sheet date, it is necessary to confirm whether the significant risks and rewards related to the ownership of the goods have been transferred to the customer. Therefore, there is a risk of improper timing of revenue recognition. We considered the cut off of operating revenue as a key audit matter.

How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

1. Understood and assessed the effectiveness of the internal control of Axiomtek's operating revenue and perform the test of the effectiveness of internal controls over shipping and billing.
2. For the details of the export income transaction details for a specific period before and after the balance sheet date, confirm its completeness and perform a cut-off test by random inspection, including confirmation of transaction conditions, verification of relevant supporting documents, and confirmation that sales revenue has been recorded in an appropriate period.

Allowance for Inventory Valuation Losses

Description

Please refer to Note 4(11) for accounting policies on inventory valuation, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to inventory valuation losses and Note 6(3) for details of inventories. As at December 31, 2020, the Company’s inventories and allowance for inventory valuation losses amounted to NT$474,145 thousand and NT$42,800 thousand, respectively.

The Company is primarily engaged in the research and development, manufacturing and sales of industrial computer products. Due to rapid technological innovation and fluctuations in market prices, the Company recognizes inventories at the lower of cost and net realizable value, and the net realizable value is estimated based on historical experience. An allowance for inventory valuation losses is provided for those inventories aged over a certain period of time and individually identified as obsolete or damaged.

As the amounts of inventories are material, the types of inventories vary, and the estimation of net realizable value for individually obsolete or damaged inventories is subject to management’s judgment, we considered the allowance for inventory valuation losses as a key audit matter.

How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

1. Ensured consistent application of Company's accounting policies in relation to allowance for inventory valuation losses and assessed the reasonableness of these policies.
2. Evaluated the reasonableness of inventories individually identified as obsolete or damaged with supporting documents, validated the appropriateness of system logic of inventory aging report utilized by management to ensure proper classification of inventories aged over a certain period of time and reperformed the calculation.
3. Discussed with management the net realizable value of inventories aged over a certain period of time and individually identified as obsolete or damaged, validated respective supporting documents, and agreed to information obtained from physical inventory.

Other Matter- Audit by the Other Independent Accountants

We did not audit the financial statements of certain investments accounted for under the equity method. These investments accounted for under the equity method amounted to NT $225,960 thousand and NT $209,511 thousand, constituting 6.08% and 5.50% of total assets as of December 31, 2020 and 2019, respectively, and other comprehensive income (loss) of subsidiaries, associates, and joint ventures accounted for under equity method amounted to NT$14,207 thousand and NT$15,668 thousand, constituting 4.83% and 3.61% of total comprehensive income for the years ended December 31, 2020 and 2019, respectively. The financial statements of these investments accounted for under the equity method were audited by other independent auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in the separate financial statements and information disclosed relative to these investments, is based solely on the reports of other independent auditors.

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

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

In preparing the parent company only 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 Audit Committee, are responsible for overseeing the

Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in order to comply with ROC GAAS 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 parent company only financial statements.

As part of an audit in order to comply with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We are also:

1. Identify and assess the risks of material misstatement of the parent company only 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 auditor’s report to the related disclosures in the parent company only 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 auditor’s 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 parent company only financial statements, including the disclosures, and whether the Parent Company Only 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 parent company only financial

statements. We are responsible for the direction, supervision and performance of the Company 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 parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Feng, Ming-Chuan Wu, Han-Chi

for and on behalf of PricewaterhouseCoopers, Taiwan February 25, 2021

AXIOMTEK CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in Thousands of New Taiwan Dollars)

	Assets	Notes	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 667,964	18	$ 652,040	17
1150	Notes receivable	6(2) and 12(2)	2,948	-	6,681	-
1170	Accounts receivable	6(2) and 12(2)	76,643	2	191,031	5
1180	Accounts receivable – related parties	6(2),7 and 12(2)	272,299	8	342,402	9
1200	Other receivables		11,345	-	15,013	1
1210	Other receivables – related parties	7	84,350	2	47,434	1
1220	Current income tax assets		703	-	-	-
130X	Inventories	6(3)	431,345	12	444,363	12
1410	Prepayments		11,590	-	9,069	-
1470	Other current assets		770	-	596	-
11XX	**Total current assets**		1,559,957	42	1,708,629	45
	Non-current assets					
1550	Investments accounted for under equity method	6(4)	946,692	26	846,829	22
1600	Property, plant and equipment	6(5) and 8	1,016,340	27	1,052,023	28
1755	Use rights assets	6(6)	31,716	1	47,297	1
1760	Investment property	6(8)	85,193	2	86,241	2
1780	Intangible assets	6(9)	21,236	1	17,912	1
1840	Deferred income tax assets	6(27)	50,913	1	47,949	1
1920	Refundable deposits		5,087	-	4,298	-
15XX	**Total non-current assets**		2,157,177	58	2,102,549	55
1XXX	**Total Assets**		$ 3,717,134	100	$ 3,811,178	100

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AXIOMTEK CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in Thousands of New Taiwan Dollars)

	Liabilities and Equity	Notes	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current liabilities					
2100	Short-term borrowings	6(10)	$ -	-	$ 102,000	3
2130	Contract liabilities - current	6(20)	29,684	1	17,597	1
2150	Notes payables		997	-	675	-
2170	Accounts payable		221,384	6	282,255	7
2180	Accounts payable – related parties	7	7,398	-	13,614	-
2200	Other payables	6(11)	238,859	7	233,401	6
2230	Current income tax liabilities	6(27)	75,605	2	47,586	1
2280	Lease liabilities-current portion		14,571	-	16,249	1
2310	Advance receipts		12,816	-	471	-
2320	Current portion of long-term borrowings	6(13)	275,884	8	-	-
2399	Other current liabilities		1,830	-	1,678	-
21XX	**Total current liabilities**		879,028	24	715,526	19
	Non-current liabilities					
2530	Bonds payable	6(13)	-	-	319,618	8
2560	Income tax liabilities- non current		15,423	-	-	-
2570	Deferred income tax liabilities	6(27)	126,713	3	101,350	3
2580	Lease liabilities-non current		17,565	1	31,573	1
2640	Accrued pension liabilities	6(14)	43,864	1	45,109	1
2645	Guarantee deposit received		763	-	603	-
25XX	**Total non-current liabilities**		204,328	5	498,253	13
2XXX	**Total liabilities**		1,083,356	29	1,213,779	32
	Equity attributable to shareholders of the parent					
	Share capital					
3110	Ordinary shares	6(16)	825,953	22	803,954	21
3140	Advance receipts for share capital	6(16)	23,897	1	60,957	2
	Capital surplus	6(17)				
3200	Capital surplus		330,595	8	245,919	7
	Retained earnings	6(18)				
3310	Legal reserve		546,178	15	500,481	13
3320	Special reserve		26,633	1	4,231	-
3350	Unappropriated retained earnings		919,497	25	1,008,490	26
	Other equity	6(19)				
3400	Other equity		(38,975)	(1)	(26,633)	(1)
3XXX	**Total equity**		2,633,778	71	2,597,399	68
	Significant commitment and contingent item	9				
	Significant events after the balance sheet date	11				
3X2X	**Total Liabilities and Equity**		$ 3,717,134	100	$ 3,811,178	10 0

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

AXIOMTEK CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

			Year ended December 31			
			2020		2019	
	Items	Notes	Amount	%	Amount	%
4000	**Operating revenue**	6(20) and 7	$ 3,084,802	100	$ 3,407,144	100
5000	**Operating costs**	6(3), (25) and (26)	(2,158,795)	(70)	(2,330,229)	(68)
5900	**Gross profit**		926,007	30	1,076,915	32
5910	Unrealized gain from sale	6(4)	(87,278)	(3)	(86,299)	(2)
5920	Realized gain from sale		86,299	3	73,004	2
5950	**Net gross profit**		925,028	30	1,063,620	32
	Operating expenses	6(25) and (26)				
6100	Selling expenses		(99,841)	(3)	(121,977)	(4)
6200	General and administrative expenses		(118,660)	(4)	(101,934)	(3)
6300	Research and development expenses		(420,549)	(14)	(451,471)	(13)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	140	-	(120)	-
6000	**Total operating expenses**		(638,910)	(21)	(675,502)	(20)
6900	**Operating profit**		286,118	9	388,118	12
	Non-operating income and expenses					
7100	Interest income	6(21) and 7	7,127	-	11,638	-
7010	Other income	6(22)	15,982	-	10,137	-
7020	Other gains and losses	6(23)	(44,730)	(1)	83,794	3
7050	Finance costs	6(24)	(6,286)	-	(7,550)	-
7070	Share of profit of associates and joint ventures accounted for under equity method	6(4)	125,864	4	75,975	2
7000	**Total non-operating income and expenses**		97,957	3	173,994	5
7900	**Profit before income tax**		384,075	12	562,112	17
7950	Income tax expenses	6(27)	(77,477)	(2)	(101,657)	(3)
8200	**Net Income**		$ 306,598	10	$ 460,455	14
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Remeasurements of defined benefit plan	6(14)	$ 95	-	($ 4,354)	-
8349	Income tax relating to components of other comprehensive income	6(27)	(19)	-	871	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(15,427)	-	(28,003)	(1)
8399	Income tax relating to the components of other comprehensive income	6(27)	3,085	-	5,600	-
8300	**Other comprehensive income (loss) for the year**		($ 12,266)	-	($ 25,886)	(1)
8500	**Total Comprehensive Income**		$ 294,332	10	$ 434,569	13
9750	**Basic earnings per share**	6(28)	$ 3.73		$ 5.76	
9850	**Diluted earnings per share**	6(28)	$ 3.43		$ 5.18	

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

AXIOMTEK CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in Thousands of New Taiwan Dollars)

		Share capital			Retained earnings			Other equity	
	Notes	Ordinary share	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total equity
Year 2019									
Balance at January 1, 2019		$ 796,206	$ 1,039	$ 214,960	$ 459,789	$ 12,914	$ 882,311	($ 4,230)	$ 2,362,989
Profit for the year		-	-	-	-	-	460,455	-	460,455
Other comprehensive income (loss) for the year		-	-	-	-	-	(3,483)	(22,403)	(25,886)
Total comprehensive income		-	-	-	-	-	456,972	(22,403)	434,569
Appropriations of 2018 earnings									
Legal reserve	6(18)	-	-	-	40,692	-	(40,692)	-	-
Reversal of special reserve		-	-	-	-	(8,683)	8,683	-	-
Cash dividends	6(18)	-	-	-	-	-	(298,784)	-	(298,784)
Share-based payments		1,760	(128)	1,990	-	-	-	-	3,622
Compensation cost of share-based payments	6(15)	-	-	10,345	-	-	-	-	10,345
Conversion of convertible bonds	6(2)	5,988	60,046	18,624	-	-	-	-	84,658
Balance at December 31, 2019		$ 803,954	$ 60,957	$ 245,919	$ 500,481	$ 4,231	$ 1,008,490	($ 26,633)	$ 2,597,399
Year 2020									
Balance at January 1, 2020		$ 803,954	$ 60,957	$ 245,919	$ 500,481	$ 4,231	$ 1,008,490	($ 26,633)	$ 2,597,399
Profit for the year		-	-	-	-	-	306,598	-	306,598
Other comprehensive income (loss) for the year		-	-	-	-	-	76	(12,342)	(12,266)
Total comprehensive income		-	-	-	-	-	306,674	(12,342)	294,332
Appropriations of 2019 earnings									
Legal reserve	6(18)	-	-	-	45,697	-	(45,697)	-	-
Special reserve	6(18)	-	-	-	-	22,402	(22,402)	-	-
Cash dividends	6(18)	-	-	-	-	-	(327,568)	-	(327,568)
Share-based payments		3,850	1,552	7,605	-	-	-	-	13,007
Compensation cost of share-based payments	6(15)	-	-	7,814	-	-	-	-	7,814
Conversion of convertible bonds		18,149	(38,612)	69,257	-	-	-	-	48,794
Balance at December 31, 2020		$ 825,953	$ 23,897	$ 330,595	$ 546,178	$ 26,633	$ 919,497	($ 38,975)	$ 2,633,778

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

AXIOMTEK CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in Thousands of New Taiwan Dollars)

	Notes	Years ended December 31 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 384,075	$ 562,112
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(5), (6) and (25)	69,806	64,292
Depreciation from investment Property	6(8) and (23)	1,048	2,528
Amortization	6(9) and (25)	7,798	8,188
Expected credit impairment losses/ Reversal of allowance for doubtful accounts	12(2)	(140)	120
Net gain on financial assets or liabilities at fair value through profit or loss	6(12) and (23)	-	(2,763)
Interest expense	6(24)	6,286	7,550
Interest income	6(21)	(7,127)	(11,638)
Compensation cost of share-based payments	6(15) and (26)	6,236	8,520
Share of profit of associates and joint ventures accounted for under equity method	6(4)	(125,864)	(75,975)
Loss (gain) on disposal of property, plant and equipment	6(23)	(167)	(48)
Gain on disposal of investments	6(23)	(204)	(305)
Gain on disposal of investment assets	6(23)	-	(100,677)
Impairment loss on investments accounted for using equity method	6(23)	9,596	-
Unrealized profit from sales		979	13,295
Changes in assets/liabilities relating to operating activities			
Changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		204	305
Notes receivable		3,733	3,827
Accounts receivable (including related parties)		184,631	7,099
Other receivables (including related parties)		4,314	7,784
Inventories		13,018	66,293
Prepayments		(2,521)	6,189
Other current assets		(174)	(125)
Changes in liabilities relating to operating activities			
Contract liabilities		12,087	(3,800)
Notes payables		322	-
Accounts payable (including related parties)		(67,087)	(261,754)
Other payables		4,857	(18,200)
Advance receipts		12,345	(1,564)
Other current assets		152	158
Accrued pension liabilities		(1,150)	(990)
Cash inflow generated from operations		517,053	280,421
Receipt of interest		8,274	11,417
Payment of interest		(1,241)	(1,030)
Payment of income tax		(9,273)	(172,022)
Net cash flows provided by operating activities		514,813	118,786

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AXIOMTEK CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in Thousands of New Taiwan Dollars)

	Notes	Years ended December 31 2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments accounted for using equity method	6(4)	$ -	($ 89,819)
Other receivables (including related parties)		(37,131)	37,932
Proceeds from disposal of investments for under equity method	6(29)	(19,446)	(36,539)
Proceeds from disposal of property, plant and equipment		171	48
Proceeds from disposal of investment properties		-	151,728
Acquisition of intangible assets	6(9)	(9,387)	(3,757)
Increase in refundable deposits		(217)	(513)
Net cash flows provided by (used in) investing activities		(66,010)	59,080
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short -term borrowings		963,000	553,000
Redemption of short -term borrowings		(1,065,000)	(504,000)
Increase (decrease) in refundable deposits		160	(299)
Payment of cash dividends	6(18)	(327,568)	(298,784)
Proceeds from exercise of employee stock options	6(15)	13,007	3,622
Repayment of lease principal		(16,478)	(14,182)
Net cash flows provided by (used in) financing activities		(432,879)	(260,643)
Increase (Decrease) in cash and cash equivalents		15,924	(82,777)
Cash and cash equivalents at beginning of year		652,040	734,817
Cash and cash equivalents at end of year		$ 667,964	$ 652,040

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

AXIOMTEK CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

1. ORGANIZATION AND OPERATIONS

Axiomtek Co., Ltd. (hereinafter referred to as "the Company" or "Axiomtek") was incorporated in the Republic of China (R.O.C) in May 1990 and the Company's common shares were officially listed on the Taipei Exchange on April 28, 2005. The Company is mainly engaged in designing, manufacturing and sales of PC-based industrial computer products and peripherals. The Company provides product lines of Industrial PCs (IPCs), Single Board Computers (SBCs), System on Modules (SoMs), Fanless and Rugged Embedded Systems (eBOX and rBOX), Intelligent Transportation Systems (tBOX and UST), Industrial IoT Gateway, Industrial EtherCAT Master solution, Touch Panel Computers (TPCs), Medical Panel Computers (MPCs), Digital Signage Solutions (DSSs), and Network Appliances (NAs) products.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

The parent company only financial statements were authorized for issuance by the Board of Directors on February 25, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC").

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark'	January 1, 2020
Amendment to IFRS 16, 'Covid-19-related rent concessions'	January 1, 2020(Note)

Note: Earlier application from January 1, 2020 is allowed by the FSC.

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company.

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, "Extension of the temporary exemption from applying IFRS 9"	January 1, 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘ Interest Rate Benchmark Reform— Phase 2’	January 1, 2021

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, “Reference to the conceptual framework”	January 1, 2022
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 International Accounting Standards Board
IFRS 17, “Insurance contracts”	January 1, 2023
Amendments to IFRS 17, “Insurance contracts”	January 1, 2023
Amendments to IAS 1, “Classification of liabilities as current or non-current”	January 1, 2023
Amendments to IAS 8, “Accounting policies, changes in accounting estimates and error”	January 1, 2023
Amendments to IAS 16, “Property, plant and equipment: proceeds before intended use”	January 1, 2022
Amendments to IAS 37, “Onerous contracts—cost of fulfilling a contract”	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Statement of compliance

The parent company only financial statements of the Company have been prepared in accordance with the” Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:
   (A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
   (B) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan dollars (NTD), which is the Company's functional and the Company's presentation currency.

A. Foreign currency transactions and balances

(A) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(B) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(C) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(D) Foreign exchange gains and loss based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

(A) The operating results and financial position of all the Company entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognized in Exchange differences on translation of foreign operations.

(B) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interests in this foreign operation. In addition, if the Company still retains partial interests in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in these foreign operations.

(C) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise, they are classified as non-current assets:
   (A) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
   (B) Assets held mainly for trading purposes;
   (C) Assets that are expected to be realized within twelve months from the balance sheet date;
   (D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

   All assets that do not meet the above criteria are classified as non -current assets.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise, they are classified as non-current liabilities:
   (A) Liabilities that are expected to be paid off within the normal operating cycle;
   (B) Liabilities arising mainly from trading activities;
   (C) Liabilities that are to be paid off within twelve months from the balance sheet date;
   (D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

   All liabilities that do not meet the above criteria are classified as non-current liabilities.

(5) Cash equivalent

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the above definition and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and accounts receivable that have a significant financing component, at each end of the financial reporting period, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(11) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) Investments accounted for under equity method

A. Subsidiaries are all entities (including structured entity) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealized gains on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equal or exceeds its interest in the subsidiary, the Company should continue to recognize losses in proportion to its ownership.

D. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if all the related assets or liabilities were disposed of. That is, other comprehensive income in relation to the subsidiary should be reclassified to profit or loss.

E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

F. The Company’s share of its associates’ post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company’s share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

G. When changes in an associate’s equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company’s ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in “capital surplus” in proportion to its ownership.

H. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company’s interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

I. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

J. According to “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, profit and other comprehensive income in the separate financial statements should be the same as profit and other comprehensive income attributable to shareholders of the parent in the parent company only financial statements, and the equity in the separate financial statements should be the same as the equity attributable to shareholders of the parent in the parent company only financial statements.

(13) <u>Property, plant and equipment</u>

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	3 - 50 years
Machinery	3 - 20 years
Tools	2 - 5 years
Testing equipment	2 - 8 years
Office Equipment	2 - 10 Years
Leasehold improvements	2 - 10 Years
Other equipment	3 - 10 Years

(14) Leasing arrangements (lessee) - right-of-use assets/ lease liabilities

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(A) The amount of the initial measurement of lease liability; and

(B) Any initial direct costs incurred by the lessee.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 2 to 23 years.

(16) Intangible assets

A. Trademark

Trademark is stated at cost and amortized on a straight-line basis over its estimated useful life of 2 to 10 years.

B. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 2 to 10 years.

C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(17) Impairment of non-financial assets

A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.
B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.
C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or group of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(18) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds net of transaction costs and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes payable and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Financial liabilities at fair value through profit or loss

A. Such liabilities mean the financial liabilities designated to be measured at fair value through profit or loss. When a financial liability meets one of the following conditions, it is designated at fair value through profit or loss when it is originally recognized:
   (A) is a mixed (combined) contract; or
   (B) eliminate or significantly reduce the measurement inconsistencies; or
   (C) An instrument whose performance is managed and evaluated on a fair value basis, based on written risk management or strategies.
B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(21) Convertible bonds payable

Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus - stock options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

A. Call options and put options embedded in convertible corporate bonds are recognized initially at net fair value as 'financial assets or financial liabilities at fair value through profit or losses. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or losses.

B. Bonds payable of convertible corporate bonds is initially recognized at fair value and subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable/ preference share liabilities and presented as an addition to or deduction from bonds payable, which is amortized in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

C. Conversion options embedded in convertible corporate bonds issued by the Company, which meet the definition of an equity instrument, are initially recognized in 'capital surplus – stock options' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable - net' as stated above. Conversion options are not subsequently remeasured.

D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

E. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of capital surplus - stock options.

(22) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.

B. A mixed contract of financial assets embedded in derivatives, at the time of the original recognition, determines that the overall hybrid tool is classified as financial assets measured at fair value through gains and losses, financial assets measured at fair value through other gains and losses, and financial assets measured at amortized cost.

C. The non-financial asset hybrid contract embedded in the derivative instrument determines whether the embedded derivative is closely related to the economic characteristics and risk of the main contract in the original recognition according to the terms of the contract to determine whether to separate or not. When it is closely related, the overall blending tool is treated according to its nature according to appropriate criteria. When it is not closely related, the derivative is separated from the principal contract and is treated as a derivative. The principal contract is treated according to its nature on the basis of appropriate criteria; or the overall recognition at the original recognition is a financial liability measured at fair value through profit or loss.

(23) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(24) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and reported in the net amount in the balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(25) Provisions for liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the financial reporting period**,** which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(26) Employee benefits

A. Short-term employee benefits
Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(A) Defined contribution plans
For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis.

(B) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Employees' compensation and directors' remuneration
Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual

distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(27) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and nonmarket vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(28) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology and research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(29) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction from the proceeds.

(30) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(31) Revenue recognition

A. Sales of goods

(A) The Company manufactures and sells industrial computer-related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(B) The sales revenue of industrial computer-related products is recognized according to the quantity of goods purchased by the customer and the price agreed upon after the quotation of the product item. The terms of collection for sales transactions are agreed upon in accordance with the generally accepted commercial transaction terms.

(C) The Company's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision.

(D) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Revenue from Labor Services

Revenue from labor services comes from product development and provision of extended warranty and maintenance services. When the transaction results of labor services can be reliably estimated, revenues are recognized based on the level of labor provided.

C. Acquisition of customer contract costs

Although the incremental costs incurred by the Company to obtain a customer contract are expected to be recoverable, the relevant contract period is less than leap year, so these costs are recognized as expenses when incurred.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of the parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below.

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2020, the carrying amount of inventories was $431,345.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and petty cash	$569	$519
Checking accounts and demand deposits	151,720	227,802
Time deposits	31,515	393,739
Cash equivalents - Bonds with repurchase agreement	484,160	29,980
	$667,964	$652,040

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

(2) Notes and accounts receivable (including related parties)

	December 31, 2020	December 31, 2019
Notes receivable	$2,948	$6,681
Less: Loss allowance	-	-
	$2,948	$6,681
Accounts receivable	$76,678	$191,206
Accounts receivable - related parties	272,299	342,402
Less: Loss allowance	(35)	(175)
	$348,942	$533,433

A. Information relating to the ageing analysis of accounts receivable that were past due is provided in Note 12(2).
B. As of December 31, 2020 and 2019, notes and accounts receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to $551,215.
C. The Company does not hold financial assets as security for accounts receivable.
D. Information relating to credit risk is provided in Note 12(2).

(3) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Raw materials	$230,429	($23,669)	$206,760
Work in progress	45,047	(296)	44,751
Semi-finished goods	24,872	(1,531)	23,341
Finished goods	172,728	(17,304)	155,424
Inventories in transit	1,069	-	1,069
Total	$474,145	($42,800)	$431,345

	December 31, 2019		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Raw materials	$208,951	($20,180)	$188,771
Work in progress	74,690	(1,728)	72,962
Semi-finished goods	27,946	(3,949)	23,997
Finished goods	173,626	(14,993)	158,633
Total	$485,213	($40,850)	$444,363

Relevant expenses of inventories recognized as operating costs for the years ended December 31, 2019 and 2018 are as follows:

	Years ended December 31	
	2020	2019
Cost of revenue	$2,143,385	$2,311,874
Loss on market value decline and obsolete and slow-moving inventories	15,410	18,355
Total	$2,158,795	$2,330,229

The Company has no inventories pledged to others.

(4) Investments accounted for using equity method

	December 31, 2020	December 31, 2019
AXIOM TECHNOLOGY, INC. U.S.A.(AXUS)	$546,713	$465,060
AXIOMTEK DEUTSCHLAND GMBH(AXGM)	225,960	209,511
AXIOM TECHNOLOGY (BVI) CO., LTD.(AXBVI)	99,649	83,482
AXIOMTEK ITALIA S.R.L.(AXIT)	37,540	49,635
AXIOMTEK JAPAN CO., LTD.(AXJP)	8,493	7,832
AXIOMTEK UK LIMITED (AXUK)	2,392	3,739
Investments in associates		
UNIT-INNOVATE TECHNOLOGY CO., LTD. (UNI)	25,945	27,570
Total	$946,692	$846,829

A. (A) Details of the Company's subsidiaries are provided in Note 4(3) of the Company's 2020 financial statements.
   (B) To cater for future operating needs, the Company increased its capital in the subsidiary AXBVI by $33,751 in March 2019.
   (C) The Company purchased 100% equity of AXIT on January 4, 2019 for $ 56,068 in cash and has full control of AXIT. Please refer to Note 6(31) of the 2020 financial statements of the Company for details.

B. Equity methods used in 2020 and 2019 to recognize Share of profit (loss) of associates and joint ventures accounted for using equity method:

	Years ended December 31	
	2020	2019
AXUS	$110,665	$55,671
AXBVI	16,338	2,204
AXGM	4,470	25,965
AXJP	655	929
AXUK	(1,274)	(3,473)
UNI	(1,604)	(1,427)
AXIT	(3,386)	(3,894)
Total	$125,864	$75,975

C. Equity methods used in 2020 and 2019 to recognize Share of impairment loss of associates and joint ventures accounted for using equity method:

	Years ended December 31	
	2020	2019
AXIT	($9,596)	$-

D. Details of Unrealized profit from sales of the subsidiaries and their subsidiaries at the end of the period are as follows:

	Years ended December 31	
	2020	2019
AXUS	$67,002	$65,848
AXGM	13,302	15,543
Axiomtek (Shenzhen) Co. Ltd. (AXSZ)	5,641	3,639
AXIT	1,276	1,233
UNI	57	36
Total	$87,278	$86,299

(5) Property, plant and equipment

	Land	Buildings	Machinery	Tools	Testing equipment	Office Equipment	Leasehold improvements	Others	Construction in progress	Total
At January 1, 2020										
Cost	$535,624	$417,560	$140,888	$63,756	$59,320	$72,156	$25,149	$16,367	$3,081	$1,333,901
Accumulated depreciation	-	(20,878)	(109,441)	(56,014)	(44,515)	(29,415)	(10,387)	(11,228)	-	(281,878)
	$535,624	$396,682	$31,447	$7,742	$14,805	$42,741	$14,762	$5,139	$3,081	$1,052,023
2020										
Opening net book amount	$535,624	$396,682	$31,447	$7,742	$14,805	$42,741	$14,762	$5,139	$3,081	$1,052,023
Additions	-	-	2,018	1,834	4,152	152	-	4,076	7,256	19,488
Disposals (Cost)	-	-	(2,833)	-	(11,047)	(648)	(900)	(889)	-	(16,317)
Disposals (Accumulated depreciation)	-	-	2,833	-	11,047	648	900	885	-	16,313
Reclassifications (Cost)	-	-	1,200	3,485	1,242	186	100	717	(8,665)	(1,735)
Depreciation	-	(8,351)	(14,399)	(5,555)	(5,630)	(7,905)	(7,929)	(3,663)	-	(53,432)
Closing net book amount	$535,624	$388,331	$20,266	$7,506	$14,569	$35,174	$6,933	$6,265	$1,672	$1,016,340
At December 31, 2020										
Cost	$535,624	$417,560	$141,273	$69,075	$53,667	$71,846	$24,349	$20,271	$1,672	$1,335,337
Accumulated depreciation	-	(29,229)	(121,007)	(61,569)	(39,098)	(36,672)	(17,416)	(14,006)	-	(318,997)
	$535,624	$388,331	$20,266	$7,506	$14,569	$35,174	$6,933	$6,265	$1,672	$1,016,340

	Land	Buildings	Machinery	Tools	Testing equipment	Office Equipment	Leasehold improvements	Others	Construction in progress	Total
At January 1, 2019										
Cost	$535,624	$417,560	$138,166	$57,556	$55,003	$70,265	$11,176	$13,641	$7,656	$1,306,647
Accumulated depreciation	-	(12,527)	(97,764)	(48,362)	(40,332)	(21,760)	(7,519)	(8,688)	-	(236,952)
	$535,624	$405,033	$40,402	$9,194	$14,671	$48,505	$3,657	$4,953	$7,656	$1,069,695
2019										
Opening net book amount	$535,624	$405,033	$40,402	$9,194	$14,671	$48,505	$3,657	$4,953	$7,656	$1,069,695
Additions	-	-	4,605	3,170	2,429	2,065	350	2,861	16,433	31,913
Disposals (Cost)	-	-	(1,883)	-	(922)	(174)	(1,300)	(380)	-	(4,659)
Disposals (Accumulated depreciation)	-	-	1,883	-	922	174	1,300	380	-	4,659
Reclassifications (Cost)	-	-	-	3,030	2,810	-	14,923	245	(21,008)	-
Depreciation	-	(8,351)	(13,560)	(7,652)	(5,105)	(7,829)	(4,168)	(2,920)	-	(49,585)
Closing net book amount	$535,624	$396,682	$31,447	$7,742	$14,805	$42,741	$14,762	$5,139	$3,081	$1,052,023
At December 31, 2019										
Cost	$535,624	$417,560	$140,888	$63,756	$59,320	$72,156	$25,149	$16,367	$3,081	$1,333,901
Accumulated depreciation	-	(20,878)	(109,441)	(56,014)	(44,515)	(29,415)	(10,387)	(11,228)	-	(281,878)
	$535,624	$396,682	$31,447	$7,742	$14,805	$42,741	$14,762	$5,139	$3,081	$1,052,023

A. The Company has no interest capitalized to property, plant and equipment.

B. Property, plant and equipment not a significant component.

C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(6) Leasing arrangements－lessee

A. The Company leases various assets including land, buildings, machinery and equipment, office equipment, and other equipment. Rental contracts are typically made for periods of 1 months to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020	December 31, 2019
	Carrying amount	Carrying amount
Buildings	$31,716	$47,297

	Years ended December 31, 2020	Years ended December 31, 2019
	Depreciation charge	Depreciation charge
Buildings	$16,374	$14,707

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were $ 792 and $6,364.

D. The information on profit and loss accounts relating to lease contracts is as follows:

Items affecting profit or loss	Years ended December 31, 2020	Years ended December 31, 2019
Interest expense on lease liabilities	$393	$510
Expense on short-term lease contracts	1,041	1,308

E. For the 2020 and 2019, the Group’s total cash outflow for leases was $17,912 and $16,000.

(7) Leasing arrangements－lessor

A. The Company leases various assets including land and buildings. Rental contracts are typically made for periods of 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. For the years ended December 31, 2020 and 2019, the Company recognized rent income in the amounts of $3,450 and $3,553, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2020	December 31, 2019
2020	$-	$3,616
2021	3,444	3,616
2022	1,827	1,919
	$5,271	$9,151

(8) Investment property

	Land	Buildings	Total
At January 1, 2020			
Cost	$68,273	$40,258	$108,531
Accumulated depreciation	-	(22,290)	(22,290)
	$68,273	$17,968	$86,241

	Land	Buildings	Total
2020			
Opening net book amount	$68,273	$17,968	$86,241
Depreciation	-	(1,048)	(1,048)
Closing net book amount	$68,273	$16,920	$85,193
At December 31, 2020			
Cost	$68,273	$40,258	$108,531
Accumulated depreciation	-	(23,338)	(23,338)
	$68,273	$16,920	$85,193

	Land	Buildings	Total
At January 1, 2019			
Cost	$112,222	$55,007	$167,229
Accumulated depreciation	-	(27,409)	(27,409)
	$112,222	$27,598	$139,820
2019			
Opening net book amount	$112,222	$27,598	$139,820
Disposals (Cost)	(43,949)	(14,749)	(58,698)
Disposals (Accumulated depreciation)	-	7,647	7,647
Depreciation	-	(2,528)	(2,528)
Closing net book amount	$68,273	$17,968	$86,241
At December 31, 2019			
Cost	$68,273	$40,258	$108,531
Accumulated depreciation	-	(22,290)	(22,290)
	$68,273	$17,968	$86,241

A. Rental income and direct operating expenses of investment property:

	Years ended December 31	
	2020	2019
Rental income from investment property	$3,450	$3,553
Direct operating expenses arising from investment property that generated rental income	$618	$1,975
Direct operating expenses arising from investment property that did not generate rental income	$896	$1,169

B. The fair value of the investment property held by the Company was $218,640 and $185,890 as of December 31, 2020 and 2019, respectively, which was based on the transaction prices of similar properties in the same area.

C. No investment property was pledged to others.

(9) Intangible assets

	Trademark	Computer software	Goodwill	Total
At January 1, 2020				
Cost	$291	$61,709	$5,898	$67,898
Accumulated Amortization	(291)	(49,695)	-	(49,986)
	$-	$12,014	$5,898	$17,912
2020				
Opening net book amount	$-	$12,014	$5,898	$17,912
Additions	-	9,387	-	9,387
Reclassifications	-	1,735	-	1,735
Amortization	-	(7,798)	-	(7,798)
Closing net book amount	$-	$15,338	$5,898	$21,236
At December 31, 2020				
Cost	$291	$72,831	$5,898	$79,020
Accumulated Amortization	(291)	(57,493)	-	(57,784)
	$-	$15,338	$5,898	$21,236

	Trademark	Computer software	Goodwill	Total
At January 1, 2019				
Cost	$291	$57,952	$5,898	$64,141
Accumulated Amortization	(291)	(41,507)	-	(41,798)
	$-	$16,445	$5,898	$22,343
2019				
Opening net book amount	$-	$16,445	$5,898	$22,343
Additions	-	3,757	-	3,757
Disposals (Cost)	-	-	-	-
Disposals (Accumulated Amortization)	-	-	-	-
Reclassifications	-	-	-	-
Amortization	-	(8,188)	-	(8,188)
Closing net book amount	$-	$12,014	$5,898	$17,912
At December 31, 2019				
Cost	$291	$61,709	$5,898	$67,898
Accumulated Amortization	(291)	(49,695)	-	(49,986)
	$-	$12,014	$5,898	$17,912

A. The Company has no interest capitalized to intangible assets.

B. The details of the amortization charges of intangible assets are as follows:

	Years ended December 31	
	2020	2019
Operating costs	$21	$3
Selling expenses	268	11
General and administrative expenses	4,914	5,827
Research and development expenses	2,595	2,347
	$7,798	$8,188

(10) Short-term borrowings

December 31, 2020: None.

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	$ $102,000	0.97%~0.98%	None

Interest expense recognized in profit or loss amounted to $827 and $511 for the years ended December 31, 2020 and 2018, respectively.

(11) Other payables

	December 31, 2020	December 31, 2019
Salaries and bonus payable	$138,150	$127,730
Accrued employees' compensation and directors' remuneration	52,915	62,292
Payable to equipment suppliers	5,063	4,449
Others	42,731	38,930
	$238,859	$233,401

(12) Financial liabilities at fair value through profit or loss

Item	December 31, 2020	December 31, 2019
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives (conversion of corporate debt options)	$3,673	$-
Evaluation adjustment	(3,673)	-
Total	$-	$-
Non-Current items:		
Financial liabilities held for trading		
Non-hedging derivatives (conversion of corporate debt options)	$-	$4,328
Evaluation adjustment	-	(4,328)
Total	$-	$-

The Company recognized net loss of $0 and $2,763 for the years ended December 31, 2020 and 2019, respectively.

(13) Bonds payable

	December 31, 2020	December 31, 2019
Bonds payable	$280,400	$330,400
Less: Discount on bonds payable	(4,516)	(10,782)
Less: Long-term liabilities, current portion	(275,884)	-
	$-	$319,618

A. Domestic unsecured conversion of corporate bonds issued by the Company.

(A) Issuance conditions for the first unsecured conversion of corporate bonds in the Company are as follows:

i. The Company is approved by the relevant authorities to raise and issue the first unsecured conversion company debt (referred to as "This conversion company debt"), the total issue of $420,000, at the coupon rate of 0%, for an issuance period of 5 years, circulation period from December 13, 2016 to December 13, 2021. When this conversion company debt expires, it will be repaid in cash in the denomination of the bond. This conversion company debt has been listed for trading at the Securities Counter Trading Center as of December 13, 2016.

ii. Unless (1) the period for suspension of transfer registration of common stock required by laws, (2) 15 business days prior to the date for suspension of transfer registration of allocated dividends requested by the Company, the date for suspension of transfer registration of cash dividends or the date for suspension of transfer registration of cash capital increase until the record date for allocation of rights, and (3) from the date of capital decrease until the day prior to the trading of stock swapped upon capital decrease, the bond holders may apply to the Taiwan Depository & Clearing Corporation (TDCC) (hereinafter referred to as the “Depository Corporation”) who would then notify the Company’s stock agent to convert the Bond into the Company’s common shares pursuant to the Regulations at any time one month after the issuance (January 14 2017) and throughout the duration (until December 13, 2021) of the bond.

iii. The conversion price of this conversion company debt shall be determined according to the pricing model stipulated in the conversion method, and the conversion price shall be adjusted in the event of the anti-dilution clause of the Company in accordance with the pricing model stipulated in the conversion method.

iv. The bondholders must use as base dates (December 13, 2018) and (December 13, 2019) two and three years to expiry respectively, to sell the convertible corporate bond. On the base dates the Company is required to buy back the converted corporate bonds held by the Company at 102.01% and 103.0301% respectively, of the bonds.

v. From the day following the 3rd month of issuance (March 14 2017) of the bonds until 40 days prior to expiration of the duration, if the closing price of the Company's common shares at Taipei Exchange exceeds the current conversion price by more than 30% for 30 consecutive business days, the Company may send the “Notice of Call” to be matured in 30 days (the time limit shall commence from the Company's service date, and the record date of the call shall be the date when the time limit expires, and the conversion suspension period for the corporate bonds should not fall in the time limit) to the bond holders (those referred to the roster of creditors within five business days prior to the service date of the Notice of Call, while the investors who acquire the bonds through exchange or due to other causes subsequently, if any, shall be notified by public notice) via registered mail within 30 business days. Meanwhile, the Company shall ask Taipei Exchange in writing to post a public announcement, and shall call the corporate bonds held by the bond holders at the face value in cash within five (5) business days upon the record date.

vi. In accordance with the conversion scheme, all debts of the Company recovered (including by the Securities Counter Trading Centre), repaid or converted will be cancelled, and all rights and obligations that are still attached to this conversion company's debt will also be eliminated and no longer issued.

(B) As of December 31, 2020, the Company's debt denomination of $139,600 has been converted to 2,904,000 shares of common stock, completed on January 4, 2021.

(C) Since August 8, 2019 and July 8, 2020, the Company's cash dividend ex-dividend, the conversion price has been recalculated according to the provisions of this bond issuance and conversion, from $52.0 to $48.6 and $48.6 to $45.2.

(D) As of December 31, 2020, the Company has not bought back the bonds from the securities counter trading center.

B. When issuing convertible corporate bonds, the Company shall, in accordance with the provisions of international Accounting standard 32nd "Financial instruments: expression", separate the right of conversion of the nature of equity from the constituent elements of each liability, and account for the "capital reserve-equity" $24,360. The other embedded buying and selling rights, according to IAS 39 "Financial instruments: recognition and measurement" provisions, because it is not closely related to the economic characteristics and risks of the main contract debt commodities. The effective interest rate for the separation of COR contractual obligations is 0.141%.

(14) Pensions

A. (A) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next March.

(B) The amounts recognized in the balance sheet are as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	($99,438)	($97,051)
Fair value of plan assets	55,574	51,942
Net defined benefit liability	($43,864)	($45,109)

(C) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2020			
Balance at January 1	($97,051)	$51,942	($45,109)
Interest (expense) income	(757)	405	(352)
	(97,808)	52,347	(45,461)
Remeasurements:			
Change in demographic assumptions	(132)	-	(132)
Change in financial assumptions	(6,087)	-	(6,087)
Experience adjustments	4,589	1,725	6,314
	(1,630)	1,725	95
Pension fund contribution	-	1,502	1,502
Balance at December 31	($99,438)	$55,574	($43,864)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2019			
Balance at January 1	($89,973)	$48,228	($41,745)
Interest (expense) income	(1,089)	584	(505)
	(91,062)	48,812	(42,250)
Remeasurements:			
Change in financial assumptions	(6,473)	-	(6,473)
Experience adjustments	484	1,635	2,119
	(5,989)	1,635	(4,354)
Pension fund contribution	-	1,495	1,495
Balance at December 31	($97,051)	$51,942	($45,109)

(D) The Bank of Taiwan was commissioned to manage the Fund of the Company’s and domestic subsidiaries’ defined benefit pension plan in accordance with the Fund’s annual investment and utilization plan and the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund” (Article 6:

The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(E) The principal actuarial assumptions used were as follows:

	Years ended December 31	
	2020	2019
Discount rate	0.31%	0.78%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience are set based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
December 31, 2020				
Effect on present value of defined benefit obligation	($6,472)	$7,028	$6,803	($6,340)
December 31, 2019				
Effect on present value of defined benefit obligation	($6,677)	$7,275	$7,076	($6,570)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The method and assumptions used for the preparation of sensitivity analysis during 2020 and 2019 are the same.

(F) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2021 amounts to $1,501.

(G) As of December 31, 2020, the weighted average duration of the defined benefit retirement plan is 14 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$48,572
1 - 2 Years	5,996
3 - 4 Years	11,643

More than 5 years	11,454
	$77,665

B. (A)Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(B) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2020 and 2019 were $21,730 and $20,792, respectively.

(15) Share-based payment

A. For the years ended December 31, 2020 and 2019, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Employee stock options	August 19, 2015	1,500	6 Years	2 to 5 years' service
Employee stock options	April 12, 2018	1,600	5 Years	2 to 4 years of service
Employee stock options	October 29, 2020	4,300	6 Years	2 to 5 years' service

The share-based payment arrangements above are all settled by equity.

B. Details of the share-based payment arrangements are as follows:

	Years ended December 31			
	2020		2019	
	No. of options (in thousands)	Weighted average exercise price (in dollars)	No. of options (in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of the year, (2015 Issuing)	515	$20.70	688	$22.10
Stock options waived in the current period	-	-	-	-
Options exercised	(270)	19.71	(173)	20.93
Options outstanding at end of the year	245	19.30	515	20.70
Options exercisable at end of the year	245	19.30	430	20.70

	Years ended December 31			
	2020		2019	
	No. of options (in thousands)	Weighted average exercise price (in dollars)	No. of options (in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of the year, (2018 Issuing)	1,520	$49.30	1,600	$52.70
Stock options waived in the current period	(48)	45.90	-	-
Options exercised	(160)	48.03	(80)	49.30
Options outstanding at end of the year	1,312	45.90	-	-
Options exercisable at end of the year	448	45.90	1,520	49.30

	Years ended December 31			
	2020		2019	
	No. of options (in thousands)	Weighted average exercise price (in dollars)	No. of options (in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of the year, (2020 Issuing)	-	$-	-	$-
Stock options waived in the current period	4,300	50.80	-	-
Options exercised	-	-	-	-
Options outstanding at end of the year	-	-	-	-
Options exercisable at end of the year	4,300	50.80	-	$-

C. Average price of Stock options exercised in 2020 and 2019 were $53.49 and $56.02 respectively.

D. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		December 31, 2020		December 31, 2019	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
August 19, 2015	August 18, 2021	515	20.70	688	22.10
April 12, 2018	April 11, 2023	1,520	49.30	1,600	52.70
October 29, 2020	October 28, 2026	4,300	50.80	-	-

E. The fair value of stock options granted on grant date is measured using the Black-Scholes option pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	August 19, 2015	27.57	27.57	36.2% ~ 38.11%	5 Years	0%	0.81%~ 0.97%	31.675~ 33.122
Employee stock options	April 12, 2018	57.70	57.70	28.13%~ 30.83%	4 Years	0%	0.63%~ 0.69%	12.49~ 15.46
Employee stock options	October 29, 2020	50.80	50.80	20.19%~ 23.7%	5 Years	0%	0.22%~ 0.24%	8.32~ 11.39

F. Expenses incurred on share-based payment transactions Relevant information is as follows:

	Years ended December 31	
	2020	2019
Equity Settled	$6,236	$8,520

G. As of ex-dividend date July 23, 2020 the Company re-computed the strike prices for employee stock warrants issued in 2015 and 2017 accordingly using the regulated method and adjusted the strike prices respectively, from $20.7 and $49.3 to $19.3 and $45.9.

H. As of ex-dividend date August 8, 2019 the Company re-computed the strike prices for employee stock warrants issued in 2015 and 2017 accordingly using the regulated method and adjusted the strike prices respectively, from $22.1 and $52.7 to $20.7 and $49.3.

(16) Share capital

A. As of December 31, 2020, the Company's authorized capital was $1,600,000, consisting of 160,000 thousand ordinary shares, and the paid-in capital was $825,953 with a par value of $10 (in dollars) per share, consisting of 82,595 thousand ordinary shares. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares outstanding are as follows:

	Years ended December 31	
	2020(in thousands)	2019(in thousands)
At January 1	81,647	79,667
Exercise of employee stock options	430	173
Conversion of convertible bonds	1,063	1,807
At December 31	83,140	81,647

	December 31, 2020		December 31, 2019	
	Shares (in thousands)	Amount	Shares (in thousands)	Amount
Exercise of employee stock options (Advance receipts for share capital)	89	$2,463	44	$911
Conversion of convertible bonds (Advance receipts for share capital)	456	21,434	1,208	60,046

Information about the Conversion of convertible bonds and Exercise of employee stock options is provided in Note 6(13). And 6(15)

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	Year ended December 31, 2020							
	Share premium	Convertible bond conversion premium	Treasury stock trading	Diff between book value & actual equity change from acquisition or disposal of subsidiary	Capital surplus from gain on disposal of assets	Employee stock options	Stock options	Total
At January 1	$128,136	$25,182	$1,026	$176	$2	$72,234	$19,163	$245,919
Exercise of employee stock options	7,605	-	-	-	-	-	-	7,605
Compensation cost of employee stock options	-	-	-	-	-	7,814	-	7,814
Conversion of convertible bonds	-	72,156	-	-	-	-	(2,899)	69,257
At December 31	-	-	-	-	-	-	-	

	Year ended December 31, 2019							
	Share premium	Convertible bond conversion premium	Treasury stock trading	Diff between book value & actual equity change from acquisition or disposal of subsidiary	Capital surplus from gain on disposal of assets	Employee stock options	Stock options	Total
At January 1	$126,146	$1,465	$1,026	$176	$2	$61,889	$24,256	$214,960
Exercise of employee stock options	1,990	-	-	-	-	-	-	1,990
Compensation cost of employee stock options	-	-	-	-	-	10,345	-	10,345
Conversion of convertible bonds	-	23,717	-	-	-	-	(5,093)	18,624
At December 31	$128,136	$25,182	$1,026	$176	$2	$72,234	$19,163	$245,919

(18) Retained earnings

A. When allocating the net income for each fiscal year, the Company shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over, where such legal reserve amounts to the total authorized capital, this provision will not apply. The Company would set aside or fund another sum as special reserve in accordance with the regulations of the Law or the rules of the Authorities, plus the rest of the and Accumulated Retained Earnings of preceding fiscal year (including the adjustment of undistributed earnings), and the meeting of Board of Directors would draft the Proposal for Distribution, and to authorize the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the Shareholders' Meeting. The Company distributing surplus earning in the form of new shares to be issued by the Company in accordance with the preceding paragraphs shall follow the provisions of Article 240 of the Company Law of the Republic of China with a resolution adopted at a meeting of shareholders.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. Details of 2019 and 2018 earnings appropriation resolved by the shareholders on May 29, 2020 and May 29, 2019, respectively are as follows:

	Years ended December 31			
	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$45,697		$40,692	
Special reserve	22,403		-	
Cash dividends	326,925	$4	298,784	$3.75
Total	$395,025		$339,476	

Details of 2020 earnings appropriation proposed by the Board of Directors on February 26, 2020 are as follows:

	Year ended December 31, 2020	
	Amount	Dividends per share (in dollars)
Legal reserve	$30,667	
Special reserve	12,342	
Cash dividends	216,954	$2.6
Total	$259,963	

(19) Other equity interest

	Year ended December 31,	
	2020	2019
Financial statements translation differences of foreign operations		
At January 1	($26,633)	($4,230)
Increase (decrease) in current period	(12,342)	(22,403)
At December 31	($38,975)	($26,633)

(20) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Year ended December 31	
	2020	2019
Originating from transfer at a point in time:		
Design-in Services	$1,404,887	$2,019,244

Intelligent Platforms & Solutions Products Division	1,468,149	1,126,262
Others	181,078	228,937
Net sales revenue	3,054,114	3,374,443
Originating from the transfer of labor services over time:		
Other Operating revenue	30,688	32,701
Total	$3,084,802	$3,407,144

B. Contract liabilities

The Company has recognized the following contract assets and liabilities in relation to revenue from contracts with customers:

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities			
Contract liabilities-Advance payments	$29,684	$17,597	$21,397

The revenue recognized from the beginning balance of contract liability:

	Year ended December 31	
	2020	2019
The revenue recognized from the beginning balance of contract liability.	$17,549	$20,594

(21) Interest income

	Year ended December 31,	
	2020	2019
Interest on Bank deposit:	$2,674	$10,104
Other interest income	4,453	1,534
Total	$7,127	$11,638

(22) Other income

	Year ended December 31	
	2020	2019
Rental revenue	$3,450	$3,553
Other income	12,532	6,584
Total	$15,982	$10,137

(23) Other gains and losses

	Year ended December 31	
	2020	2019
Net gain on financial liabilities at fair value through profit or loss	$-	2,763
Foreign exchange gains (losses)	(33,968)	(16,692)
Gain (loss) on disposal of property, plant and equipment	167	48
Loss (gain) on disposal of investment property	-	100,677
Loss (gain) on disposal of investments	204	305
Depreciation expense from investment property	(1,048)	(2,528)
Impairment loss on investments accounted for using equity method	(9,596)	-
Miscellaneous Expenditure	(489)	(780)
Gain on lease modification	-	1
Total	($44,730)	$83,794

(24) Finance costs

	Year ended December 31	
	2020	2019
Interest expense		
Bank borrowings	$827	$511
Corporate bond discount	5,059	6,522
Lease liabilities	393	510
Other	7	7
Total	$6,286	$7,550

(25) Expenses by nature

	Years ended December 31	
	2020	2019
Employee benefit expense	$629,438	$630,397
Depreciation- property, plant and equipment	53,432	49,585
Depreciation-right of use assets	16,374	14,707
Amortization	7,798	8,188
Total	$707,042	$702,877

(26) Employee benefit expense

	Years ended December 31	
	2020	2019
Wages and salaries	$538,163	$537,974
Labor and health insurance fees	42,422	41,633
Pension costs	22,082	21,297
Compensation cost of employee stock options	6,236	8,520
Other employee benefit expense	20,535	20,973
Total	$629,438	$630,397

A. According to the Company's articles of association, if the Company is profitable in the year (ie after deducting the employee's remuneration and the director's remuneration from the net profit before tax), employee payout should be between 1% and 20% while directors' payout should be no more than 2%. However, if the Company has accumulated losses (including adjustments to unallocated surplus) these losses should first be offset.

B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at $48,010 and $56,323, respectively; while directors' remuneration was accrued at $4,365 and $5,302, respectively. The aforementioned amounts were recognized in salary expenses.

In 2020, the pre-tax net profit for the year was deducted from the employee's compensation and the benefits before the director's remuneration were estimated at 11% and 1% respectively.

Employees' compensation and directors' remuneration for 2020 and 2019 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2020 and 2019 financial statements, and the employees' compensation will be distributed in the form of cash.

C. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Income tax

A. Income tax expense

(A) Components of income tax expense:

	Years ended December 31	
	2020	2019
Current tax		
Current tax on profits for the year	$54,069	$89,537
Tax on undistributed earnings	3,065	3,614
Adjustments in respect of prior years	(5,122)	(595)
Total current tax	52,012	92,556
Deferred tax		
Origination and reversal of temporary differences	25,465	9,101
Income tax expense	$77,477	$101,657

(B) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31	
	2020	2019
Remeasurements of defined benefit obligations	($19)	$871
Currency translation differences of foreign operations	3,085	5,600
Total	$3,066	$6,471

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	$77,440	$112,422
Effect of items disallowed by tax regulation	2,094	(13,784)
Adjustments in respect of prior years	(5,122)	(595)
Tax on undistributed earnings	3,065	3,614
Income tax expense	$77,477	$101,657

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	Year ended December 31, 2020			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences				
Deferred tax assets:				
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	$8,170	$390	$-	$8,560
Unrealized gross margin	17,260	196	-	17,456
Unrealized exchange loss	3,258	(2,481)	-	777
Unused compensated absences payable	3,296	200	-	3,496
Unrealized warranty cost	180	9	-	189
Unrealized impairment loss	-	1,919	-	1,919
Unrealized depreciation and interest	105	(105)	-	-
Defined benefit obligation	9,022	(230)	(19)	8,773
Exchange differences on translation	6,658	-	3,085	9,743
Subtotal	$47,949	($102)	$3,066	$50,913
Deferred tax liabilities				
Net gain on investments accounted for using equity	($99,304)	($25,494)	$-	($124,798)
Convertible debt loss evaluation	(866)	131	-	(735)
Unamortized goodwill	(1,180)	-	-	(1,180)
Subtotal	($101,350)	($25,363)	$-	($126,713)
Total	($53,401)	($25,465)	$3,066	($75,800)

	Year ended December 31, 2019			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences				
Deferred tax assets:				
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	$6,907	$1,263	$-	$8,170
Unrealized gross margin	14,601	2,659	-	17,260
Unrealized exchange loss	313	2,945	-	3,258
Unused compensated absences payable	3,003	293	-	3,296
Unrealized warranty cost	229	(49)	-	180
Unrealized depreciation and interest	-	105	-	105
Defined benefit obligation	8,349	(198)	871	9,022
Amortization of convertible bond issuance costs	317	(317)	-	-
Exchange differences on translation	1,058	-	5,600	6,658
Subtotal	$34,777	$6,701	$6,471	$47,949
Deferred tax liabilities				
Net gain on investments accounted for using equity	($83,824)	($15,480)	$-	($99,304)
Convertible debt loss evaluation	(544)	(322)	-	(866)
Unamortized goodwill	(1,180)	-	-	(1,180)
Subtotal	($85,548)	($15,802)	$-	($101,350)
Total	($50,771)	($9,101)	$6,471	($53,401)

D. The Company's income tax return through 2018 have been assessed and approved by the Tax Authority.

(28) Earnings per share

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$306,598	82,272	$5.76
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,099	
Employee stock option	-	700	
Convertible bonds	5,059	6,817	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$311,657	90,888	$3.43

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$460,455	79,996	$5.76
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,172	
Employee stock option	-	600	
Convertible bonds	6,205	8,331	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$466,660	90,099	$5.18

(29) Supplemental cash flow information

A. Partial cash paid for investing activities

	Years ended December 31	
	2020	2019
Purchase of property, plant and equipment	$19,488	$31,913

Add: Beginning balance of payable on equipment	4,449	9,075
Add: Beginning balance of Prepayments for business facilities	572	-
Less: Ending balance of payable on equipment	(5,063)	(4,449)
Cash paid during the year	$19,446	$36,539

B. Financing activities not affecting cash flow:

	Years ended December 31	
	2020	2019
Conversion of corporate bond conversion into capital stock	$48,794	$84,658

(30) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2020	$102,000	$47,822	$149,822
Changes in cash flow from financing activities	(102,000)	(16,871)	(118,871)
Other changes in non-cash items	-	1,185	1,185
At December 31, 2020	$-	$32,136	$32,136

	Short-term borrowings	Short-term borrowings	Liabilities from financing activities-gross
At January 1, 2019	$53,000	$55,854	$108,854
Changes in cash flow from financing activities	49,000	(14,692)	34,308
Other changes in non-cash items	-	6,660	-
At December 31, 2019	$102,000	$47,822	$149,822

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Name of related parties	Relationship with the Company
Advantech Co., Ltd. (Advantech)	Individuals with joint control or entities with significant influence
Advanixs Corporation.	〃
AXBVI	Subsidiary
AXUS	〃
AXGM	〃
AXUK	〃
AXJP	〃
AXIT	〃
AXSZ	A subsidiary which is wholly owned by AXBVI
UNI	Associate

Note: No longer related to the Company as of May 29, 2018

(2) Significant related party transactions and balances

A. Sale

	Years ended December 31	
	2020	2019
Sales of goods		
Individuals with joint control or significant influence on the Company	$155	$345
Subsidiary		
AXUS	1,310,140	1,442,071
AXGM	317,515	410,369
Others	143,812	145,639
Associate	55	342
Total	$1,771,677	$1,998,766

The sales prices and the trading terms to related parties above were not significantly different from those of sales to third parties.

B. Purchase

	Years ended December 31	
	2020	2019
Purchase of goods		
Individuals with joint control or entities with significant influence	$31,576	$52,022
Subsidiary	41,533	51,158
Total	$73,109	$103,180

The purchase prices and the trading terms to related parties above were not significantly different from those of purchase to third parties.

C. Account receivable -related parties

	December 31, 2020	December 31, 2019
Receivables from related parties		
Subsidiary		
AXUS	$210,399	$283,446
Others	34,652	17,923
Second-tier subsidiary		
AXSZ	27,248	40,980
Associate	-	53
Total	$272,299	$342,402

The receivables from related parties arise mainly from sales transactions. The receivables are due 45~90 days after the date of sale. The receivables are unsecured in nature and bear no interest.

D. Loans to related parties: (as other receivable -related party)

(A) Ending balance (including interest receivable):

	December 31, 2020	December 31, 2019
Subsidiary-AXUS	$71,200	$30,055
Second-tier subsidiary-AXSZ	13,150	17,220
	$84,350	$47,275

(B) Interest income

	Years ended December 31	
	2020	2019
Subsidiary-AXUS	$1,380	$1,080
Second-tier subsidiary-AXSZ	285	317
	$1,665	$1,397

The loans to subsidiaries AXUS and AXSZ are repayable over 1 year and carry interest at 3% and 1.75% per annum for both years ended December 31, 2020 and 2019.

E. Account payable -related parties

	December 31, 2020	December 31, 2019
Payables to related parties		
Individuals with joint control or entities with significant influence		
Advantech	$3,827	$3,314
Advanixs Corporation.	812	$1,761
Subsidiary		
AXUK	1,225	778
AXUS	821	6,766
Other	713	995
Total	$7,398	$13,614

The payables from related parties arise mainly from purchase transactions. The payables are due 45~75 days after the date of sale. The payables are bear no interest.

F. Endorsements and guarantees

As of 2020 and December 31, 2019 the Company acted as guarantor for subsidiary AXGM for a loan from NVIDIA. Amount USD250,000 as of 2020 and December 31, 2019 AXGM's accounts payable to NVIDIA were USD0 and USD125,000 respectively.

(3) Key management compensation

	Years ended December 31	
	2020	2019
Short-term employee benefits	$51,306	$48,078
Share-based payment	4,093	6,034
Post-employment compensation	1,390	1,351
Total	$56,789	$55,463

8. PLEDGED ASSETS

None

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingency

None.

(2) Commitments:

Please refer to Note 7 (2)6 for the Endorsements and guarantees.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

For details of 2020 earnings appropriation proposed, refer to Note 6(18).

12. OTHERS

(1) Capital risk management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2020	December 31, 2019
Financial assets		
Financial assets at amortized cost	$1,120,064	$1,258,899

	December 31, 2020	December 31, 2019

Financial liabilities		
Financial Liabilities at amortized cost	$745,285	$952,166
Lease liabilities	32,136	47,822
	$777,421	$999,988

Note: Financial assets at amortized cost includes cash and cash equivalents, notes and accounts receivable (including related parties), other receivables and guarantee deposits paid; financial liabilities at amortized cost includes short-term borrowings, notes and accounts payable (including related parties), other payables (including related parties), bonds payable (including current portion), long-term borrowings (including current portion) and guarantee deposits received.

B. Risk management policy

(A) The Company's activities expose it to a variety of financial risk: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(B) Risk management is carried out by a finance department under policies approved by the Board of Directors. Company finance department identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(A) Market risk

<u>Foreign exchange risk</u>

i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR, GBP, JPY and RMB. Exchange rate risk arises from future commercial transactions and recognized assets and liabilities.

ii. Management has set up a policy to require Company companies to manage their foreign exchange risk against their functional currency.

iii. The Company's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, RUR, GBP, JPY and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2020				
				Sensitivity analysis	
	Foreign currency amount (in thousand)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
(Foreign Currency: Functional currency)					
Financial assets					
Monetary items					
USD : NTD	$35,851	29.98	$1,074,813	1%	$8,599
EUR : NTD	664	33.59	22,304	1%	178
RMB : NTD	21,093	4.31	90,911	1%	727
Non-monetary items					
USD : NTD	$15,960	29.98	$478,481	1%	$3,828
EUR : NTD	7,394	33.59	248,364	1%	1,987
JPY : NTD	28,377	0.28	7,946	1%	63
GBP : NTD	95	39.36	3,739	1%	30
Financial liabilities					
Monetary items					
USD : NTD	$5,534	29.98	$165,909	1%	$1,327

	December 31, 2019				
				Sensitivity analysis	
	Foreign currency amount (in thousand)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
(Foreign Currency: Functional currency)					
Financial assets					
Monetary items					
USD : NTD	$35,851	29.98	$1,074,813	1%	$8,599
EUR : NTD	664	33.59	22,304	1%	178
RMB : NTD	21,093	4.31	90,911	1%	727
JPY : NTD					
Non-monetary items	$15,960	29.98	$478,481	1%	$3,828
USD : NTD	7,394	33.59	248,364	1%	1,987
EUR : NTD	28,377	0.28	7,946	1%	63
JPY : NTD	95	39.36	3,739	1%	30
GBP : NTD					
Financial liabilities					
Monetary items	$5,534	29.98	$165,909	1%	$1,327
USD : NTD	$35,851	29.98	$1,074,813	1%	$8,599

iv. The total exchange gain or loss, including realized and unrealized gains or losses arising from significant foreign exchange variations on monetary items held by the Company for the years ended December 31, 2020 and 2019, amounted to loss of $33,968 and loss of $16,692, respectively.

Price risk

The Company's equity instruments, which are exposed to price risk, are the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity instruments, the Company diversifies its portfolio. Diversification of the portfolio is in accordance with the limits set by the Company.

(B) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, debt instruments classified as at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss.

ii. The Company manages their credit risk taking into consideration the entire Company's concern. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

iii. The Company adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

(i) If the contract payments are past due over 90 days based on the terms, there is a significant increase in credit risk on that instrument since initial recognition.

(ii) A bond investment traded at the counter buying center, which has any external rating agency rated as the investment grade on the balance sheet date, and the financial asset is considered to have a low credit risk.

iv. The Company adopts the assumptions under IFRS 9 and the default is deemed to have occurred when the contract payments are past due over 90 days.

v. The Company classifies customer's notes and accounts receivable in accordance with product types and customer types. The Company applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. On December 31, 2020 and 2019, the Company has written-off financial assets amounted to $0 and $0 that are still under recourse procedures.

viii. The Company uses the forecast ability of National Development Council Business Cycle Indicator to adjust historical and timely information to assess the default possibility of notes and accounts receivable. On December 31, 2020, the provision matrix is as follows:

December 31, 2020	Not overdue	Overdue 1 ~ 90 days	Overdue 91 ~ 180 days	Overdue 181 ~ 270 days
Expected loss rate	0%-0.05%	0.05%	0.05%	0.05%
Total book value	$348,823	$3,102	$-	$-
Loss allowance	$33	$2	$-	$-

December 31, 2020	Overdue 271 ~ 360 days	Overdue More than 360 days	Total
Expected loss rate	65.53%	100.00%	
Total book value	$-	$-	$351,925
Loss allowance	$-	$-	$35

December 31, 2019	Not overdue	Overdue 1 ~ 90 days	Overdue 91 ~ 180 days	Overdue 181 ~ 270 days
Expected loss rate	0%-0.05%	0.05%	0.05%	0.05%
Total book value	$453,705	$86,479	$18	$-
Loss allowance	$49	$39	$-	$-

December 31, 2019	Overdue 271 ~ 360 days	Overdue More than 360 days	Total
Expected loss rate	65.53%	100.00%	
Total book value	$-	$87	$540,289
Loss allowance	$-	$87	$175

ix. Ageing analysis of notes and accounts receivable as follows:

	December 31, 2020		December 31, 2019	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not overdue	$2,948	$345,875	$6,681	$447,024
within 30 days	-	3,102	-	8,915
31 ~ 90 days	-	-	-	77,564
91 ~ 180 days	-	-	-	18
More than 181 days	-	-	-	87
	$2,948	$348,977	$6,681	$533,608

The above is an age analysis based on the number of overdue days.

x. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	Years ended December 31, 2020
	Accounts receivable
January 1	$175
Impairment loss	(140)
December 31	$35

	Years ended December 31, 2019
	Accounts receivable
January 1	$55
Impairment loss	120
December 31	$175

xi. The Company uses the forecast ability of National Development Council Business Cycle Indicator to adjust historical and timely information to assess the default possibility of investment of debt instrument on December 31, 2020 and 2019.

(C) Liquidity risk

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The contractual cash flow amount disclosed in the following table is the undiscounted amount.

December 31, 2020

Non-derivative financial liabilities	Within 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Lease liabilities	$16,638	$14,409	$17,515	$-	$48,562

December 31, 2019

Non-derivative financial liabilities	Within 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Lease liabilities	$16,638	$14,409	$17,515	$-	$48,562
Bonds payable	-	330,400	-	-	330,400

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: The input value for this level is the open quote (unadjusted) of the same asset or liability in the active market. An active market is a market that meets all of the following conditions: the goods traded in the market are homogeneous; the buyers and sellers with the willingness can be found in the market at any time and the price information can be obtained by the public. The fair value of the beneficiary certificate the Company's investment belongs to.

Level 2: The input value of this level, except for the observable price included in the first level public offer, including the observable input value obtained from the active market either directly (such as price) or indirectly (such as derived from price).

Level 3: Inputs to this level are not based on observable market data.

B. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets are as follows:
The financial liabilities measured by fair value through profit and loss of the Company for the periods as of 31 December 2020 and 2019 are the second level of financial instrument, amounts \$0 and \$2,760.

C. The methods and assumptions the Company used to measure fair value are as follows:
(A) The Company uses the net value of the beneficiary certificate as the fair value input value of the first-tier market quotation.
(B) The evaluation of derivative financial instruments is based on the option pricing model accepted by market users.

D. In 2020 and 2019, there was no evaluation of the transfer between levels.

13. <u>SUPPLEMENTARY DISCLOSURES</u>

(1) <u>Significant transactions information</u>

A. Loans to others: Please refer to table 1.
B. Provision of endorsements and guarantees to others: Please refer to table 2.
C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None
D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company’s paid-in capital: Please refer to table 3.
E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(12), 6(13).
J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) <u>Information on investees</u>

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 7.

(3) <u>Information on investments in Mainland China</u>

A. Basic information: Please refer to table 8.
B. Significant transactions, either directly or indirectly through a third area, with investee

companies in the Mainland Area: For the major transactions between the Company and the Mainland China invested companies in 2020, please refer to table 6.

(4) Information on investees

A. Basic information: Please refer to table 9.

AXIOMTEK CO., LTD.
CASH AND CASH EQUIVALENTS
December 31, 2020
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Remark
Cash on hand and petty cash			
NTD		$569	
Cash Equivalents			
USD	USD 17,000, exchange rate 28.48（Note）	484,160	
Bank deposit:			
Checking accounts and demand deposits			
NTD		25,402	
USD	USD 4,267, exchange rate 29.98（Note）	121,522	
EUR	EUR 91, exchange rate 35.02（Note）	3,176	
CNY	CNY 59, exchange rate 4.38（Note）	258	
GBP	GBP 35, exchange rate 4.39（Note）	1,362	
Time deposits			
CNY	CNY 72,000, exchange rate 4.38（Note）	31,515	
		$652,040	

Note: Foreign currency amount expressed in thousands.

AXIOMTEK CO., LTD.
ACCOUNTS RECEIVABLE
December 31, 2020
(Expressed in thousands of New Taiwan dollars)

Customer name	Amount	Remark
Customer A	$7,295	
Customer B	6,650	
Customer C	6,378	
Customer D	3,918	
Customer E	3,833	
Others	48,604	None of the individual customer exceeds 5% of this account
	76,678	
Less: Allowance for doubtful accounts	(35)	
	$76,643	

AXIOMTEK CO., LTD.
INVENTORIES
December 31, 2020
(Expressed in thousands of New Taiwan dollars)

Item	Amount: Cost	Amount: Net realizable value	Remark
Raw materials	$230,429	$206,759	Use replacement cost as net realizable value
Work in process	45,047	44,751	Use market price as net realizable value
Semi-finished goods	24,872	23,341	Use market price as net realizable value
Finished goods	172,728	298,665	
Inventory in transit	1,069	1,069	
	474,145	$574,585	
Less: Allowance for inventory valuation losses	(42,800)		
	$431,345		

Note: Slow-moving inventory, if any, calculated separately.

AXIOMTEK CO., LTD.
CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan dollars)

Investee	Investment type	Balance at January 1, 2019		Additions (Note 1)		Deductions (Note 2)		Balance at December 31, 2019			Market value or net equity value		Valuation basis	Collateral
		Shares (Note 3)	Amount	Shares (Note 3)	Amount	Shares (Note 3)	Amount	Shares (Note 3)	Ownership	Amount	Unit price (NT$)	Total price		
AXUS	Stock	23	$530,908	-	$110,665	-	($27,858)	23	100%	$613,715	$ -	$561,291	Equity method	None
AXGM	Stock	-	225,055	-	14,207	-	-	-	100%	239,262	-	239,262	Equity method	None
AXBV1	Stock	5	87,121	1	18,169	-	-	5	100%	105,290	-	105,502	Equity method	None
AXIT	Stock	-	50,868	-	930	-	(12,982)	-	100%	38,816	-	22,454	Equity method	None
UNI	Stock	1,450	27,605	-	-	-	(1,604)	1,450	26.70%	26,001	-	16,390	Equity method	None
AXJP	Stock	1	7,832	-	661	-	-	0.6	100%	8,493	-	8,493	Equity method	None
AXUK	Stock	180	3,739	-	-		(1,346)	180	100%	2,393	-	2,392	Equity method	None
			933,128		144,632		(43,790)			1,033,970				
Less: Ending unrealized gain from sale			(86,299)		-		(979)			(87,278)				
		23	$846,829		$144,632		($44,769)			$946,692				

Note 1: Increase in the current period includes the share of the interests of the subsidiaries recognized by the equity method, the newly added investment using the equity method and the accumulated conversion of the financial statements of foreign operating institutions.
Note 2: Current reduction includes the share of losses of subsidiaries recognized by the equity method.
Note 3: The number of shares is in thousands of shares. Not holding shares - limited company.

AXIOMTEK CO., LTD.
CHANGES IN THE COST OF PROPERTY, PLANT AND EQUIPMENT
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan dollars)

Item	Balance at January 1, 2020	Additions	Disposals	Transfers	Balance at December 31, 2020	Collateral	Remark
Land	$535,624	$-	$-	$-	$535,624	None	
Buildings	417,560	-	-	-	417,560	-	
Machinery	140,888	2,018	(2,833)	1,200	141,273	-	
Tools	63,756	1,834	-	3,485	69,075	-	
Testing equipment	59,320	4,152	(11,047)	1,242	53,667	-	
Office equipment	72,156	152	(648)	186	71,846	-	
Leasehold improvements	25,149	-	(900)	100	24,349	-	
Other equipment	16,367	4,076	(889)	717	20,271	-	
	1,330,820	12,232	(16,317)	6,930	1,333,665		
Construction in progress	3,081	7,256	-	(8,665)	1,672	-	
	$1,333,901	$19,488	($16,317)	($1,735)	$1,335,337		

AXIOMTEK CO., LTD.
CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT, AND EQUIPMENT
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan dollars)

Item	Balance at January 1, 2020	Additions	Disposals	Transfers	Balance at December 31, 2020	Remark
Buildings	$20,878	$8,351	$-	$ -	$29,229	
Machinery	109,441	14,399	(2,833)	-	121,007	
Tools	56,014	5,555	-	-	61,569	
Testing equipment	44,515	5,630	(11,047)	-	39,098	
Office equipment	29,415	7,905	(648)	-	36,672	
Leasehold improvements	10,387	7,929	(900)	-	17,416	
Other equipment	11,228	3,663	(885)	-	14,006	
	$281,878	$53,432	($16,313)	$ -	$318,997	

AXIOMTEK CO., LTD.
ACCOUNTS PAYABLE
December 31, 2020
(Expressed in thousands of New Taiwan dollars)

Vendor name	Amount	Remark
Vendor A	$42,107	
Vendor B	16,245	
Others	163,032	None of the individual vendor exceeds 5% of this account
	$221,384	

AXIOMTEK CO., LTD.
OTHER PAYABLE
December 31, 2020
(Expressed in thousands of New Taiwan dollars)

Item	Amount	Remark
Salaries & bonuses payable	$138,150	
Employees & directors compensation payable	52,915	
Other expenses payable	47,794	None of the individual item exceeds 5% of this account
	$238,859	

AXIOMTEK CO., LTD.
BONDS PAYABLE
December 31, 2020
(Expressed in thousands of New Taiwan dollars)

Bonds Name	Trustee	Issuance Date	Coupon Rate (%)	Amount					Repayment method	Collateral	Remark
				Total Amount	Converted amount	Ending Balance	Unamortized discount	Book Value			
1st Domestic Unsecured Convertible Bonds	Mega International Commercial Bank	2016.12.13	0 %	$420,000	$139,600	$280,400	$4,516	$275,884	One-time payment of face value in cash upon expiration	None	As of December 31, 2020, the company's debt denomination of $139,600 has been converted to 2,904,000 shares of common stock
Less: Long-term liabilities, current portion				($420,000)	($139,600)	($280,400)	($4,516)	($275,884)			
				$-	$-	$-	$-	$-			

AXIOMTEK CO., LTD.
OPERATING REVENUE
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan dollars)

Item	Quantity	Amount	Remark
Sales revenue			
Intelligent platforms & solutions products division	Note:	$1,470,507	
Design-in services		1,409,712	
Others	-	181,783	
		3,062,002	
Less: Sales return	Note:	(3,187)	
Sales Discount	Note:	(4,701)	
		3,054,114	
Other operating revenue	Note:	30,688	
		$3,084,802	

AXIOMTEK CO., LTD.
OPERATING COSTS
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan dollars)

Item	Amount
Beginning raw materials & semi-finished goods	$236,897
Add: Purchased during the year	1,126,835
Less: Ending raw materials & semi-finished goods	(255,301)
Sale of raw materials & semi-finished goods	(21,402)
Scrap of raw materials & semi-finished goods	(7,739)
Transfer to manufacturing expenses	(12,600)
Consumption of raw materials & semi-finished goods for the year	1,066,690
Direct labor	65,421
Manufacturing expenses	207,945
Adjustment of discrepancy in production	26,535
Manufacturing Costs	1,366,591
Add: Beginning work in process	74,690
Less: Ending work in process	(45,047)
Cost of finished goods	1,396,234
Add: Beginning finished goods	173,626
Acquisition of finished goods	731,640
Less: Ending finished goods	(173,797)
Scrap of finished goods	(5,720)
Cost of goods manufactured	2,121,983
Cost of sale of raw materials & semi-finished goods	21,402
provision for inventory valuation loss	15,410
	$2,158,795

AXIOMTEK CO., LTD.
MANUFACTURING EXPENSES
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan dollars)

Item	Amount	Summary
Indirect labor	$73,036	
Processing fees	58,631	
Depreciation	31,065	
Insurance	13,776	
Other expenditure	31,437	None of the individual item exceeds 5% of this account
	$207,945	

AXIOMTEK CO., LTD.
SELLING EXPENSES
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan dollars)

Item	Amount	Remark
Wages and salaries	$65,224	
Commission expenses	8,122	
Advertisement	6,281	
Insurance	5,024	
Other expenditure	15,190	None of the individual item exceeds 5% of this account
	$99,841	

AXIOMTEK CO., LTD.
ADMINISTRATIVE EXPENSES
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan dollars)

Item	Amount	Remark
Wages and salaries	$87,873	
Other expenses	30,787	None of the individual item exceeds 5% of this account
	$118,660	

AXIOMTEK CO., LTD.
RESEARCH AND DEVELOPMENT EXPENSES
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan dollars)

Item	Amount	Remark
Wages and salaries	$274,926	
Depreciation expense	29,452	
Miscellaneous purchases	25,437	
Professional service fees	21,460	
Other expenses	69,274	None of the individual item exceeds 5% of this account
	$420,549	

AXIOMTEK CO., LTD.
LABOUR, DEPRECIATION AND AMORTIZATION BY FUNCTION
For the year ended December 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Function	Year ended December 31, 2020			Year ended December 31, 2019		
Nature	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense						
Salaries	$132,735	$400,820	$533,553	$132,970	$399,497	$532,467
Compensation cost of employee stock options	499	5,737	6,236	779	7,741	8,520
Labour and health insurance fees	12,875	29,547	42,422	12,741	28,892	41,633
Pension costs	5,224	16,858	22,082	5,111	16,186	21,297
Directors' remuneration	-	4,610	4,610	-	5,507	5,507
Others	6,976	13,559	20,535	7,399	13,574	20,973
Depreciation	31,065	38,741	69,806	29,832	34,461	64,292
Amortization	22	7,776	7,798	3	8,185	8,188

Note:

1. As at December 31, 2020 and 2019, the Company had average 588 and 577 employees. Both are including 5 non-employee directors.
2. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information：
   (1) Average employee benefit expense in current year was $1,072.
   Average employee benefit expense in previous year was $1,093.
   (2) Average employees salaries in current year was $916.
   Average employees salaries in previous year was $931.
   (3) Adjustments of average employees salaries was (1.64%).
3. Axiomtek shall set aside 1%-20% as employees’ remuneration and the percentage lower than 2% as directors’ remuneration if the Corporation has the profit (means the pre-tax income before deduction of the employees’ and directors’ remuneration) in the current year. However, the Company’s accumulated deficit shall have been covered, if any (including the adjustment of unappropriated retained earnings).
4. Performance assessments and compensation levels of directors and managerial officers shall take into account the general pay levels in the industry, individual performance assessment results, the time spent by the individual and their responsibilities, the extent of goal achievement, their performance in other positions, and the compensation paid to employees holding equivalent positions in recent years. Also to be evaluated are the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of the Company.
5. Axiomtek remuneration policy stipulates that the employee's annual salary is 14 months, including 12 months 'monthly salary and 2 months' year-end bonus.

AXIOMTEK CO., LTD.
Loans to others
For the year ended December 31, 2020

Table 1

Expressed in thousands of NTD dollars
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2020 (Note 3)	Balance at December 31, 2020 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for bad debts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
													Item	Value			
0	AXIOMTEK CO., LTD.	AXUS	Other receivables-related parties	Y	$73,725	$71,200	$71,200	2.75%-3%	1	$1,310,140	-	-	-	-	$263,378	$1,053,511	
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	Other receivables-related parties	Y	37,444	38,518	13,131	1.75%	1	112,069	-	-	-	-	$263,378	$1,053,511	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:
(1) The Company is '0'.
(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the name of account in which the loans are recognized, such as receivables–related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance.

Note 4: The credit and nature of the funds are described below:
(1) Those with business dealings fill in 1.
(2) Those pertaining to short-term financing shall fill in 2.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: In accordance with the Company's funds and endorsement of the guarantee operating procedures, the Company and its subsidiaries as a whole the total amount of loans to no more than the Company's most recent consolidated financial statements attributed to the parent company owners of the interest of 40%.
And the Company and its subsidiaries as a whole, the amount of credit to a single enterprise to no more than the Company's most recent consolidated financial statements attributed to the owners of the parent company 10% limit.

Note 8: The amounts of funds to be loaned to others which have been approved by the Board of Directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the Board of Directors of a public company has authorized the Chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the Board of Directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

AXIOMTEK CO., LTD.

Provision of endorsements and guarantees to others

For the year ended December 31, 2020

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2020 (Note 5)	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Company Name	Relationship (Note 2)											
0	AXIOMTEK CO., LTD.	AXUS	2	$ 263,378	USD 3,500	USD 3,500	USD -	-	3.78%	1,316,889	Y	-	-	
0	AXIOMTEK CO., LTD.	AXGM	2	$ 263,378	USD 250	USD 250	USD -	-	0.27%	1,316,889	Y	-	-	

Note 1:The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2:Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: According to the Company's fund loan and endorsement guarantee procedures, the Company's endorsement guarantee for a single enterprise is limited to 10% of the equity of the Company's owners in the most recent consolidated financial statements.

Note 4: According to the Company's fund loan and endorsement guarantee procedures, the total amount of endorsement guarantees of the Company and its subsidiaries as a whole is not more than 50% of the equity of the owners of the parent company in the most recent consolidated financial statements.

And the amount of the endorsement of the single company by the Company and its subsidiaries is limited to 10% of the equity of the owner of the parent company in the most recent consolidated financial statements.

Note 5: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

AXIOMTEK CO., LTD.

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

For the year ended December 31, 2020

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship (Note 2)	Balance as at January 1, 2020		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2020	
					Unit	Amount	Unit	Amount	Unit	Selling price	Book value	Gain (loss) on disposal	Unit	Amount
AXIOMTEK CO., LTD.	Taishin DaZhong Investment Trust	Financial assets mandatorily measured at fair value through profit or loss-current	-	-	-	-	39,537,786	565,000	39,537,786	565,204	565,000	204	-	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.
Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.
Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach $300 million or 20% of paid-in capital or more.
Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than $10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.
Note 5: The amount of the change table does not include the evaluation profit and loss.

AXIOMTEK CO., LTD.

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

For the year ended December 31, 2020

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship	Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchase (sale)	Amount	Percentage of total purchase (sale)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
AXIOMTEK CO., LTD.	AXUS	The Company's subsidiaries are stated as follows:	Sale	$1,310,140	28.46%	Monthly 45 ~ 90 days	-	-	$210,399	29.16%	
AXIOMTEK CO., LTD.	AXGM	The Company's subsidiaries are stated as follows:	Sale	317,515	6.90%	Monthly 45 days	-	-	28,940	4.01%	
AXIOMTEK CO., LTD.	Axiomtek Shenzhen	The Company's subsidiaries are stated as follows:	Sale	112,069	2.43%	Monthly 75 days	-	-	27,248	3.78%	

Note 1: If terms of related party transactions are different from third party transactions, explain the differences and reasons in the ‘Unit price’ and ‘Credit term’ columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company.

AXIOMTEK CO., LTD.

Receivables from related parties reaching $100 million or 20% of paid-in capital or more

For the year ended December 31, 2020

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship	Balance as at December 31, 2020 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
AXIOMTEK CO., LTD.	AXUS	The Company's grandson	$210,399	5.31	-	-	$158,905	-

Note 1: Fill in separately the balances of accounts receivable–related parties, notes receivable–related parties, other receivables–related parties.
Note 2: Paid-in capital referred to herein is the paid-in capital of parent company.

AXIOMTEK CO., LTD.

Significant inter-company transactions during the reporting period

For the year ended December 31, 2020

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	AXIOMTEK CO., LTD.	AXGM	1	Sales revenue	$317,515	same as that applicable to the general customer receivables collection as per for the average customer, 45 days	6.90%
0	AXIOMTEK CO., LTD.	AXUS	1	Sales revenue	1,310,140	same as that applicable to the general customer receivables collection as per for the average customer, 45 - 90 days	28.46%
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	1	Sales revenue	112,069	same as that applicable to the general customer receivables collection for the general customer 75 days; 45 - 75 days with slight delay	2.43%
0	AXIOMTEK CO., LTD.	AXIT	1	Sales revenue	31,691	same as that applicable to the general customer receivables collection as per for the average customer, 45 days	0.69%
0	AXIOMTEK CO., LTD.	AXUS	1	Purchase of goods	28,575	same as that applicable to the general vendor receivables collection as per for the average vendor, 45 days	0.62%
0	AXIOMTEK CO., LTD.	AXSZ	1	Purchase of goods	12,931	same as that applicable to the general vendor receivables collection as per for the average vendor, 45 days	0.28%
0	AXIOMTEK CO., LTD.	AXUS	1	Accounts receivable	210,399		5.20%
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	1	Accounts receivable	27,248		0.67%
0	AXIOMTEK CO., LTD.	AXGM	1	Accounts receivable	28,940		0.72%
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	1	Other receivables	13,150		0.33%
0	AXIOMTEK CO., LTD.	AXUS	1	Other receivables	71,200		1.76%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: No other transactions of the same type are available for comparison, and the terms of the transaction are handled in accordance with the terms of the agreement between the parties.

Note 5: The disclosure standard is those with a transaction amount of $10 million or more.

AXIOMTEK CO., LTD.

Information on investees

For the year ended December 31, 2020

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1, 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020 (Note 2(2))	Investment income (loss) recognized by the Company for the year ended December 31, 2020 (Note 2(3))	Remark
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership	Book value			
AXIOMTEK CO., LTD.	AXUS	U.S.A.	Industrial computer and Embedded Board manufacturing, trading, post-sales service	$208,240	$208,240	23,418	100.00	$546,713	$110,665	$110,665	
〃	AXGM	Germany	Industrial computer and Embedded Board manufacturing, trading, post-sales service	19,941	19,941	(Note 3)	100.00	225,960	4,470	4,470	
〃	AXBVI	British Virgin Islands	Holding company	156,650	156,650	5,000	100.00	99,649	16,284	16,338	
〃	AXUK	United Kingdom	Industrial computer and Embedded Board manufacturing, trading, post-sales service	8,615	8,615	180,000	100.00	2,392	(1,274)	(1,274)	
〃	AXJP	Japan	Industrial computer and Embedded Board manufacturing, trading, post-sales service	8,235	8,235	600	100.00	8,493	655	655	
	AXIT	Italy	Industrial computer and Embedded Board manufacturing, trading, post-sales service	56,068	56,068	(Note 3)	100.00	37,540	(1,796)	(12,982)	
〃	UNI	Taiwan	Automation equipment system set-up and development	29,000	29,000	1,450,000	26.70	25,945	(6,007)	(1,604)	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1) The columns of 'Investee', 'Location', 'Main business activities', Initial investment amount' and 'Shares held as at December 31, 2020' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.

(2) The 'Net profit (loss) of the investee for the year ended December 31, 2020' column should fill in amount of net profit (loss) of the investee for this period.

(3) The 'Investment income (loss) recognized by the Company for the year ended December 31, 2020' column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognized by regulations.

Note 3: Department Ltd.

AXIOMTEK CO., LTD.

Information on investments in Mainland China

For the year ended December 31, 2020

Table 8

Expressed in thousands of NTD and foreign currencies

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2020 （Note 2）	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Axiomtek Shenzhen	Industrial computer and Embedded Board manufacturing, trading, post-sales service	NT$ 119,815 (USD 4,207)	Note1(2)	NT$ 119,815 (USD 4,207)	$-	$-	NT$ 119,815 (USD 4,207)	$16,365	100.00	$16,365	$105,029	$-	

Note 1: Investment methods are classified into the following three categories:
- (1) Investment in Mainland China companies by remittance through a third region.
- (2) Investment in Mainland China companies through a company invested and established in a third region.
- (3) Investment in Mainland China companies through an existing company established in a third region.

Note 2: The investment income is calculated based on the financial statements of the Company that have not been audited by the accountant during the same period.

Note 3: In pursuance of Shen-Zi Letter No.09704604680 from the Ministry of Economic Affairs dated August 29, 2008. The amended "Regulations for examination of investments and technical cooperation in Mainland Area" sets the limitation for investments in Mainland China to be higher of net book value or 60% of consolidated net book value.

Note 4: The amount listed in this table is converted into NTD according to the exchange rate of US$1=28.48 on December 31, 2020.

Note 5: In the preparation of the consolidated financial report, the relevant transactions have been fully written off.

Expressed in thousands of NTD and foreign currencies

Company Name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Axiomtek Shenzhen	$119,815 USD 4,207	USD 4,223	$1,580,267

Table 9

AXIOMTEK CO., LTD.
Major shareholders information
For the year ended December 31, 2020

Shares / Name of major shareholders	Name of shares held	Ownership (%)
Advantech	20,537,984	24.70%

Note : The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in the calculation basis.