

SYSTEX



ANNUAL REPORT **2021**

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I. Letter to Shareholders

Dear Shareholders,

I. Foreword

2021 marked a pivotal year for SYSTEX as we officially began SYSTEX 3.0, a 10-year growth project. In terms of developmental strategy, we have completed the stages of “vertical” and “horizontal” integration, and entered the stage of “ecosystem integration.” Positioning ourselves as a data software company, we helped enterprises accelerate their digital transformation, creating a third growth curve. Even though the COVID-19 pandemic continues to affect the global economy, we have successfully grasped business opportunities in the continuously growing demand for corporate cloud services and digital transformation, which has allowed our core business to reach historic highs for six years in a row.

II. Summary of 2021 Operational Outcomes

In 2021, SYSTEX achieved an operating revenue of NT\$ (NT\$ hereinafter) 8,285,387,000, a 18.07% increase from 2020. Our net income after taxes in 2021 was \$1,213,916,000. The consolidated revenue in 2021 was \$29,526,957,000, an increase of 24.40% from 2020. The consolidated net income after taxes in 2021 (excluding non-controlling equities) was \$1,213,916,000 and earnings per share was \$4.90.

III. Summary of 2021 Business Operations and Services

Directing data with software, SYSTEX leads the integration of the data industry ecosystem. Our key business results in 2021 are explained as follows:

■ Directing Data with Software for the Digital Transformation Movement

Through the “5A” (AP, APP, API, Appliance, Algorithm) crossover software, SYSTEX collected distributed, indexed, and labeled data, integrating massive, complex, and scattered information for clients. With the “4C” of cloud services—cloud implementation, cloud usage, cloud management, and cloud protection—as our core competencies, SYSTEX has helped clients offer data services and business models with innovative values in digital platforms through virtualization, containerization, and micro-services under a multi-cloud structure. Using our technologies that integrate software, hardware and cloud services, we have helped clients create a third wave of growth.

■ Operating the Software Data Economy Ecosystem to Maximize Our Connective Power

SYSTEX has planned strategic comprehensive investments, connecting with our customers, partners, and markets, and cooperating with partners in the ecosystem. We have invested in CKmates International, with which SYSTEX co-invested in the Amazon Web Services (AWS) cloud service, and worked closely together in the cloud and information security products and services market. We have obtained the Azure Expert Managed Service Provider (MSP) certification, Microsoft’s highest technical standard, and provided corporate customers with cloud governance and information security services. In addition, we have established cloud services based on the SaaS business model, and stratified customers’ needs for complex and diversified public/private cloud services in diversified IT environments.

■ Promoting Green Technology Solutions and Implementing Green Energy and Information Security

SYSTEX will exert the power of its green technology to assist clients in achieving their ESG goals, plan, design and introduce information security equipment for Taiwan’s offshore wind power industry, and take charge in

I. Letter to Shareholders

its management, operation, and maintenance. We aim to become the first service provider in Taiwan to plan and deploy the largest offshore wind power area in Asia in accordance with international industrial information security regulations, including IEC 62443 and NIST CSF. We will establish the SYSTEX Smart Green Energy Center in the Shalun Smart Green Energy Science City in Tainan, promoting green technology in various application scenarios, identifying carbon emission hot spots using IoT, AI, and other technologies, and integrating the energy-saving, energy-creating, and energy-storing smart energy management systems and MR crossover remote working model to assist our manufacturing clients in central and southern Taiwan in implementing corporate sustainability.

■ Believing in Tech for Social Good and Implementing ESG

SYSTEX will continue to promote its ESG program to fulfill the 17 Sustainable Development Goals (SDGs) of the United Nations. Following our original intention to foster world-class software talents for Taiwan, SYSTEX encourages employees to act as volunteers for the program, for whom we offer paid volunteer leaves. We also invest in diversified “Tech for Social Good” projects, support technology startups that bring positive changes to society, and improve employees’ sense of belonging and achievement outside work, thereby becoming a company that makes its employees feel proud of working here. In 2021, we won many CSR awards. Our Young Turing Program (YTP), which is committed to the long-term development of software talents, won the TSCA Social Integration Leader Award and the Corporate Social Responsibility Role Model Award by *Global Views* magazine. Our AI + Startup Accelerator program, which fosters startup companies, won the TSAA Sustainable Action Award. We were also the only IT service provider in Taiwan to be recognized as one of the Best Companies to Work for in Asia 2021 by HR Asia.

IV. The effect of external competition, the legal environment, and the overall business environment

Since 2021, the turbulent international situation due to rivalries between superpowers in the East and the West, as well as the postponed border reopening policies of various countries due to the impact of the Omicron variant, have continually brought a major impact on the global economy. However, the pandemic also forced enterprises and organizations in Taiwan to accelerate the introduction of digital tools, thus driving the dramatic surge in demand for work from home (WFH), electronic signature, remote medical care, and information security. SYSTEX has developed crossover software capabilities through years of local experience to solve complex application demands shared by public and private clouds. We expect that these capabilities can further promote cloud service solutions. In the meantime, the European Union is planning to levy the “carbon tax,” while Taiwan’s FSC will require public companies to record greenhouse gas emissions in their annual reports starting from 2022. Although these developments will pose a major challenge for Taiwanese enterprises, they will also facilitate the development of green technology, which is expected to drive the growth of business opportunities in the low-carbon transformation.

V. The summary of the business plan for 2022

To promote the 10-year growth project and reach the SYSTEX 3.0 transformation goal, we have proposed nine growth programs. This year’s strategic focuses of our operations are explained as follows:

I. Letter to Shareholders

■ One Goal: Becoming the Largest Cloud Service Company by Income in Taiwan

The primary goal of the nine growth programs is to make SYSTEX the largest cloud service company by income in Taiwan, by developing SYSTEX's own cloud application ecosystem platform services, launching the Xi Cloud service subscription platform, interfacing three public clouds, including AWS, AZURE, and GCP, as well as corporate clouds of Oracle and IBM, providing one-stop shopping services, and building Taiwan's largest and most comprehensive cloud service platform. Other key growth programs include: leading and integrating the Taiwan Cyber Security Alliance, which aims at becoming the foremost service provider of information security monitoring in Taiwan; committing to corporate e-commerce; connecting with Martech solutions; expanding our technical maintenance and operating service team; establishing developmental standards for micro-services and improving technical competitiveness; becoming the leading service provider in the supply chain of high-tech industry in Hsinchu; expanding the scope of cooperation with startups and international partners to speed up our explorations in the international market; increasing new business operations in the Greater Bay Area; and developing production process services for innovative genetic studies in the precision medical care industry.

■ One SYSTEX, One Team

SYSTEX is the best innovation and startup platform and partner. We are continuously creating a wider range of markets and opportunities for our employees. As a data software company, we will utilize our "5A" core technology and multi-cloud structure and services to magnify our differentiated values in "product portfolios," "system integration," "data integration," "virtual-physical fusion," "multi-cloud mix," and "ecosystem integration." We will also use our software, data, and computing capabilities to help Taiwanese enterprises increase their presence in the world market, in the hopes of making SYSTEX a world-class software company. SYSTEX will continue to search for suitable partners in the ecosystem for investment, merger and acquisition, alliances, or strategic cooperations, pursue high added values and a good structure of growth. We will also develop a smart platform for self-innovation and a business model of cloud services, and accelerate the application of cloud solutions in various scenarios and cross-domain services for the global supply chain of Taiwanese businesses, thereby creating more growth momentum. In addition, we will invest in overseas businesses this year to expand our scope of business beyond Taiwan. In the early stages, we will step into the Southeast Asian and Northeast Asian markets, with the entire Asia as a development hinterland, and work with startups and local partners to gain presence in world-class markets and gain customers.

■ Investing in Employee Health and Vitality to Create Long-term Value for SYSTEX

Investing in the health, learning, and happiness of employees is the most rewarding strategy for any company. SYSTEX continues to optimize its work environment by procuring sports and health facilities, optimizing an environment for stress release, and employing professional coaches, health management advisors, and doctors, providing a comprehensive care for employees' physical and mental health. We encourage employees to exercise, organize competitions, and extend the scope of employee health check-ups, thereby taking care of employees' and their families' health. In addition, we offer paid volunteer leaves, encouraging employees to fulfill their social responsibility and make contributions to social welfare to gain a sense of achievement and contentment outside of work, giving it a higher meaning. We also actively invest in employee learning and help them obtain professional certifications, with no funding limit. Furthermore, we offer incentives for employees' startup businesses, and provide them with trial-and-error budgets, so that they are

I. Letter to Shareholders

more willing to explore, experiment with, and test their business ideas to realize their dreams. In doing so, we aim to become an enterprise that makes its employees proud and creates value for society.

VI. Future development strategy

In order to become a world-class software company, we will continue to use our “5A” and “4C” core capabilities to develop cloud services, ESG, green technology, etc., launch ecosystem integration projects, lead cross-domain cooperations, help corporate customers accelerate their digital transformation, and strengthen our global competitiveness.

Chairman & President

Lin, Lung-Fen

II. Company Profile

2.1 Date of Incorporation: January 7, 1997.

2.2 Company History

- In 2001 Became exclusive distributor for the Found Scan Internet security scan service manufactured by renowned US information security service company Foundstone.
Launched the Security Operations Center (SOC) to provide Managed Security Services (MSS).
Systex acquired Ching-Chi and officially entered the finance and mobile commerce sectors.
- In 2002 Launched the Money Market System (MMS) securities and bonds transaction management system.
Launched the newly updated "Finance Workshop" Internet DynaQuote (iDQ).
Launched the mobile phone version of "Mobile Winner" finance services.
Launched Taiwan's first "M-Loan Smart system for Mobile Bank Operations."
Systex's SOC received Check Point MSP certification.
Hosted the "Ultimate Hacking Seminar."
Received the 2002 Software Industry Benchmark Enterprise Award from Commonwealth Magazine.
Received the 2002 MIS Best Choice Award from the Institute for Information Industry as best outsourced information security service provider.
- In 2003 Systex stocks are listed on the OTC market under stock code 6214.
Acquired distribution rights for Nokia's complete series of Internet security equipment.
Launched Taiwan's first interest rate exchange system denominated in NTD - the "Income Winner."
Became the exclusive distributor for the financial Internet order placement system with the highest market share in Korea "Road to the Future" (RTF).
The interest rate and futures version of Income Winner was launched and its official trading preceded the bond futures by two months.
Taiwan's first roadside parking Internet payment system was launched in Taoyuan County.
Became exclusive distributor for the AirDefense wireless Internet security equipment in the Asia Pacific Region.
Received the 2003 MIS Best Choice Award from the Institute for Information Industry as best information security consultancy service provider.
- In 2004 Launched Taiwan's first cross-strait Convertible Bond Pricing Analysis (CBPA).
Acquired 100% of shares in Ucom through stock conversion.
Hosted the "2004 Infosec Information Security Summit" across Mainland China, Taiwan, Hong Kong, and the Asia Pacific Region.
Obtained distribution rights for Softnext Technologies' "Spam SQR Mail Filter and Management Platform" in Taiwan and China.
Hosted the "2004 Fannie Mae Asset Securitization Summit" in Taipei and Shanghai.
Security Operations Center (SOC) received BS7799 certification.
Systex OSC consulting services launched outsourced management services for Oracle ERP systems.
Became the largest enterprise performance strategy and management consultant service partner in Asia Pacific for the world's largest business process management (BPM) brand Hyperion.
Received the 2004 MIS Best Choice Award from the Institute for Information Industry as best information security consultancy service provider for the third consecutive year.
- In 2005 Merged with the most professional domestic information education training company - Ucom Co., Ltd. on January 1, the baseline date of the merger.
Merged with the leading securities and bonds company in the domestic software market - Yu-Lung Co., Ltd. on June 1, the baseline date of the merger.

II. Company Profile

- Acquired distribution rights for the Radware smart application switch solution in Taiwan.
Acquired distribution rights for the CP Secure Internet anti-virus solution.
Acquired exclusive distribution rights for the Business Objects (BO) Crystal Reports software in Taiwan.
- In 2006 The shareholders' meeting held on June 15 passed the merger with Ching-Yeh Co., Ltd., and Systex was the surviving company. The baseline date of the merger is January 1, 2007.
Acquired the Business Intelligence (BI) team to integrate its capabilities in professional consulting and product sales, and to enter into the market for commercial intelligent software services.
Collaborated with MAN Financial (world's largest derivatives broker) in the development of international quotation and transaction services for futures and options. Launched two electronic transaction systems including SGTP (web version) and GPM (AP version).
Acquired exclusive distribution rights for world leading Business Intelligence (BI) software company Cognos.
- In 2007 Acquired distribution rights for ArcSight in multiple nations throughout the Asia Pacific.
Became Taiwan's first model company for the management and regulation of intellectual property by passing the TIPS certification.
Acquired Taiwan Electronic Data Processing Corporation to formally enter the medical information sector as both companies create opportunities in the Asia Pacific medical information service market.
Collaborated with Farglory Land Development in the creation of the first "Farglory U-City Digital Service Platform" in Taiwan to help Farglory Land Development provide residents with all-new digitized lifestyle convenience.
Selected as "Enterprise with the Fourth Most Project Management Professional Certification (PMP) in Taiwan."
Formed a strategic alliance with CA as exclusive distributor for its entire IT management software product line.
- In 2008 Merged with Da-Shih Technology Co., Ltd. on January 1, the baseline date of the merger.
Announced a strategic alliance with Splunk to acquire distribution rights for its enterprise grade IT search engine in the Asia Pacific Region.
Acquired distribution rights for the high-level institutional financial electronic transaction solution of RTS Realtime Systems Group of Germany as the only distributor partner in Greater China.
Acquired distribution rights for the BPM solution of internationally renowned business process management (BPM) software provider Ascentn AgilePoint.
Launched "Money Link www.money-link.com.tw," the only professional finance portal that integrated Taichung Port financial information.
Invested in Wealth Group and formally entered the media content industry.
Became Taiwan's first company to acquire the business continuity management standard (BS25999-2: 2007) certification and became one of the first 20 businesses to acquire the certification.
The "Systex Advanced Software Development and Integration Methodology" was awarded "Manufacturing Process Innovation" by the Ministry of Economic Affairs in 2008.
Awarded the Enterprise Group Award in the "2008 Human Resource Innovation Awards" by the Council of Labor Affairs, Executive Yuan.
Awarded the "2008 Industrial Excellence Award" by the Industrial Development Bureau, Ministry of Economic Affairs.
Obtained "Capability Maturity Model Integration Level 3" certification and became the only local enterprise with multiple sites for software development in Greater China.

II. Company Profile

- In 2009
- Created Taiwan's first smart analysis and prediction platform "First Winner" that offered research results and predictions on individual stocks of all major securities firms.
 - Launched the first domestic research database monitoring system Systex DB Watch, which provides corporate databases with comprehensive protection.
 - Acquired distribution rights for Tripwire's information change and auditing management solutions.
 - Became the first provider of total solutions with the "Warrant Information Platform" and optimal market maker of the warrants market.
 - The information security team and Kainan University forged academic-industrial collaboration and assisted the "Department of Information & Electronic Commerce" in establishing the "Information Security Laboratory."
 - Collaborated with Samsung Anycall on its official website and provided the "Stock Market Pocket App" download service.
 - Awarded "Enterprise with the Fourth Most Project Management Professional Certification (PMP) in Taiwan" and maintained its position as the local information service company with the most PMPs.
 - Awarded "Annual Digitized Education Material Quality Advancement Prize"; "Western Painting Analysis" education material received the highest AAA certification.
- In 2010
- Collaborated with VMware in providing professional cloud technology consulting services for enterprises and became the first company in Mainland China, Taiwan, and Hong Kong to obtain VMware cloud service certification.
 - UCOM Information Technology Education Center was awarded the "Best Red Hat Training Center" in Greater China.
 - Collaborated with Shenzhen Forms Syntron Information and acquired 30% of its shares for entry into the outsourced financial service in China.
 - Acquired 98.93% of shares in system integrator Taifon Computer Co., Ltd. which became a subsidiary of the Company.
 - System subsidiary Taiwan Electronic Data Processing Corporation and U.S. Company Rimage established the joint venture Rimage Information Technology (Shanghai) Co., Ltd. to develop the healthcare market in China.
 - Established the CAS System Corporation with the Institute of Computing Technology, Chinese Academy of Sciences. This was the first collaboration between a Mainland Chinese government research institute and Taiwanese company as the two parties worked together to forge the next generation of financial information platforms for the financial information market in China.
 - System transferred its listing from the OTC market to the TWSE market; stocks began to be officially traded on December 30.
- In 2011
- Established the "Microsoft Customer Immersion Experience Center" to provide corporate clients with a full demonstration of the benefits of Microsoft's integrated corporate productivity platform solution.
 - Formed a strategic partnership with GRG Banking, the leading ATM manufacturer in China, and acquired distribution rights for GRG Banking's ATMs in Taiwan.
 - Collaborated with international innovation software development company Splunk in establishing the Splunk Innovation Center.
 - Invested in Systemweb Technology to formulate one-stop services for financial asset management.
 - Became exclusive distributor for Veloxum's virtual reality performance optimization solution, which provides companies with "active and continuous optimization" technologies and increases server performance by at least 50%.
 - Became Fujitsu's first licensed corporate IT product distributor in Taiwan and distributed ROR

II. Company Profile

cloud-based management software, servers, and storage facilities.

Awarded "Enterprise Project Management Benchmarking Award" and "Best Practice on Project Management Award" by the International Project Management Association.

Conducted simplified merger with subsidiaries Ching-Ho Information Co., Ltd. and Ching-Feng Information Co., Ltd.; the baseline date of the merger was June 1.

- In 2012
- The Information Management and Integration Service Department led the industry in acquiring Taiwan's first British Standards Institution (BSI) BS 10012 Personal Information Management System certification.
 - Acquired distribution rights for the MobileIron mobile application security solution.
 - Became the first Managed Mobility Services (MMS) partner certified by SAP.
 - Became exclusive distributor for BlueCat Networks IP management solution, which helps enterprises painlessly integrate IPv4 and IPv6 and manage IP with ease.
 - Developed the mobile payment market by acquiring 100% of shares in Nexsys Corporation.
 - The Etu innovative big data platform product Etu Appliance was awarded the 2012 TAITRONICS Technology Innovation Quality Award.
 - System's own brand Etu Appliance was awarded "Excellent Information Application and Product Award" in the 2012 IT Month and was the first big data processing platform to win the IT Month selection.
 - System became the only company in the IT service industry to receive the "Enterprise Employment of Disabled Individual Exceeding Required Amount Certification" issued by the Bureau of Labor of Taipei City Government.
 - Following System's collaboration with international big data firm Splunk in establishing the first Splunk Lab in Asia Pacific, the parties worked together again in establishing the first "Licensed Splunk Training Center" in Greater China.
 - System became Apple's authorized corporate distributor and acquired the complete series of products from the global mobile device leader to provide enterprises with one-stop software and hardware services.
- In 2013
- System's UCOM Information Technology Education Center became the exclusive distributor for all international information security certification courses offered by EC-Council.
 - System's own brand Etu was recognized by the Chinese media as the "Big Data Innovation Enterprise in 2012" and was the only original big data solution brand from Asia.
 - Syspower Corporation of System Group established a distribution agreement with Yonyou Network, the largest management software company in China, for exclusive distribution rights in Taiwan's finance sector so as to forge definitive advantages for Taiwanese finance businesses in the Mainland China market.
 - Etu received the "2013 Big Data Excellent Product Award" in China, the sixth award since its launch.
 - System Software & Service Corporation of System Group became authorized reseller of Microsoft Surface for Business and teams up with Microsoft to develop the tablet market.
 - Etu Recommender received the highest honor of Golden Award at the 2013 IT Month against hundreds of innovative new products. System became the only company who won awards at IT Month with different big data products in two consecutive years.
- In 2014
- System provided exclusive sponsorship for Taiwan's first "information science program" as Etu joined forces with Code for Tomorrow to form Taiwan's first formal data science program team in.
 - System allied with global application network technology leader A10 Networks to provide comprehensive corporate network information security products.

II. Company Profile

System teamed up with Amiya, a Japanese company that specializes in corporate information security and audit management, to embrace the dynamic and high-security network and IT management services for "concurrent backup with 4G and cable transmission" made possible through 4G transmission.

Syspower Corporation of Systex Group teamed up with international Business Intelligence (BI) firm Qlik to train big data management talent and established the first "Qlik Authorized Training Center" in Taiwan.

UCOM Information Technology Education Center of Systex Group partnered with Cloudera, leading provider of Hadoop solutions for analyzing big data, and introduced Hadoop training courses.

Systex worked with global data visualization leader Tableau to provide visualization analysis solutions.

In 2015 Systex and Chunghwa Telecom joined forces in the development of the corporate information security product "EyeQuila," which became a leading product on the market.

Systex established the App Center and Mobile Creativity Incubation Center in Taichung.

Systex Software & Service Corporation of Systex Group teamed up with Gridow for development of the evPlay corporate cloud video service.

Systex teamed up with Sunlight Technology, China's largest smart hotel cloud service platform, to build a brand new hotel cloud service platform for hotels with four or more stars.

Systex launched the "securities online account opening platform," Taiwan's first online securities account opening solution that integrated "video certification" and "CA certification."

In 2016 UCOM Information Technology Education Center launched the Amazon Web Services (AWS) series courses and became Taiwan's only AWS authorized training center.

Systex subsidiary Medincom Technology launched the "External Hospital Information Upload Workstation" to simplify the procedures for integrating information between hospitals, effectively reducing 80% of tasks previously required for importing images from external hospitals.

Systex launched the "FundRich Securities" fund platform which became Taiwan's first successful real-world FinTech application.

Systex partnered with Far Eastern Group to construct an O2O retail ecosphere and launched the "Market Shopping" platform on the friDay Wallet app.

Systex Software & Service Corporation of Systex Group maintained its leading position in providing Microsoft services to large corporate clients; the Company won the Microsoft Partner Hero Award for the 12th consecutive year.

In 2017 Invested in FinTech startup company INSTO.

Invested in Gemini Data for US and global business expansion.

Developed NLP (Neuro Linguistic Programming) technology, and applied in customer service for financial industry.

Awarded the 4th "Taiwan Mittelstand Award" held by the Taiwan Ministry of Economy Affairs.

Offering e-gift certificate service to realize O2O operation.

In 2018 Invested in FinRobo Advisor Securities Investment Consulting Co., Ltd. to expand FinTech product services.

Strategic cooperated with SenseTime, IFLYTEK, MS, IBM to bring AI related technology into Taiwan market to develop industry applications locally.

Kick off "AI+ Generator" Program to engage outstanding AI startups with enterprise to prove of solution concept in early stage of go-to-market.

Invested in Shengsen Corp. and Forg-jump Information Co., Ltd. for expanding the human outsourcing team.

II. Company Profile

- Invested in Retail System Co., Ltd.
- Invested in Dawning Technology Inc. for expanding product agent portfolio and integrating marketing channels.
- Concord System Management Corp. of Systex Group invested in Top Information Technologies Co., Ltd. to 98.59%
- In 2019
- Syspower Corp., a subsidiary of SYSTEX, has released the world's first "Sarcopenia intelligent pre-screen system" with standard medical image transmission to create a long-term and elderly care environment.
- SYSTEX was crowned the "Happiness Enterprise" in IT industry category by 1111 Job Bank.
- Exclusive agent for the Knowtions Lydia AI platform solutions which can make predictions on insurance fraudulent behaviors by building people profiles and learning healthcare behaviors.
- System Software & Service Corp. won Microsoft's 2019 Taiwan Partner of the Year Award.
- SYSTEX Independently Developed NLP Combining with RPA and OCR to Build Intellectual Fintech Robot "Robelf"
- Syspower Corp. announced an AI-driven cloud system to create seamless and integrated smart medical services from home to hospital.
- Syspower Corp. and Taichung Veterans General Hospital released the first "OSCE Clinical Skills Test Online Evaluation System" in Taiwan, which comprehensively promotes the standardization of evaluation in all job categories for medical care industry.
- Invested in Fuco Technology Co., Ltd.
- Invested in Aiwin Technology Co., Ltd.
- Invested in Neweb Information Co., Ltd. to integrate IT services ecosystem.
- Enlisted the team of Zechster Information Technology Co., Ltd.
- In 2020
- Donated the scholarship of NT\$3 million to National Taiwan Normal University.
- Invested in E-service Information Co. to nearly 60%.
- Established the cloud brand "GARAOTUS" to lock in the international cloud market.
- Invested in Baoruh Electronic Co., Ltd.
- Invested in Taiwan Information Service Technology Corporation.
- System Software & Service Corp. passed ISO 27001 information security management system certification.
- Awarded the "Excellent Unit for Green Purchasing and Green Consumption Promotion" by the Environmental Protection Administration of the Executive Yuan in 2020.
- Awarded the "2020 Taipei City Private Enterprises and Organizations' Green Purchasing Performance" by Taipei City Government's Department of Environmental Protection.
- YTP (Young Turing Program) got the Silver Award of "CSR Impact Award of PwC Taiwan".
- Awarded the "Sports Enterprise Certification in 2020" certification mark by the Sports Department of the Ministry of Education.
- In 2021
- The Company stationed in Shalun Smart Green Energy Science City in Tainan to connect Green Energy Industry Ecosystem.
- Awarded the "Excellent Unit for Green Purchasing Promotion" by the Environmental Protection Administration of the Executive Yuan in 2021
- SYSTEX and subsidiaries, System Software & Service Corp., System Solutions Corp., Syspower Corp. and Taifon Computer Co., Ltd. awarded the "2021 Taipei City Private Enterprises and Organizations' Green Purchasing Performance" by Taipei City Government's Department of Environmental Protection.

II. Company Profile

System Software & Service Corp. passed the Certification of Azure Expert MSP by Microsoft.

Passed the Certification of ISO 14001, ISO 14064-1 and ISO 50001.

Invested in CKmates International Co., Ltd.

Invested in Teamplus Technology Inc.

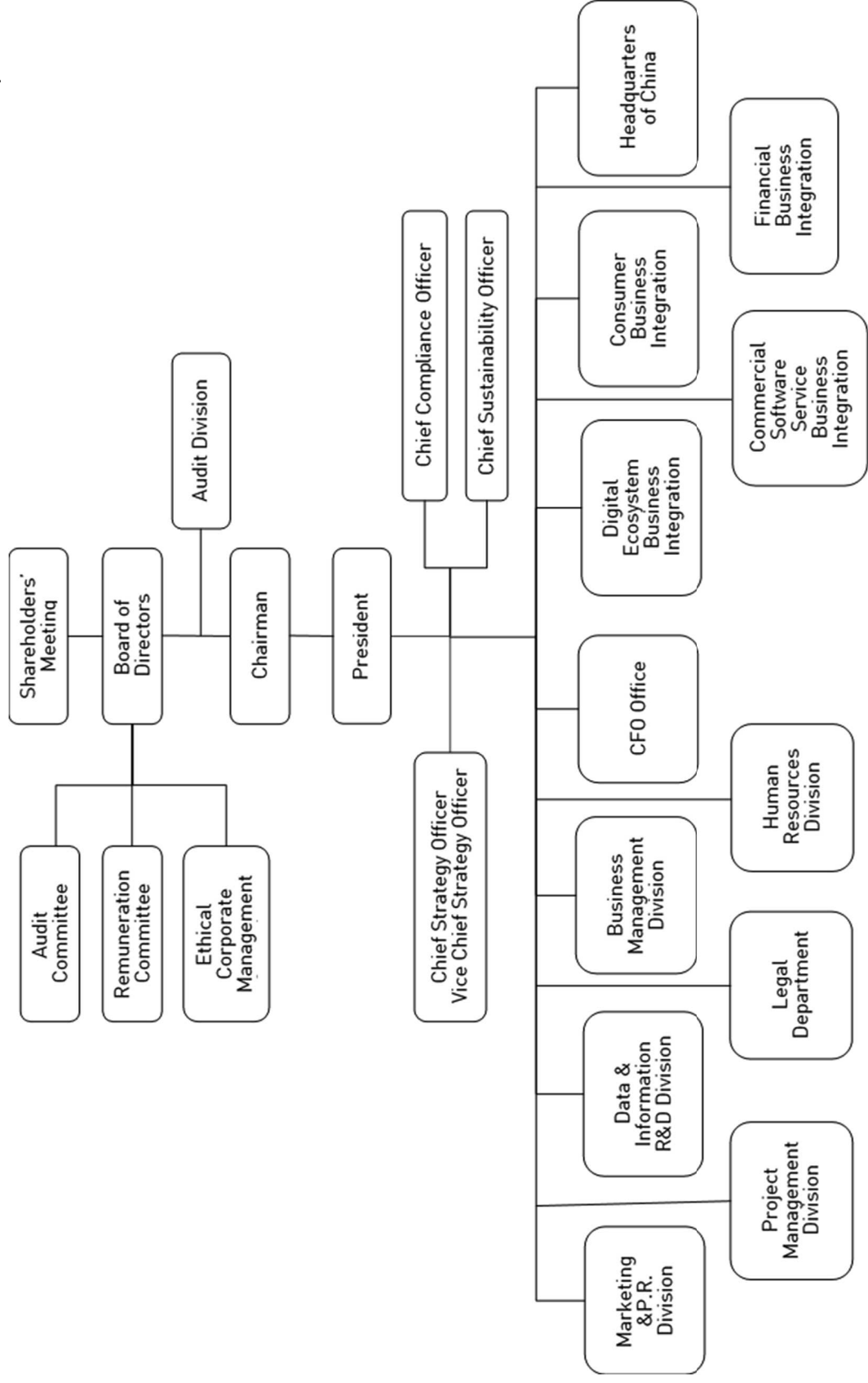
In 2022 The cloud brand "GARAOTUS" awarded International Innovation Awards, IIA by Enterprise Asia.

III. Corporate Governance

3.1 Organization

3.1.1 Organizational Chart

As of February 1, 2022



III. Corporate Governance

3.1.2 Major Corporate Functions

Department	Functions
Audit Division	Audit Division conducts independent and objective assessment of the effectiveness of the Company's internal control system, follows up on improvement of irregularities, reviews the self-assessment procedures in the internal control system, and reasonably ensures compliance with company policies and regulations.
CFO Office	CFO Office is responsible for financial accounting, management accounting, budget planning, investment management, fund management, Board of Directors meetings, shareholder services, and ensuring compliance with regulations stipulated by competent authorities. The CFO Office is also in charge of supervising the financial accounting departments of domestic and overseas business units for the purpose of establishing a consistent domestic and overseas financial accounting management system and institution.
Human Resources Division	Human Resources Division is responsible for planning human resource policies, regulations, and operating procedures including: human resources planning, organizational design and planning, recruitment and appointment, training and development, salary and benefits, performance management, promotion of employee relations and corporate culture etc. It is also responsible for the supervision of departments that oversee human resource management in affiliate enterprises as well as the planning and management of property security, cleaning, catering, electrical and mechanical appliances, air conditioning, machinery and equipment, and telecommunications systems.
Business Management Division	Business Management Division is responsible for related services in support of commercial operations including: trading, procurement, material control and warehousing, accounts, sales support, planning and execution of information procedures, and establishment of finance related information systems. It also supervises receivables in sales, inventory, daily tasks in shipment preparation and borrowing, and risk management of material and irregular transactions. The Commerce Department also supports the strategic plans, performance management and follow-up, investment performance analysis, public relations, and marketing events for the entire Group.
Legal Department	Legal Department is responsible for reviewing various commercial contracts, providing recommendations and control items for contract formulation/amendment, processing litigation/non-litigation, managing intellectual property rights affairs, providing the management team and managerial officers with necessary legal consultation, and conducting training on related legal knowledge.
Data & Information R&D Division	Responsible for "Data Capacity", "Information" and "Research and Development", including assisting and supporting the Group to apply data capacity to create data value. Responsible for the Group's information systems, network architecture, information security, process implementation and daily maintenance to connect with system data, and developing the systems and services required by the Group or industry.
Project Management Division	Responsible for project and contract management, implementation of policies and regulation, establishing the PM collaborative managing mechanism, and pursuing the

III. Corporate Governance

Department	Functions
	application of the project management tool platforms and PM talent training and grade testing.
Marketing & P.R. Division	Integrate the Group's marketing resources, gather customer analysis and interdepartmental cooperation, utilize public relations and digital marketing exposure, cultivate a positive image, and convey the Group's unique and diversified values.
Digital Ecosystem Business Integration (Note 1)	Operating the data ecosphere, distributing and self-developing the world-class software/hardware products, solutions and operation centers. Using 5A (AP, APP, API, Appliance and Algorithm) cross-industry software capabilities as core competency to apply 4C(Cloud Migration, Application, Management and Security) cloud services scenarios and to provide green energy technology and information security services. Taking customer needs as the core to provide value-added services for enterprise customers. By focusing on hybrid multi-cloud, high-efficiency computing on HPC (High Performance Computing), Internet of Things and data insights, to assist enterprises to pursue innovative digital transformation and profit growth. Furthermore, providing comprehensive professional training courses to help companies to cultivate talent.
Commercial Software Service Business Integration (Note 2)	Provide technical value-added services for Microsoft products and help companies utilize public cloud, private cloud, hybrid cloud, and other cloud services to establish a cloud architecture and use cloud resources to enjoy the convenience and substantial benefits of cloud application. Provide suitable virtualization solutions according to the needs of clients' user environments. Conduct thorough diagnosis of clients' needs from an overall IT architecture perspective, taking company size and external environmental requirements or internal compliance audits into account to create suitable customized solutions. Provide corporate clients with commercial application software licensing contracts and procurement planning services as well as software sales and relevant technical support services.
Consumer Business Integration (Note 3)	Applying the latest IT software technology to connect data and help clients from retail, food, banking, insurance industries and government to seize the trend and business opportunity. Focus on customers to develop various innovating and unique daily life services, mobile services, financial services, data services and transportation services, including the integration services regarding to B2B/B2C enterprise e-commerce, CDP data platform, electronic voucher customer introduction services and customer retention services for prepaid cards, various smart travel and vehicle application solutions such as multiple paperless payment, EV charging services, digital dash cam, financial distant video services,, insurance technology and mobile services, etc. In addition, providing data management services, including billing business process outsourcing services, interactive electronic billing and providing local cloud services, as well as digital printing, archaeological surveys and digital collection.
Financial Business Integration (Note 4)	Financial Business Integration provides comprehensive, cross-border financial content and information services for multiple markets including securities, futures, warrants, bonds, bills, foreign exchange, and funds as well as secure information

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Department	Functions
	<p>transaction platforms for multiple financial products in order to satisfy the business application software and solution requirements of financial institution clients and investors, including information, trading, operations and management, finance, wealth management, risk management, asset management, and IT management.</p> <p>In response to trends in cloud, mobility, and artificial intelligence, Financial Business Integration also uses the professional finance transaction network as the basic cloud development model to provide the finance industry with quick selections in the formulation of finance information and professional transaction services. At the same time, it also creates and develops mobile services with leading clients in various industries to successfully forge new applications in portal sites, financial holding, securities and futures, investment consulting, insurance, telecommunications, logistics and transportation, and medical facilities etc. and create new standards for corporate services.</p>
Headquarters of China (Note 5)	<p>Headquarters of China distributes world-class software, added-value technologies, capabilities and professional services. It also employs intensified system integration capabilities to provide large-scale clients with customized services and become their long-term partners. The team also seeks out investment opportunities in new sectors in the Chinese market to develop products and services native to the finance sector on both sides of the strait. It is also responsible for integrating the related administrative and management affairs of subsidiaries in China.</p>

Note 1: Digital Ecosystem Business Integration is covering subsidiaries, including: Taifon Computer Co., Ltd, Taiwan Information Service Technology Corp., Dawning Technology Inc. and uniXecure Corp.

Note 2: Commercial Software Service Business is covering subsidiaries, including: Systex Software & Service Corp.

Note 3: Consumer Business Integration is covering subsidiaries, including: Nexsys Corp., Systex Solutions Corp. and E-service Information Corp.

Note 4: Financial Business Integration is covering subsidiaries, including: Softmobile Technology Corp., Syspower Corp., Naturint Ltd., Concord System Management Corp., Top Information Technologies Co., Ltd. and Palsys Digital Technology Corp.

Note 5: Headquarters of China is covering subsidiaries in China (Hong Kong) , including: Systek Information (Shanghai) Ltd., Sysware Shenglong Information Systems Co., Ltd., Systex Group(China) Ltd., Systex Rainbow Tech Inc., Systex Rainbow (Guangzhou) Tech Inc., Systex Ucom (Shanghai) Information Ltd.Co., Systex Information (H.K.) Ltd. and Rainbow Tech Information (HK) Limited.

3.1.3 Informantion of Subsidiaries: Please refer to pages 291~302.

III. Corporate Governance

3.2 Directors and Management Team

3.2.1 Directors

As of March 28, 2022

Title/Name (Note 1)	Nationality / Country of Origin	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position (Note 2)	Executives, Directors who are spouses or within two degrees of kinship			Remarks
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman / Lin, Lung-Fen	R. O. C.	Male 56-65	June 13, 2019	3	March 28, 2002	1,324,762	0.49	1,324,762	0.49	263	-	-	-	EMBA, CEIBS Master's degree in Computer Science, University of the Pacific	Note 4	-	-	Note 3	
Director / Huang, Tsong-Jen	R. O. C.	Male 75 over	June 13, 2019	3	June 15, 2006	20,755,750	7.70	20,755,750	7.70	2,008,634	0.75	-	-	Ph.D. in Computer Science, University of Wisconsin	Note 5	Director	Huang, Ting-Rong Huang, Chi-Rong	one degree two degree	-
Director/ Cheng, Deng-Yuan	R. O. C.	Male 56-65	June 13, 2019	3	March 28, 2002	168,152	0.06	153,152	0.06	-	-	-	-	EMBA, Fudan University Fu Jen University, Dept. of Accounting	Note 6	-	-	-	
Director/ Lu, Ta-Wei	R. O. C.	Male 56-65	June 13, 2019	3	June 13, 2007	415,656	0.15	415,656	0.15	2,050,390	0.76	-	-	Tunghai University, Dept. of Chemistry	Note 7	-	-	-	
Director/ Shaw, Shung-Ho	R. O. C.	Male 66-75	June 13, 2019	3	March 28, 2002	945,475	0.35	1,027,475	0.38	229,201	0.09	-	-	MBA, National Chengchi University	Note 8	-	-	-	
Director/ Hsieh, Chin-Ho	R. O. C.	Male 56-65	June 13, 2019	3	June 18, 2010	20,000	0.01	20,000	0.01	-	-	-	-	Master Degree in Graduate of East Asian Studies, National Chengchi University	Note 9	-	-	-	
Director/ Huang, Ting-Rong	R. O. C.	Female 45 under	June 13, 2019	3	June 17, 2016	242,152	0.09	242,152	0.09	-	-	-	-	MBA, Waseda University	Note 10	Director	Huang, Tsong-Jen Huang, Ting-Rong	one degree two degree	-
Director/ Huang, Chi-Rong	R. O. C.	Female 45 under	June 13, 2019	3	June 17, 2016	633,780	0.24	633,780	0.24	-	-	-	-	Wharton School of the University of Pennsylvania, Dept. of Economics	Note 11	Director	Huang, Tsong-Jen Huang, Ting-Rong	one degree two degree	-

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As of March 28, 2022

Title/Name (Note 1)	Nationality / Country of Origin	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position (Note 2)	Executives, Directors who are spouses or within two degrees of kinship		Remark[s]
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	
Director/ Lin, Chih-Min (Representative of Joway Investment Co., Ltd.)	R. O. C.	Male 66~75	June 13, 2019	3	June 13, 2007	5,540	-	5,540	-	-	-	-	-	National Taiwan University, Dept. of Law	Note 12	-	-	-
Director/ Wu, Cheng-Huan (Representative of Joway Investment Co., Ltd.)	R. O. C.	Male 56~65	June 13, 2019	3	June 13, 2019	629	-	629	-	-	-	-	-	Fu Jen University, Dept. of Business Administration	Note 13	-	-	-
Independent Director/ Huang, Jih-Tsah	R. O. C.	Male 66~75	June 13, 2019	3	June 13, 2007	-	-	-	-	122,017	0.05	-	-	Ph.D. in Law, Harvard University	Note 14	-	-	-
Independent Director/ Cheng, Wen-Feng	R. O. C.	Male 66~75	June 13, 2019	3	June 21, 2013	-	-	-	-	845	-	-	-	Master Degree in Chemical Engineering, National Tsing Hua University	Note 15	-	-	-
Independent Director/ Lai, Chien-Hua	R. O. C.	Male 56~65	June 13, 2019	3	June 13, 2019	6,000	-	-	-	-	-	-	-	Feng Chia University, Dept. of Business Administration	Note 16	-	-	-

Note 1: Institutional representatives shall indicate the names of the institutional shareholders and fill in the information specified in Table 1 below.

Note 2: Concurrent positions as of the date of publication of the annual report.

Note 3: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto:

The chairman of the company also serves as the general manager, in order to improve operating efficiency and decision-making execution. The chairman of the board of directors also closely communicates with the directors on the company's current operating conditions and planning guidelines in order to implement corporate governance.

The measures adopted in response thereto:

(1) The current three independent directors are specialized in legal affairs, financial and accounting affairs, leadership and operation management, and can effectively perform their supervisory functions.

(2) More than half of the directors of the company do not concurrently serve as employees or managers.

(3) The audit committee and remuneration committee of the company are composed of three independent directors. Independent directors can fully discuss and put forward suggestions in each functional committee for the reference of the board of directors to implement corporate governance.

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Note 4: President of SYSEX Corp.

Chairman, representative of Ching Pu Investment Corp., Golden Bridge Information Corp., Syslink Corp., Smartsys Technology Corp., Syswiser Technology Corp.
 Director, representative of Systex Software & Service Corp., Syscore Corp., SoftMobile Technology Corp., Systex Solutions Corp., Syspower Corp. and Naturint Ltd.
 Director, Kimo.com (BVI) Corp., Systex Capital Group, Inc. and Systex Solutions (HK) Ltd.

Note 5: Chairman, Asiavest Capital Co., Ltd. and Joray Co., Ltd.

Supervisor, Joway Investment Co., Ltd.

Note 6: Chief Strategy Officer of SYSEX Corp.

Chairman, Systex Information (H.K.) Ltd. and Rainbow Tech Information (HK) Limited
 Director, Shenzhen Sunlight Technology Co., Ltd.
 Supervisor, Suntex Technology (Shenzhen) Co., Ltd.

Note 7: Chairman, Firstweb Limited

Note 8: Chairman, Liang Hsin Finance Corp.

Director, Scientech Corp., ALi Corp. and Sundia Meditech Group

Note 9: Chairman, representative of Wealth Media Corp., Investment Media Ltd., Genetinfo Inc., Wealth Magazine Co., Ltd. and Business Today Publisher

Chairman, Business Today Co., Ltd.

Director, representative of Cashbox Partyworld Co., Ltd. and Business Today Marketing Corp.

Director, Diancan Art & Collection Ltd.

Note 10: Independent Director, Chipbond Technology Corp.

Executive Director, Asiavest Capital Co., Ltd.

Director, Joway Investment Co., Ltd., Joray Co., Ltd. and Sundia Meditech Group

Note 11: Executive Director, Asiavest Capital Co., Ltd.

Director, representative of Taiwan Hopax Chems. Mfg. Co., Ltd.

Director, Joway Investment Co., Ltd. and Joray Co., Ltd.

Note 12: Director, representative of Hanmore Investment Corp.

Note 13: Chairman, representative of Hanmore Investment Corp.

Note 14: Special consultant, Yulon-Group and Tai Yuen Textile Co., Ltd.

Consultant, Taiwan Mobile Co., Ltd.

Chairman, Taiwan Renaissance Corp.

Independent Director, WPG Holdings Limited, Delta Electronics, Inc. and CTCI Corp.

Director, representative of Yulod Motor Co., Ltd., Taiwan Capital Buffalo Fund Co, Ltd. and Taiwan Capital Biotech Co., Ltd.

Note 15: Independent Director, Chipbond Technology Corp.

Note 16: Consultant, LoreMaster Tech Inc. and Jades Integrate Co., Ltd.

Table1- Major shareholders of the institutional shareholders

As of March 28, 2022

Name	Major Shareholders
Joway Investment Co., Ltd.	Huang, Ting-Rong (28.96%), Huang, Chi-Rong (28.96%), Ho, Mei-Yii (22.08%), Huang, Tsong-Jen (19.27%), Joray Co., Ltd. (0.73%)

Table2- Major shareholders of the Company's major institutional shareholders

As of March 28, 2022

Name	Major Shareholders
Joray Co., Ltd.	Ho, Mei-Yii (34.97%), Huang, Ting-Rong (29.84%), Huang, Chi-Rong (29.84%), Huang, Tsong-Jen (5.35%)

III. Corporate Governance

A. Disclosure of Information Regarding the Professional Qualifications and Experience of Directors and the Independence of Independent Directors

As of March 28, 2022

Name	Criteria	Professional qualifications and experience(Note 1)	Independence analysis (Note 2)	No. of other public companies at which the person concurrently serves as an independent director
Lin, Lung-Fen		He has been the chairman of the company since December 2020, and has been the President since 2009. He has led SYSTEX and its subsidiaries to make steady progress, continue to carry out strategic acquisitions, mergers and integrations, and strengthen the professional energy of SYSTEX ecological integration. Build a complete service network across the Mainland, Taiwan and Hong Kong, with excellent operating performance.	(1) The President of SYSTEX. (2) The Director of SYSTEX's Subsidiaries. (3) He and spouse are holding 1,325,025 shares (0.49%) of SYSTEX. (4) Except for the above, the others still maintain independence in Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	0
Huang, Tsong-Jen		He served as the chairman of the company from January 2007 to December 2020, and has extensive practical experience in leadership, operation management, investment and mergers and acquisitions.	(1) A natural-person shareholder in the top 10 in holdings. (2) The chairman of Joray Co., Ltd. which holds 5% or more of the total number of issued shares of SYSTEX. (3) He relatives within the second degree of kinship with Huang, Ting-Rong and Huang, Chi-Rong. (4) He and spouse are holding 22,764,384 shares (8.45%) of SYSTEX (5) He is the supervisor of Joway Investment Co., Ltd., the corporate director of SYSTEX. (6) Except for the above, the others still maintain independence in Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	0

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Name	Criteria	Professional qualifications and experience(Note 1)	Independence analysis (Note 2)	No. of other public companies at which the person concurrently serves as an independent director
Cheng, Deng-Yuan	In 2000, he joined the company as the chief financial officer, during which he promoted the company's OTC listing and major merger and acquisition cases. He has been appointed Chief of Staff since January 2009 and is in charge of China market operations.	<p>(1) The Chief Strategy Officer of SYSTEX.</p> <p>(2) The Director of SYSTEX's Subsidiaries.</p> <p>(3) He and spouse are holding 153,152 shares (0.06%) of SYSTEX.</p> <p>(4) Except for the above, the others still maintain independence in Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".</p>	0	
Lu, Ta-Wei	He has extensive practical experience in the IT industry.	Except for himself and his spouse holding a total of 2,466,046 shares (0.91%) of SYSTEX's shares, The rest still meet the independence conditions stipulated in Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	0	
Shaw, Shung-Ho	He has extensive practical experience in business management, investment and mergers and acquisitions.	Except for himself and his spouse holding a total of 1,256,676 shares (0.47%) of SYSTEX's shares, The rest still meet the independence conditions stipulated in Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	0	
Hsieh, Chin-Ho	He has extensive practical experience in investment trend exploration, industry dynamics and cross-strait relations.	Except for himself holding a total of 20,000 shares (0.01%) of SYSTEX's shares, The rest still meet the independence conditions stipulated in Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	0	

III. Corporate Governance

Name	Criteria	Professional qualifications and experience(Note 1)	Independence analysis (Note 2)	No. of other public companies at which the person concurrently serves as an independent director
Huang, Ting-Rong	She has practical experience in business management and financial accounting affairs.	<ul style="list-style-type: none"> (1) The director of Joray Co., Ltd. which holds 5% or more of the total number of issued shares of SYSTEX. (2) He relatives within the second degree of kinship with Huang, Tsong-Jen and Huang, Chi-Rong. (3) She is holding 242,152 shares (0.09%) of SYSTEX (4) She is the director of Joway Investment Co., Ltd., the corporate director of SYSTEX. (5) Except for the above, the others still maintain independence in Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". 	1	
Huang, Chi-Rong	She has practical experience in business management and financial accounting affairs.	<ul style="list-style-type: none"> (1) The director of Joray Co., Ltd. which holds 5% or more of the total number of issued shares of SYSTEX. (2) He relatives within the second degree of kinship with Huang, Tsong-Jen and Huang, Ting-Rong. (3) She is holding 663,780 shares (0.24%) of SYSTEX. (4) She is the director of Joway Investment Co., Ltd., the corporate director of SYSTEX. (5) Except for the above, the others still maintain independence in Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". 	0	

III. Corporate Governance

Name \ Criteria	Professional qualifications and experience(Note 1)	Independence analysis (Note 2)	No. of other public companies at which the person concurrently serves as an independent director
Lin, Chih-Min	He has extensive practical experience in handling legal affairs.	(1) He is the representative of Joway Investment Co., Ltd., the corporate director of SYSTEX. (2) He is the representative of the corporate director of Hanmore Investment Corp., the SYSTEX's subsidiary. (3) He is holding 5,540 shares (0%) of SYSTEX. (4) Except for the above, the others still maintain independence in Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	0
Wu, Cheng-Huan	He has extensive practical experience in financial planning and investment management, and is familiar with financial products and capital market operations.	(1) He is the representative of Joway Investment Co., Ltd., the corporate director of SYSTEX. (2) He is the representative of the corporate director of Hanmore Investment Corp., the SYSTEX's subsidiary. (3) He is holding 629 shares (0%) of SYSTEX. (4) Except for the above, the others still maintain independence in Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	0
Huang, Jih-Tsan	He is a doctor of law from Harvard University in the United States. He is qualified as a lawyer in Taiwan and the United States. He is good at legal affairs. In 2000, he founded Jones Day International Law Firm Taipei Office. He has practiced at Jones Day for many years and has rich practical experience. He specializes in mergers and acquisitions, cross-border investment, securities finance, corporate governance and other fields.	Except for his spouse holding a total of 112,017 shares (0.05%) of SYSTEX's shares, the others still maintain independence in Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	3

III. Corporate Governance

Name	Criteria	Professional qualifications and experience(Note 1)	Independence analysis (Note 2)	No. of other public companies at which the person concurrently serves as an independent director
Cheng, Wen-Feng	From May 1999 to September 2021, he served as the chairman and general manager of the listed company Boardtek Electronics Corp., and served as an independent director of Chipbond Technology Corp. and a director of Sandia Medical Technology Group, Possess professional skills in operational judgment, business management, leadership decision-making, and crisis management.	Except for his spouse holding a total of 845 shares (0%) of SYSTEX's shares, the others still maintain independence in Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	1	
Lai, Chien-Hua	He served as the CFO of the company from August 2008 to May 2014. He has extensive practical experience in the IT industry and financial and accounting affairs, and is familiar with the company's business financial status and internal control system and to provide advice.	All meet the independence conditions stipulated in Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	0	

Note 1: The Experience (Education) and other position of each Director, please referred page 16~18.

Every Director has not been a person of any conditions defined in Article 30 of the Company Law.

Note 2: Independence analysis is according to Article 3 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".

III. Corporate Governance

B. Diversity and Independence of the Board of Directors:

On March 19, 2015, the board of directors of the company passed the "Corporate Governance Best Practice Principles", and set out a diversity policy in Chapter 3 "Enhancing the Functions of the Board of Directors".

The nomination and selection of members of the board of directors follows the provisions of the company's "Articles of Incorporation", adopts the candidate nomination system, and follows the "Rules for Election of Directors" and "Corporate Governance Best Practice Principles" to ensure the diversity and independence of the board members.

There are 13 members of the ninth board of directors (including 3 independent directors), except for 2 female members, Ms. Huang, Ting-Rong and Ms. Huang, Chi-Rong, who are good at business management and financial accounting affairs; good at leadership, operational judgment, business management, crisis Those who deal with industry knowledge and international market views include Mr. Lin, Lung-Fen, Mr. Huang, Tsong-Jen, Mr. Cheng, Deng-Yuan, Mr. Lu, Ta-Wei, Mr. Shaw, Shung-Ho and Mr. Wu, Cheng-Huan; Mr. Hsieh, Chin-Ho, who specializes in domestic and foreign financial affairs; Lin, Chih-Min, who specializes in legal affairs As for the three independent directors including Mr. Huang, Jih-Tsan, Mr. Lai, Chien-Hua and Mr. Cheng, Wen-Feng, they are specialized in legal affairs, financial and accounting affairs, leadership and operation management respectively.

There are 15.38% of women and directors with employee status, two directors are under the age of 45, six directors are 56-65 years old, four directors are 66-75 years old and one director is over 75 years old. One of independent directors is the term of office less than 3 years, and one independent director is the term of office of is 7-9 years. Although one independent director of the company has served as for more than 9 years. He has extensive practical experience, which is obviously helpful to the company's business planning and decision-making, and continues to be elected as an independent director of the company.

Three independent directors were elected, accounting for 23.07% of all directors. In addition, except for Huang, Tsong-Jen, Huang, Ting-Rong and Huang, Chi-Rong, whose relatives within the second degree of kinship do not exceed half of the seats on the board of directors, none of the other members of the board of directors has the conditions specified in Article 26-3 Items 3 and 4 of the Securities and Exchange Act. , the Board of Directors of the Company is still independent.

III. Corporate Governance

3.2.2 Management Team

As of March 28, 2022

Title/ Name	Nationality / Country of Origin	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position (Note 1)	Managers who are Spouses or Within two degrees of kinship			RM Mark(s)
				Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President/ Lin, Lung-Fen	R.O.C.	Male	2009.10	1,324,762	0.49	263	-	-	-	EMBA, CEIBS Master's degree in Computer Science, University of the Pacific	Note 3	-	-	-	Note 2
Chief Strategy Officer & Senior Vice President / Cheng, Deng-Yuan	R.O.C.	Male	2001.08	153,152	0.06	-	-	-	-	EMBA, Fudan University Fu Jen University, Dept. of Accounting	Note 4	-	-	-	-
CFO, Corporate Governance Officer & Vice President/ Chung, Chih-Chun	R.O.C.	Male	2014.05	-	-	-	-	-	-	Master's degree in Banking and Finance, Tamkang University	Note 5	-	-	-	-
CHO, CSO & Vice President / Huang, Yu-Jen	R.O.C.	Male	2017.03	-	-	-	-	-	-	Master's degree in Graduate Institute of Human Resource Management, National Central University	None	-	-	-	-
CCO & Vice President/ Liu, Kuan-Lin	R.O.C.	Male	2021.01	5,000	-	23,000	0.01	-	-	National Chiao Tung University, EMBA	Note 6	-	-	-	-
Vice Chief Strategy Officer & Vice President/ Lin, Jen-Shou	R.O.C.	Male	2021.01	118	-	-	-	-	-	National Chengchi University, EMBA	Note 7	-	-	-	-
Senior Vice President/ Yang, Shih-Chung	R.O.C.	Male	2007.01	1,225	-	-	-	-	-	National Cheng Kung University Dept. of Mathematics	Note 8	-	-	-	-

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As of March 28, 2022

Title/ Name	Nationality / Country of Origin	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position (Note 1)	Managers who are Spouses or Within two degrees of kinship			R Mark(s)
				Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Senior Vice President/ Fan, Jee-Der	R.O.C.	Male	2007.01	743	-	952	-	-	-	Soochow University, Dept. of Business Mathematics	Note 9	-	-	-	-
Senior Vice President/ Su, Kou-Lin	R.O.C.	Male	2005.01	-	-	-	-	-	-	Master's degree in, Environmental Engineering, National Chung Hsing University	None	-	-	-	-
Vice President/ Chang, Huang-Yu	R.O.C.	Male	2005.06	72,312	0.03	-	-	-	-	Feng Chia University, Dept. of Information	Note 10	-	-	-	-
Vice President/ Chang, Ying-Chin	R.O.C.	Female	2007.01	3,599	-	2,023	-	-	-	National Taichun College Dept. of Banking and Insurance	Note 11	-	-	-	-
Vice President/ Lin, Wen-Kuei	R.O.C.	Male	2007.01	167,221	0.06	-	-	-	-	Lunghwa Engineering College Dept. of Electronic Engineering	None	-	-	-	-
Vice President/ Tang, Yin-Soon	R.O.C.	Male	2012.01	19,031	0.01	-	-	-	-	Master's degree in Computer, The City University of New York	Note 12	-	-	-	-
Vice President/ Hsiao, Wei-Chun	R.O.C.	Male	2017.03	-	-	1,000	-	-	-	Fu Jen University, Dept. of Information Management	Note 13	-	-	-	-

III. Corporate Governance

As of March 28, 2022

Title/ Name	Nationality / Country of Origin	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position (Note 1)	Managers who are Spouses or Within two degrees of kinship			RM (k\$)
				Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Vice President/ Pan, Tieh-Yi	R.O.C.	Male	2018.01	13,142	-	1,883	-	-	-	Chien Hsin University of Science and Technology Dept. of Electronic Engineering	Note 14	-	-	-	-
Vice President/ Wu, Wen-Shuen	R.O.C.	Male	2018.01	-	-	-	-	-	-	Master of Business Administration, National Chengchi University	Note 15	-	-	-	-
Vice President/ Tao, Yea-Kuan	R.O.C.	Male	2018.01	-	-	-	-	-	-	Chuan Yuan University, Dept. of Information and Computer Engineering	Note 16	-	-	-	-
Vice President/ Lin, Cheng-hsuan	R.O.C.	Male	2022.04	-	-	-	-	-	-	Soochow University Department of Economics	Note 17	-	-	-	-
Vice President/ Chan, Yi-Cheng	R.O.C.	Male	2022.04	-	-	-	-	-	-	National Taiwan Normal University EMBA	Note 18	-	-	-	-
Chief Audit Executive/ Tsai, Chun-Hsiung	R.O.C.	Male	2007.01	8,285	-	-	-	-	-	Tunghai University, Dept. of Business Administration	None	-	-	-	-
Accounting Manager/ Cheng, Yuan-Yih	R.O.C.	Male	2008.12	14,144	0.01	-	-	-	-	National Chung Hsing University, Dept. of Accounting	Note 19	-	-	-	-

III. Corporate Governance

Note 1: Concurrent positions as of the date of publication of the annual report.

Note 2: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto:

The chairman of the company also serves as the general manager, in order to improve operating efficiency and decision-making execution. The chairman of the board of directors also closely communicates with the directors on the company's current operating conditions and planning guidelines in order to implement corporate governance.

The measures adopted in response thereto:

(1) The current three independent directors are specialized in legal affairs, financial and accounting affairs, leadership and operation management, and can effectively perform their supervisory functions.

(2) More than half of the directors of the company do not concurrently serve as employees or managers.

(3) The audit committee and remuneration committee of the company are composed of three independent directors. Independent directors can fully discuss and put forward suggestions in each functional committee for the reference of the board of directors to implement corporate governance

Note 3: Chairman, SYSTEX Corp.

Chairman, representative of Ching Pu Investment Corp., Golden Bridge Information Corp., Syslink Corp., Smartsys Technology Corp. and Syswiser Technology Corp.

Director, representative of Systex Software & Service Corp., Syscore Corp., Syslong Corp., SoftMobile Technology Corp., Systex Solutions Corp., Syspower Corp., and Naturint Ltd.

Director, Kimo.com (BVI) Corp., Systex Capital Group, Inc. and Systex Solutions (HK) Ltd.

Note 4: Director, SYSTEX Corp.

Chairman, Systex Information (H.K.) Ltd. and Rainbow Tech Information (HK) Ltd.

Director, Shenzhen Sunlight Technology Co., Ltd.

Supervisor, Suntex Technology (Shenzhen) Co., Ltd.

Note 5: Chairman, representative of Syscore Corp. and Syslong Corp.

Director, representative of Ching Pu Investment Corp., Golden Bridge Information Corp., Systemweb Technologies Co., Ltd., FinRobo Advisor Securities Investment Consulting Co., Ltd., Enova Technology Corp.

Director, Kimo.com (BVI) Corp., Systex Capital Group, Inc. and Systex Solutions (HK) Ltd.

Supervisor, representative of Concord System Management Corp., Taifon Computer Co., Ltd., Systex Solutions Corp., SoftMobile Technology Corp., Nexsys Corp., Naturint Ltd., Syslink Corp. and Far Eastern Electronic Toll Collection Corp.

Supervisor, Investment Media Ltd., Hanmore Investment Corp. and Dawning Technology Inc.

Note 6: Chairman, representative of Dawning Technology Inc.

Director, representative of Syslink Corp., Smartsys Technology Corp., Syswiser Technology Corp., Taifon Computer Co., Ltd., Top Information Technologies Co., Ltd. and Neo Trend Tech Corp.

Note 7: Director, representative of Golden Bridge Information Corp., uniXecure Corp., Systex Software & Service Corp., Concord System Management Corp., Taifon Computer Co., Ltd. and Systex Solutions Corp.

Note 8: Chairman, representative of E-service Information Corp. and Systex Solutions Corp.

Director, representative of Nexsys Corp., Far Eastern Electronic Toll Collection Corp., Mohist web technology Co., Ltd., Neweb Information Co., Ltd. and Fuco Technology Co., Ltd.

Note 9: Chairman, representative of Naturint Ltd. and Syspower Corp.

Director, representative of Top Information Technologies Co., Ltd., SoftMobile Technology Corp., Investment Media Ltd., Systemweb Technologies Co., Ltd., Sanfran Technology Inc., FinRobo Advisor Securities Investment Consulting Co., Ltd. and GenSys Technology(International) Limited

Note 10: Director, representative of Shengsen Cloud Technology

Note 11: Director, representative of Investment Media Ltd.

Note 12: Director, representative of Syslink Corp.

Note 13: Chairman, representative of Concord System Management Corp.

Director, representative of E-service Information Corp., Baoruh Electronic Co., Ltd. and Mohist web technology Co., Ltd.

Note 14: Chairman, representative of Nexsys Corp.

Director, representative of Da Ho Marketing Co., Ltd. and Retail System Co., Ltd.

Note 15: Chairman, representative of SoftMobile Technology Corp.

Note 16: Chairman, representative of Top Information Technologies Co., Ltd.

Director, representative of Concord System Management Corp. and Sanfran Technology Inc.

Note 17: Chairman, representative of Palsys Digital Technology Corp.

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Director, representative of Smartsys Technology Corp., Dawning Technology Inc. and CKmates International Co., Ltd.

Note18: Chairman, representative of uniXecure Corp., Taiwan Information Service Technology Corp.

Director, representative of Syswiser Technology Corp., Aiwin Technology Co., LTD. and Onward Security Corp.

Note 19: Director, representative of Hanmore Investment Corp.

Supervisor, representative of Ching Pu Investment Corp., Golden Bridge Information Corp., Systex Software & Service Corp., Syscore Corp., Syslong Corp., Smartsys Technology Corp., Syswiser Technology Corp., uniXecure Corp., Syspower Corp., Top Information Technologies Co., Ltd. and E-service Information Corp.
Supervisor, Dawning Technology Inc., Taiwan Information Service Technology Corp. and Palsys Digital Technology Corp.

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3.3 Remuneration of Directors and Management Team

3.3.1 Remuneration of Directors

Unit: NT\$ thousands As of December 31, 2021

Title	Name	Remuneration						Total Compensation Amount and Ratio of (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees				Total Compensation Amount and Ratio of (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary		
		Base Compensation (A) (Note 2)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)		Severance Pay (F)		Profit Sharing- Employee Bonus (G) (Note 2)		The Company	Consolidated Entities		The Company	Consolidated Entities
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	Cash	Stock	Cash	Stock					
Chairman	Lin, Lung-Fen	-	-	17,171	17,171	370	370	17,541	17,541	37,678	38,149	190	190	5,976	-	61,385	61,856	-
Director	Huang, Tsong-Jen	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Cheng, Deng-Yuan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Lu, Ta-Wei	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Shaw, Shung-Ho	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Hsieh, Chin-Ho	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Huang, Ting-Rong	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Huang, Chi-Rong	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Joway Investment Co.,Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director Representative	Lin, Chih-Min	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director Representative	Wu, Cheng-Huan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent Director	Huang, Jih-Tsan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent Director	Cheng, Wen-Feng	690	690	8,585	8,585	225	225	9,500	9,500	-	-	-	-	-	9,500	9,500	-	
Independent Director	Lai, Chien-Hua	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration:

The remuneration to independent directors included bonus, base compensation and allowances. The payment of bonus to directors is in accordance with "Articles of Incorporation." And according to "Procedure for distribution for directors' remuneration", independent directors have different cardinality to distribution bonus.

According to the resolution of the board of directors, independent directors receive fixed base compensation quarterly.

The allowances is charged each time the board of directors or functional committee is attended in person.

Independent directors of the company assume the office of member of Audited committee and remuneration committee to deliberate various matters.

Independent directors are charged with duties, risk, and time input more than general directors.

The three Independent directors are with independence and professionalism. They has given independent options for material matters and played the role of supervision and balance. And they keep the well communication with CPAs and Audit

Division to understand the financial status and internal control system of the company.

2. Other than disclosure in the above table, Directors remunerations earned by providing services (i.e. non-employee consulting services) to companies which are listed in financial reports in 2019: None.

Note 1: The amount of remuneration received by Directors shall be determined by the Board of Directors according to the contribution of the individual and extent of involvement in the Company's operations; general remuneration standards within the domestic and international industries are also duly referenced. The personal expenditure of vehicles allocated to Directors was NT\$1,092 thousands, and the annual salary of drivers amounted to NT\$611 thousands.

Note 2: The consolidated net profit after tax in 2021 (excluding non-controlling interests) was NT\$1,213,916 thousands

Note 3: The 2021 directors' and employees' remuneration distribution plan is NT\$25,756 thousands and NT\$38,635 thousands had been approved by Borad of Director.

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Range of Remuneration	Name of Directors					
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)			
	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities
Under NT\$ 1,000,000	Lin, Chih-Min (Note), Wu, Cheng-Huan (Note)	Lin, Chih-Min (Note), Wu, Cheng-Huan (Note)	Lin, Chih-Min (Note), Wu, Cheng-Huan (Note)	Lin, Chih-Min (Note), Wu, Cheng-Huan (Note)	Lin, Chih-Min (Note), Wu, Cheng-Huan (Note)	
NT\$1,000,000 (included) ~ NT\$2,000,000 (excluded)	Huang, Tsong-Jen, Cheng, Deng-Yuan, Hsieh, Chin-Ho, Shaw, Shung-Ho, Lu, Ta-Wei, Huang, Ting-Rong, Huang, Chi-Rong	Huang, Tsong-Jen, Cheng, Deng-Yuan, Hsieh, Chin-Ho, Shaw, Shung-Ho, Lu, Ta-Wei, Huang, Ting-Rong, Huang, Chi-Rong	Huang, Tsong-Jen, Hsieh, Chin-Ho, Shaw, Shung-Ho, Lu, Ta-Wei, Huang, Ting-Rong, Huang, Chi-Rong	Huang, Tsong-Jen, Hsieh, Chin-Ho, Shaw, Shung-Ho, Lu, Ta-Wei, Huang, Ting-Rong, Huang, Chi-Rong	Huang, Tsong-Jen, Hsieh, Chin-Ho, Shaw, Shung-Ho, Lu, Ta-Wei, Huang, Ting-Rong, Huang, Chi-Rong	
NT\$2,000,000 (included) ~ NT\$3,500,000 (excluded)	Huang, Jih-Tsan, Cheng, Wen-Feng, Lai, Chien-Hua, Joway Investment Co., Ltd.	Huang, Jih-Tsan, Cheng, Wen-Feng, Lai, Chien-Hua, Joway Investment Co., Ltd.	Huang, Jih-Tsan, Cheng, Wen-Feng, Lai, Chien-Hua, Joway Investment Co., Ltd.	Huang, Jih-Tsan, Cheng, Wen-Feng, Lai, Chien-Hua, Joway Investment Co., Ltd.	Huang, Jih-Tsan, Cheng, Wen-Feng, Lai, Chien-Hua, Joway Investment Co., Ltd.	
NT\$3,500,000 (included) ~ NT\$5,000,000 (excluded)	Lin, Lung-Fen	Lin, Lung-Fen	Lin, Lung-Fen	Lin, Lung-Fen	Lin, Lung-Fen	
NT\$5,000,000 (included) ~ NT\$10,000,000 (excluded)					Cheng, Deng-Yuan	
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)						
NT\$15,000,000 (included) ~ NT\$30,000,000 (excluded)						
NT\$30,000,000 (included) ~ NT\$50,000,000 (excluded)					Lin, Lung-Fen	
NT\$50,000,000 (included) ~ NT\$100,000,000 (excluded)						
Over NT\$100,000,000						
Total	14	14	14	14	14	14

Note: Representative of Joway Investment Co., Ltd.

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3.3.2 Remuneration of Management Team

Unit: NT\$ thousands As of December 31, 2021

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)		Total Compensation Amount and Ratio of (A+B+C+D) to net income (%)		Other Compensation from non-subsidiary affiliates
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	
President	Lin, Lung-Fen											
Chief Strategy Officer & Senior Vice President	Cheng, Deng-Yuan											
CFO, Corporate Governance Officer & Vice President	Chung, Chih-Chun											
CHO, CSO & Vice President	Huang, Yu-Jen											
CCO & Vice President	Liu, Kuan-Lin											
Vice Chief Strategy Officer & Vice President	Lin, Jen-Shou											
Senior Vice President	Yang, Shih-Chung											
Senior Vice President	Fan, Jee-Der											
Senior Vice President	Su, Kou-Lin	47,146	47,616	2,316	2,316	75,152	75,152	7,487	-	132,571	194	
Vice President	Chang, Huang-Yu											
Vice President	Chang, Ying-Chin											
Vice President	Lin, Wen-Kuei											
Vice President	Hsiao, Wei-Chun											
Vice President	Pan, Tieh-Yi											
Vice President	Wu, Wen-Shuen											
Vice President	Tao, Yea-Kuan											
Vice President	Tang, Yin-Soon											
Chief Audit Executive	Tsai, Chun-Hsiung											

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Note 1: The 2021 employees' remuneration distribution plan is NT\$38,635 thousands had been approved by Board of Director.

Note 2: The consolidated net profit after tax in 2021 (excluding non-controlling interests) was NT\$1,213,916 thousands.

Note 3: The amount of remuneration received by President and Vice Presidents shall be determined according to the contribution of the individual and extent of involvement in the Company's operations; general remuneration standards within the domestic and international industries are also duly referenced. The personal expenditure of vehicles and house allocated to Managers was NT\$1,984 thousands and the annual salary of drivers amounted to NT\$611 thousands.

Range of Remuneration	Name of President and Vice Presidents	
	The Company	Consolidated Entities
Under NT\$ 1,000,000		
NT\$1,000,000 (included) ~ NT\$2,000,000 (excluded)	Chang, Ying-Chin	Chang, Ying-Chin
NT\$2,000,000 (included) ~ NT\$3,500,000 (excluded)		
NT\$3,500,000 (included) ~ NT\$5,000,000 (excluded)	Chang, Huang-Yu, Lin, Wen-Kuei, Pan, Tieh-Yi, Wu, Wen-Shuen, Tang, Yin-Soon, Lin, Jen-Shou, Tsai, Chun-Hsiung	Chang, Huang-Yu, Lin, Wen-Kuei, Pan, Tieh-Yi, Wu, Wen-Shuen, Tang, Yin-Soon, Lin, Jen-Shou, Tsai, Chun-Hsiung
NT\$5,000,000 (included) ~ NT\$10,000,000 (excluded)	Cheng, Deng-Yuan, Chung, Chih-Chun, Huang, Yu-Jen, Yang, Shih-Chung, Fan, Jee-Der, Hsiao, Wei-Chun, Tao, Yea-Kuan, Liu, Kuan-Lin	Cheng, Deng-Yuan, Chung, Chih-Chun, Huang, Yu-Jen, Yang, Shih-Chung, Fan, Jee-Der, Hsiao, Wei-Chun, Tao, Yea-Kuan, Liu, Kuan-Lin
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)	Su, Kou-Lin	Su, Kou-Lin
NT\$15,000,000 (included) ~ NT\$30,000,000 (excluded)		
NT\$30,000,000 (included) ~ NT\$50,000,000 (excluded)	Lin, Lung-Fen	Lin, Lung-Fen
NT\$50,000,000 (included) ~ NT\$100,000,000 (excluded)		
Over NT\$100,000,000		
Total	18	18

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3.3.3 Employees' remuneration

Unit: NT\$ thousands As of January 1, 2022

	Title	Name	Stock (Note1)	Cash (Note 1)	Total	Ratio of Total Amount to Net Income (%) (Note 2)
Management Team	President	Lin, Lung-Fen	-	7,570	7,570	0.62
	Chief Strategy Officer & Senior Vice President	Cheng, Deng-Yuan				
	CFO, Corporate Governance Officer & Vice Presidents	Chung, Chih-Chun				
	CHO, CSO & Vice President	Huang, Yu-Jen				
	CCO & Vice President	Liu, Kuan-Lin				
	Vice Chief Strategy Officer & Vice President	Lin, Jen-Shou				
	Senior Vice President	Yang, Shih-Chung				
	Senior Vice President	Fan, Jee-Der				
	Senior Vice President	Su, Kou-Lin				
	Vice President	Chang, Huang-Yu				
	Vice President	Chang, Ying-Chin				
	Vice President	Lin, Wen-Kuei				
	Vice President	Tang, Yin-Soon				
	Vice President	Hsiao, Wei-Chun				
	Vice President	Pan, Tieh-Yi				
	Vice President	Wu, Wen-Shuen				
	Vice President	Tao, Yea-Kuan				
	Chief Audit Executive	Tsai, Chun-Hsiung				
	Accounting Manager	Cheng, Yuan-Yih				

Note 1: The 2021 employees' remuneration distribution plan is NT\$38,635 thousands had been approved by Borad of Director.

Note 2: The consolidated net profit after tax in 2021 (excluding non-controlling interests) was NT\$1,213,916 thousands.

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3.3.4 Comparison of Remuneration for Directors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Presidents and Vice Presidents

- A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, presidents and vice presidents of the Company, to the net income.

Title	Ratio of total remuneration paid to directors, presidents and vice presidents to net income (%)			
	2020		2021	
	The Company	Consolidated Entities	The Company	Consolidated Entities
Directors	4.57	4.60	5.84	5.88
President and Vice Presidents	6.70	6.70	10.88	10.92

- B. Policies, standards, and combination of remuneration payment to directors, President, and Vice President, the remuneration determination procedure, and the relationship between operation performance and future risk.

- (a) Director remuneration includes remuneration, salary, and travel expenses etc. Independent Directors are paid fixed amounts of remuneration every quarter in accordance with the resolutions of Board of Directors meetings. Travel expenses are paid each time Directors attend Board of Directors or functional committee meetings in person. The remuneration of the chairman and directors of the company is based on their participation in the company's operations and the value of their contributions, their personal performance and the company's long-term business performance, and comprehensively consider the company's business risks and authorize the board of directors to decide it. The Company's remuneration Directors shall be no over 2% of the earnings before tax of the year and before deducting remuneration for employees and Directors.

The Company stipulated the "Procedures for the board performance evaluation". The measurement items of directors include: mastery of the company's goals and tasks, directors' awareness of responsibilities, participation in the company's operations, internal relationship management and communication, directors' professional and continuous education and internal control, etc., and the directors' remuneration will be distributed according to the evaluation results.

Director remuneration includes remuneration, salary, and travel expenses etc. Independent Directors are paid fixed amounts of remuneration every quarter in accordance with the resolutions of Board of Directors meetings. Travel expenses are paid each time Directors attend Board of Directors or functional committee meetings in person. The Company's remuneration Directors shall be no lower than 0.1% and under 2% of the earnings before tax of the year and before deducting remuneration for employees and Directors.

- (b) Remuneration for the President and Vice President are including monthly salary, bonus, employee remuneration, retirement allowance, etc. Salary payments are not only linked to their job responsibilities, professional abilities, performance goals, management areas and reference market salary levels, etc., but also highly linked to financial and non-financial KPI performance goals; Financial aspects include corporate sustainability indicators such as strategic development, leadership management, legal compliance, cyber security, talent cultivation, and corporate social image enhancement; and measure special contributions or major impact events, and include performance and remuneration considerations to motivate managers to achieve And go beyond the company's goals, create profits, improve business performance, pay attention to the company's long-term business goals, and implement the relationship between managers' compensation and the company's business

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performance.

- (c) The Company has established a Remuneration Committee to be in charge of the performance evaluation of Directors and managerial officers, set and reviewing the remuneration policy, system standards and structure, and conduct periodic review on the accomplishment of performance targets in order to build a comprehensive remuneration system for the Company's Directors and managerial officers.

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3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

The 9th Board of Directors (commenced from June 13, 2019)

A total of 7 (A) meetings of the Board of Directors were held in the previous period. The attendance of directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Lin, Lung-Fen	7	0	100%	
Director	Huang, Tsong-Jen	7	0	100%	
Director	Cheng, Deng-Yuan	6	1	85.7%	
Director	Lu, Ta-Wei	7	0	100%	
Director	Shaw, Shung-Ho	7	0	100%	
Director	Hsieh, Chin-Ho	7	0	100%	
Director	Huang, Ting-Rong	7	0	100%	
Director	Huang, Chi-Rong	7	0	100%	
Director	Lin, Chih-Min (Representative of Joway Investment Co., Ltd.)	7	0	100%	
Director	Wu, Cheng-Huan (Representative of Joway Investment Co., Ltd.)	7	0	100%	
Independent Director	Huang, Jih-Tsan	7	0	100%	
Independent Director	Cheng, Wen-Feng	7	0	100%	
Independent Director	Lai, Chien-Hua	7	0	100%	

Other mentionable items:

(1) The date of the Board meeting, the term, contents of the proposals, opinions of all Independent Directors, and the Company's handling of opinions of Independent Directors shall be recorded under the following circumstances in the operations of the Board of Directors meeting:

- A. Items listed in Article 14-3 of the Securities and Exchange Act: Not applicable, since the Company has already established the Audit Committee.
- B. With the exception of the aforementioned items, resolutions adopted by the Board of Directors, to which an Independent Director has a dissenting or qualified opinion that is on record or stated in a written statement: Not applicable.

(2) Directors abstaining in certain proposals for being a stakeholder (the name of the Director(s), the content of the proposal, reasons for abstentions and the results of voting counts shall be stated):

- A. On February 23, 2021, the Board of Directors discussed: (i) The review results of managerial officers for the second half of 2020; (ii) The distribution of year-end bonus, group performance reward and employee remuneration, excess profit bonus and annual remuneration for managerial officers for 2020; (iii) 2021 KPI settings and remuneration plan for the Company's managerial officers. As Directors Lin, Lung-Fen and Cheng, Deng-Yuan serve concurrently as the Company's managerial officers, they recused themselves when the discussion involved their interest and the other Directors in attendance passed the proposal unanimously.
- B. On August 4, 2021, the Board of Directors discussed the review results of managerial officers for the first

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half of 2021. As the Director Cheng, Deng-Yuan serves concurrently as the Company's managerial officers, he recused himself when the discussion involved his interest and the other Directors in attendance passed the proposal unanimously.

(3) Board of Director Performance Evaluation:

For effective corporate governance and better board performance, the Company has established the "Regulations on Board of Director Performance Evaluation" on August 10, 2017.

It was passed in the board meeting and it stipulates an internal performance evaluation for the Board of Directors at once every year.

Implementation situation:

Evaluation cycles	Evaluation periods	Scope of evaluation	Method of evaluation	Indexes of evaluation
Once a year	Year 2021 from January 1 to December 31	Evaluation scope covers the evaluation of the board as a whole, individual directors and functional committees	Methods of inside evaluations include the internal evaluation of the board and functional committees, self-evaluation by individual board members.	1. The board of directors, which should cover: <ul style="list-style-type: none"> ● Participation in the operation of the company; ● Improvement of the quality of the board of directors' decision making; ● Composition and structure of the board of directors; ● Election and continuing education of the directors; ● Internal control. 2. The board members, which should cover: <ul style="list-style-type: none"> ● Alignment of the goals and missions of the company; ● Awareness of the duties of a director; ● Participation in the operation of the company; ● Management of internal relationship and communication; ● The director's professionalism and continuing education; ● Internal control. 3. Functional committees, which should cover: <ul style="list-style-type: none"> ● Participation in the operation of the company; ● Awareness of the duties of the functional committee; ● Improvement of quality of decisions made by the functional committee; ● Makeup of the functional committee and election of its members; ● Internal control.
Once three years	From October 1, 2020 to September 30, 2021	Board of Directors	Methods of outside evaluations: Appointed the Taiwan Corporate Governance Association to evaluate by means of questionnaires and on-site visits	The composition, the guidance, the authorization, the supervision, the communication of the board of directors and internal control risk, the self-discipline of directors, and other aspects (such as board meetings, support systems, etc.).

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Internal evaluations:

The results of the 2021 performance evaluation were submitted to the Board of Directors on February 23, 2022. If a score of 80 points is deemed to meet standards, the results of performance evaluation for the Company's Board of Directors, Audit Committee, Remuneration Committee, and individual Directors were all above 80 points, demonstrating the satisfactory overall operations of the Board that is in line with the Company's corporate governance principles.

External evaluations:

In July 2021, the Taiwan Corporate Governance Association was appointed to perform the 2021 external board effectiveness evaluation (period from October 1, 2020 to September 30, 2021). The institution and executive experts have no business dealings with the company and are independent. Questionnaires and on-site inspections were used to evaluate the composition of the board of directors, guidance, authorization, supervision, communication, internal control and risk management, self-discipline and others. The Corporate Governance Association issued an assessment on November 25, 2021. Evaluate the board effectiveness evaluation report and distribute the report to all board members, and its recommendations and expected improvement measures have been submitted to the board report on February 23, 2022.

(4) Measures taken to strengthen the functionality of the board:

A. The Company elected three Independent Directors in the election of the 9th Board of Directors in the general shareholders' meeting on June 13, 2019 and established the Audit Committee and the Remuneration Committee on the same day. The state of operations of The Audit Committee and the Remuneration Committee refer to page 41~44 and 54~55.

B. Chung, Chih-Chun, CFO of the Company has been the Corporate Governance Officer on March 19, 2020 and the CFO Office setting 4 members is in charge of related affairs regarding corporate governance in the Company.

They are responsible for board meetings, arranging training for directors, performance evaluation of the board of directors, and corporate governance-related matters, fully assisting board members to perform their duties, and improving the efficiency of board operations.

C. Appointed the Taiwan Corporate Governance Association to evaluate the performance of Borad of Director in July.

D. Arranged the courses for Directors' continuing studies in May and November.

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3.4.2 Audit Committee

A total of 6 (A) meetings of Audit Committee of the Board of Directors were held in the previous period. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent director	Huang, Jih-Tsan	6	0	100%	
Independent director	Cheng, Wen-Feng	6	0	100%	
Independent director	Lai, Chien-Hua	6	0	100%	

Other mentionable items:

(1) The date of the Board meeting, the term, contents of the proposals, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be recorded under the following circumstances in the operations of the Audit Committee meeting:

A. Items specified in Article 14-5 of the Securities and Exchange Act:

Meeting Dates	Contents Proposed	Resolutions of the Audit Committee	Handling of the resolutions of the Audit Committee
February 24, 2021	The "Statement of Internal Control System" for 2020.	Approved	N/A
	The business report and the financial statements for 2020.	Approved	N/A
April 14, 2021	The amended Internal Control System.	Approved	N/A
	The 2020 earnings distribution proposal	Approved	N/A
May 5, 2021	Financial Statements for the First Quarter Ended of 2021.	Approved	N/A
August 4, 2021	Financial Statements for the Second Quarter Ended of 2021.	Approved	N/A
	The improvement plan of the endorsement guarantee for Rainbow Tech Information (HK) Ltd.	Approved	N/A
November 2, 2021	Financial Statements for the Third Quarter Ended of 2021.	Approved	N/A
	The loan funds to subsidiaries (System Software & Service Corp., System Solutions Corp., and Concord System Management Corp.)	Approved	N/A
December 22, 2021	The endorsement guarantee for System Group (China) Ltd.	Approved	N/A
	The endorsement guarantee for System Information (H.K.) Ltd.	Approved	N/A
	The Audit Fee for 2021.	Approved	N/A
	The independence and adaptability of CPA.	Approved	N/A

B. With the exception of the aforementioned items, any issues that are not agreed by the Audit Committee but passed by more than two-thirds of all Directors: No such occurrences.

(2) If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

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(3) Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)

A. The Company's Audit Committee shall be solely composed of Independent Directors and meetings shall be convened at least once a quarter. Ad-hoc meetings shall be held whenever necessary.

B. Communication between the chief internal auditor and the Audit Committee:

a. Periodic: Report the findings in audits and the status of improvement on irregularities to the Audit Committee; respond to all questions submitted by the Independent Directors, and enhance the contents of auditing tasks in accordance with their instructions to ensure the effectiveness of the internal control system.

b. Non-periodic: Use telephone, email, or face-to-face communication to communicate discoveries in the audits and how to continuously increase the value of audits. In the event of material violation, the Independent Directors shall be notified immediately.

c. Summaries of communication in 2021:

Date	Communication Content	Results
Audit Committee on February 24, 2021	The implementation of audit program from January to February, 2021.	Noticed.
	The "Statement of Internal Control System" for 2020.	Approved and referred to the Board.
Audit Committee on April 14, 2021	The implementation of audit program in March, 2021.	Noticed.
	The amended the Internal Control System	Approved and referred to the Board.
Audit Committee on May 5, 2021	The implementation of audit program in April, 2021.	Noticed.
Audit Committee on August 4, 2021	The implementation of audit program from May to July, 2021.	Noticed.
Audit Committee on November 2, 2021	The implementation of audit program from August to September, 2021.	Noticed.
Audit Committee on December 22, 2021	The implementation of audit program from October to December, 2021.	Noticed.
	The Audit program for 2022.	Approved and referred to the Board.

C. Communication between the CPAs and the Audit Committee:

a. Periodic: The CPAs shall communicate with the Audit Committee on the audit plan, execution status, and results in the periods before and after the semi-annual and annual audit reports.

b. Non-periodic: Meetings may be arranged in the event that operations or internal controls require immediate communication on related cases.

c. Summaries of communication in 2021:

Date	Item	Communication Content	Results
February 24, 2021	Financial Statement for Year 2020	Consolidated and Unconsolidated Financial Statements for Year 2020	Report the audited adjustments of Year 2020 Financial Statement. We discuss and communicate the applicability of certain accounting principles.

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Date	Item	Communication Content	Results
	Key audit items	The impairment evaluation for accounts receivable were the key audit items in 2020.	The most important items of Systex Group's 2020 Consolidated Financial Statements as per the professional judgment of the CPA.
	Intangible assets impairment assessment	Because of the characteristics of IT industry and the short product cycle, it is recommended that the company continuously evaluate the use efficiency of intangible assets. If there is any impairment, the impairment loss should be reported in the financial statements in timely.	The company regularly inspects and evaluates the intangible assets for its own use. If there is any impairment, the impairment loss can be reflected in the financial statements in timely.
	Purchasing Management of Software	In 2019 and 2020, the subsidiary Systex Software & Service Corp. recognized the loss of inventory impairment, which was mainly due to the amount of software stocking that OO Company had not announced for bidding.	The company has re-examined the internal control related to the purchase of software from the original factory to ensure that the internal control procedures for procurement are sufficient to comply with the original factory regulations and control the risk of inventory loss.
	Statute Update - Corporate Governance 3.0	According to the scale of the capital, the FSC will promote listed companies to publish the annual financial information since the end of the year and shorten the period for the announcement of the annual financial report after the audit. Since 2023, the company must announce the financial information of the 2022 since the end of the year within 75 days after the end of the year.	The company will cooperate with Corporate Governance 3.0 to shorten the reporting period for the annual financial report announcement after the audit, and the self-closing financial report from 2022 will be announced within 75 days after the end of the year.
		In 2021, the "quarterly financial statements are approved by the audit committee" as indicator of corporate governance evaluation of listed companies.	The company has begun the first quarter of 2021 to submit quarterly financial statements to the audit committee for approval.
August 4, 2021	Financial Statements for the Second Quarter Ended June 30, 2021	Consolidated Financial Statements for the Second Quarter Ended of 2021.	Report the adjustments of financial statements for the Second Quarter Ended of 2021. We discuss and communicate the newly-announced "Statements on Auditing Standards" and the amendment of decree.

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Date	Item	Communication Content	Results
	Investments accounted for using equity method	SYSTEX Group will continue to increase its investment in XX Company in 2021. In March 2021, the cumulative investment has exceeded 20%, and it has been transferred to the investment using the equity method. It is recommended that the company establish a communication channel with it as soon as possible to ensure the correctness of investment evaluation.	The company has coordinated with OO company to provide self-closing financial statements to the company after the monthly closing and the next month's revenue announcement.

(4) Annual work summary:

The Audit Committee has been assembled by three Independent directors and supervise item follows:

- A. Fair presentation of the financial reports of this Corporation.
- B. The hiring (and dismissal) and independence of certificated public accountants of the Company.
- C. The effective implementation of the internal control system of the Company.
- D. Compliance with relevant laws and regulations by the Company.
- E. Management of the existing or potential risks of the Company.

The Audit Committee held 6 meetings in 2021 to review related proposals, including of the business report and the financial statements for 2020 and the from First to Third Quarter Ended, 2021, the loan funds and endorsement guarantee for subsidiaries, the Audit Fee for 2021, and the amended Internal Control System.

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3.4.3 Corporate Governance – Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation item	Implementation Status		Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	
1. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V	On March 19, 2015, the Board of Directors of the Company adopted a resolution to formulate the "Corporate Governance Best Practice Principles". Over the years, it has been revised in line with laws and practical operations. The last revision was made by the Board of Directors on August 4, 2020 and has been disclosed on the MOPS and the company website.	None
2. Shareholding Structure and Shareholders' Rights (1) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters If yes, have these procedures been implemented accordingly? (2) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders? (3) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates? (4) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	V	<p>(1) The Company has established the "Rules and Procedures for Shareholders' Meetings" in accordance with regulations and shareholders may file suggestions in the shareholders' meeting. The Company also established a spokesperson and acting spokesperson system to process shareholder suggestions or disputes.</p> <p>(2) The company possess the list of its major shareholders as well as the ultimate owners, so as to understand the shareholding structure and make declarations in accordance with regulations.</p> <p>(3) The Company has established the "Rules Governing Operations, Business and Financial Matters with Specific Companies, Group Enterprises, and Related Parties" to strictly control and monitor subsidiaries' rights to conduct loans, endorsements, guarantees, and operations in derivatives in order to ensure the enforcement of internal controls and internal auditing for the purpose of risk management and maintenance of a firewall system.</p> <p>(4) The Company has established "Procedures for Handling Material Internal Information" and educated the internal staff on the restriction of trading securities based on information that has not been disclosed on the market.</p>	None

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Evaluation item	Implementation Status		Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	
<p>3. Composition and responsibilities of the board of directors</p> <p>(1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?</p> <p>(2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?</p> <p>(3) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?</p> <p>(4) Does the Company regularly evaluate its external auditors' independence?</p>	V	<p>(1) The members of the Company's Board of Directors shall be selected for their knowledge, skills, and competencies required for executing their duties based on existing operations and actual requirements in order to enhance the capabilities of the Board of Directors.</p> <p>(2) The Company has established the Remuneration Committee and Audit Committee but no other functional committees.</p> <p>(3) For effective corporate governance and better board performance, the Company has established the "Regulations on Board of Director Performance Evaluation" on August 10, 2017. It was passed in the board meeting and it stipulates an internal performance evaluation at once every year and external performance evaluation at once every three years for the Board of Directors.</p> <p>The results of the 2021 performance evaluation were submitted to the Board of Directors on February 23, 2022.</p> <p>(4) The financial statements of the company have been audited by Deloitte & Touche. The Board of Directors shall regularly evaluate the independence and adaptability of the certifying accountant. The independence and adaptability of the CPA has been evaluated on December 22, 2021. Inspections have shown that the appointment of the CPA is not involved in financial interests, financing, guarantees, and close business relations with the Company, non-auditing businesses, or violation of independence of the CPA.</p> <p>In addition, the CPA does not hold any of the Company's shares, nor is the CPA hired</p>	<p>However, the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and related regulations shall apply where there are regulatory or actual requirements.</p>

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Evaluation item	Implementation Status		Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	
		<p>by the Company or serves in the Company or a violation of the Certified Public Accountant Act or Article 37 of the Securities and Exchange Act those results in penalty by the Financial Supervisory Commission. After inspections, the Company's certifying accountant has been verified to be in compliance with requirements for independence as specified in the Certified Public Accountant Act and related regulations and the items of adaptability.</p>	
<p>4. Does the TWSE/TPEx listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?</p>	V	<p>Chung, Chih-Chun, CFO of the Company has been the Corporate Governance Officer and the CFO Office setting sufficient members is in charge of related affairs regarding corporate governance in the Company. The Office has accumulated more than three years of work experience in financial management in public companies.</p> <p>Related corporate governance affairs include supplying information to Directors for the performance of their affairs, assisting Directors in regulatory compliance, organizing shareholders meetings and Board of Directors meetings in accordance with laws, producing meeting minutes, and processing company registration and change of registration.</p> <p>The status of business operations in 2021 was as follows:</p> <ol style="list-style-type: none"> 1. The Office planned the schedules for the meetings of the Board of Directors and the Audit Committee for the year, formulated meeting agenda, assisted the chairmen in convening meetings in accordance with laws, and delivered meeting information and agenda within the required time. 2. The Office was responsible for examining matters related to the release of material information about the important resolutions approved by the Board of Directors to ensure the legality and accuracy of the content of the material information and maintain information symmetry for investor trading. 3. Assist directors in performing their duties and improve the effectiveness of the board of directors, and be responsible for handling matters required by directors. 4. The Office organized courses on May 5 and November 2 for Directors to meet the number of course hours recommended in the regulations. 5. The Office assisted the implementation of internal performance evaluation for the Board of Directors. 6. The Office processed related affairs in the shareholders meeting in accordance with 	None

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Evaluation item	Implementation Status		Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	
		Summary Description laws and announces the Procedures Manual, Annual Report, and related information in Chinese and English before the benchmark deadlines specified in the Corporate Governance Evaluation. 7. Update the company's website information on time to enable investors to understand the company's financial, business, and corporate governance information to protect shareholders' rights.	
5. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	V	The Company has established a stakeholder area on the company website and assigned a contact window to be directly responsible for communications with stakeholders. The Company respects and maintains their legal rights and they may contact the Company through telephone or email at any time.	None
6. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	V	The Company has appointed the Department of Stock Affairs at Yuanta Securities Co., Ltd. to process affairs related to shareholders' meetings.	None
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status? (2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure,	V V	 (1) The Company has established a corporate website. Disclosed information can also be found on the Market Observation Post System. (2) The Company's website is available in Traditional Chinese and English. The Company has designated a unit responsible for the collection and disclosure of company information and implemented a spokesperson system.	 None

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Evaluation item	Implementation Status		Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	
<p>appointing spokespersons, webcasting investors conference etc.]?</p> <p>(3) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?</p>	V	<p>(3) The financial statements for the first, second and third quarters has been announced before the specified deadline. The annual financial statements in 2021 has been announced on February 23, 2022.</p>	
<p>8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?</p>	V	<p>(1) Employee benefits and care: In addition to following the regulations in the Labor Standards Act and related laws, the Company also established an Employee Welfare Committee to provide various subsidies and organize events. Please refer to pages 98~102.</p> <p>(2) Investor relations: The Company has established a spokesperson and shareholder service department to announce information on behalf of the Company. The Company also established an investor service area on the company website for shareholders to find information on the Company's operating status at any time.</p> <p>(3) Supplier relations and stakeholder rights: The Company maintains good relations as well as open and effective communication channels with suppliers, financial institutions, other creditors, and clients. The Company has established a stakeholder area on the company website and assigned a contact window to be directly responsible for communications with stakeholders. The Company respects and maintains their legal rights.</p> <p>(4) Directors' continued studies:</p>	None

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Title	Name	Course	Hours
Chairman	Lin, Lung-Fen	The trend of ESG/CSR and sustainable governance in 2021 Corporate Resilience: Seeing the World from an Internet Perspective	3
Director	Huang, Tsong-Jen	The trend of ESG/CSR and sustainable governance in 2021 Corporate Resilience: Seeing the World from an Internet Perspective	3
Director	Cheng, Deng-Yuan	The trend of ESG/CSR and sustainable governance in 2021 Corporate Resilience: Seeing the World from an Internet Perspective	3
Director	Lu, Ta-Wei	The trend of ESG/CSR and sustainable governance in 2021 Corporate Resilience: Seeing the World from an Internet Perspective	3
Director	Shaw, Shung-Ho	The trend of ESG/CSR and sustainable governance in 2021 Corporate Resilience: Seeing the World from an Internet Perspective	3
Director	Hsieh, Chin-Ho	The trend of ESG/CSR and sustainable governance in 2021 Corporate Resilience: Seeing the World from an Internet Perspective	3
Director	Huang, Ting-Rong	The trend of ESG/CSR and sustainable governance in 2021 Corporate Resilience: Seeing the World from an Internet Perspective	3
Director	Huang, Chi-Rong	The trend of ESG/CSR and sustainable governance in 2021 Corporate Resilience: Seeing the World from an Internet Perspective	3
Director	Lin, Chih-Min	The trend of ESG/CSR and sustainable governance in 2021	3

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Evaluation item	Implementation Status		Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons																					
	Yes	No																						
		<table border="1"> <thead> <tr> <th colspan="2">Summary Description</th> <th></th> </tr> </thead> <tbody> <tr> <td>Accounting Manager</td> <td>Cheng, Yuan-Yih</td> <td>The trend of ESG/CSR and sustainable governance in 2021 3</td> </tr> <tr> <td>Chief Audit Executive</td> <td>Tsai, Chun-Hsiung</td> <td>Corporate Resilience: Seeing the World from an Internet Perspective 3</td> </tr> <tr> <td></td> <td></td> <td>Fraud risk audit service and management 6</td> </tr> <tr> <td></td> <td></td> <td>War and Protection of Invisible Assets - Trade Secrets and Non-Competition 6</td> </tr> <tr> <td></td> <td></td> <td>The trend of ESG/CSR and sustainable governance in 2021 3</td> </tr> <tr> <td></td> <td></td> <td>Corporate Resilience: Seeing the World from an Internet Perspective 6</td> </tr> </tbody> </table> <p>(6) The implementation of risk management policies and risk evaluation measures: The Company has established the "Risk Assessment Board (RAB)" to review the Company's major transactions to reduce risks. Please refer to pages 282~290 for other risk management policies.</p> <p>(7) Customer protection policy: The Company is an information service company and provides service lines for various service items to protect customer interests.</p> <p>(8) Liability Insurance for Directors: The Company has purchased liability insurance for Directors and managerial officers in 2022 and reported to the Board Meeting on February 23, 2022.</p>	Summary Description			Accounting Manager	Cheng, Yuan-Yih	The trend of ESG/CSR and sustainable governance in 2021 3	Chief Audit Executive	Tsai, Chun-Hsiung	Corporate Resilience: Seeing the World from an Internet Perspective 3			Fraud risk audit service and management 6			War and Protection of Invisible Assets - Trade Secrets and Non-Competition 6			The trend of ESG/CSR and sustainable governance in 2021 3			Corporate Resilience: Seeing the World from an Internet Perspective 6	
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		Fraud risk audit service and management 6																						
		War and Protection of Invisible Assets - Trade Secrets and Non-Competition 6																						
		The trend of ESG/CSR and sustainable governance in 2021 3																						
		Corporate Resilience: Seeing the World from an Internet Perspective 6																						
<p>9. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement. (If the Company was not included among the companies evaluated for the given recent year, this item does not need to be completed.)</p> <p>(1) The items of improvement in 2021:</p> <p>A. The ESG Report in 2020 was published in the second half of 2021. The content structure of the report is prepared in accordance with the core options of the GRI Standards issued by the Global Reporting Initiative (GRI) and its reporting principles and authenticated AA1000ASV3 Licensed Assurance Statement (Type 1)_2104 by SGS. The report was disclosed in MOPS and the company website.</p> <p>B. In order to truly grasp the operational challenges that may be encountered in the face of the increase in ambient temperature, we will gradually build, manage, and</p>																								

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Evaluation item	Implementation Status		Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	
<p>implement an environmental management system from the beginning of quantification. In 2021, we will introduce three major systems, including the ISO 14001/50001/14064-1 environmental management system, to effectively track and control Various environmental performances, continue to reduce the negative impact of carbon emissions on the environment, and obtained 3 management certifications in November 2021.</p> <p>C. The company has formulated the intellectual property strategy and objectives and management system linked to the operational objectives and passed the A-level on-site review of the Taiwan Intellectual Property Management System (TIPS), and submitted its implementation to the board of directors on December 22, 2021, and disclosed on the company's website.</p> <p>D. The board of directors resolved to establish an "Integrity Corporate Management Committee" under the board of directors on March 19, 2020, responsible for the formulation and supervision of the implementation of integrity management policies and preventive measures, and to report to the board of directors on the implementation of 2021 on December 22, 2021.</p> <p>(2) The items of improvement in 2022:</p> <p>A. Formulate "Policies and Procedures of Risk Management" approved by the board of directors, disclose the scope of risk management, organizational structure and its operation, and report to the board of directors at least once a year.</p> <p>B. Formulate "Corporate Social Responsibility Best Practice Principles" approved by the board of directors.</p> <p>C. Formulate "Rule for impeached illegal and unethical or dishonest conduct" approved by the board of directors.</p>			

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3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

As of March 28, 2022

Capacity	Criteria	Professional qualifications and experience	Independence analysis	Number of other public companies at which the person concurrently serves as remuneration committee member
	Name			
Independent director (Convener)	Cheng, Wen-Feng	Please referred page 22~23, the Information Regarding the Professional Qualifications and Experience and the Independence of Independent Directors.		1
Independent director	Huang, Jih-Tsan			3
Independent director	Lai, Chien-Hua			0

B. Attendance of Members at Remuneration Committee Meetings

The Compensation Committee comprised of 3 members.

A total of 2 (A) Remuneration Committee meetings of the 9th Board of Directors (commenced from June 13, 2019) were held in the previous period.

The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) [B / A]	Remarks
Convener	Cheng, Wen-Feng	2	0	100%	
Committee Member	Huang, Jih-Tsan	2	0	100%	
Committee Member	Lai, Chien-Hua	2	0	100%	

Other mentionable items:

- (1) If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
- (2) Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified:

Meeting Dates	Contents Proposed	Resolutions of the Remuneration Committee	Handling of the resolutions of the Remuneration Committee
February 24, 2021	The 2020 director remuneration distribution plan.	Approved	Approved and referred to the Board.
	The 2020 employee remuneration distribution plan.	Approved	Approved and referred to the Board.
	The review results and bonuses of managerial officers for the second half of 2020.	Approved	Approved and referred to the Board.
	The distribution of the bonuses and annual remuneration for managerial officers of 2020.	Approved	Approved and referred to the Board.
	The 2021 KPI settings and remuneration structure for	Approved	Approved and referred to the Board.

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	managerial officers.		
	The amended institutions of remuneration for managerial officers.	Approved	Approved and referred to the Board.
August 4, 2021	The review results and bonuses of managerial officers for the first half of 2021.	Approved	Approved and referred to the Board.
	The amended the "Procedures for the board performance evaluation".	Approved	Approved and referred to the Board.

(3) Scope of responsibilities for the Remuneration Committee:

A. Establish and perform regular reviews of the Company Director and Manager's performance targets and compensation policy, system, standards, and structure.

B. Regularly evaluate the Company Director and Manager's performance targets and compensation.

3.4.5 Composition, Responsibilities and Operations of the Nomination committee: None.

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3.4.6 Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Item	Implementation Status		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	V	<p>1. In order to implement the sustainable development of the company, the company established an ESG executive team in 2020, the highest governance level is the chairman of the SYSTEX group, and set up "Chief Sustainability Officer (CSO)" in 2021, who is concurrently served by Huang, Yu-Jen, the CHO, to coordinate corporate governance, environmental sustainability, and happiness. Working groups such as employee and social participation, each group assigns relevant department heads as leaders to supervise the implementation of management projects, and assists in inventorying the responsible indicator data when compiling corporate sustainability reports. Promote coordination and cooperation among various departments of the company, and regularly report the implementation results to the chairman.</p> <p>2. The ESG executive team manages in accordance with the PDCA cycle, expecting to integrate sustainable development strategies into daily operations, and implement the sustainable spirit of continuous improvement and refinement.</p> <p>3. Implementation results in 2021: three meetings has been held on January 7, May 4 and December 6, and the ESG team has reported various plans and progress of sustainable development to the chairman.</p>	None
2. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V	<p>1. The information covers the sustainability performance of the SYSTEX Group's major operating locations from January to December in 2020. The risk assessment boundary includes SYSTEX's Taipei Headquarters and affiliated companies in Taiwan(Systex Software & Service Corp., SoftMobile Technology Corp., Systex Solutions Corp., Naturint Ltd., Concord System Management Corp., Syspower Corp., Top Information Technologies Co., Ltd., Taifon Computer Co., Ltd., Taiwan Information Service Technology Corp., Nexsys Corp., E-service Information Co.).</p> <p>2. The ESG Executive Team has conducted risk assessments on important issues in accordance with the principle of materiality.</p>	None
3. Environmental issues (1) Has the Company set an	V	(1) In order to truly grasp the potential impact of extreme weather on operations, the	None

III. Corporate Governance

Item	Implementation Status		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
<p>environmental management system designed to industry characteristics?</p> <p>(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?</p>	V	<p>company plans to introduce three major environmental management systems in 2020: "ISO 14001 Environmental Management System", "ISO 14064-1 Greenhouse Gas Inventory", and "ISO 50001 Energy Management System", in order to effectively track and manage various environmental data and performance actions, and reduce the negative impact on the environment during the operation process. And by the end of 2021, the third-party audit process will be completed, and three management certifications will be obtained, which has been disclosed in the sustainability report and the company's website.https://tw.system.com/esg-download/</p> <p>(2) The company formulates environmental protection policies, responds to energy conservation and carbon reduction, implements green procurement, purchases and leases products from manufacturers with energy-saving and energy-saving features with environmental protection labels, in order to reduce the load on the environment, and replaces and improves power-consuming equipment every year and promotes energy conservation. Take other measures, regularly check the ventilation pipeline and clean the blower, adjust the temperature of the air conditioner host, and set the air conditioner temperature to not be lower than 25 to 26 degrees Celsius. In November 2021, SYSTEX Neihu Headquarters will expand the EMS energy management system. The management system collects energy usage data, conducts energy usage efficiency analysis, and then sets equipment energy usage optimization parameters to improve energy usage efficiency.</p> <p>The target of purchasing green renewable energy in 2020 is 100,000 kWh, and the purchase of 100,000 kWh renewable energy certificate has been completed in June 2021.</p> <p>In 2021, the electricity consumption of SYSTEX Neihu Building Office is 5,536,879 kWh (equivalent to 2,779 metric tons of CO2 emissions), which is 5,692,079 kWh (equivalent to 2,897 metric tons of CO2 emissions) in 2020, reducing electricity consumption by 155,200 kWh, which is equivalent to reducing CO2 emissions 77.9 metric tons, a decrease of 2.73% from 2019. The electricity saving target in 2022 is to reduce electricity consumption by 1%, and the long-term cumulative reduction target in 2024 will be reduced by 5% compared with 2020.</p> <p>(3) According to the Global Risk Report (The Global Risk Report 2021) released by the</p>	
(3) Has the Company evaluated the	V		

III. Corporate Governance

Item	Implementation Status		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons																		
	Yes	No																			
<p>potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?</p> <p>(4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?</p>	V	<p>World Economic Forum, the company pointed out that "extreme climate events" and "climate action failures" are the risks with the highest possibility and impact, indicating that climate change is an issue that enterprises must pay attention to. For a complete assessment of the risks and opportunities associated with climate change, reference is made to Climate-related Financial Disclosures (TCFD) as a framework for differential analysis.</p> <p>The detailed content of climate change risk and opportunity analysis has been disclosed in the Sustainability Report. (https://tw.system.com/esg-download/)</p> <p>(4) a. The company's Neihu headquarters building will complete the ISO 14064-1 Scope 1, 2, and 3 inventory and third-party verification in 2020.</p> <p>Greenhouse gas emissions in the last two years:</p> <p style="text-align: center;">Unit: mt CO2e</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>Scope 1</th> <th>Scope 2</th> <th>Scope 3</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>13.8</td> <td>2,897.3</td> <td>698.0</td> </tr> <tr> <td>2021</td> <td>7.5</td> <td>2,779.5</td> <td>566.9</td> </tr> </tbody> </table> <p>In 2021, Scope 1 and Scope 2 emissions from electricity in Scope 2 totaled 2,787 mt CO2e, followed by indirect emissions from Scope 3 electricity totaling 566.9 mt CO2e.</p> <p>In addition, in response to climate change and to promote the company's sustainable operation, the company will continue to negotiate the purchase of renewable energy and invest in the development of energy-saving products in the future, and expects to achieve "net zero carbon emissions from the headquarters building" by the end of 2040.</p> <p>b. Water consumption in the last two years:</p> <p style="text-align: right;">Unit: degree</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>total consumption of water</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>22,555</td> </tr> <tr> <td>2021</td> <td>17,426</td> </tr> </tbody> </table>	Year	Scope 1	Scope 2	Scope 3	2020	13.8	2,897.3	698.0	2021	7.5	2,779.5	566.9	Year	total consumption of water	2020	22,555	2021	17,426	
Year	Scope 1	Scope 2	Scope 3																		
2020	13.8	2,897.3	698.0																		
2021	7.5	2,779.5	566.9																		
Year	total consumption of water																				
2020	22,555																				
2021	17,426																				

III. Corporate Governance

Item	Implementation Status		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons									
	Yes	No										
		<p>The company's Neihu headquarters building uses automatic induction water supply faucets and devices to adjust the flushing volume of toilets to save water. He also made water-saving slogans in the tea room, reminding colleagues to save water at any time and do their best for the earth. The water saving in 2021 will be 5,129 degrees less than the total number of degrees in 2020, a decrease of 23%. Starting in 2020, the 2023 target has been set to reduce by 5%.</p> <p>The company is committed to environmental protection. The ESG executive team conducts annual performance reviews and performs internal and external audits. In 2020, the Neihu headquarters building passed the ISO 14001 environmental management system verification.</p> <p>c. Waste output in the last two years:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th>Year</th> <th>general waste</th> <th>Unit:mt</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>58.8</td> <td></td> </tr> <tr> <td>2021</td> <td>56.7</td> <td></td> </tr> </tbody> </table> <p>Office waste is indeed sorted to reduce pollution to the environment. The contracted cleaning company is commissioned to collect statistics on waste and resource recovery every month to check performance.</p> <p>The company's waste output in 2021 will be 56.7 metric tons, a decrease of 1.8 metric tons (3%) compared with the output in 2020. The target for 2021 is to decrease by 1%, and the annual plan target has been achieved.</p>	Year	general waste	Unit:mt	2020	58.8		2021	56.7		
Year	general waste	Unit:mt										
2020	58.8											
2021	56.7											
<p>4. Social issues</p> <p>(1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</p>	V	<p>(1) The company supports and follows internationally recognized human rights norms and principles, including the "Universal Declaration of Human Rights", the "UN Global Compact" and the "Declaration of Fundamental Principles and Rights at Work" of International Labor Organization.</p> <p>The Company has established the "Policy of Human Right of SYSTEX and Subsidiaries" and has disclosed in the company's website.</p> <p>Implementation policy of the "Policy of Human Right of SYSTEX and Subsidiaries":</p> <p>A. Promote equal rights to work and prohibit any form of discrimination.</p>	None									

III. Corporate Governance

Item	Implementation Status		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
(2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	V	<p>B. Oppose workplace sexual harassment and illegal abuse.</p> <p>C. Forced labor and child labor are prohibited.</p> <p>D. Assist employees to maintain physical and mental health and work-life balance.</p> <p>E. Provide a safe, hygienic and healthy working environment.</p> <p>F. Establish multiple communication channels and respect employees' freedom of association.</p> <p>Other contents of the "Policy of Human Right of SYSTEX and Subsidiaries" has be disclosed in the sustainability report and the company's website. (https://tw.systex.com/employee-benefits/)</p> <p>(2) The employee benefit and the policy of employee salaries:</p> <p>A. Welfare measures for employees: please refer to pages 99.</p> <p>B. Workplace Diversity and Equality</p> <p>In order to promote diversity in the workplace, equal pay for equal work and equal promotion opportunities for men and women, and promote sustainable and inclusive economic growth.in 2021: (a) The average proportion of female staff is 39.45%, and the average proportion of female supervisors is 23.7%. (b) Use disabled colleagues to reach the 100% target.</p> <p>C. Business performance and employee remuneration</p> <p>The Company's remuneration policy is "high performance, high contribution, and high remuneration". Remuneration standards are periodically reviewed, with flexible bonus structures for each position. The goal is to create bonus programs that improve company operations, team performance, and individual performance.</p> <p>(3) The information of Working Environment and Protective Measures for Employees Personal Safety, please refer to pages 101~102.</p> <p>(4) The information of Training and Career Development, please refer to pages 99~101.</p>	
(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	V		
(4) Has the Company established effective career development training programs for employees?	V		

III. Corporate Governance

Item	Implementation Status		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	V	(5) The Company is a leading company in Taiwan's information service industry that places a high value on the protection of consumer rights in procedures including the provision, establishment, management, maintenance, and operations of information services. The Company provides comprehensive systems and complaint procedures for each operating method and service procedure derived from various products and services in order to protect consumer rights. For instance, a customer service center was established for financial-related products while an online service and support center was established for product and system maintenance to provide high-quality customer support. The Company also actively introduced international certification and standards such as the ISO 9001 quality management systems certification, ISO 27001 information security management system certification, ISO 22301 business continuity management system certification, and BS 10012 personal information management system certification. To enhance information security management and ensure data, systems, equipment, and network security, as well as personnel security, legal compliance, customer interests, protection of personal information, etc.	
(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	V	(6) In order to implement corporate social responsibility, promote sustainable environmental development, and safeguard basic human rights, the company hopes that the supply of cooperation can still adopt the same standards and fulfill corporate social responsibility together, and specially formulated the "Supplier Corporate Social Responsibility Code of Conduct" It is hoped that all suppliers and their downstream suppliers, contractors or service providers will recognize and adopt it. And promote supplier CSR questionnaire self-evaluation, suppliers sign integrity commitments, establish a high-quality supplier evaluation system and classification, establish a compliant procurement system, hold supplier forums, and invite representatives of high-performance suppliers to share actual promotion experience and optimize suppliers CSR evaluation process and priority procurement policy for green products. By the end of 2021, 766 copies of the supplier CSR questionnaire self-assessment have been signed and 1,659 copies of the manufacturer's integrity commitment and joint declaration have been signed. In addition, every year, key suppliers are defined according to conditions such as transaction volume, order volume, uniqueness, etc., and implement corporate	

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Item	Implementation Status		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
		<p>sustainability and social responsibility audit plans. , require the supplier to explain each topic and provide supporting materials to ensure that there are actual relevant actions. An audit team is formed by the company's procurement team to conduct on-site audits depending on the supplier's situation.</p>	
5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?	V	<p>(1) The Company published the Sustainability Report in August 2021. The report focused mainly on SYSTEX's Taipei Headquarters and affiliated companies in Taiwan. (2) The report follows the GRI Standards the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB)-Software & IT Services. (3) The report has been authenticated AA1000ASv3 Licensed Assurance Statement (Type 1) _2104 by SGS.</p>	None
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: N/A			
7. Other important information to facilitate better understanding of the company's promotion of sustainable development: (1) The Company published its first Corporate Social Responsibility Report in 2020. The main contents include sustainable governance, friendly workplace, environmental sustainability, and technology for good deeds, and related promotion of sustainable development, which has been regerred in the company's website. (https://tw.systex.com/esg-download/) (2) In 2021, the company won three awards: "Bronze Award for Sustainability Report", "Leadership Award for Social Inclusion" and "Silver Award for Taiwan Sustainability Goals Action Award".			

III. Corporate Governance

3.4.7 Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
<p>1. Establishment of ethical corporate management policies and programs (1) Does the company have an ethical corporate management policy approved by its Board of Directors, and by laws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p>	V		None
<p>(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p>	V	<p>(1) The Company has established the "Ethical Corporate Management Best Practice Principles" to assist the Company in fostering a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices. And invite directors and senior managers to sign follows the integrity management policy statement.</p> <p>(2) The "Employee Code of Conduct" was established for the employees to abide by laws and regulations, comply with professional code of conduct, and maintain principles of honesty and integrity when conducting business. And there is dishonesty in the "Ethical Corporate Management Best Practice Principles" behavioral risk assessment mechanism, regularly analyze and evaluate Business activities with a higher risk of dishonesty are based on which a prevention plan is formulated And regularly review the appropriateness and effectiveness of the prevention plan.</p>	

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Evaluation item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
(3) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	V	(3) The Company has established the "Procedures for Ethical Corporate Management and Guidelines for Conduct" for the employees to maintain principles of honesty and integrity when conducting business and abide by laws and regulations while complying with professional code of conduct. The Company also established the "Employee Code of Conduct" to convert the Company's business ideals and values into institutionalized regulations.	
2. Ethical Management Practice (1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?	V	(1) Before conducting transactions, the Company shall assess the legitimacy of the transaction counterparty and consider whether it has prior records that are unethical. The Company maintains business ideals of honesty and integrity and it has established sound corporate governance and risk management mechanisms to be implemented in internal management and external business activities.	
(2) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?	V	(2) The Company's various functional departments promote ethical corporate business ideals and supervise one another through organizational arrangements. The Audit Division is responsible for day-to-day implementation of various internal auditing tasks. Board resolution passed Set up the "Integrity Management Committee" under the Board of Directors, responsible for integrity. The committee members are composed of chief of staff, vice chief of staff, CCO CHO, CFO, commercial supervisors, and legal supervisors will serve as the chief of staff for each meeting. The meeting was chaired by the chief of staff. The formulation and supervision of operating policies and preventive measures has reported to the board of directors in December 22, 2021.	None
(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	V	(3) The Company has established a stakeholder area on the company website and assigned a contact window to be directly responsible for communications with stakeholders. The Company respects and maintains their legal rights and they may contact the Company through telephone or email at any time. The email of the Audit Committee is also established on the company website as a channel for stakeholders to provide suggestions or file complaints.	

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Evaluation item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	V	(4) The Company established its accounting system and internal control system in compliance with regulations. The Audit Division established the Enforcement Rules of Internal Auditing and uses the Rules to implement and evaluate the current control systems, the effectiveness of procedures, and the compliance system. The internal auditing unit should establish relevant audit plans following the results of risk assessments for unethical behavior. The plans should include audit target, scope, items, and frequency, and used to audit compliance with prevention programs. Accountants can be tasked with the audit, and, if necessary, professionals could be hired to provide their assistance. The results of audits should be reported to high-level management and the Ethical Corporate Management Committee and compiled into audit reports for the Board of Directors. The Audit tasks mainly include audit plans approved by the Board of Directors as well as project auditing or review in accordance with requirements. The internal audit and review of the self-inspections conducted by various units and results of comprehensive self-inspections are reported to the Board of Directors as evaluation of the effectiveness of the overall internal control system and the basis of the submission of the Statement of Internal Control System.	
(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?	V	(5) The Company conducts education and training for employees and announces the "Employee Code of Conduct" on the Company's internal website. The Company also notifies each employee through mail each month to remind them to abide by laws and regulations, comply with professional code of conduct, and maintain principles of honesty and integrity when conducting business. At the same time, Systex conducts an online test for all employees every 4 months on the case description model of honest operation, with digital courses for those that fail to pass to strengthen employees' attention and requirement of honest and legal operation. The contents of the implementation in 2021 are as follows: a. SYSTEX educates new employees on ethical corporate management as part of compulsory training. The company has so far trained 595 people in 2021. b. Each year, SYSTEX educates the directors, managerial officers and employees on its "Internal Material Information Disclosure Operating Guidelines". To remind everyone of what they should pay attention to before and after receiving major	

III. Corporate Governance

Evaluation item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
		<p>information to avoid violating laws and regulations, the Company has compiled notes and case studies of insider training for employees to read and be tested on, so that employees stay well-informed about relevant regulations. In 2021, on December 1 and December 14, the company's colleagues and directors were given education and publicity related to insider trading. Up to now, 3,519 responses have been made to the relevant publicity questionnaire, with a response rate of 98.93%.</p> <p>c. The Company conducts monthly "Employee Code of Conduct" training using case studies from the news. This program includes both domestic and overseas subsidiary companies. A total of 40,314 employees have taken part in the training as of 2021.</p> <p>d. SYSTEX conducts at least twice "Ethical Corporate Management Best Practice Principle" training and exam each year to fully educate employees on ethical corporate management ideals. As of 2021, 10,011 people have taken part in the training.</p> <p>e. An online "Ethical Corporate Management & Code of Professional Ethics" course was added in November 2019 to give additional training to employees that did not pass training exams.</p> <p>f. The directors are regularly announced the principles of integrity management of the company.</p>	
<p>3. Implementation of Complaint Procedures</p> <p>(1) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistleblowers?</p>	V	<p>(1) The company's integrity management committee has a dedicated independent reporting mailbox to provide inspection. It is handled by a dedicated person, all complaints are completely confidential, and it is verified by an independent pipeline to protect the whistleblower.</p>	None

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Evaluation item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
(2) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?	V	(2) The Company has established the "Employee Code of Conduct" and provides complete confidentiality for whistleblowers and reported items. The Company has established follow-up measures to be taken after a reported case is investigated depending on the severity of the situation. If necessary, the case should be reported to governing authorities or given to judicial investigation.	
(3) Has the company adopted proper measures to protect whistleblowers from retaliation for filing complaints?	V	(3) The company protects the identity of whistleblowers from inappropriate treatment and threats that may arise from the report.	
4. Strengthening Information Disclosure Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	V	The Company discloses its ethical business policies in the internal regulations, corporate website, and annual reports.	None
5. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation: There have been no differences.			
6. Other important information to facilitate a better understanding of the status of operation of the company's ethical corporate management policies (e.g., the company's reviewing and amending of its ethical corporate management best practice principles): (1) The Company's "Rules of Procedures for Board of Directors Meetings" stipulates a recusal system for avoiding conflict of Directors' interests. Directors shall uphold a high level of self-discipline and in the event of a conflict of interest as Director or as a representative of an institutional entity with respect to a specific matter on the agenda that could potentially damage company interests, the Director may not take part in the discussion and voting processes nor represent any other Director during voting. (2) The Company's "Internal Material Information Disclosure Operating Guidelines" established regulations on the confidentiality of confidential information obtained in business activities to prevent inappropriate leaks of information.			

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3.4.8 Corporate Governance Guidelines and Regulations

Please refer to the Company's website at www.systemex.com.

3.4.9 Other Important Information Regarding Corporate Governance

A. The Company has established the "Internal Material Information Disclosure Operating Guidelines" to prevent inappropriate disclosure when the Company's Directors, managerial officers or employees process or disclose material information and maintain consistency and accuracy in disclosure of information. The main contents are:

- (a) Applicable targets, scope of internal material information, and entities responsible for implementation.
- (b) Operating procedures for keeping internal material information confidential.
- (c) Operating procedures for disclosing internal material information.
- (d) Processing irregularities and violations.

The "Internal Material Information Disclosure Operating Guidelines" have been passed by the Company's Board of Directors in a resolution and announced on the Company's internal website.

To implement the Company's spokesperson system and confidentiality of internal material information, the Company has established the "Internal Material Information Disclosure Operating Guidelines" and the "Internal Material Information Confidentiality Firewall Operating Guidelines" which are also announced on the Company's internal website.

B. Other Important Information Regarding Corporate Governance: please refer to pages 49~53 of "Corporate Governance Implementation Status and Deviations from "Corporate Governance – Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons" No.8.

III. Corporate Governance

3.4.10 Internal Control System Execution Status

A. Statement of Internal Control System

Please refer to page 52 of the Chinese annual report.

B. If CPA was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

3.4.11 Lawful punishment inflicted on the Company, and/or disciplinary action taken by the Company against its employees for violating internal regulations in the latest year and up to the printing date of this Annual Report); important errors committed, and correction and improvement procedures: None.

3.4.12 Major Resolutions of Shareholders Meeting and Board Meetings

A. Important resolutions from the annual shareholders' meeting on August 27, 2021 and current status:

(a) Ratified the business report and the financial statements for 2020.

(b) Ratified the earnings distribution proposal for 2020.

(c) Approved the amendment to the "Articles of Incorporation".

(d) Approved the amendment to the "Rules for Election of Directors".

(e) Approved the amendment to the "Rules of Procedures for Shareholders Meetings".

Review of the current status of the implementation of resolutions:

(a) The 2020 earnings distribution proposal by cash have been carried out and all dividends have been distributed to shareholders on July 29, 2021 after the resolution in the Board of Directors meeting on April 14, 2021 and have been reported in the 2021 annual shareholders' meeting.

(b) The amendment to the "Articles of Incorporation", "Rules for Election of Directors" and "Rules of Procedures for Shareholders Meetings" has been implemented after the approval of the shareholders meeting.

B. Important resolutions of Board meetings in 2020 and during the current fiscal year up to the date of publication of the annual report:

(a) February 24, 2021:

i. Approved the "Statement of Internal Control System" for 2020.

ii. Approved the business report and the financial statements for 2020.

iii. Approved the 2020 employee remuneration distribution plan.

iv. Approved the 2020 director remuneration distribution plan.

v. Approved the amended "Articles of Incorporation".

vi. Approved the amended "Rules of Procedures for Shareholders Meetings".

vii. Approved the proposed calling of 2021 general shareholders meeting.

viii. Approved the amended institutions of remuneration and performance evaluation.

ix. Approved the review results and bonuses of managerial officers for the second half of 2020.

x. Approved the distribution of the bonuses and annual remuneration for managerial officers of 2020.

xi. Approved the 2021 KPI settings and remuneration structure for managerial officers.

(b) April 14, 2021:

i. Approved the amended Internal Control System.

ii. Approved the 2020 earnings distribution proposal.

iii. Approved the amended "Articles of Incorporation".

(c) May 5, 2021: None.

(d) May 19, 2021:

i. Approved adjustment of the location for 2021 general shareholders meeting.

(e) August 4, 2021:

i. Approved the repropose calling of 2021 general shareholders meeting.

ii. Approved the issuance of unsecured corporate bonds.

iii. Approved the amended "Corporate Governance Best Practice Principles" and "Procedures for the board performance evaluation".

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- iv. Approved the review results of management team and the distribution of bonuses for the first half of 2021.
- (f) November 2, 2021:
 - i. Approved the loan funds to subsidiaries.
- (g) December 22, 2021:
 - ii. Approved the Audit program for 2022.
 - iii. Approved the consolidated operating budget for 2022.
 - iv. Approved the Company's financing loan credit line contract with financial institutions.
 - v. Approved the endorsement guarantee for Systex Group (China) Ltd.
 - vi. Approved the endorsement guarantee for Systex Information (H.K.) Ltd.
 - vii. Approved the review results of the independence and adaptability of CPA.
- (h) February 23, 2022:
 - i. Approved the "Statement of Internal Control System" for 2021.
 - ii. Approved the business report and the financial statements for 2021.
 - iii. Approved the 2021 employee remuneration distribution plan.
 - iv. Approved the 2021 director remuneration distribution plan.
 - v. Approved the amended "Procedures for the Acquisition and Disposal of Assets".
 - vi. Approved the issuing restricted stock for employees.
 - vii. Approved elected the 10th Board of Directors at the 2022 general shareholders' meeting.
 - viii. Approved the 10th Board of Directors and Independent Directors of candidate list.
 - ix. Approved the non-competition restriction on directors.
 - x. Approved the proposed calling of 2022 general shareholders meeting.
 - xi. Approved the hire of a consultant.
 - xii. Approved the changed business address of Kaohsiung Branch.
 - xiii. Approved the review results and bonuses of managerial officers for the second half of 2020.
 - xiv. Approved the distribution of the bonuses and annual remuneration for managerial officers of 2020.
 - xv. Approved the 2021 KPI settings and remuneration structure for managerial officers.
- (i) April 12, 2022:
 - i. Approved the amended Internal Control System.
 - ii. Approved the 2021 earnings distribution proposal.
 - iii. Approved the cash distribution from Capital Surplus.
 - iv. Approved the candidates of Independent Directors with the qualification requirements.
 - v. Approved the amended "Articles of Incorporation".
 - vi. Approved the amended "Rules of Procedures for Shareholders Meetings".
 - vii. Approved adjustment of the way of conferencing, location and agenda for 2022 general shareholders meeting.

3.4.13 Major Issues of Record or Written Statements Made by Any Director or Independent Director Dissenting to Important Resolutions Passed by the Board of Directors: None.

3.4.14 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance Officer and R&D: None.

III. Corporate Governance

3.5 Information Regarding the Company's Audit Fee

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non- Audit Fee (Note)	Total	Remarks
Deloitte & Touche Accounting Firm	Lin, Shu-Wan	2021.01.01~	5,500	50	5,550	-
	Kuo, Cheng-Hung	2021.12.31				

Note: The fee of Information about salary of full-time employees who are not in a managerial position is NT\$50 thousands.

3.6 Information Regarding the Replacement of CPA

3.6.1 Regarding the former CPA

Replacement Date	January 1, 2019		
Replacement reasons and explanations	The internal adjustment of accounting firms.		
Describe whether the Company terminated or the CPA did not accept the appointment	Status	Parties	The Company
	Termination of appointment	CPA	N/A
	No longer accepted (continued) appointment	CPA	N/A
Other issues (except for unqualified issues) in the audit reports within the last two years	Unqualified opinion		
Differences with the company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None	V	
	Remarks/specify details:		
Other Revealed Matters	None		

3.6.2 Regarding the successor CPA

Name of accounting firm	Deloitte & Touche Accounting Firm
Name of CPA	Lin, Shu-Wan; Kuo, Cheng-Hung
Date of appointment	January 1, 2019
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

III. Corporate Governance

3.7 Audit Independence

If the chairman, president, and financial or accounting manager of the Company who had worked for the independent auditor or the related party in the most recent year, the name, title, and the term with the independent auditor or the related party must be disclosed: None.

3.8 Changes in Shareholding of Directors, Managers and Major Shareholders

Title	Name	2021		As of March 28, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman / Manager	Lin, Lung-Fen	-	-	-	-
Director/ Manager	Cheng, Deng-Yuan	-	-	-	-
Director	Huang, Tsong-Jen	-	-	-	-
Director	Lu, Ta-Wei	-	(200,000)	-	-
Director	Shaw, Shung-Ho	-	-	82,000	-
Director	Hsieh, Chin-Ho	-	-	-	-
Director	Huang, Ting-Rong	-	-	-	-
Director	Huang, Chi-Rong	-	-	-	-
Director	Joway Investment Co.,Ltd	-	-	-	-
Director Representative	Lin, Chih-Min	-	-	-	-
Director Representative	Wu, Cheng-Huan	-	-	-	-
Independent Director	Huang, Jih-Tsan	-	-	-	-
Independent Director	Cheng, Wen-Feng	-	-	-	-
Independent Director	Lai, Chien-Hua	-	-	-	-
Manager	Chung, Chih-Chun	-	-	-	-
Manager	Huang, Yu-Jen	-	-	-	-
Manager	Liu, Kuan-Lin	-	-	-	-
Manager	Lin, Jen-Shou	-	-	-	-
Manager	Yang, Shih-Chung	-	-	-	-
Manager	Fan, Jee-Der	-	-	-	-
Manager	Su, Kou-Lin	-	-	-	-
Manager	Chang, Huang-Yu	-	-	-	-
Manager	Chang, Ying-Chin	-	-	-	-
Manager	Lin, Wen-Kuei	-	-	-	-
Manager	Hsiao, Wei-Chun	-	-	-	-
Manager	Pan, Tieh-Yi	-	-	-	-
Manager	Wu, Wen-Shuen	-	-	-	-
Manager	Tao, Yea-Kuan	-	-	-	-

III. Corporate Governance

Title	Name	2021		As of March 28, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Manager	Tang, Yin-Soon	-	-	-	-
Manager	Tsai, Chun-Hsiung	-	-	-	-
Manager	Cheng, Yuan-Yih	-	-	-	-
Major Shareholders	None	N/A	N/A	N/A	N/A

3.8.1 Shares Trading with Related Parties: None.

3.8.2 Shares Pledge with Related Parties: None.

III. Corporate Governance

3.9 Relationship among the Top Ten Shareholders

As of March 28, 2022

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Hanmore Investment Corp. Chairman: Wu, Cheng-Huan	21,316,678	7.91	-	-	-	-	Huang, Tsong-Jen	Related party in substance	
Joray Co., Ltd. Chairman: Huang, Tsong-Jen	21,072,559	7.82	-	-	-	-	Huang, Tsong-Jen	Chairman	
Huang, Tsong-Jen	20,755,750	7.70	2,008,634	0.75	-	-	Asiavest Capital Co., Ltd.	Chairman	
							Joray Co., Ltd.	Chairman	
							Hanmore Investment Corp.	Related party in substance	
Chunghwa Post Co., Ltd. Chairman: Wei, Chien-Hung	11,570,000	4.29	-	-	-	-	-	-	
Ching Pu Investment Corp. Chairman: Lin, Lung-Fen	10,981,476	4.08	-	-	-	-	-	-	
Yu Yeh Investment Corp. Chairman: Wan, Chia-Chen	7,108,000	2.64	-	-	-	-	-	-	
Tsai Hsun Investment Corp. Chairman: Su, Kun-Yu	4,228,454	1.57	-	-	-	-	-	-	
Chin Yuan Fa Investment Corp. Chairman: Tai, Tzu-Shan	3,646,321	1.35	-	-	-	-	-	-	
Asiavest Capital Co., Ltd. Chairman: Huang, Tsong-Jen	3,500,000	1.30	-	-	-	-	Huang, Tsong-Jen	Chairman	
Hong Xin International Co., Ltd. Chairman: Cho, Yi-Tsui	2,377,661	0.88	-	-	-	-	-	-	

III. Corporate Governance

3.10 Ownership of Shares in Affiliated Enterprises

Unit: shares/ % As of December 31, 2021

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Kimo.com (BVI) Corp.	500,000	100.0	0	0	500,000	100.0
System Capital Group, Inc.	550	100.0	0	0	550	100.0
Ching Pu Investment Corp.	30,750,000	100.0	0	0	30,750,000	100.0
Golden Bridge Information Corp.	23,000,000	100.0	0	0	23,000,000	100.0
System Software & Service Corp.	54,450,000	100.0	0	0	54,450,000	100.0
System Solutions Corp.	26,000,000	100.0	0	0	26,000,000	100.0
Concord System Management Corp.	23,113,372	100.0	0	0	23,113,372	100.0
Taifon Computer Co., Ltd.	20,000,000	100.0	0	0	20,000,000	100.0
Nexsys Corp.	19,995,000	100.0	0	0	19,995,000	100.0
Naturint Ltd.	2,000,000	100.0	0	0	2,000,000	100.0
E-service Information Co.	8,000,000	100.0	0	0	8,000,000	100.0
uniXecure Corp.	5,000,000	100.0	0	0	5,000,000	100.0
Taiwan Information Service Technology Corp.	16,630	67.4	0	0	16,630	67.4
Hanmore Investment Corp.	9,640,680	48.9	0	0	9,640,680	48.9
Syscooperate Corp.	6,160,000	44.6	0	0	6,160,000	44.6
GenSys Technology (International) Limited	8,000,000	40.0	0	0	8,000,000	40.0
Mohist web technology Co., Ltd.	400,000	40.0	0	0	400,000	40.0
Systemweb Technologies Co., Ltd.	3,245,000	32.5	0	0	3,245,000	32.5
FinRobo Advisor Securities Investment Consulting Co., Ltd.	1,016,293	30.0	0	0	1,016,293	30.0
Retail System Co., Ltd.	780,000	30.0	0	0	780,000	30.0
Shengsen Cloud Technology	905,084	30.0	0	0	905,084	30.0
Baoruh Electronic Co., Ltd.	4,339,500	29.7	0	0	4,339,500	30.0
Genesis Technology, Inc.	20,072,498	28.1	2,831,848	4.0	22,904,346	32.1
System Infopro Co., Ltd.	20,000	20.0	0	0	20,000	20.0
Sanfran Technology Inc.	2,518,989	12.3	0	0	2,518,989	12.3
Forg-jump Information Co., Ltd.	683,202	10.0	0	0	683,202	10.0
Syspower Corp.	1,096,200	4.5	19,383,911	79.6	20,480,111	84.1

Note: Affiliated enterprises have been invested by equity method.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

As of March 28, 2022

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2016/01	10	400,000,000	4,000,000,000	268,733,304	2,687,733,040	Employee options exercised: NT\$1,450,000	-	
2016/03	10	400,000,000	4,000,000,000	269,393,304	2,693,933,040	Employee options exercised: NT\$6,200,000	-	

B. Type of Stock

As of March 28, 2022

Type of Stock	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	269,393,304	130,606,696	400,000,000	None

C. Information for Shelf Registration : None.

4.1.2 Composition of Shareholders

As of March 28, 2022

Type of Shareholders \ Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	5	266	41,586	233	42,090
Shareholding (shares)	0	14,373,000	92,504,449	129,288,760	33,227,095	269,393,304
Holding Percentage (%)	0	5.34	34.33	48.00	12.33	100.00

IV. Capital Overview

4.1.3 Distribution of Shareholding

A. Common Shares

As of March 28, 2022

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	22,912	4,339,104	1.61
1,000 ~ 5,000	15,680	30,937,906	11.48
5,001 ~ 10,000	1,843	14,473,565	5.37
10,001 ~ 15,000	525	6,689,607	2.48
15,001 ~ 20,000	324	6,045,034	2.24
20,001 ~ 30,000	270	6,876,478	2.55
30,001 ~ 40,000	118	4,150,288	1.54
40,001 ~ 50,000	104	4,841,508	1.80
50,001 ~ 100,000	146	9,951,449	3.69
100,001 ~ 200,000	62	8,513,546	3.16
200,001 ~ 400,000	35	9,992,640	3.71
400,001 ~ 600,000	17	8,599,919	3.19
600,001 ~ 800,000	12	8,076,048	3.00
800,001 ~ 1,000,000	12	10,736,064	3.99
1,000,001 or over	30	135,170,148	50.19
Total	42,090	269,393,304	100.00

B. Preferred Shares: None.

4.1.4 Major Shareholders

As of March 28, 2022

Shareholder's Name	Shareholding Shares	Percentage (%)
Hanmore Investment Corp.	21,316,678	7.91
Joray Co., Ltd.	21,072,559	7.82
Huang, Tsong-Jen	20,755,750	7.70
Chunghwa Post Co., Ltd.	11,570,000	4.29
Ching Pu Investment Corp.	10,981,476	4.08
Yu Yeh Investment Corp.	7,108,000	2.64
Tsai Hsun Investment Corp.	4,228,454	1.57
Chin Yuan Fa Investment Corp.	3,646,321	1.35
Asiavest Capital Co., Ltd.	3,500,000	1.30
Hong Xin International Co., Ltd.	2,377,661	0.88

IV. Capital Overview

4.1.5 Market Price, Net Book Value, Earnings, and Dividends per Share

Unit: NT\$

Items		Year		2020	2021
Market Price per Share	Highest Market Price	Diluted		89.80	92.20
		Adjusted		89.80	92.20
	Lowest Market Price	Diluted		64.70	83.20
		Adjusted		64.70	83.20
	Average Market Price	Diluted		81.11	87.22
		Adjusted		81.11	87.22
Net Book Value per Share	Before Distribution			54.48	54.45
	After Distribution			54.48	54.45
Earnings per Share	Weighted Average Shares			247,983,453	247,983,453
	Earnings Per Share	Diluted		6.72	4.90
		Adjusted		6.72	4.90
Dividends per Share	Cash Dividends			5.00	5.00
	Stock Dividends	Dividends from Retained Earnings		-	-
		Dividends from Capital Surplus		-	-
	Accumulated Undistributed Dividends			-	-
Return on Investment	Price / Earnings Ratio (Note 1)			12.07	17.74
	Price / Dividend Ratio (Note 2)			16.23	17.38
	Cash Dividend Yield Rate (Note 3)			6.16%	5.75%

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

IV. Capital Overview

4.1.6 Dividend Policy and Implementation Status

A. Dividend policy

In accordance with the overall environment and the industry's characteristics of growth as well as the Company's long-term financial plans for sustainable and stable development, the Company has adopted a residual dividend policy, which requires that annual funding requirements based on the Company's future capital budget plans are duly assessed and that required funding in earnings is retained before residual earnings are distributed as dividend.

The Company distributes dividends through cash or stocks and cash dividends are prioritized. If dividends are distributed in stocks, the stock dividends shall not exceed 50% of the total dividends issued in the current year. The distribution of dividends may be dependent on the Company's current and future investment environment, funding requirements, domestic and foreign competition, and capital budgets while taking into consideration shareholder interests, balanced dividends, and the Company's long-term financial plans. The Board of Directors shall formulate dividend distribution methods or related options in accordance with the law and submit them to the shareholders' meeting for discussion and resolution.

Basically, dividends are pay out as the financial year surplus profits having paid all taxes and dues, and making good the deficit of the company, set as legal reserve and special reserve, and will reserve fund for the company's operation plan after the surplus profits, more than 50% the remain to pay dividends.

B. Implementation status

(1) The Board of Directors meeting on April 14, 2021 resolved to distribute NT\$1,346,966,520 in 2020 earnings. Based on the 269,393,304 shares in external circulation, each share shall receive a cash dividend of NT\$5, the smallest unit of which is one dollar of the common currency (NT\$), decimals excluded and reported in the 2021 annual shareholders' meeting.

(2) The 2020 earnings distribution by cash have been distributed to shareholders on July 29, 2021.

IV. Capital Overview

C. The proposal for the distribution of 2020 profits for 2021 Annual Shareholders' Meeting

SYSTEX Corporation
Earnings Distribution Proposal
2021

Unit: NT\$

Items	Amount	
	Subtotal	Total
Beginning unappropriated earnings		2,445,660,167
Adjustment for investments accounted for using equity method	(4,072,370)	
Remeasurement on net defined benefit plan	(20,812,717)	
Add: Net income of 2021	1,213,916,228	
Special reserve	39,586,825	
Earnings available for distribution		3,674,278,133
Distribution items		
Legal reserve	(118,903,114)	
Cash dividends (NT\$4.2/per share)	(1,131,451,877)	
Total distribution		(1,250,354,991)
Ending unappropriated		2,423,923,142

Chairman & President Lin, Lung-Fen

Accounting Manager Cheng, Yuan-Yih

4.1.7 Employee and Directors' Remuneration

A. Information Relating to Employee Bonus and Directors' Remuneration in the Articles of Incorporation:

In the event the Company makes a profit during the fiscal year it shall set aside no less than 0.1% of the profits for employee remuneration. The remuneration for Directors shall be no higher than 2%. However, priority shall be given to reservation of funds for compensation of cumulative losses, if any.

The preceding employee remuneration may be paid in cash or shares, and shall be payable to employees of subsidiary companies who meet the requirements stipulated by the Board of Directors. Remuneration of directors as specified above may be distributed in cash only.

IV. Capital Overview

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

In the event of a material change to the distributed amount in the Board's decision after the end of the year, adjustment that reflect the change shall be made to the originally allocated annual expenses.

C. Remuneration proposals approved by the Board of Directors:

a. Remuneration of employees and Directors shall be paid in cash or stock. In case of any discrepancy between the amounts and the amortized estimates for the year, the differences, reasons, and responses shall be disclosed:

The Company's Board of Director's meeting on February 23, 2022 has approved the resolution to distribute NT\$38,634,570 as employee remuneration and NT\$25,756,379 as directors' remuneration for the year 2021.

b. Amount of employee remuneration distributed in the form of stocks, as a percentage of the net income after taxes provided in the standalone or consolidated financial statements of the current period, and as a percentage of total employee remuneration:

Not applicable as no employee remuneration has been distributed in the form of stocks in the year 2020.

D. Discrepancies, if any, between actual distribution of employee and Directors remuneration (including the number of shares distributed, amount and stock price) and the recognized remuneration of employees and Directors and disclosure of the differences, reasons and responses:

a. Actual distribution status of employee and Directors remuneration: The Company's Board of Director's meeting on February 24, 2021 has approved the resolution to distribute NT\$53,240,926 as employee remuneration and NT\$35,493,951 as directors' remuneration for the year 2020. There were no discrepancies between the distributed amount and the amount recognized in the financial report.

b. In case of any discrepancy between the proposed and recognized amounts of employee and director remuneration, the differences, reasons, and responses shall be disclosed: Not applicable.

4.1.8 Buyback of Treasury Stock: None.

IV. Capital Overview

4.2 Corporate Bonds:

Corporate Bond Type	Domestic Unsecured Bond(110-1)	
Issuing (handling) date	09/27/2021	
Denomination	NT\$1,000,000	
Issuing and transaction location	GreTai Securities Market (OTC)	
Issue price	Issue by denomination	
Total amount	NT\$3,000,000,000	
Interest rate	0.82%	
Tenure and Maturity Date	Tenure:5 years Maturity: 09/27/2026	
Guarantor	N/A	
Trustee	Mega International Commercial Bank Corporation	
Underwriter	Yuanta Securities Corporation	
Legal Counsel	N/A	
Auditor	Deloitte & Touche Accounting Firm Lin, Shu-Wan; Kuo, Cheng-Hung	
Repayment method	Repayment in lump sum upon maturity	
Outstanding	NT\$3,000,000,000	
Redemption or Early Repayment Clause	None	
Covenants	None	
Name of credit rating agency / Rating date / Rating of corporate bonds	twA-(Taiwan Ratings Corporation, 07/09/2021)	
Other Rights of Bondholders	Amount of Converted or Exchanged Common Shares, ADRs or Other Securities	N/A
	Conversion Right	None
Dilution Effect and Other Adverse Effects on Existing Shareholders	None	
Custodian	None	

IV. Capital Overview

4.3 Preferred share: None.

4.4 Global Depository Receipts: None.

4.5 Employee Stock Options: None.

4.6 Issuance of New Restricted Employee Shares: None.

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

4.8 Financing Plans and Implementation:

The funds raised by the company from domestic issuance of corporate bonds are allocated according to its fund utilization plan and actual needs. As of the first quarter of 2022, the implementation of the fund utilization plan is as follows:

Project	Total amount	Plans	Implementation
Domestic Unsecured Bond(110-1)	NT\$ 3 billion	Repayment of loan and replenishment of working capital	As of the first quarter of 2022, NT\$ 1.885 billion was used to repay the loan, of which NT\$1.685 billion was repaid in the third quarter of 2021, and the remaining NT\$200 million was repaid in the fourth quarter of 2021. The whole plan was over before in the fourth quarter of 2021. Another NT\$1.115 billion will be used to supplement the working capital, and the implementation will be completed in the fourth quarter of 2021 according to the original plan.

V. Operation Highlights

5.1 Business Activities

5.1.1 Business Scope

A. Main business activities

(1)F113050	Wholesale of Computing and Business Machinery Equipment	(25)F399040	Retail Business Without Shop
(2)F118010	Wholesale of Computer Software	(26)F601010	Intellectual Property
(3)F113070	Wholesale of Telecom Instruments	(27)IE01010	Telecommunications Number Agencies
(4)F113020	Wholesale of Household Appliance	(28)I103060	Management Consulting Services
(5)F113110	Wholesale of Batteries	(29)JE01010	Rental and Leasing Business
(6)F119010	Wholesale of Electronic Materials	(30)I401010	General Advertising Services
(7)E605010	Computing Equipments Installation Construction	(31)IZ99990	Other Industry and Commerce Services Not Elsewhere Classified
(8)JA02010	Electric Appliance and Audiovisual Electric Products Repair Shops	(32)J304010	Book Publishers
(9)J399010	Software Publication	(33)F401021	Restrained Telecom Radio Frequency Equipments and Materials Import
(10)IG02010	Research Development Service	(34)J303010	Magazine and Periodical Publication
(11)I599990	Other Designing	(35)J305010	Audio Tape and Record Publishers
(12)JZ99050	Agency Services	(36)J201031	Technique and Performing Arts Training
(13)F113030	Wholesale of Precision Instruments	(37)I501010	Product Designing
(14)E603050	Cybernation Equipments Construction	(38)I199990	Other Consultancy
(15)F401010	International Trade	(39)CC01101	Restrained Telecom Radio Frequency Equipments and Materials Manufacturing
(16)I301010	Software Design Services	(40)F108031	Wholesale of Drugs, Medical Goods
(17)I301020	Data Processing Services	(41)F208031	Retail Sale of Medical Equipments
(18)I301030	Digital Information Supply Services	(42)CC01110	Computers and Computing Peripheral Equipments Manufacturing
(19)F213030	Retail Sale of Computing and Business Machinery Equipment	(43)CC01120	Data Storage Media Manufacturing and Duplicating
(20)F218010	Retail Sale of Computer Software	(44)CC01060	Wired Communication Equipment and Apparatus Manufacturing
(21)F209060	Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles	(45)CC01030	Electric Appliance and Audiovisual Electric Products Manufacturing
(22)G902011	Type II Telecommunications Enterprise	(46)CC01080	Electronic Parts and Components Manufacturing
(23)E701010	Telecommunications Construction		
(24)F213060	Retail Sale of Telecom Instruments		

V. Operation Highlights

(47)CB01010	Machinery and Equipment Manufacturing	(71)F107070	Wholesale of Animal Medicines
(48)C701010	Printing	(72)F108040	Wholesale of Cosmetics
(49)C703010	Printings Bindery and Processing	(73)F110010	Wholesale of Clocks and Watches
(50)F113010	Wholesale of Machinery	(74)F110020	Wholesale of Spectacles
(51)IZ13010	Internet Identify Services	(75)F114030	Wholesale of Motor Vehicle Parts and Supplies
(52)EZ05010	Apparatus Installation Construction	(76)F116010	Wholesale of Photographic Equipment
(53)E701030	Restrained Telecom Radio Frequency Equipments and Materials Construction	(77)F117010	Wholesale of Fire Fighting Equipments
(54)E601010	Electric Appliance Construction	(78)F203030	Retail Sale of Ethanol
(55)F102170	Wholesale of Food and Grocery	(79)F206010	Retail Sale of Ironware
(56)F104110	Wholesale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products	(80)F206020	Retail Sale of Articles for Daily Use
(57)F105050	Wholesale of Furniture, Bedclothes Kitchen Equipment and Fixtures	(81)F206050	Retail of pet food and appliances
(58)F109070	Wholesale of Stationery Articles, Musical Instruments and Educational Entertainment Articles	(82)F207030	Retail Sale of Cleaning Preparations
(59)F203010	Retail Sale of Food and Grocery	(83)F207070	Retail Sale of Animal Medicine
(60)F204110	Retail Sale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products	(84)F208040	Retail Sale of Cosmetics
(61)F205040	Retail Sale of Furniture, Bedclothes, Kitchen Equipment and Fixtures	(85)F210010	Retail Sale of Watches and Clocks
(62)F208050	Retail Sale of the Second Type Patent Medicine	(86)F210020	Retail Sale of Spectacles
(63)F102020	Wholesale of Edible Oil	(87)F213010	Retail Sale of Household Appliance
(64)F102040	Wholesale of Nonalcoholic Beverages	(88)F213110	Retail Sale of Batteries
(65)F102050	Wholesale of Tea	(89)F216010	Retail Sale of Photographic Equipment
(66)F102180	Wholesale of Ethanol	(90)F219010	Retail Sale of Electronic Materials
(67)F103010	Wholesale of Animal Feeds	(91)F301010	Department Stores
(68)F106010	Wholesale of Ironware	(92)I301040	the third party payment
(69)F106020	Wholesale of Articles for Daily Use	(93)I701011	Employment Service
(70)F107030	Wholesale of Cleaning Preparations	(94)IZ04010	Translation
		(95)IZ09010	Management System Certification
		(96)IZ12010	Manpower Dispatched
		(97)J202010	Industry Innovation and Incubation Services
		(98)J399990	Other Publishing
		(99)ZZ99999	All Business Items that Are not Prohibited or Restricted by Law, Except those that Are Subject to Special Approval.

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B. Revenue Mix

- (a) Revenue from the sale of goods: 77%.
- (b) Revenue from the rendering of services: 23%.

C. Main products and Services

SYSTEX's current products and services primarily include the following:

(a) Intelligent Finance:

SYSTEX entered the securities information service sector in 1989 and gained access to the international market through collaboration with Reuters in 2000. The company has extensive experience in constructing inter-regional/currency/product information and transaction platforms. SYSTEX has developed three core capabilities in "content, platform, and networks" and four major areas of expertise including quotation information, trading, operation, wealth and risk management (ITOM) to satisfy the comprehensive demands of financial clients and professional investors. The company's main business include investment and financial information in securities, futures, warrants, bonds, bills, and foreign exchange, and the product quotation and purchasing transaction systems. In recent years, the company has expanded to cloud-based financial services in overseas transactions, mobile and big data applications in the finance industry, investor community management, and other FinTech innovations.

(b) Intelligent Service:

Integrate competitive advantages of payment/mobile and financial/retail fields, focusing on developing "consumer market-oriented" products and services. Primary services include: E-commerce platform development, maintenance, and operations services, e-government and related mobile services, corporate mobile applications, mobile payment, banking and insurance information services, data processing and product discount advertisement applications, multi-payment billing, O2O customer guidance and electronic ticketing business/2C gifts/2B corporate gift services. The Company also provides high-value IT outsourcing services for enterprises and government agencies, including IT facilities maintenance and operations and network value-added services. We also provide large-scale customer service centers, high-end IDC and other diverse services.

(c) Data Technology Products and Services:

SYSTEX remains the best one-stop shop partner for corporate information systems, providing everything from the construction of information technology infrastructure to the planning, construction, operation, and management of application software systems. SYSTEX distributes world-class application software to provide corporate clients with customized and in-depth solutions, helping them achieve the goal of increasing profit, reducing costs, and analyzing and managing data. The Company also provides complete and comprehensive training materials such as professional information education training courses, online courses, and publications based on the customer's needs.

D. New Products Planned for Development

To provide customers with IT services and vertical solutions of the highest quality in the industry, SYSTEX continues to expand R&D resources and conduct new business strategic investment to achieve vertical integration and horizontal expansion in the industry and continue the momentum for innovation. SYSTEX's new products (services) under development and distribution are as follows:

- (a) AML, (Anti Money Laundering) Solution.
- (b) Marketing Technology Solutions of Martech.

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- (c) Investment calculation execution strategy model by AI
- (d) DynaQuote /Simulated Trading/Time Machine/Strategy Winner
- (e) InfoSec, the service of cyber security.
- (f) Human Error Insight System (H.E.I.S)
- (g) Applications of Industrial Metaverse.
- (h) Development plan of interactive platform for health rehabilitation training.
- (i) Mobile financial adviser & Wealth Management System.
- (j) Platform for new banking terminal & financial service for financial industry.
- (k) Insurance E-Genius and system of insurance.
- (l) Platform for Housing agency.
- (m) Solutions of Cloud service

5.1.2 Industry Outlook

A. Industry Trends

According to the 2021 IT Software and Service Industry Yearbook, the global political and economic turbulence as well as the trend of digital transformation prompted enterprises to upgrade IT infrastructure and IT services. In particular, cloud computing and big data applications played a crucial role, while the Internet of Things (IoT) applications also drove IT service market growth. According to MIC's estimates, the output value of Taiwan's IT software and service industry is expected to grow from NT\$329.2 billion in 2020 to NT\$562.3 billion in 2024, and its investments will focus on information security, cloud services, 5G, and IoT. In addition, the trade wars, large-scale public health crisis, and uncertainties in political and economic environments in recent years will prompt government agencies and private enterprises in various countries to confront increasingly severe information warfares, cyber threats, and the demand for digital transformation. The IDC predicted a continual growth of the global digital transformation (DX), and a 14.3% compound annual growth rate (CAGR) from 2021 to 2024. New technological developments and IT application innovations in recent years are mainly concentrated on artificial intelligence, cloud services, financial technologies, and information security. The continuous innovation of consumer behaviors and business models advance system upgrade and growth of the technology application market. The IT service market in Taiwan is dominated by the demand for system integration services from large-scale enterprises and government agencies in the public sector. As major enterprises rush to develop their global markets, they must expand information software/hardware, update legal compliance protocols, and maintain existing systems. Information system solutions also require adjustment after consolidation of corporate organizations.

The COVID-19 pandemic affected the adaptability and digital capabilities of corporations around the world. In the face of the pandemic, the biggest concern of companies is how to maintain operations and generate profits while ensuring employees follow proper distancing guidelines. Therefore, Systex has put more focus on finance, public sectors, and important industries like technology, helping clients establish safer, more effective, and more flexible IT organization and operations to ensure the safety of companies' assets and protect them against the threat of hackers.

New information technologies are not only current global trends but also important items that lead the growth of Taiwan's information service industries. The survey conducted by the Institute for Information Industry (III) on Taiwan's top 101 corporations indicates that the top five most important new technologies for enterprises are virtual services, information security, mobile applications, big data storage, and cloud services. The focus of IT services shall also be on how to satisfy demands of corporate users under all conditions and environments. The transmission and implementation of information shall also be integrated in a more effective manner. The keys to projecting full IT power and

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accurately obtaining profits thus include the appropriate use of environmental awareness capabilities and omnipresent analytical skills. Therefore, the five major new economy issues including the cloud, social, mobile, analytics, and cybersecurity as well as various cloud, IoT, big data, mobile security, and corporate software applications are expected to form the main demand of companies in Taiwan.

In the software market, cloud computing, big data services, mobile applications, gaming software, and smart devices are the key factors of market growth recently. Taiwan's IT software market is expected to grow from NT\$100.1 billion in 2020 to NT\$145.5 billion in 2024, with a 12.9% CAGR. It is mainly supported by the design, revision, testing, and maintenance of non-gaming software. In addition, the overlapping developments of cloud, AI, 5G, and remote technologies will lead to increasing sophistication of new technologies. Furthermore, as the pandemic is driving accelerated digital transformation, software applications and services will benefit from the physical-virtual fusion, customer-oriented services, fusion of various technologies, and smart intelligent automation to facilitate the output value of IT software industry.

B. Industrial Market Analysis

(a) Intelligent Finance, Strengthen the foundation for the development of the financial ecosystem:

SYSTEX will not only continue to provide investors with much needed international investment and wealth management systems, but also work with international finance IT operators to provide instantaneous information services across different markets and build a global transaction network to lower investors' investment cost for global transactions. The financial industry should reposition its strategy of FinTech development and enhance digital transformation, while applying these approaches to AI, cloud, identity verification, and other technologies. Looking forward, Taiwan must accelerate its promotion of API economy and data sharing, facilitate the creation of new financial ecosystem, and allow consumers to gain access to more diversified financial services via open banking. By sharing financial data, the relationship among financial institutions and financial technology companies will evolve from that of competition to that of cooperation, thus creating a multi-win situation with a mutually benefiting and co-prosperous financial ecosystem.

(b) Intelligent Service, Omni channel experience for smart retail:

As the market develops towards AI-powered operation in the future, omni-channel and online-merge-offline (OMO) have become the main developmental trends of the global retail industry. With the active planning for market presence by large business groups, Taiwan's retail and e-commerce industry has also progressively broken the barriers between various retail business patterns and virtual and physical channels, including interactive electronic statements, video electronic statements, LBS discount information services, mobile payment, and mobile discount coupons. In addition, we expand cross-domain integrated services in response to the national service-oriented smart government 2.0 program, continuously invest in applied service technologies such as FidO Internet identity verification and T-Road/MyData, combine comprehensive information security mechanisms to transform social affairs administration from over-the-counter application or application service in the applicant's home to online benefit application services using the applicant's personal information with the applicant's authorization.

(c) Data Technology Products and Services:

IDC estimates that by the end of 2021, 47.8% of small-to-medium sized businesses in Taiwan will have undergone digital transformation. However, these corporations may run into challenges such as system compatibility, information security, capacity coordination, management distribution, and professional talent, and since 2019, public cloud service has been growing at a rate of 20% every year, of which SaaS services even account for nearly 50%. Businesses will place more emphasis on

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the ESG-related energy-saving and sustainable developments and the changes to work contents and patterns in the post-COVID-19 era. In particular, the development of cloud computing is closely related to environmental issues. For SYSTEX, the various solutions developed in the past in response to project demands can, through standardization, be transformed into a standardized cloud service that can be resold. With minimal customization, such service ranges across various business activities and organizations, and features a fully automated subscription process. As a service-on-demand, it comprehensively satisfies user needs, thus vitalizing resources to provide highly flexible and efficient services and comprehensively preparing for digital transformation.

C. Relationships with suppliers in the industry's supply chain

SYSTEX plans software licensing options and provides services based on customer requirements and budget. The Company seeks to become a leading brand with the most industrial value in the knowledge economy in the progress of advancing digitalization for the finance, telecommunication, retail and logistics, manufacturing industry, and other customer groups with requirements. SYSTEX shall provide customers with services including system planning, software deployment, education, training, and technical support service. Upstream firms include: information software/hardware providers or distributors such as Microsoft, HP, Serena, BMC, SAP, and Oracle. Downstream firms consist mainly of the finance industry, telecommunication industry, e-commerce, retail and logistics industry, manufacturing, government authorities and schools etc.

D. Product trends and competition

Due to the changes in the structure of the industry, the overall political and economic environment, regulatory systems, the overall IT service market in Taiwan has been affected. As companies continue to relocate overseas and IT firms fail to provide differentiated products and services, the price competition in the industry has become increasingly severe. As certain IT firms retain limited technical capabilities and do not hold pricing advantages under the intense competition on the market, large-scale service providers with quality IT services gradually expanded the gap between them and the small and medium ones.

5.1.3 Research and Development

R & D Expenses for current year

Unit: NT\$ thousands

Item \ Year	2021
R & D Expenses	478,731

The Company's technologies and R&D consist mainly of integration of business applications and important results include: For more detail, please refer to page 76-78 of the Chinese annual report.

5.1.4 Long-term and Short-term Development

A. Intelligent Finance:

(a) Short-Term Development Plan

- (1) SYSTEX has launched the smart wealth management service tool, Line@Wealth Management Secretary and "Robo-Advisor ONE" chat bot wealth management consultant and it will target business development opportunities in related technology services for smart banking, smart wealth management, mobile insurance, and mobile payment.
- (2) SYSTEX shall continue the intensification of the depth of the information of the entire product line and enrich value added content to effectively segregate market competition. The Company shall

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actively work with enterprises from different sectors and foreign companies to provide high value added services.

- (3) SYSTEX shall integrate multiple financial information product and provide comprehensive transnational and inter-market one-stop service to satisfy customer demands in financial markets in China, Hong Kong, Taiwan, and foreign markets.
- (4) The Company shall continue to develop existing customers and uncover requirements for new types of businesses in order to assess whether to conduct independent R&D or import solutions from international brands.
- (5) SYSTEX shall strengthen the sales of financial cloud products, and develop information security and smart manufacturing related markets to continue to drive the growth rate of performance.

(b) Long-Term Development Plan

- (1) To assist customers in digital transformation and development of the new economy, SYSTEX will use existing IT platforms and big data-assisted R&D technology to develop community and individual users, and develop data value-added innovations on the basis of O2O as a niche to become a partner for digital transformation, focusing on the fields of rapid digital transformation, smart financial management, smart banking, and big data-powered digital marketing.
- (2) To maximize the synergy of the Group to increase the share in the Asia-Pacific market and gain presence in the ASEAN market, SYSTEX will progressively apply the combined JAMAL effects from securities and futures to banking and insurance for consolidated operations in order to increase the overall financial IT service competitiveness and use the Company's strength to create market scale to satisfy requirements of financial holding customers, with a commitment to developing and constructing a comprehensive financial holding service system.
- (3) Delve into comprehensive service of customer relations, train the existing business team into A/C Sales that delve into customer relations, and train sales consultation teams with CIO vision, to allow sales teams to conduct overall planning from the perspective of customers.
- (4) Develop IT service professionals and continue to cultivate certified professional technical personnel. We will also use various indispensable professional added-value services to provide customers with complete technical support and comprehensive after sales services, which form the foundation of SYSTEX's future competitiveness in sustainable corporate development.

B. Intelligent Service:

(a) Short-Term Development Plan

- (1) SYSTEX shall conduct training for professional businesses and technical personnel based on the key operations of each department while integrating the sales plans and professional technologies of related products.
- (2) In terms of electronic billing integration and platform services, SYSTEX not only continued to secure existing customers, but also actively promoted our omnichannel smart billing management system Interact, developing cross-platform and multipath channels and integrating customers service, online banking, electronic billing systems, and other automated connections to strengthen precision marketing and establish a big data analysis marketing platform.
- (3) SYSTEX shall increase the depth and breadth of segment marketing and use bank clients participation to facilitate closer integration of the brand, channels, and member companies with banks through SYSTEX's hks Promotions app communication platform.
- (4) Expand the insurance policy market and shareholders service system, continuously optimize the management system of policy generation and printing, establish policy operation indicators for the industry, thereby creating our niche in the policy market. Our shareholders service

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continuously improve its system functions according to regulatory amendments and operational optimization. In the future, our main goals will be to promote the market and continue and to improve the system and value-added services; furthermore, we will also seek to rewrite the system at an appropriated timing.

- (5) SYSTEX develops mobile payment tools to expand the use of mobile devices to electronic wallets or credit cards. The mobile tablets of sales representatives can be developed into points of sale (POS) and mobile applications developed for e-wallets allows customers to complete a purchase simply by scanning the barcode. Products can also be quickly delivered.

(b) Long-Term Development Plan

- (1) SYSTEX focuses on the development of the cloud environment, Omni Channel, data integration, and added-value services in CRM software.
- (2) Cultivate customers and adopt the SaaS model to create recurring revenue. Actively develop payment, retail, data processing, and finance/insurance solutions for O2O, consumer product development, mobile payment, consumer product distribution, and data management sectors.
- (3) SYSTEX shall become a comprehensive service provider for printed and electronic statements and data processing for mobile services. It shall increase the integration of insurance policies and the color personalization, digitalization, and mobilization of statements.
- (4) Develop software that can be reused by industrial customers at a higher rate, analyze customer segments in the same industry, increase industrial knowledge and system introduction experience, and gain understanding of unfulfilled applications, such as automobiles, telecommunications, and e-commerce. We will seek business opportunities in government agencies' mobile civil services, official websites, corporate customers' mobile operations, B2C, O2O, Etu + BI, open source database, and other areas.

C. Data Technology Products and Services:

(a) Short-Term Development Plan

- (1) SYSTEX shall increase revenue and margins through the promotion of cloud and mobile products and solutions, distribution of new software, and enhancement of tier two products. Office 365, Microsoft Azure and Power Platform remain the backbone in sales and technical installation services of cloud-based total solutions.
- (2) SYSTEX shall consolidate partnerships with downstream distributors and system integrators and become their indispensable and high-quality business partner. The Company shall also build professional division of labor and a collaboration model of group sales through exchanges of market information, new technical advances, and updates on corporate users. In addition to providing information security services, the Company shall also assist companies in addressing information security risk management to achieve the goal of corporate sustainability.
- (3) SYSTEX provides over 400 comprehensive professional education, training, and international certification courses to meet different demands for enhancing professional skills in different stages. With the rising awareness in cybersecurity in recent years, SYSTEX has planned a series of comprehensive courses on cybersecurity to satisfy the demand for talented cybersecurity professionals.
- (4) Develop towards an energy situation monitoring center, use our energy management system to integrate data systems, and help enterprises visualize energy management, so as to keep track of factory-wide energy consumption and usage data and quickly make decisions on energy allocation and use.
- (5) Cooperating with the government's eight ISACs of the government, we promote information

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security maintenance and operation services based on X-ISAC to extend the business opportunities for government agencies, with focuses on areas including medical care, IoT, green energy, and 5G.

(b) Long-Term Development Plan

- (1) Enhance the sales of Microsoft cloud solutions and services, leverage our core competitive advantages in quality, speed, cost, and value to provide cross-border and cross-domain multi-cloud integration services, and use the CMP platform to provide VIP management services to fulfill the demand for strong cloud computing capacity. We will also respond to the demand for office integration services by enhancing our independent R&D in SaaS cloud services to create irreplaceable values.
- (2) Grasp the government ITO service business opportunities, focusing on various demand business opportunities including: software and hardware equipment replacement, account integration single sign-in service, equipment relocation service, computer room performance adjustment/co-construction service, maintenance contract and increase in amount.
- (3) SYSTEX shall construct IT application management procedures (SOP, SOW, and contract) and supplier certification system and assessment plans to increase the geographical scope of the services and enhance the installation and maintenance capabilities for large-scale system deployment projects as well as to increase the turnkey contracting capabilities for non-specialty projects and to effectively lower the cost and management risk of expansion.
- (3) In response to the rapid changes and transformation of the current business model, a new form of industry solution was introduced to expand market shares with comprehensive and professional services.
- (4) With our energy management system as the core hub, and based on the concept of smart energy hub, develop an energy governance service that initially manages “energy-saving” smart electrical grid systems and progressively integrates “energy-creating” and “energy-storing” ones, thereby achieving the central developmental goal with a single-portal integrative system.
- (5) Make XI Cloud the one-stop service provider for corporate customers with cloud needs. Corporate cloud needs include PaaS, IaaS, and SaaS. Using its XI Cloud as a medium, SYSTEX shall integrate partners in the ecosystem by incorporating them into the platform, thereby satisfying corporate partners’ needs.

5.2 Market, Production and Sales Outlook

5.2.1 Market Analysis

A. Region Revenues

Area	Domestic	Overseas	Total
Sales percentage	81%	19%	100%

B. Future Market Supply and Demand and Future Growth

The following trends will have material impact in 2021:

- (a) The growth in the global IT service market continues to stabilize as cloud services and big data applications continue to take center stage. IoT and AI applications will become the momentum for the next wave of growth. The scale of the global IT service market is set to grow from US\$1.7 trillion in 2020 to US\$2.2 trillion in 2024 with a compound annual growth rate (CAGR) of 6.5%. The “2021 Information Service Industry White Paper” focuses on more urgent challenges with tangible solutions, compiling 6 major action plans in hopes that Taiwan can advance technological, economic, and humanistic strategic goals with the software industry at its core, seize the next development

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opportunity, and create a brighter future.

According to the IDC estimates, starting from 2020, the IT service industry will be trending towards 5G infrastructure, IoT, and AI, thereby connecting various technologies to innovate application scenarios and business models.

- (b) In 2019, mobile payment was fully introduced to areas such as everyday bill payment, public transportation, tourism, campus life, and household consumerism. According to the “Mobile Payment Consumer Research” conducted by the Market Intelligence & Consulting Institute (MIC) in the second half of 2020, the mobile payment penetration rate in Taiwan has reached 60%, exceeding electronic ticketing for the first time. Use of mobile payment increased significantly in 6 main areas, including “supermarkets”, “hypermarkets”, and “online stores”, as well as emerging areas such as “delivery platforms”, “platform apps”, and “bill payment”, with the most substantial growth in delivery platforms. In the future, mobile payment will become a key platform in connecting other financial services. Through cross-industry collaborations, consumer demand will expand to financial services such as financial management, instant credit loans, and online insurance.
- (c) With the rise of microservice architecture, the IDC predicts that by 2022, 35% of the world's software services will be cloud-based software, and up to 90% of new software services will use microservice architecture.
- (d) After dedicated 5G network license applications opened in 2021, experimental applications will enter the commercial deployment stage.
- (e) Viewed in light of market trends as well as past sales experience, we will focus on continuously assisting financial institutions in their digital transformation, by offering comprehensive solutions (Infra + AP) and working with TOPi to actively compete for business opportunities in Internet banking product upgrades. In the manufacturing sector, our team in Hsinchu continues to carry out digital transformation, and aim at gaining presence in future trend industries such as semiconductors, electric vehicles, and 5G, thereby continuing to pursue rapid growth.

C. Market Share

- (a) SYSTEX ranks first in Taiwan in quotation information services:
 - (1) The system is adopted by over 1,000 service outlets of securities firms and it has a market usage rate of over 90%.
 - (2) It is adopted by most professional futures firms in Taiwan and has a market share of over 95%.
 - (3) SYSTEX provides banks and firms with complete international financial information for securities, futures, warrants, bonds, bills, and exchange rates with a top market share.
 - (4) The Company also provides foreign futures firms with fully integrated information service systems for quotation, transactions, and accounts and it retains a market usage rate of over 90%.
 - (5) The market share of mobile financial information services has continued to increase, including vertical industry applications such as the financial industry, telecommunications, medical institutions, circulation, government agencies, and transportation. Many services have reached the first place in the app market.
- (b) The electronic securities/futures/options business transaction system developed by SYSTEX has been adopted by more than 30 financial institutions and remains the product with the highest market share in Taiwan.
- (c) Mobile financial information service-iWow integrates the sincere financial quotation system to create an Eco-system for mobile finance. In 2020, the “Intelligent Assistant Boer” will be launched to optimize real-time interactive functions and provide personalized financial investment data analysis and integration..

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- (d) SYSTEX has 12 service centers across Taiwan and employs over 400 professional engineers and it is the largest IT service provider in Taiwan. SYSTEX also obtained tenders for land administration maintenance projects in 18 municipalities with a market share of 75%.
- (e) SYSTEX is the largest data processing and outsourced print service provider. Its market share is over 80% in telecommunication and over 60% in financial institutions and banks.
- (f) SYSTEX is the Microsoft Licensing Solution Provider (LSP) with the largest market share in Taiwan. Its market share in commercial software is between 10% and 50%.
- (g) SYSTEX's Knowledge Product Business Unit is the technical education and training center that offers the most authorized courses from international brands with over 400 comprehensive professional information education and training courses. SYSTEX is one of the few education and training centers with high-level and exclusive courses.
- (h) Our information security maintenance system M.O.C is currently providing information security services to the land administration bureaus of 18 cities and counties (out of 22 cities and counties in Taiwan), reaching an 82% market share.

D. Favorable Developments, Unfavorables Factors and Countermeasures

SYSTEX adopts project execution performance and customer satisfaction report mechanisms to ensure customer satisfaction. The Company also proposes improvement plans based on customer opinions to continue to provide better services with higher value for customers. In addition, the Company has actively adopted strategic investment, acquisition, mergers, and other external growth strategies to facilitate group operations.

SYSTEX provides competitive niches in the following products and services:

(a) Intelligent Finance:

(1) Favorable Developments

- ① Due to the rapid development of FinTech, demand for open bank, smart wealth management, big data applications, digital marketing platforms, and related technologies have increased by several folds.
- ② SYSTEX has actual experience of CRM with Taiwan securities and futures firms that can satisfy multiple customer requirements in China.
- ③ SYSTEX also collaborates with professional international finance and securities brokers to enhance the expansion of the transaction and information platform.
- ④ SYSTEX retains R&D teams with professional knowledge in technologies and finance.
- ⑤ SYSTEX provides transaction platforms for domestic and international open bank, securities, futures, warrants, bonds, bills, and foreign exchange as well as front/middle/back-end finance solutions.
- ⑥ SYSTEX has distributed renowned world-class software for long periods of time and has built a professional brand in the industry.

(2) Unfavorable Factors

- ① Taiwan's domestic market is reaching the point of saturation as market competition intensifies and product variation decreases.
- ② International brand awareness requires improvement.
- ③ There are numerous competitors in the international financial information market and most have finance-related backgrounds.
- ④ It is hard to cultivate technicians in basic banking AP development, causing a gap in human resources.
- ⑤ Financial customers have a profound knowledge and ambition for digital transformation and

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development, and their relationship with system suppliers is both competitive and cooperative.

(3) Countermeasures

① Continue to expand markets in China and Taiwan

SYSTEX shall target investment requirements of investors in four stock markets in China, Hong Kong, and Taiwan, gain real-time information in these markets, and provide comprehensive and a diversity of quotation product combinations.

② Enhance R&D and Strategic Transition

i. The Company shall comply with industry requirements and regulations in launching various financial products and information services in order to create differentiation to satisfy requirements of individual customers.

ii. In response to the coming of the internationalized product transaction era, SYSTEX shall focus on the development and applications of different product transaction platforms.

iii. SYSTEX has established the "Big Data R&D Division" to integrate big data analysis and interactive technologies and continue to advance various new tools and solutions.

iv. SYSTEX shall continue to provide finance and corporate service mobilization plans and services to expedite the digital transformation of financial institutions.

(b) Intelligent Service:

(1) Favorable Developments

① As the domestic catering distribution service industry develops, business opportunities will increase in stored value services and financial mobile payment.

② SYSTEX has completed the development of our new product, the omnichannel smart billing management system Interact. SYSTEX will gradually strengthen the integrity of the product's front and back-end functions, allowing for quickly and flexibly designed and generated customized communication documents to improve customer service experience.

③ SYSTEX was the first to introduce applications of smart robot development in different industries and we work with international AI developers to retain the lead in technology integration capabilities.

④ SYSTEX has had numerous successful cases in the development of customized software EC operation agency have established Best Practice principles that bring in more business opportunities.

⑤ Demands for outsourcing corporate information services will continue to climb and related software/hardware equipment installation and maintenance services will continue to grow.

(2) Unfavorable Factors

① Difficulties in growth volume of statement notification letters are mainly due to changes in regulations on shareholder services, increase in postage fees, environmental protection trends, and digital finance services.

② Principals' direct involvement in outsourced marketing services compress room for growth.

③ Competitors continue to lower prices for equipment maintenance in order to obtain market share, which has led to the reduction of gross margins.

(3) Countermeasures

① SYSTEX develops its own product, INTERACT, to provides differentiated added-value services. We integrated existing interactive electronic statements and mSense electronic statements to lower the impact of electronic statements on revenue. In addition, it has got into the market of examination and increased diversified operating income.

② SYSTEX employs AI technologies to develop different applications for different industries and

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provides new services and solutions.

- ③ SYSTEX expands the customer base for maintenance contracts to increase chances for contracting. The Company shall also expand the sales of equipment to increase market share and increase the technical capabilities of maintenance staff to construct comprehensive solutions.

(c) Data Technology Products and Services:

(1) Favorable Developments

- ① SYSTEX is Taiwan's largest information service provider and it is financially sound. The Company has numerous successes in various industries. SYSTEX maintains excellent relations with international vendors and distributors. It also enjoys high brand recognition in the market and has become an important IT services supplier for customers.
- ② SYSTEX remains the best partner for corporate one-stop shopping from the construction of information technology infrastructure to the design of application software information systems and comprehensive services for construction and operations management. The Company distributes a wide range of products and our customers lead their respective industries in terms of overall economic scale.
- ③ SYSTEX has accumulated over decades of extensive experience in cybersecurity technologies and actual experience. It retains comprehensive solutions, multiple product combinations and technical support teams.
- ④ Due to the trade wars, large-scale pandemic and health crises, and political and economical uncertainties in recent years, the global market has continued to pay attention to information security and digital transformation issues.
- ⑤ SYSTEX has comprehensive smart manufacturing solutions from equipment networking, intelligence gathering, smart dynamic scheduling, AI defect detection, to big data manufacturing optimization. Combined with our internal information security capabilities and group resources such as our cloud capabilities, SYSTEX can satisfy customer's every need and set ourselves apart from other SIs.
- ⑥ Software rental and the flexible planning of cloud green data centers have become more and more common.

(2) Unfavorable Factors

- ① The market in Taiwan is saturated and the intense price competition in the industry lowers profits.
- ② The recent global economic downturn has continued to shrink the domestic IT service market as customers' budgets decreased and it became increasingly difficult to sustain growth.
- ③ The IT budget accounts for a low proportion of total national budget. It is lower than international standards and mostly used on hardware. Political uncertainties in recent years have led to delays and cuts in budget.
- ④ Principals direct involvement in outsourced marketing services compress room for growth.
- ⑤ The variation in the features of cybersecurity products and solutions is gradually declining and it leads to lower profit margins. Due to the variation in customers' business models, the introduction of solutions requires high levels of customization that extends the time required for project introduction.
- ⑥ Due to the COVID-19 pandemic, the number of variables in the social, political, and economic environment have increased dramatically. Although relevant issues are being discussed, they are still affected by the overall economy. Customers have smaller budgets, which makes

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business growth difficult.

- ⑦ In customer service processes, customers only procure a single or multiple information security products to deal with short-term pain points (e.g., audits and regulatory requirements).

(3) Countermeasures

- ① SYSTEX shall introduce related products of original manufacturers for service integration and improving competitive advantages to provide more comprehensive solutions and technology integration.
- ② By strengthening the integrity of the product line, the group of lecturers, and the service process, SYSTEX is able to deepen customer relations, create team value, and raise competitive standards.
- ③ SYSTEX actively seeks alliances with competitors to quickly expand markets through integration in professional sectors.
- ④ Strengthen technician team training and technology shift to provide stable tech support.
- ⑤ Focus on providing integrated services. Integrate information security products that customers are already using so that they can focus on managing information services.
- ⑥ Gain an in-depth understanding of the semiconductor supply chain and enter the high-tech industry, making SYSTEX a leader in new technology testing.
- ⑦ Continue to improve software development technologies, quality, and capability to reduce software development and maintenance costs and improve overall quality and services. Inform customers of labor costs derived from information security at appropriate times and increase the government's software outsourcing budget after obtaining customers' approval.
- ⑧ Develop comprehensive information security according to market demand, adopt the strategies of SYSTEX's 6 integration and 9 growth programs, and aim at the "6 core strategic industries, backed by information security".
- ⑨ Cooperate with the national plan top achieve net zero emissions, draw customers' attention to current affairs and trends, and increase the incentives for sustainable improvement.

5.2.2 Key Product Applications and Manufacturing Processes:

Please refer to pages 84 of the Chinese annual report.

5.2.3 Supply of Essential Raw Materials: N/A

5.2.4 Key Suppliers and Customers in 2021 & 2020:

A. Key Customers: There are not any customers for more than 10% of the total sales in 2021 & 2020.

B. Key Suppliers:

Unit: NT\$ thousands

Year	2020			2021		
	Amount	Percentage of Total Purchase (%)	Relationship with Issuer	Amount	Percentage of Total Purchase (%)	Relationship with Issuer
Supplier						
Company A	5,536,883	37	None	5,940,367	30	None
Others	9,578,351	63		13,889,692	70	
Total	15,115,234	100		19,830,059	100	

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5.2.5 Production in 2021 & 2020: SYSTEX is the Information Service Company, it's not applicable.

5.2.6 Shipments and Revenue in 2021 & 2020

Unit: NT\$ thousands

Item \ Year	2020		2021	
	Domestic	Overseas	Domestic	Overseas
Net sales	14,153,374	3,356,267	18,335,753	4,468,301
Service revenue	4,825,393	1,337,008	5,516,269	1,142,918
Other operating revenue	61,660	1,388	60,017	3,699
Total	23,735,090		29,526,957	

5.3 Human Resources

Year		2020	2021
Number of Employees	Sales & Marketing	582	664
	Technician	1,776	1,995
	Programmer	873	983
	Administration	608	586
	Total	3,839	4,228
Average Age		38	38
Average Years of Service		7.3	7.1
Education	Ph.D.	0.09%	0.21%
	Master	11.64%	11.66%
	University & College	80.80%	81.62%
	High School	7.03%	6.20%
	Below High School	0.44%	0.31%

5.4 Information on Environmental Protection Costs

The Company's main businesses include information services, sales and other services of computer software, hardware, and related equipments. SYSTEX does not own a factory and therefore does not pollute the environment. Although SYSTEX is not part of energy-intensive industries with higher greenhouse gas emissions, it still makes the effort to reduce greenhouse gas emissions and conserve energy. The Company established eco-friendly policies, with measures like energy efficiency and carbon reduction, green purchasing, buying and renting energy-efficient or power-efficient products from makers with Green Mark certification to reduce stress on the environment. The Company also changes or improves energy inefficient equipment and promotes energy conservation every year.

5.5 Labor Relations

Harmonious employee and management relations are the foundations of corporate development. The Company's employee and management relations throughout the years have always been harmonious and stable as well as conducive to mutual prosperity. The Company dedicates itself to improving employee benefits, salary standard,

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and work environment and to maintain open communication channels between staff and management. The hard work of all employees and their demonstration of personal talents allow employees and the Company to grow together and create a better future together.

The Company processes various recommendations from employees in an appropriate manner to create constructive consensus and facilitate cooperation between staff and management. The Company therefore has no employee and management disputes.

The Company's employee benefits for studying, training, the pension system and its implementation status as well as labor agreements and employee rights maintenance measures are as follows:

5.5.1 Welfare measures for employees

- A. The Company has established an Employee Welfare Committee in accordance with regulations to organize dinner parties, tours, clubs, and other activities to improve the work environment and quality of life. In addition, the Company also provides various benefits for employees' work, health, and family life:
- (a) The Company provides a more favorable leave program than the Labor Standards Act.
 - (b) The Company has established badminton courts, a gym, shower rooms, and nursing room and appointed professional massage therapists to provide employees with free massage services.
 - (c) The staff rest area serves as a place for colleagues to hold various activities and discussions. There is also a coffee bar and free snacks, so that colleagues can have a space to relax after work, so as to enhance communication and friendship among colleagues.
 - (d) The Company provides regular health exams for employees.
 - (e) The Company provides laundry and delivery services at discount prices.
 - (f) The Company has constructed parking lots for use by all employees after filing applications.
 - (g) The Company encourages employees to establish clubs and subsidizes club funding.
 - (h) Employees enjoy promotional prices for products of the Group.
 - (i) Offers sports and fitness courses to encourage employees to form a habit of exercise. We also organize employee activities and ball games, plan trips, and hold various lectures from time to time to enrich employees' recreational activities and develop their friendships.
 - (j) Introduced employee assistance programs, thereby providing employees with comprehensive care for their physical and mental health.
 - (k) In addition to the legally required labor and health insurance, the Company also provides employees with group insurance. The group insurance is paid for by the Company and employees' family members can also pay for additional coverage.
 - (l) Offers maternity leave and pregnancy checkup leave that exceed statutory requirements; established the Systex Baby Happy Growth Fund, which offers a parental subsidy of up to NT\$120,000 for each full-time employee's child aged below 2.
 - (m) Cooperated with a qualified child care service agency for child care services.
 - (n) In addition to the wedding and funeral subsidies for colleagues, the company also provides congratulatory gifts on employees' birthdays, marriages, births and other important holidays.

5.5.2 Training and Career Development

A total of 5,633 employees participated in the physical training courses (excluding digital learning courses) hosted by SYSTEX in 2021 and the total training time exceeded 64,105 hours and a total of 13,913 employees participated in the digital learning courses hosted by SYSTEX in 2020 and the total training time exceeded 31,195 hours. In addition, there were 687 instances of employee participation external professional training courses which accounted for a total of 10,437 training hours.

SYSTEX values talent cultivation and the advancement of employee expertise. We firmly believe that

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employees are the Company's most important assets, and we have made systematic plans and provided employees with education development plans to advance both their professional technical skills and career development. Employees can participate in external training and obtain professional licenses. The Company has also developed comprehensive internal training courses based on the Company's organizational strategies and employees' personal development needs, providing diverse courses such as newcomer training, leadership and management, technical development, marketing and sales, personal performance, key talent cultivation, as well as expert lectures, and the Intern School.

In addition, the Company has also established comprehensive "Employee Training Development Management Regulations" to encourage employees to participate in a variety of studies and courses for which the Company provides subsidies. At the same time, the training and development are incorporated into the performance management system to motivate employees to maximize their performance to accomplish the Company's goals.

Internal training courses provided by SYSYEX include:

- A. Newcomer Training Program: To help each new employee familiarize themselves with the environment and understand the Company's principles and culture, SYSTEX designed a mix of physical and digital courses centered the needs of new employees, effectively helping new employees establish a positive work attitude and strive for excellence. The program allows new employees to interact with high-level executives to better their understanding of SYSTEX's corporate culture, and includes a special introduction to the Solution Center to help new employees better understand the Company's products and services. Dedicated person to introduce CSR activities and encourage employees to participate in volunteer services. The program also educates new employees on occupational health and safety to instill proper occupational health and safety concepts.
- B. Leadership Management Program: To enhance the management skills of supervisors, the Company has designed management development training courses for different levels of managers in order to increase the leadership and management skills of supervisors and ensure the effective performance of the organization. The Company opened a mentoring technique course to improve the abilities of senior employees and managers to mentor new employees and develop the right attitude towards mentoring new employees. It is hoped that such a program can help senior employees pass down techniques and allow new employees to settle into their new position and environment quicker.
- C. Technical Development Course: SYSTEX has best practices for software development and integration developed through a long time, and has established 15 Task Forces with specialties in computing, software, data, information security, maintenance and operation, FinTech, 5G, and marketing; We continuously introduce new technologies and organize technical workshops to effectively develop technical talents, thereby ensuring the professional technical quality of our software development and integration of industrial applications.
- D. Marketing and Sales Program: The key to sales personnel's success has shifted from product- to customer-orientation. these courses cover everything from making the first contact, understanding customer needs, providing comprehensive solutions, to the final sale, including utilizing effective questioning techniques to determine what the customer truly needs. The program trains employees in consultative selling techniques, helping them play the role of product expert consultant to persuade customers to place an order.
- E. Personal Performance Program: To assist SYSTEX employees in cross-domain learning, we provide our digital learning platform to help employees achieve learning goals in their spare times. Every year, we provide courses on personal effectiveness for employees.
- F. Key Talent Cultivation: Conduct annual inventory and cultivation planning of key positions and talents

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according to organizational strategy and needs for reserved talents, as well as human recourse strategies for high performance and contribution.

H. Expert lectures: Invite industry experts to share best practices. The content focuses on trend issues, technology applications, etc., allowing supervisors and colleagues to gain more practical experience through expert lectures, so as to practice the win-win concept of achieving customer value and improving business performance.

G. Intern School: We provide summer and long-term internship programs, during which students will be arranged to participate in courses on industrial applications offered by executive managers, while practical training will be supervised by mentors. Students can better understand SYSTEX through this internship opportunity, and those achieving excellent performance will be prioritized for full-time job vacancies.

In addition to physical courses, SYSTEX also established a comprehensive Learning Management System to assist employees in developing core expertise quickly through an automated information system. The Company also uses digital technologies such as Facebook Live Stream, Webex, and Zoom video conference to allow employees to enhance their capabilities outside the constraints of space and time.

5.5.3 Retirement System

The Company's retirement regulations are implemented in accordance with regulations of the Labor Standards Act and Labor Pension Act.

A. Labor Standards Act (old system):

(a) The Company has established the Supervisory Committee of the Labor Retirement Reserve in accordance with regulations. The labor retirement reserve fund is appropriated each month in accordance with the "Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds" to the Committee's dedicated account at the Bank of Taiwan.

(b) Employee retirement application: Where the employee attains the age of fifty-five and has worked for fifteen years, where the employee has worked for more than twenty-five years, or where the employee attains the age of sixty and has worked for ten years, the employee may apply for voluntary retirement.

(c) Employee pension payment: The monthly average salary of the employee authorized for retirement shall be adopted as the standards for calculating employee pension base unit. Two base units are given for every full year of service. Those having served over 15 years are given one base unit for each full year of service and the total number of base units shall be no more than 45. Length of service is calculated as half year when it is less than six months; Length of service is calculated as one year when it is more than six months. However, employees who face mandatory retirement due to the performance of duties specified in Article 54 of the Labor Standards Act shall receive an additional 20% for their pension in accordance with the requirement.

B. Labor Pension Act (new system): The Company appropriates 6% of the employee's salary to the dedicated personal pension account established by the Bureau of Labor Insurance in accordance with the "Monthly Contribution Wages Classification of Labor Pension".

5.5.4 Working Environment and Protective Measures for Employees' Personal Safety

The Company has established a employee safety and health management agency and the Employee Safety and Health Committee in accordance with the "Regulations on the Management of Labor Safety and Health Organization." Meetings are convened each quarter to implement affairs related labor safety and health. The Company implements access management for the security of the building. It established a central surveillance system staffed by 7X24-X 365 security personnel. The Company conducts fire safety exercises every six months and annual "fire safety equipment inspection and reports" in accordance with fire safety

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regulations to improve employees' familiarity with fire safety. The Company established a "Fire Safety Protection Plan" and designated fire-safety managers to implement fire safety education. The Company files building safety inspection reports to ensure the safety of the building and obtains the "Taipei City Building Public Safety Autonomous Management Inspection Qualification Label" each year to ensure the safety of the building. The Company also regularly cleans the drinking water storage facility, conducts environmental disinfection operations, and inspects drinking fountains each month. The Company has appointed physicians to carry out health services at the Company every two months to provide employees with health consultation in accordance with the "Labor Health Protection Act", and provide employee health consultation and workplace evaluation to prevent occupational hazards. The Company has also built a friendly work environment and constructed breastfeeding rooms in accordance with regulations of the Health Promotion Administration. We also obtained the "Taipei City Government High Quality Breastfeeding Room Certification" (duration: September 1, 2017 to August 31, 2021). The Company has set up gym facilities and badminton courts for employees to provide them with venues for leisure and sports. The Company has also established wheelchair accessible facilities at the entrance of the building and lavatories. SYSTEX passed the "Accredited Healthy Workplace" inspection by the Health Promotion Administration for a smoke-free workplace and provides employees with a healthy work environment.

5.5.5 Employee Code of Conduct

The Company has established the "Employee Code of Conduct" as the standard to be followed by the Company's employees when conducting business activities. The main contents include:

- A. Legal requirements and the Company's internal regulations shall be strictly implemented when conducting business activities in order to protect employees and the Company from legal penalties or prosecution by stakeholders.
- B. Protect the Company's reputation and assets.
- C. The Company's assets and information shall only be used to achieve the Company's goals and they shall be properly used, protected, and stored.
- D. Employees may not conduct activities that conflict with the interests of the Company.
- E. Applicable procedures and punishment measures in the event of violations.

Each new employee shall be required to attend an online learning course on "Employee Code of Conduct" after entering the Company. The course shall be announced on the Company's internal website. In addition, SYSTEX shall issue regular email notifications and education each month to request compliance by supervisors and remind colleagues to read and sign so that all employees shall adhere and implement related regulations.

5.6 Cyber security management

In the face of information security risks, the information security and personal information crisis management team is responsible for information security risks within the company, and an information security Taskforce committee is formed. There are 10 members include the chief of staff, IT department, legal department and business units and other relevant supervisors and colleagues. Provide consulting, technical services and information security education and training for the group's information security management, and hold a total of 9 special meetings in 2021. In addition to managing the information security management of the Group, the Information Security and Personal Information Crisis Management Team also supports the handling of information security and personal information incidents that have been introduced into ISO 27001 business units. All business units that have introduced ISO 27001 have formed an information security management committee, established an information security risk management framework, and formulated information security policies and specific management plans.

As for confidential data services, SYSTEX conducts risk assessments and relevant reviews every six months.

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Regular meetings are held to check whether information security incidents have occurred, assess the impact and risks of the incident on the company, put forward specific improvement plans and continue to track the improvement situation. In order to continuously strengthen information security management and master the effectiveness of risk management, the Group's subsidiaries Systex Software & Service Corp., Systex Solutions Corp., Syspower Corp. and Taiwan Information Service Technology Corp. have obtained ISO 27001 information security management system certification in 2020. Concord System Management Corp. and Taifon Computer Co., Ltd. have successively obtained ISO 27001 information security management system certification in 2021 (the validity period of the certification is 3 years).

In 2021, risk assessments conducted in the previous years were adopted, and no high-risk items were found. Medium- and low-risk items were handled by relevant units in accordance with the determined control measures and adjustments and included in the follow-up tracking and reports.

The company has established the "SYSTEX Group Information Security Management Measures", and also has e-mail management, computer facilities anti-virus management, firewall restrictions, user account permissions for each service system, wireless network, domain name application and public network services, desktop Detailed management operation rules for upper and notebook computers, computer facilities, portable devices and media, etc., and keep an eye on information security news and announcements, and update management measures in timely. In addition to continuously strengthening basic information security protection, such as antivirus, firewall, intrusion prevention, web firewall, and email protection. In order to strengthen the terminal information security, the zero trust framework and multi-factor verification are introduced to improve the overall information security protection of the group and its subsidiaries.

In 2021, the implementation results of the cyber security measures are as follows:

- A. A total of 6,742 employees in SYSTEX group participated in the twice propaganda and tests of cyber security.
- B. A total of 3,486 employees participated in the digital learning courses of general courses by cyber security and the total training time exceeded 10,458 hours.
- C. A total of 375 project employees participated in the digital learning courses of professional courses by cyber security and the total training time exceeded 3,375 hours.
- D. Professional Training of Cyber Security Seed staff: There are 36 physical courses in cyber security, totaling 711 hours, with a total of 1,135 participants and 15,503 training hours.
- E. The colleagues in SYSTEX group have obtained a total of 208 information security certificates (such as ISO 27001, ISO27701, CND, CEH, CHFI, CASE, etc.).

5.7 Important contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Reseller Agreement	Oracle Taiwan LLC, Taiwan Branch	2021.09.01-2022.08.31	Software proxy	None
Reseller Agreement	Microsoft Regional Sales Corporation	2021.10.01-2022.04.30	Software proxy	None
Reseller Agreement	IBM Taiwan Corporation	2021.12.10-2022.12.09	Software proxy	None
Reseller Agreement	Dell B.V., Taiwan Branch (Netherlands)	2021.11.14-2022.11.13	Product distribution	None

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6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet and Condensed Statement of Comprehensive Income

A. Consolidated Condensed Balance Sheet

Unit: NT\$ thousands

Item		Year	Financial Summary for The Last Five Years(Note 1)				
			2017	2018	2019	2020	2021
Current assets			14,821,057	14,062,166	14,582,968	15,626,468	19,273,022
Property, plant and equipment (Note2)			1,940,525	1,913,330	1,929,649	2,098,607	2,088,417
Intangible assets			51,368	116,074	86,279	131,440	136,147
Other non-current assets (Note2)			2,551,220	3,887,893	4,987,658	4,172,657	5,062,604
Total assets			19,364,170	19,979,463	21,586,554	22,029,235	26,560,190
Current liabilities	Before distribution		6,766,494	6,492,370	7,472,992	7,842,987	9,259,857
	After distribution		8,113,461	7,839,337	8,819,959	9,189,954	-
Non-current liabilities			275,520	292,142	631,429	536,801	3,489,166
Total liabilities	Before distribution		7,042,014	6,784,512	8,104,421	8,379,788	12,749,023
	After distribution		8,388,980	8,131,479	9,451,388	9,726,755	-
Equity attributable to owners of the corporation			12,270,356	13,125,761	13,392,643	13,509,123	13,503,339
Share capital			2,693,933	2,693,933	2,693,933	2,693,933	2,693,933
Capital surplus	Before distribution		7,363,072	6,729,035	6,407,221	6,493,756	6,606,321
	After distribution		6,689,589	6,405,763	6,407,221	6,493,756	-
Retained earnings	Before distribution		3,670,307	5,090,264	5,799,398	6,018,588	5,860,652
	After distribution		2,996,824	4,066,569	4,452,431	4,671,621	-
Other equity			(453,327)	(383,842)	(579,466)	(768,711)	(729,124)
Treasury share			(1,003,629)	(1,003,629)	(928,443)	(928,443)	(928,443)
Non-controlling interests			51,800	69,190	89,490	140,324	307,828
Total equity	Before distribution		12,322,156	13,194,951	13,482,133	13,649,447	13,811,167
	After distribution		10,975,189	11,847,984	12,135,166	12,302,480	-

Note 1: The financial information of the preceding years has been audited by the CPA.

Note 2: No reevaluation of assets has been conducted throughout the years.

Note 3: The earning distribution of 2021 by cash is to be approved by the Board of Directors meeting on April 14, 2022.

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B. Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2017	2018	2019	2020	2021
Operating revenues	16,874,279	19,515,989	22,051,023	23,735,090	29,526,957
Gross profit	4,533,728	5,034,211	5,549,292	5,751,446	6,655,386
Profit from operations	539,126	687,722	607,017	924,873	1,133,452
Non-operating income and expenses	761,034	553,505	1,596,490	926,306	318,163
Income before tax	1,300,160	1,241,227	2,203,507	1,851,179	1,451,615
Net income	1,173,118	1,050,172	1,811,303	1,675,722	1,223,096
Other comprehensive income (loss) (income after tax)	(420,912)	37,855	(247,574)	(289,223)	27,619
Total comprehensive income	752,206	1,088,027	1,563,729	1,386,499	1,250,715
Net income attributable to owners of the corporation	1,177,749	1,051,418	1,808,042	1,666,345	1,213,916
Net income attributable to non-controlling interests	(4,631)	(1,246)	3,261	9,377	9,180
Comprehensive income attributable to owners of the corporation	756,949	1,089,408	1,560,779	1,376,995	1,243,277
Comprehensive income attributable to non-controlling interests	(4,743)	(1,381)	2,950	9,504	7,438
Earnings per share (Note 2)	4.79	4.27	7.31	6.72	4.90

Note 1: The financial information of the preceding years has been audited by the CPA.

Note 2: Calculated by the weighted average number of shares in external circulation.

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6.1.2 Unconsolidated Balance Sheet and Condensed Statement of Comprehensive Income

A. Unconsolidated Condensed Balance Sheet

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)				
		2017	2018	2019	2020	2021
Current assets		2,987,226	2,930,051	3,348,530	3,197,551	5,212,015
Funds and Investments		10,200,776	11,023,444	10,865,798	11,356,226	12,947,553
Property, plant and equipment (Note 2)		1,640,402	1,620,945	1,611,371	1,636,293	1,612,071
Intangible assets		45,578	30,303	19,744	28,203	62,347
Other non-current assets (Note 2)		147,095	138,069	385,287	337,861	314,660
Total assets		15,021,077	15,742,812	16,230,730	16,556,134	20,148,646
Current liabilities	Before distribution	2,457,203	2,354,731	2,433,959	2,719,301	3,389,594
	After distribution	3,804,169	3,701,698	3,780,926	4,066,268	-
Non-current liabilities		293,518	262,320	404,128	327,710	3,255,713
Total liabilities	Before distribution	2,750,721	2,617,051	2,838,087	3,047,011	6,645,307
	After distribution	4,097,687	3,964,018	4,185,054	4,393,978	-
Equity attributable to owners of the corporation		12,270,356	13,125,761	13,392,643	13,509,123	13,503,339
Share capital		2,693,933	2,693,933	2,693,933	2,693,933	2,693,933
Capital surplus	Before distribution	7,363,072	6,729,035	6,407,221	6,493,756	6,606,321
	After distribution	6,689,589	6,405,763	6,407,221	6,493,756	-
Retained earnings	Before distribution	3,670,307	5,090,264	5,799,398	6,018,588	5,860,652
	After distribution	2,996,824	4,066,569	4,452,431	4,671,621	-
Other equity interests		(453,327)	(383,842)	(579,466)	(768,711)	(729,124)
Treasury shares		(1,003,629)	(1,003,629)	(928,443)	(928,443)	(928,443)
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	12,270,356	13,125,761	13,392,643	13,509,123	13,503,339
	After distribution	10,923,288	11,778,794	12,045,676	12,162,159	-

Note 1: The financial information of the preceding years has been audited by the CPA.

Note 2: No reevaluation of assets has been conducted throughout the years.

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B. Unconsolidated Condensed Statement of Comprehensive Income

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2017	2018	2019	2020	2021
Operating revenues	5,900,195	6,353,272	6,569,020	7,017,537	8,285,387
Gross profit	2,078,811	2,246,610	2,294,466	2,396,201	2,554,658
Profit from operations	143,184	158,100	39,438	98,491	95,303
Non-operating income and expenses	1,047,104	920,362	1,825,186	1,587,472	1,128,125
Income before tax	1,190,288	1,078,462	1,864,624	1,685,963	1,223,428
Net income	1,177,749	1,051,418	1,808,042	1,666,345	1,213,916
Other comprehensive income (loss) (income after tax)	(420,800)	37,990	(247,263)	(289,350)	29,361
Total comprehensive income	756,949	1,089,408	1,560,779	1,376,995	1,243,277
Net income attributable to owners of the corporation	1,177,749	1,051,418	1,808,042	1,666,345	1,213,916
Net income attributable to non-controlling interests	-	-	-	-	-
Comprehensive income attributable to owners of the corporation	756,949	1,089,408	1,560,779	1,376,995	1,243,277
Comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share (Note 2)	4.79	4.27	7.31	6.72	4.90

Note 1: The financial information of the preceding years has been audited by the CPA.

Note 2: Calculated by the weighted average number of shares in external circulation.

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6.1.3 Auditors' Opinions from 2017 to 2021

Year \ Item	Accounting Firm & CPA	Audit Opinion
2017	Deloitte & Touche Accounting Firm Lin, Shu-Wan; Shue, Shiow-Ming	Unmodified report with other matter paragraph
2018	Deloitte & Touche Accounting Firm Lin, Shu-Wan; Shue, Shiow-Ming	Unmodified report
2019	Deloitte & Touche Accounting Firm Lin, Shu-Wan; Kuo, Cheng-Hung	Unmodified report with other matter paragraph
2020	Deloitte & Touche Accounting Firm Lin, Shu-Wan; Kuo, Cheng-Hung	Unmodified report with other matter paragraph
2021	Deloitte & Touche Accounting Firm Lin, Shu-Wan; Kuo, Cheng-Hung	Unmodified report with other matter paragraph

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6.2 Five-Year Financial Analysis

6.2.1 Financial Analysis – Based on IFRS (Consolidated)

Item		Year	Financial Analysis for the Last Five Years (Note 1)				
			2017	2018	2019	2020	2021
Financial structure	Debt Ratio (%)		36.37	33.96	37.54	38.04	48.00
	Ratio of long-term capital to property, plant and equipment (%)		649.19	704.90	731.41	675.96	828.39
Solvency	Current ratio (%)		219.04	216.60	195.14	199.24	208.14
	Quick ratio (%)		163.66	157.63	142.18	143.10	154.08
	Times Interest earned ratio (times)		41.18	41.68	66.78	59.09	33.66
Operating performance	Average collection turnover (times)		5.07	5.59	5.90	6.27	6.83
	Average collection period (days)		72	65	62	58	53
	Average inventory turnover (times)		4.20	4.58	5.07	5.25	6.52
	Accounts payable turnover (times)		4.08	4.60	4.70	4.82	5.73
	Average days in sales		87	80	72	69	56
	Property, plant and equipment turnover (times)		8.54	10.13	11.48	11.78	14.10
	Total assets turnover (times)		0.88	0.99	1.06	1.09	1.22
Profitability	Return on total assets (%)		6.24	5.47	8.84	7.80	5.18
	Return on equity (%)		9.35	8.23	13.58	12.35	8.91
	Profit before tax to capital (%)		48.26	46.07	81.80	68.72	53.88
	Profit to sales (%)		6.95	5.38	8.21	7.06	4.14
	Earnings per share (NT\$) (Note 2)		4.79	4.27	7.31	6.72	4.90
Cash flow	Cash flow ratio (%)		3.25	8.56	18.67	14.09	0
	Cash flow adequacy ratio (%)		50.89	51.06	57.33	56.69	41.31
	Cash flow reinvestment ratio (%)		(7.73)	(4.85)	1.09	(0.94)	(7.12)
Leverage	Operating leverage		8.53	7.38	9.32	6.34	5.96
	Financial leverage		1.06	1.05	1.06	1.04	1.04

VI. Financial Information

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. Debt Ratio increased 26.19%: Because of total liabilities increased 52%.
2. Ratio of long-term capital to property, plant and equipment increased 22.55%: Because of non-current liabilities increased 550%.
3. Times Interest earned ratio decreased 43.04%: Because of income before income tax decreased and interest expense increased.
4. Average inventory turnover increased 24.01%: Because of cost of goods sold increased.
5. Return on total assets decreased 33.59%, Return on equity decreased 27.89%, Profit before tax to capital decreased 21.58% and Profit to sales decreased 41.33%: Because of income before income tax decreased.
6. Earnings per share decreased 27.15%: Because of net income attributable to owners of the corporation decreased.
7. Cash flow ratio decreased 100%, Cash flow reinvestment ratio decreased 27.13% and Cash flow reinvestment ratio decreased 654.28%: Because of Net cash generated from operating activities flowed out.

Note 1: The financial information of the preceding years has been audited by the CPA.

Note 2: Calculated by the weighted average number of shares in external circulation.

VI. Financial Information

6.2.2 Financial Analysis (Unconsolidated)

Items		Year	Financial Analysis for the Last Five Years (Note 1)				
			2017	2018	2019	2020	2021
Financial structure	Debt Ratio (%)		18.31	16.62	17.49	18.40	32.98
	Ratio of long-term capital to property, plant and equipment (%)		765.90	825.94	856.21	845.62	1039.60
Solvency	Current ratio (%)		121.57	124.43	137.58	117.59	153.77
	Quick ratio (%)		74.25	76.11	83.08	68.39	109.68
	Times interest earned ratio (times)		312	370	339	445	99
Operating performance	Average collection turnover (times)		5.85	5.89	6.12	6.54	5.69
	Average collection period (days)		62	62	60	56	64
	Average inventory turnover (times)		4.23	4.57	4.26	4.51	5.64
	Accounts payable turnover (times)		3.92	4.30	4.16	4.34	4.07
	Average days in sales		86	80	86	81	65
	Property, plant and equipment turnover (times)		3.58	3.90	4.06	4.32	5.10
	Total assets turnover (times)		0.39	0.41	0.41	0.43	0.45
Profitability	Return on total assets (%)		7.88	6.85	11.34	10.18	6.67
	Return on equity (%)		9.42	8.28	13.64	12.39	8.99
	Profit before tax to capital (%)		44.18	40.03	69.22	62.58	45.41
	Profit to sales (%)		19.96	16.55	27.52	23.75	14.65
	Earnings per share (NT\$) (Note 2)		4.79	4.27	7.31	6.72	4.90
Cash flow	Cash flow ratio (%)		16.67	15.32	3.04	37.37	0
	Cash flow adequacy ratio (%)		28.19	30.83	24.52	31.51	24.93
	Cash flow reinvestment ratio (%)		(7.22)	(7.13)	(9.08)	(2.34)	(7.88)
Leverage	Operating leverage		14.72	14.39	63.28	25.25	27.71
	Financial leverage		1.03	1.02	1.16	1.04	1.15

VI. Financial Information

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. Debt Ratio increased 79.21%: Because of total liabilities increased 52%.
2. Ratio of long-term capital to property, plant and equipment increased 22.94%: Because of non-current liabilities increased.
3. Current ratio increased 30.77% and Quick ratio increased 60.39%: Because of current assets increased.
4. Times Interest earned ratio decreased 77.74%: Because of interest expense increased.
5. Average inventory turnover increased 25.21%: Because of cost of goods sold increased.
6. Average days in sales decreased 20.13%: Because of net sales increased.
7. Return on total assets decreased 34.51%: Because of total assets increased.
8. Return on equity decreased 27.45%, Profit before tax to capital decreased 27.43%, Profit to sales decreased 38.30% and Earnings per share decreased 27.43%: Because of income before income tax decreased.
9. Cash flow ratio decreased 100%, Cash flow reinvestment ratio decreased 20.87% and Cash flow reinvestment ratio decreased 236.58%: Because of Net cash generated from operating activities flowed out.

Note 1: The financial information of the preceding years has been audited by the CPA.

Note 2: Calculated by the weighted average number of shares in external circulation.

VI. Financial Information

6.3 Audit Committee's Report

Audit Committee's Review Report

The Board of Directors has prepared and submitted the 2021 Business Report and Financial Statements, of which the Financial Statements have been audited by Deloitte & Touche. These have been reviewed by us as the Audit Committee of the Company. We deem no inappropriateness on these documents. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219, 208 of the Company Act, we hereby submit this report.

System Corporation

Audit Committee Convener:

Huang, Jih-Tsan

February 23, 2022

VI. Financial Information

Audit Committee's Review Report

The Board of Directors has prepared the 2021 earnings distribution proposal. The proposal has been reviewed by us as the Audit Committee of the Company. We deem no inappropriateness on these documents. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219, 208 of the Company Act, we hereby submit this report.

System Corporation

Audit Committee Convener:

Huang, Jih-Tsan

April 12, 2022

VI. Financial Information

6.4 Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report

Systemx Corporation and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of the parent company and its subsidiaries as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of the parent company and its subsidiaries. Hence, we have not prepared a separate set of consolidated financial statements of affiliates for the year ended December 31, 2021.

Very truly yours,

SYSTEX CORPORATION

By:

February 23, 2022

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Systex Corporation

Opinion

We have audited the accompanying consolidated financial statements of Systex Corporation and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, based on our audits and the reports of other independent auditors (refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors, 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 consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2021 is stated as follows:

Valuation of Receivables

As of December 31, 2021, notes receivable and accounts receivable amounted to \$4,856,074 thousand. When assessing the impairment of receivables, the management of the Group uses the expected credit loss model based on the lifetime expected credit loss. The valuation of receivables involves significant accounting estimates and judgements of the management. Therefore, we considered the valuation of receivables as a key audit matter. For the disclosures related to receivables, refer to Notes 5 and 11 to the consolidated financial statements.

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

1. We obtained the reports of impairment of receivables and assessed the reasonableness of the expected credit loss model and data used in the reports.
2. We tested the aging schedule of receivables and reviewed the calculation of expected credit loss to confirm the accuracy of the expected credit loss recognized on receivables.
3. We tested the recoverability of receivables by analyzing overdue accounts and verifying cash receipts in the subsequent period. For a receivable that was past due but not yet received, we assessed the reasonableness of the expected credit loss based on the customer's payment history, customer credit control and tracking of overdue receivables.

Other Matter

We did not audit the financial statements as of and for the year ended December 31, 2021 of Rainbow Tech Information (HK) Ltd., Systex Information (HK) Ltd. and Dawning Technology Inc. and as of and for the year ended December 31, 2020 of Rainbow Tech Information (HK) Ltd. and Systex Information (HK) Ltd., which were all subsidiaries of the Group included in the consolidated financial statements. The aggregate assets of these subsidiaries as of December 31, 2021 and 2020 amounted to \$2,270,741 thousand and \$869,551 thousand, respectively, or 8.55% and 3.95%, respectively, of the consolidated assets. The aggregate net operating revenues of these subsidiaries in 2021 and 2020 were \$4,151,506 thousand and \$1,248,204 thousand, respectively, or 14.06% and 5.26%, respectively, of the consolidated net operating revenues. We also did not audit the financial statements as of and for the year ended December 31, 2021 of Genesis Technology Inc., Collaboration Co., Ltd., Neo Trend Tech Corporation and CKmates International Co., Ltd. and as of and for the year ended December 31, 2020 of Dawning Technology Inc. and Fuco Technology Co., Ltd., which investments were accounted for using the equity method in the accompanying consolidated financial statements. The aggregate carrying amounts of which investments accounted for using the equity method were \$1,334,848 thousand and \$249,997 thousand, respectively, or 5.03% and 1.13%, respectively, of the consolidated assets as of December 31, 2021 and 2020. The aggregate amounts of the share in their (loss) profit and other comprehensive (loss) income in 2021 and 2020 were \$(31,363) thousand and \$10,158 thousand, respectively, or (2.51%) and 0.73%, respectively, of the consolidated comprehensive income. The financial statements of the abovementioned subsidiaries and investees were audited by other auditors whose reports have been provided to us and, our opinion, insofar as it relates to the amounts included for these subsidiaries and investees, is based solely on the reports of the other auditors.

We have also audited the parent corporation only financial statements of Systex Corporation as of and for the years ended December 31, 2021 and 2020 on which we have both issued an unqualified report with other matter paragraph.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Wan Lin and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 23, 2022

Notice to Readers

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

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

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,068,254	15	\$ 3,590,004	16
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	4,564,229	17	3,243,392	15
Notes receivable, net (Notes 4, 11 and 21)	92,840	1	53,295	-
Accounts receivable, net (Notes 4, 5, 11, 21 and 29)	4,763,234	18	3,741,776	17
Other receivables (Notes 23, 30 and 31)	328,766	1	212,144	1
Inventories (Notes 4 and 12)	3,250,755	12	3,166,140	14
Prepayments	1,754,766	7	1,237,222	6
Non-current assets held for sale (Notes 4 and 15)	298	-	15,254	-
Refundable deposits - current	404,210	2	308,912	2
Other current assets	45,670	-	58,329	-
Total current assets	19,273,022	73	15,626,468	71
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	1,700,303	6	1,575,388	7
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	301,551	1	682,527	3
Financial assets at amortized cost - non-current (Notes 4, 9 and 10)	500,000	2	500,000	2
Investments accounted for using equity method (Notes 4 and 14)	1,781,833	7	655,557	3
Property, plant and equipment (Notes 4, 15 and 30)	2,088,417	8	2,098,670	10
Right-of-use assets (Notes 4 and 16)	276,655	1	259,789	1
Intangible assets (Notes 4 and 22)	136,147	-	131,440	1
Deferred tax assets (Notes 4 and 23)	60,848	-	76,082	-
Refundable deposits - non-current	234,075	1	214,817	1
Long-term receivables (Notes 4 and 11)	12,906	-	7,964	-
Other non-current assets (Notes 30 and 31)	194,433	1	200,533	1
Total non-current assets	7,287,168	27	6,402,767	29
TOTAL	\$ 26,560,190	100	\$ 22,029,235	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 17 and 30)	\$ 1,253,994	5	\$ 790,247	4
Contract liabilities (Notes 4 and 21)	1,545,903	6	1,476,379	7
Notes and accounts payable	4,319,605	16	3,553,699	16
Payable to related parties (Note 29)	21,776	-	85,374	-
Other payables (Note 29)	1,496,836	6	1,426,467	6
Current tax liabilities (Notes 4 and 23)	125,443	-	140,545	1
Lease liabilities - current (Notes 4 and 16)	134,442	1	127,513	1
Current portion of long-term borrowings payable (Notes 17 and 30)	5,893	-	6,980	-
Other current liabilities	355,965	1	235,783	1
Total current liabilities	9,259,857	35	7,842,987	36
NON-CURRENT LIABILITIES				
Bonds payable (Note 18)	2,994,442	11	-	-
Long-term borrowings (Notes 17 and 30)	87,578	-	100,209	-
Deferred tax liabilities (Notes 4 and 23)	6,084	-	34,073	-
Lease liabilities - non-current (Notes 4 and 16)	146,168	1	135,323	1
Net defined benefit liabilities - non-current (Notes 4 and 19)	249,455	1	258,644	1
Other non-current liabilities	5,439	-	8,552	-
Total non-current liabilities	3,489,166	13	536,801	2
Total liabilities	12,749,023	48	8,379,788	38
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 20)				
Share capital	2,693,933	10	2,693,933	12
Capital surplus	6,606,321	25	6,493,756	29
Retained earnings				
Legal reserve	1,457,250	5	1,300,634	6
Special reserve	768,711	3	579,466	2
Unappropriated earnings	3,634,691	14	4,138,488	19
Total retained earnings	5,860,652	22	6,018,588	27
Other equity	(729,124)	(3)	(768,711)	(3)
Treasury shares	(928,443)	(3)	(928,443)	(4)
Total equity attributable to owners of the Corporation	13,503,339	51	13,509,123	61
NON-CONTROLLING INTERESTS (Notes 20 and 26)	307,828	1	140,324	1
Total equity	13,811,167	52	13,649,447	62
TOTAL	\$ 26,560,190	100	\$ 22,029,235	100

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

(With Deloitte & Touche audit report dated February 23, 2022)

SYSTEX CORPORATION AND SUBSIDIARIES

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

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 21 and 29)				
Sales	\$ 22,900,941	77	\$ 17,610,513	74
Less: Sales returns and allowances	<u>96,887</u>	<u>-</u>	<u>100,872</u>	<u>-</u>
Net sales	22,804,054	77	17,509,641	74
Service revenue	6,659,187	23	6,162,401	26
Other operating revenue	<u>63,716</u>	<u>-</u>	<u>63,048</u>	<u>-</u>
Total operating revenues	<u>29,526,957</u>	<u>100</u>	<u>23,735,090</u>	<u>100</u>
OPERATING COSTS (Notes 4, 12, 22 and 29)				
Cost of goods sold	19,745,444	67	15,013,181	63
Service cost	3,110,939	10	2,959,676	13
Other operating cost	<u>15,188</u>	<u>-</u>	<u>10,787</u>	<u>-</u>
Total operating costs	<u>22,871,571</u>	<u>77</u>	<u>17,983,644</u>	<u>76</u>
GROSS PROFIT	<u>6,655,386</u>	<u>23</u>	<u>5,751,446</u>	<u>24</u>
OPERATING EXPENSES (Notes 19, 22 and 29)				
Selling expenses	4,417,709	15	3,796,734	16
General and administrative expenses	597,452	2	501,795	2
Research and development expenses	478,731	2	478,534	2
Expected credit loss	<u>28,042</u>	<u>-</u>	<u>49,510</u>	<u>-</u>
Total operating expenses	<u>5,521,934</u>	<u>19</u>	<u>4,826,573</u>	<u>20</u>
PROFIT FROM OPERATIONS	<u>1,133,452</u>	<u>4</u>	<u>924,873</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates (Notes 4 and 14)	71,580	-	98,093	1
Interest income (Note 4)	28,279	-	27,538	-
Dividend income (Note 4)	50,163	-	48,561	-
Other income, net (Note 29)	54,827	-	49,724	-
Gain (loss) on disposal of property, plant and equipment, net (Note 4)	5,624	-	(56)	-
Gain on sale of investments, net (Note 22)	43,877	-	261,728	1
Gain on sale of non-current assets held for sale	909	-	-	-
Foreign exchange gain, net (Notes 4 and 33)	16,757	-	49,495	-
Gain on financial assets at fair value through profit or loss, net (Note 4)	283,650	1	480,140	2
Interest expense	(44,448)	-	(31,868)	-
Other expenses	(23,270)	-	(10,280)	-

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

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

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

	2021		2020	
	Amount	%	Amount	%
Loss on disposal of intangible assets (Note 4)	\$ (2,116)	-	\$ -	-
Impairment loss on assets (Notes 4, 14 and 22)	<u>(167,669)</u>	<u>-</u>	<u>(46,769)</u>	<u>-</u>
Total non-operating income and expenses	<u>318,163</u>	<u>1</u>	<u>926,306</u>	<u>4</u>
INCOME BEFORE INCOME TAX	1,451,615	5	1,851,179	8
INCOME TAX EXPENSE (Notes 4 and 23)	<u>228,519</u>	<u>1</u>	<u>175,457</u>	<u>1</u>
NET INCOME	<u>1,223,096</u>	<u>4</u>	<u>1,675,722</u>	<u>7</u>
OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAX				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 19)	(35,988)	-	(27,384)	-
Unrealized gain (loss) on equity instruments at fair value through other comprehensive income	201,132	-	(126,221)	-
Share of the other comprehensive (loss) income of associates accounted for using the equity method	(29,165)	-	9,844	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 23)	<u>3,783</u>	<u>-</u>	<u>115</u>	<u>-</u>
	<u>139,762</u>	<u>-</u>	<u>(143,646)</u>	<u>-</u>
Items that may be reclassified subsequently to profit:				
Exchange differences on translating foreign operations	(111,270)	-	(144,949)	(1)
Share of the other comprehensive loss of associates accounted for using the equity method	<u>(873)</u>	<u>-</u>	<u>(628)</u>	<u>-</u>
	<u>(112,143)</u>	<u>-</u>	<u>(145,577)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>27,619</u>	<u>-</u>	<u>(289,223)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,250,715</u>	<u>4</u>	<u>\$ 1,386,499</u>	<u>6</u>

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

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

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

	2021		2020	
	Amount	%	Amount	%
NET INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,213,916	4	\$ 1,666,345	7
Non-controlling interests	<u>9,180</u>	<u>-</u>	<u>9,377</u>	<u>-</u>
	<u>\$ 1,223,096</u>	<u>4</u>	<u>\$ 1,675,722</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,243,277	4	\$ 1,376,995	6
Non-controlling interests	<u>7,438</u>	<u>-</u>	<u>9,504</u>	<u>-</u>
	<u>\$ 1,250,715</u>	<u>4</u>	<u>\$ 1,386,499</u>	<u>6</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 4.90</u>		<u>\$ 6.72</u>	
Diluted	<u>\$ 4.88</u>		<u>\$ 6.70</u>	

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

(With Deloitte & Touche audit report dated February 23, 2022)

(Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation (Notes 4 and 20)										Non-controlling Interests (Note 20)	Total Equity
	Retained Earnings					Other Equity						
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of Foreign Operations	Unrealized (Loss) Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total		
BALANCE AT JANUARY 1, 2020	\$ 2,693,933	\$ 6,407,221	\$ 1,119,831	\$ 383,842	\$ 4,295,725	\$ 5,799,398	\$ (435,908)	\$ (143,558)	\$ (928,443)	\$ 13,392,643	\$ 89,490	\$ 13,482,133
Appropriation of 2019 earnings	-	-	180,803	-	(180,803)	-	-	-	-	-	-	-
Legal reserve	-	-	-	195,624	(195,624)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(1,346,967)	(1,346,967)	-	-	-	(1,346,967)	-	(1,346,967)
Cash dividends - NT\$5 per share	-	-	-	-	(83)	(83)	-	-	-	(20,788)	-	(20,788)
Share of changes in associates accounted for using the equity method	-	(20,705)	-	-	(83)	(83)	-	-	-	1,666,345	9,377	1,675,722
Net income for 2020	-	-	-	-	1,666,345	1,666,345	-	-	-	1,666,345	9,377	1,675,722
Other comprehensive (loss) income for 2020	-	-	-	-	(27,396)	(27,396)	(145,577)	(116,372)	-	(289,350)	127	(289,223)
Total comprehensive income (loss) for 2020	-	-	-	-	1,638,949	1,638,949	(145,577)	(116,372)	-	1,376,995	9,504	1,386,499
Cash dividends received by subsidiaries from the Corporation	-	107,049	-	-	-	-	-	-	-	107,049	-	107,049
Disposal of investments accounted for using the equity method	-	152	-	-	8,255	8,255	-	(8,255)	-	152	-	152
Differences between equity purchase price and carrying amount arising from actual acquisition of subsidiaries	-	39	-	-	-	-	-	-	-	39	(2,055)	(2,016)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	43,385	43,385
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(80,964)	(80,964)	-	80,964	-	-	-	-
BALANCE AT DECEMBER 31, 2020	2,693,933	6,493,756	1,300,634	579,466	4,138,488	6,018,588	(581,485)	(187,226)	(928,443)	13,509,123	140,324	13,649,447
Appropriation of 2020 earnings	-	-	156,616	-	(156,616)	-	-	-	-	-	-	-
Legal reserve	-	-	-	189,245	(189,245)	-	-	-	-	-	-	-
Special reserve reversed	-	-	-	-	(1,346,967)	(1,346,967)	-	-	-	(1,346,967)	-	(1,346,967)
Cash dividends - NT\$5 per share	-	-	-	-	(83)	(83)	-	-	-	5,202	1,191	6,393
Share of changes in associates accounted for using the equity method	-	5,202	-	-	-	-	-	-	-	1,213,916	9,180	1,223,096
Net income for 2021	-	-	-	-	1,213,916	1,213,916	-	-	-	1,213,916	9,180	1,223,096
Other comprehensive (loss) income for 2021	-	-	-	-	(32,075)	(32,075)	(110,531)	171,967	-	29,361	(1,742)	27,619
Total comprehensive income (loss) for 2021	-	-	-	-	1,181,841	1,181,841	(110,531)	171,967	-	1,243,272	7,438	1,250,710
Cash dividends received by subsidiaries from the Corporation	-	107,049	-	-	-	-	-	-	-	107,049	-	107,049
Differences between equity purchase price and carrying amount arising from actual acquisition of subsidiaries	-	1,831	-	-	(14,659)	(14,659)	-	-	-	(12,828)	14,477	1,649
Share of changes in equity of subsidiaries	-	(1,517)	-	-	-	-	-	-	-	(1,517)	1,517	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	142,881	142,881
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	21,849	21,849	-	(21,849)	-	-	-	-
BALANCE AT DECEMBER 31, 2021	\$ 2,693,933	\$ 6,606,321	\$ 1,457,230	\$ 768,711	\$ 3,634,691	\$ 5,860,652	\$ (692,016)	\$ (37,108)	\$ (928,443)	\$ 13,503,339	\$ 307,828	\$ 13,811,167

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 23, 2022)

SYSTEX CORPORATION AND SUBSIDIARIES

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,451,615	\$ 1,851,179
Adjustments for :		
Depreciation expenses	297,453	260,740
Amortization expenses	49,377	29,658
Expected credit loss recognized	28,042	49,510
Gain on financial assets at fair value through profit or loss, net	(283,650)	(480,140)
Interest expense	44,448	31,868
Interest income	(28,279)	(27,538)
Dividend income	(50,163)	(48,561)
Share of profit of associates	(71,580)	(98,093)
(Gain) loss on disposal of property, plant and equipment, net	(5,624)	56
Loss on disposal of intangible assets	2,116	-
Gain on sale of non-current assets held for sale	(909)	-
Gain on sale of investments, net	-	(157,037)
Impairment loss on financial assets	69,873	36,077
Impairment loss on non-financial assets	97,796	10,692
Write-down of inventories	48,052	139,932
Unrealized loss on foreign currency exchange, net	69	13
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(1,185,304)	460,562
Notes receivable	(39,955)	(17,081)
Accounts receivable	(661,255)	(70,449)
Other receivables	(64,539)	1,727
Inventories	37,622	(255,410)
Prepayments	(519,581)	(345,952)
Other current assets	19,642	(15,606)
Contract liabilities	62,117	181,159
Notes and accounts payable	558,228	(150,244)
Accounts payable to related parties	(63,602)	9,410
Other payables	24,568	31,683
Other current liabilities	120,150	24,558
Net defined benefit liabilities	(45,177)	(51,596)
Cash (used in) generated from operations	(108,450)	1,401,117
Interest paid	(44,342)	(34,291)
Income tax paid	(242,719)	(261,734)
Net cash (used in) generated from operating activities	<u>(395,511)</u>	<u>1,105,092</u>

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

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

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ (302,874)	\$ (56,290)
Disposal of financial assets at fair value through other comprehensive income	212,449	1,109,119
Return of capital from capital reduction of financial assets at fair value through other comprehensive income	889	902
Acquisition of investments accounted for using the equity method	(727,865)	(170,022)
Proceeds from sale of investments accounted for using the equity method	-	61,642
Net cash outflow from acquisition of subsidiaries (Note 25)	(58,890)	(59,173)
Proceeds from sale of non-current assets held for sale	15,865	-
Payments for property, plant and equipment	(121,257)	(123,327)
Proceeds from disposal of property, plant and equipment	25,334	5,631
(Increase) decrease in refundable deposits	(116,214)	8,140
Payments for intangible assets	(83,927)	(32,286)
Proceeds from disposal of intangible assets	5	12
(Increase) decrease in long-term receivables	(4,942)	3,610
(Increase) decrease in pledged time deposits	(56,004)	52,090
Decrease (increase) in other non-current assets	11,366	(6,538)
Interest received	28,357	28,519
Dividends received	50,163	48,561
Dividends received from associates	<u>36,286</u>	<u>101,901</u>
Net cash (used in) generated from investing activities	<u>(1,091,259)</u>	<u>972,491</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	431,618	232,201
Proceeds from issuance of corporate bonds	2,994,218	-
Repayment of long-term borrowings	(13,718)	(6,259)
Decrease in guarantee deposits received	(3,086)	(3,060)
Repayment of the principal portion of lease liabilities	(165,157)	(140,058)
Dividends paid	(1,346,967)	(1,346,967)
Acquisition of interests in subsidiaries	(44,800)	(2,016)
Proceeds from disposal of the Corporation's share by subsidiaries	46,449	-
Increase (decrease) in non-controlling interests	38,370	(315)
Cash dividends received by subsidiaries from the Corporation	<u>107,049</u>	<u>107,049</u>
Net cash generated from (used in) financing activities	<u>2,043,976</u>	<u>(1,159,425)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(78,956)</u>	<u>(103,497)</u>

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

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

	2021	2020
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 478,250	\$ 814,661
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,590,004</u>	<u>2,775,343</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,068,254</u>	<u>\$ 3,590,004</u>

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

(With Deloitte & Touche audit report dated February 23, 2022)

(Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

System Corporation (the “Corporation”) was incorporated on January 7, 1997 under the provision of the Company Act of the Republic of China and other laws and regulations. The Corporation is mainly engaged in sales and leases of computer software and related equipment, transmission and security of value-added network, maintenance of database, and consultation.

The Corporation’s shares had been traded on Emerging Stock Market since April 10, 2002 and Taipei Exchange since January 6, 2003. On December 30, 2010, the Corporation has changed the listing and trading of its shares to the Taiwan Stock Exchange.

The consolidated financial statements are presented in the Corporation’s functional currency, the New Taiwan dollars.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on February 23, 2022.

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

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

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

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

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

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

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

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

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

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

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

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 2) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. 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.

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

d. Basis of consolidation

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

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

See Note 13 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquirer's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

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

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

On the disposal of a foreign operation (i.e., a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are reclassified to profit or loss.

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

g. Inventories

Inventories are stated at the lower of cost (monthly weighted average) or net realizable value. Net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale.

h. Investment in associates

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

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

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

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

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

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

The Group discontinues the use of the equity method from the date on which it ceases to have significant influence. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

i. Property, plant and equipment

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

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

j. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Such assets classified as held for sale are not depreciated.

k. Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

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

l. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

Intangible assets (technological expertise and client relationship) acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

m. Impairment of property, plant and equipment, right-of-use asset and intangible assets other than goodwill

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

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

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

n. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at fair value through other comprehensive income (“FVTOCI”).

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset.

ii. Financial assets at amortized cost

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

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

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

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

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

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

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses ("ECLs") on financial assets at amortized cost (including accounts receivable) and lease receivables.

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

o. Revenue recognition

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

Sales revenue comes from sales of computer hardware and software. Sales of computer hardware and software are recognized as revenue when the goods are delivered to the customers and the customers have full discretion over the price to sell the goods, rights to use the goods, and bears the risks of obsolescence. Accounts receivable are recognized concurrently. The transaction price received under the conditions of a contract is recognized as a contract liability until the goods have been delivered to the customer.

Service revenue comes from maintenance of computer software and hardware, value-added network services and related consultation. As the Group provides services, customers simultaneously receive and consume the benefits provided by the Group's performance. Consequently, the related revenue is recognized when services are rendered. Service revenue other than stated above is recognized when services have been completed.

Other operating revenue is mainly comprised of rental revenue on leases of computer equipment, which is recognized over the term of the lease.

p. Leases

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

1) The Group as lessor

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

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor plus (b) initial direct costs and is presented as a lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

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

2) The Group as lessee

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

Right-of-use assets are initially measured at cost (the initial measurement of lease liabilities), and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

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

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

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and the corresponding tax bases used in the computation of taxable profit. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

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

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Valuation of Receivables

The valuation of receivables is based on assumptions about rates of default and expected loss. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment valuation, based on the Group's historical experience, existing market conditions and forward looking estimates. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2021	2020
Cash on hand	\$ 590	\$ 428
Checking accounts and demand deposits	4,067,664	3,386,117
Cash equivalents		
Time deposits with original maturities of less than 3 months	<u>-</u>	<u>203,459</u>
	<u>\$ 4,068,254</u>	<u>\$ 3,590,004</u>
Market interest rate interval		
Time deposits with original maturities of less than 3 months	-	0.23%-0.35%

7. FINANCIAL ASSETS AT FVTPL

	<u>December 31</u>	
	2021	2020
<u>Current</u>		
Financial assets mandatorily classified as at FVTPL		
Mutual funds	\$ 4,412,309	\$ 3,104,918
Listed shares	<u>151,920</u>	<u>138,474</u>
	<u>\$ 4,564,229</u>	<u>\$ 3,243,392</u>
<u>Non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Unlisted shares	\$ 1,502,631	\$ 1,448,432
Unlisted preferred shares	96,020	93,977
Others	<u>101,652</u>	<u>32,979</u>
	<u>\$ 1,700,303</u>	<u>\$ 1,575,388</u>

8. FINANCIAL ASSETS AT FVTOCI - NON-CURRENT

Investments in Equity Instruments

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Unlisted shares	\$ 250,066	\$ 169,565
Unlisted preferred shares	51,485	-
Listed shares	<u>-</u>	<u>512,962</u>
	<u>\$ 301,551</u>	<u>\$ 682,527</u>

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

For the years ended December 31, 2021 and 2020, the Group sold part of investment at fair value because of investment strategy and its related unrealized valuation loss of \$40,594 thousand and \$80,964 thousand, respectively, were transferred from other equity to retained earnings.

In the first quarter of 2021, the Group increased its interests in Genesis Technology Inc. (Genesis) and achieved significant influence over Genesis; therefore, investment in Genesis was reclassified from financial assets at FVTOCI to investments accounted for using the equity method in the amount of \$664,687 thousand, and its related unrealized valuation gain of \$62,443 thousand was transferred from other equity to retained earnings.

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Non-current</u>		
Domestic corporate bonds	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Interest rate	3.5%	3.5%

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at amortized cost.

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Gross carrying amount	\$ 500,000	\$ 500,000
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 500,000</u>	<u>\$ 500,000</u>

The Group's exposure and the external credit ratings are continuously monitored. The Group reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate	Gross Carrying Amount at December 31	
				2021	2020
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECL	0%	\$ 500,000	\$ 500,000

11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND LONG-TERM RECEIVABLES, NET

	December 31	
	2021	2020
Notes receivable	\$ 93,071	\$ 53,526
Less: Allowance for doubtful accounts	<u>(231)</u>	<u>(231)</u>
	<u>\$ 92,840</u>	<u>\$ 53,295</u>
Accounts receivable	\$ 4,973,420	\$ 3,924,186
Less: Allowance for doubtful accounts	<u>(210,186)</u>	<u>(182,410)</u>
	<u>\$ 4,763,234</u>	<u>\$ 3,741,776</u>
Long-term receivables	\$ 13,777	\$ 8,494
Less: Unrealized interest income	<u>(871)</u>	<u>(530)</u>
	<u>\$ 12,906</u>	<u>\$ 7,964</u>

The average credit period of receivables was 60 to 90 days. The Group delegated a department responsible for managing receivables, establishing credit limits, credit approvals and other monitoring procedures to ensure the profitability of the Group.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all receivables. The expected credit losses on receivables are estimated using a provision matrix by reference to the past default experience of the debtor, the debtor's current financial position, economic condition of the industry in which the debtor operates, as well as the GDP forecasts and industry outlook. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

December 31, 2021

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 270 Days	Over 271 Days	Total
Gross carrying amount	\$ 4,365,783	\$ 328,318	\$ 106,096	\$ 44,462	\$ 221,832	\$ 5,066,491
Loss allowance (Lifetime ECL)	<u>(6,470)</u>	<u>(2,023)</u>	<u>(7,913)</u>	<u>(2,661)</u>	<u>(191,350)</u>	<u>(210,417)</u>
Amortized cost	<u>\$ 4,359,313</u>	<u>\$ 326,295</u>	<u>\$ 98,183</u>	<u>\$ 41,801</u>	<u>\$ 30,482</u>	<u>\$ 4,856,074</u>

December 31, 2020

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 270 Days	Over 271 Days	Total
Gross carrying amount	\$ 3,269,968	\$ 296,638	\$ 181,528	\$ 42,072	\$ 187,506	\$ 3,977,712
Loss allowance (Lifetime ECL)	<u>(592)</u>	<u>(1,411)</u>	<u>(993)</u>	<u>(12,030)</u>	<u>(167,615)</u>	<u>(182,641)</u>
Amortized cost	<u>\$ 3,269,376</u>	<u>\$ 295,227</u>	<u>\$ 180,535</u>	<u>\$ 30,042</u>	<u>\$ 19,891</u>	<u>\$ 3,795,071</u>

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

	2021	2020
Balance at January 1	\$ 182,641	\$ 155,686
Add: Net remeasurement of loss allowance	28,042	49,510
Add: Acquisition of subsidiaries	871	207
Less: Amount written off	(226)	(25,826)
Effect of exchange rate changes	<u>(911)</u>	<u>3,064</u>
Balance at December 31	<u>\$ 210,417</u>	<u>\$ 182,641</u>

12. INVENTORIES

	December 31	
	2021	2020
Merchandise	\$ 3,223,794	\$ 3,137,003
Maintenance parts	<u>26,961</u>	<u>29,137</u>
	<u>\$ 3,250,755</u>	<u>\$ 3,166,140</u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 were \$19,745,444 thousand and \$15,013,181 thousand, respectively. The cost of goods sold included inventory write-downs of \$48,052 thousand and \$139,932 thousand, respectively.

13. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Main Business	% of Ownership		Remark
			2021	2020	
The Corporation	Concord System Management Corporation (CSMC)	Design, assessment and planning of computer system and application software and data-processing system, sale and lease of computer hardware, peripheral equipment and spare parts, and repairs and maintenance services	100.00	100.00	
The Corporation	Systex Capital Group, Inc. (SCGI)	Investment activities including financial trust and holding	100.00	100.00	
The Corporation	Hanmore Investment Corporation (Hanmore)	General investment activities	48.92	48.92	a)
The Corporation	Systex Software & Service Corporation (SSSC)	Sale and development of computer software, data-processing services	100.00	100.00	
The Corporation	Golden Bridge Corporation (GBC)	General investment activities	100.00	100.00	
The Corporation	Taifon Computer Co., Ltd. (Taifon)	Design of computer hardware and software equipment system, computer room installation, and maintenance, sale, lease and consultation	100.00	100.00	
The Corporation	Ching Pu Investment Corporation (Ching Pu)	General investment activities	100.00	100.00	
The Corporation	Kimo.Com (BVI) Corporation (Kimo BVI)	Investment activities including financial trust and holding	100.00	100.00	
The Corporation, Ching Pu and GBC	Syspower Corporation (Syspower)	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software	84.07	84.07	
The Corporation	Nexsys Corporation (Nexsys)	Manufacturing of wire communication equipment and apparatus, electronic parts and components, and computers and peripheral equipment, installation of computer, and wholesale and retailing of computer and business machinery equipment	100.00	100.00	
The Corporation	Systex Solutions Corporation (Systex Solutions)	Design, construction and sale of telecom instrument, electronic calculator and computer	100.00	100.00	
The Corporation	Etu Corporation (Etu)	Software design and data processing, retailing and service of software	84.19	84.19	b)
The Corporation	Naturint Corporation (Naturint)	Installation, sale, information software, data processing and other consultation on computer software and related equipment, network certification and software publication	100.00	100.00	
The Corporation	E-Service Information Corporation (E-Service)	Information software service, intellectual property rights, printing and data storage media manufacturing and copying	100.00	58.75	c)
The Corporation	Taiwan Information Service Technology Co., Ltd. (TIST)	Installation, sale, information software, data processing and other consultation on computer software and related equipment	67.38	62.87	d)
The Corporation	UniXecure Corporation (UniXecure)	Design, construction and sale of telecom instrument, electronic calculator and computer	100.00	-	e)
GBC	Softmobile Technology Corporation (Softmobile)	Manufacturing of wire communication equipment and apparatus, electronic parts and components, and computers and peripheral equipment, installation of computer, and wholesale and retailing of computer and business machinery equipment	100.00	100.00	
Ching Pu	Taiwan Electronic Data Processing Corporation (TEDP)	Design, installation, maintenance, lease and consultation on computer software and hardware equipment system, computer room engineering, network equipment system integration, and wholesale and retailing of medical appliances	69.59	69.59	b)

(Continued)

Investor	Investee	Main Business	% of Ownership		Remark
			2021	2020	
Syspower	Palsys Digital Technology Corporation (Palsys)	Sale of computer peripheral equipment and office machines, design of computer system and professional repairs services	92.14	-	f)
CSMC	Condong Co., Ltd. (Condong)	Installation, sale, information software, data processing and other consultation on computer software and related equipment	-	-	g)
CSMC	Top Information Technologies Co., Ltd. (Top Information)	Sale of computer peripheral equipment and office machines, design of computer system and professional repairs services	100.00	100.00	g)
Kimo BVI	Sysware Singapore Pte. Ltd. (Sysware Singapore)	Computer system integration service and software	-	-	h)
Kimo BVI	Systex Information (HK) Ltd. (Systex HK)	Sale of computer and peripheral equipment, retailing and processing of information of software	100.00	100.00	
Kimo BVI	Sysware Shenglong Information Systems Co., Ltd. (Sysware Shenglong)	Design of computer system, information processing service provider, retailing of computer and peripheral equipment	100.00	100.00	
Kimo BVI	Ucom Information Ltd. (Shanghai) (Ucom Shanghai)	Service, wholesale and retailing of information software	-	-	i)
Kimo BVI	Systek Information (Shanghai) Ltd. (Systek)	Sale of computer and peripheral equipment, retailing and processing of information software	100.00	100.00	i)
Kimo BVI	Rainbow Tech Information (HK) Ltd. (RTIHK)	Sale of computer and peripheral equipment, retailing and processing of information software	49.00	100.00	j)
Kimo BVI	Systex Solutions (HK) Limited (SSHK)	Investment activities including financial trust and holding	100.00	100.00	
Kimo BVI and SCGI	Syscore Corporation (Syscore)	General investment activities	100.00	100.00	
Syscore	Syslink Corporation (Syslink)	General Investment activities	100.00	100.00	
Syscore	Syslong Corporation (Syslong)	General Investment activities	100.00	-	k)
Syslink	Syswiser Technology Corporation (Syswiser)	Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software	100.00	100.00	
Syslink	Dawning Technology Inc. (Dawning)	Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software	74.43	46.67	l)
Syslink and SSSC	Smartsys Technology Corporation (Smartsys)	Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software	100.00	100.00	
Systex HK	Systex Group (China) Ltd. (Systex China)	Management consultation, marketing and sale, and capital and operation financial management	100.00	100.00	
Systek	Systex Rainbow Tech Inc. (Systex Rainbow)	Research, development, installation and wholesale of software and hardware technique and internet system	100.00	100.00	
Systex China	Systex Ucom (Shanghai) Information Ltd. Co. (Systex Ucom)	Software design and data processing, retailing and service of software	100.00	100.00	
Systex Rainbow and Systex Ucom	Systex Rainbow (Guangzhou) Tech Inc. (Rainbow Guangzhou)	Research, development, installation and wholesale of software and hardware technique and internet system	100.00	100.00	

(Concluded)

- a. The Group holds a 48.92% interest in Hanmore. The directors of the Corporation considered that the Group has the practical ability to direct the relevant activities of Hanmore and, therefore, has control over Hanmore.
- b. Etu and TEDP have been under dissolution and liquidation processes since the approval of shareholders in the shareholders' meeting in December 2020.

- c. The Corporation acquired a 58.75% interest of E-service in January 2020 and included the accounts in the consolidated financial statements since the acquisition date. In addition, the Corporation purchased a 41.25% interest of E-service from non-controlling interests in February 2021 and increased its interest in E-service to 100%.
- d. The Corporation acquired a 62.87% interest of TIST in December 2020 and included the accounts in the consolidated financial statements since the acquisition date. In addition, the Corporation subscribed to new shares of TIST at a percentage different from its original ownership in January 2021 and increased its interest in TIST to 67.38%.
- e. UniXecure was incorporated in December 2021.
- f. Palsys was incorporated in January 2021.
- g. Conding was incorporated in May 2020. The board of directors of Conding approved to issue new shares in exchange of all Top Information's shares owned by the original shareholders at an agreed rate in June 2020. The effect of the proceeding transaction decreased CSMC's interest in Conding from 100% to 98.99%. After the completion of the proceeding transaction, CSMC acquired a 1.01% interest of Conding from non-controlling interests and Conding was merged into CSMC in September 2020. After the merger, CSMC has been the surviving company and Conding was the dissolved company.
- h. Sysware Singapore completed liquidation and dissolution in July 2020.
- i. The Corporation's board of directors approved the merger of Systek and Ucom Shanghai on March 22, 2018. The merger process was completed in January 2020. After the merger, Systek has been the surviving company and Ucom Shanghai was the dissolved company.
- j. The board of directors of RTIHK approved to issue new shares in August 2021. Kimo BVI subscribed to new shares of RTIHK at a percentage different from its original ownership and decreased its interest in RTIHK to 85%. Kimo BVI then disposed of a 36% interest in RTIHK and decreased its interest in RTIHK to 49%. The directors of the Corporation considered that the Group has the practical ability to direct the relevant activities of RTIHK and, therefore, has control over RTIHK.
- k. Syslong was incorporated in November 2021.
- l. Syslink held a 46.67% interest in Dawning in December 2020. Syslink purchased a 27.76% interest of Dawning in January 2021 and increased its interest in Dawning to 74.43%; Dawning is included in the consolidated financial statements since the acquisition date.

All accounts of subsidiaries were included in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Among all subsidiaries included in the consolidated financial statements, the financial statements of TIST for the year ended December 31, 2020 were not audited. Management believes that the financial statements of the subsidiary that have not been audited would not have material impact on the consolidated financial statements.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Investments in associates</u>		
Associates that are not individually material	<u>\$ 1,781,833</u>	<u>\$ 655,557</u>

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2021	2020
The Group's share of:		
Net profit for the year	\$ 71,580	\$ 98,093
Other comprehensive (loss) income	<u>(30,038)</u>	<u>9,216</u>
Total comprehensive income for the year	<u>\$ 41,542</u>	<u>\$ 107,309</u>

In 2021 and 2020, the impairment loss was \$69,873 thousand and \$36,077 thousand, respectively by associates that are not individually material.

Except for Systemweb Technologies Co., Ltd., Neweb Information Co., Ltd., Sanfran Technologies Inc., Fuco Technology Co., Ltd., Retail System Co., Ltd., Mohist Web Technology Co., Ltd., Frog-jump Information Co., Ltd., Shengsen Cloud Technology, Shanghai Mudao Financial Information Service Co., Ltd., FinRobo Advisor Securities Investment Consulting Co., Ltd., Gensys Technology (International) Ltd., Systex Infopro Co., Ltd., AIWin Technology Co., Ltd. and Sunlight-tech Inc. for the year ended December 31, 2021, Sanfran Technologies Inc., Retail System Co., Ltd., Mohist Web Technology Co., Ltd., Frog-jump Information Co., Ltd., Shengsen Cloud Technology, Shanghai Mudao Financial Information Service Co., Ltd., Gensys Technology (International) Ltd., Systex Infopro Co., Ltd., AIWin Technology Co., Ltd. and Sunlight-tech Inc. for the year ended December 31, 2020, investments accounted for using the equity method and the share of profit or loss and other comprehensive income were calculated based on the financial statements that have been audited. Management believes the financial statements that have not been audited would not have material impact on the investments under the equity method or the share of profit or loss and other comprehensive income in the consolidated financial statements.

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Computer Equipment	Transportation Equipment	Lease Equipment	Leasehold Improvements	Other Equipment	Total
<u>Cost</u>								
Balance at January 1, 2020	\$ 812,812	\$ 1,433,654	\$ 219,207	\$ 12,754	\$ 50,387	\$ 67,456	\$ 75,680	\$ 2,671,950
Additions	-	-	74,263	-	3,133	15,887	30,044	123,327
Disposals	-	-	(38,675)	(485)	(4,563)	(19,341)	(19,085)	(82,149)
Acquisitions through business combinations	154,804	28,599	1,729	2,261	-	-	11,698	199,091
Reclassified as held for sale	(12,112)	(6,011)	-	-	-	-	-	(18,123)
Reclassification	-	-	(993)	-	55	(235)	(12,584)	(13,757)
Effect of foreign currency exchange differences	-	4,096	(447)	25	33	(264)	(86)	3,357
Balance at December 31, 2020	<u>\$ 955,504</u>	<u>\$ 1,460,338</u>	<u>\$ 255,084</u>	<u>\$ 14,555</u>	<u>\$ 49,045</u>	<u>\$ 63,503</u>	<u>\$ 85,667</u>	<u>\$ 2,883,696</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2020	\$ 7,694	\$ 529,834	\$ 109,088	\$ 6,491	\$ 19,927	\$ 28,357	\$ 40,910	\$ 742,301
Depreciation expenses	-	22,774	53,268	2,098	17,198	11,754	12,609	119,701
Disposals	-	-	(37,704)	(486)	(4,563)	(14,694)	(19,015)	(76,462)
Acquisitions through business combination	-	4,137	906	1,322	-	-	8,834	15,199
Reclassified as held for sale	-	(2,869)	-	-	-	-	-	(2,869)
Reclassification	-	-	(115)	-	(402)	(235)	(12,584)	(13,336)
Effect of foreign currency exchange differences	-	1,077	(464)	13	33	(93)	(74)	492
Balance at December 31, 2020	<u>\$ 7,694</u>	<u>\$ 554,953</u>	<u>\$ 124,979</u>	<u>\$ 9,438</u>	<u>\$ 32,193</u>	<u>\$ 25,089</u>	<u>\$ 30,680</u>	<u>\$ 785,026</u>
Carrying amounts at December 31, 2020	<u>\$ 947,810</u>	<u>\$ 905,385</u>	<u>\$ 130,105</u>	<u>\$ 5,117</u>	<u>\$ 16,852</u>	<u>\$ 38,414</u>	<u>\$ 54,987</u>	<u>\$ 2,098,670</u>

(Continued)

	Land	Buildings	Computer Equipment	Transportation Equipment	Lease Equipment	Leasehold Improvements	Other Equipment	Total
<u>Cost</u>								
Balance at January 1, 2021	\$ 955,504	\$ 1,460,338	\$ 255,084	\$ 14,555	\$ 49,045	\$ 63,503	\$ 85,667	\$ 2,883,696
Additions	-	-	74,035	462	2,968	32,605	24,158	134,228
Disposals	(4,584)	(2,974)	(55,766)	(10,677)	(27,940)	(2,030)	(4,882)	(108,853)
Acquisitions through business combinations	-	-	13,574	-	-	-	-	13,574
Reclassification	-	-	18	-	532	-	-	550
Effect of foreign currency exchange differences	-	(1,320)	(687)	(9)	(11)	(187)	(64)	(2,278)
Balance at December 31, 2021	<u>\$ 950,920</u>	<u>\$ 1,456,044</u>	<u>\$ 286,258</u>	<u>\$ 4,331</u>	<u>\$ 24,594</u>	<u>\$ 93,891</u>	<u>\$ 104,879</u>	<u>\$ 2,920,917</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2021	\$ 7,694	\$ 554,953	\$ 124,979	\$ 9,438	\$ 32,193	\$ 25,089	\$ 30,680	\$ 785,026
Depreciation expenses	-	22,912	61,938	1,781	11,203	18,512	17,091	133,437
Disposals	-	(1,927)	(44,370)	(8,230)	(27,940)	(2,030)	(4,646)	(89,143)
Acquisitions through business combination	-	-	4,260	-	-	-	-	4,260
Reclassification	-	-	15	-	(15)	-	-	-
Effect of foreign currency exchange differences	-	(272)	(572)	(4)	(11)	(90)	(131)	(1,080)
Balance at December 31, 2021	<u>\$ 7,694</u>	<u>\$ 575,666</u>	<u>\$ 146,250</u>	<u>\$ 2,985</u>	<u>\$ 15,430</u>	<u>\$ 41,481</u>	<u>\$ 42,994</u>	<u>\$ 832,500</u>
Carrying amounts at December 31, 2021	<u>\$ 943,226</u>	<u>\$ 880,378</u>	<u>\$ 140,008</u>	<u>\$ 1,346</u>	<u>\$ 9,164</u>	<u>\$ 52,410</u>	<u>\$ 61,885</u>	<u>\$ 2,088,417</u>

(Concluded)

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

Buildings	19-60 years
Computer equipment and other equipment	3-7 years
Transportation equipment	5-6 years
Lease equipment	2-5 years
Leasehold improvements	2-5 years

As described in Note 13, TEDP, subsidiary of the Group, was dissolved in December 2020 by the resolution of the shareholders' meeting. Since TEDP intends to dispose of its land and buildings, those land and buildings were reclassified as non-current assets held for sale, and were presented separately in the Group's consolidated balance sheets. The proceeds from disposal were expected to exceed the carrying amount of the related net assets and, accordingly, no impairment losses was recognized in the Group's consolidated comprehensive income statement.

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 30.

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amounts</u>		
Buildings	\$ 219,158	\$ 174,159
Machinery	53,592	85,198
Transportation equipment	<u>3,905</u>	<u>432</u>
	<u>\$ 276,655</u>	<u>\$ 259,789</u>

	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 154,165</u>	<u>\$ 88,278</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 127,080	\$ 100,309
Machinery	36,042	40,417
Transportation equipment	<u>894</u>	<u>313</u>
	<u>\$ 164,016</u>	<u>\$ 141,039</u>

Except for the additions and depreciation expenses disclosed above, the right-of-use assets of the Group had no material sublease agreement or impairment for the years ended December 31, 2021 and 2020.

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Current	<u>\$ 134,442</u>	<u>\$ 127,513</u>
Non-current	<u>\$ 146,168</u>	<u>\$ 135,323</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Buildings	1.00%-5.00%	1.00%-5.00%
Machinery	1.00%-1.25%	1.25%
Transportation equipment	1.00%-1.25%	1.25%

c. Material lease on activities and terms

The Group leases buildings for the use of offices and transportation equipment for the use of operation with lease terms of 1 to 7 years. The Group does not have bargain purchase options to acquire the leasehold buildings and equipment at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases and low-value asset leases	<u>\$ 55,778</u>	<u>\$ 64,711</u>
Total cash outflow for leases	<u>\$ 224,491</u>	<u>\$ 209,175</u>

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

The amount of lease commitments for short-term leases for which the recognition exemption was applied were \$17,365 thousand and \$13,445 thousand, respectively, as of December 31, 2021 and 2020.

17. BANK LOANS

a. Short-term loans

	December 31	
	2021	2020
Unsecured loans	\$ 886,270	\$ 404,800
Secured loans	<u>367,724</u>	<u>385,447</u>
	<u>\$ 1,253,994</u>	<u>\$ 790,247</u>
Annual interest rate		
Unsecured loans	1.00%-1.90%	1.05%-2.35%
Secured loans	4.00%	1.65%-4.20%

Refer to Note 30 for the carrying amounts of property, plant and equipment - land and buildings and the Corporation's shares provided as collaterals for the above secured bank loans.

b. Long-term loans

	December 31	
	2021	2020
Secured loans	\$ 93,471	\$ 107,189
Less: Current portion	<u>(5,893)</u>	<u>(6,980)</u>
	<u>\$ 87,578</u>	<u>\$ 100,209</u>
Annual interest rate		
Secured loans	1.40%-1.68%	1.41%-1.47%

Refer to Note 30 for the carrying amounts of property, plant and equipment - land and buildings provided as collaterals for the above secured bank loans.

18. BONDS PAYABLE

	December 31	
	2021	2020
Unsecured domestic bonds	\$ 3,000,000	\$ -
Less: Discount on bonds payable	<u>(5,558)</u>	<u>-</u>
	<u>\$ 2,994,442</u>	<u>\$ -</u>

In September 2021, the Corporation issued 3,000 units (each unit at par value of \$1,000 thousand), 0.82% NTD-denominated unsecured bonds, in an aggregate principal amount of \$3,000,000 thousand. The five-year bonds will mature in September 2026. Interest is paid annually and the principal will be repaid in full on the maturity date. The funds raised by the issuance of bonds will be used to repay the bank loan and replenish the working capital.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation and its domestic subsidiaries adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

The employees of Systex HK, RTIHK, Systek, Ucom Shanghai, Sysware Shenglong, Systex Rainbow, Systex China, Systex Ucom, Rainbow Guangzhou and Sysware Singapore are members of state-managed retirement benefit plans operated by the governments of their respective jurisdictions. The subsidiaries are required to contribute specific percentages of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by the Corporation and several of its domestic subsidiaries in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. These entities contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group’s defined benefit plans were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 681,495	\$ 678,430
Fair value of plan assets	<u>(432,040)</u>	<u>(419,786)</u>
Net defined benefit liability	<u>\$ 249,455</u>	<u>\$ 258,644</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2020	<u>\$ 648,286</u>	<u>\$ (365,430)</u>	<u>\$ 282,856</u>
Service cost			
Current service cost	1,686	-	1,686
Net interest expense (income)	<u>4,885</u>	<u>(2,776)</u>	<u>2,109</u>
Recognized in profit or loss	<u>6,571</u>	<u>(2,776)</u>	<u>3,795</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(11,814)	(11,814)
Actuarial loss - changes in demographic assumptions	1,051	-	1,051
Actuarial loss - changes in financial assumptions	27,567	-	27,567
Actuarial loss - experience adjustments	<u>10,580</u>	<u>-</u>	<u>10,580</u>
Recognized in other comprehensive income (loss)	<u>39,198</u>	<u>(11,814)</u>	<u>27,384</u>
Contributions from the employer	-	(53,915)	(53,915)
Benefits paid	<u>(15,625)</u>	<u>14,149</u>	<u>(1,476)</u>
Balance at December 31, 2020	<u>678,430</u>	<u>(419,786)</u>	<u>258,644</u>
Service cost			
Current service cost	1,905	-	1,905
Net interest expense (income)	<u>2,274</u>	<u>(1,441)</u>	<u>833</u>
Recognized in profit or loss	<u>4,179</u>	<u>(1,441)</u>	<u>2,738</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(5,600)	(5,600)
Actuarial loss - changes in demographic assumptions	17,665	-	17,665
Actuarial gain - changes in financial assumptions	(9,204)	-	(9,204)
Actuarial loss - experience adjustments	<u>33,127</u>	<u>-</u>	<u>33,127</u>
Recognized in other comprehensive income (loss)	<u>41,588</u>	<u>(5,600)</u>	<u>35,988</u>
Contributions from the employer	-	(45,700)	(45,700)
Benefits paid	<u>(42,702)</u>	<u>40,487</u>	<u>(2,215)</u>
Balance at December 31, 2021	<u>\$ 681,495</u>	<u>\$ (432,040)</u>	<u>\$ 249,455</u>

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

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

- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	<u>December 31</u>	
	2021	2020
Discount rates	0.50%-0.70%	0.35%
Expected rates of salary increase	1.20%-2.00%	1.10%-2.00%

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

	<u>December 31</u>	
	2021	2020
Discount rates		
0.25%-0.5% increase	<u>\$ (30,553)</u>	<u>\$ (31,624)</u>
0.25%-0.5% decrease	<u>\$ 32,642</u>	<u>\$ 33,890</u>
Expected rates of salary increase		
0.25%-0.5% increase	<u>\$ 32,209</u>	<u>\$ 33,348</u>
0.25%-0.5% decrease	<u>\$ (30,439)</u>	<u>\$ (31,421)</u>

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

	<u>December 31</u>	
	2021	2020
The expected contributions to the plan for the next year	<u>\$ 47,777</u>	<u>\$ 44,369</u>
The average duration of the defined benefit obligation	10 years	11 years

20. EQUITY

a. Share capital

	<u>December 31</u>	
	2021	2020
Number of shares authorized (in thousands)	<u>400,000</u>	<u>400,000</u>
Share capital authorized	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
Number of shares issued (in thousands)	<u>269,393</u>	<u>269,393</u>
Share capital issued	<u>\$ 2,693,933</u>	<u>\$ 2,693,933</u>

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

b. Capital surplus

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>May be used to offset a deficit, distribute as cash dividends, or transfer to share capital (1)</u>		
Issuance of shares	\$ 4,641,487	\$ 4,641,487
The difference between the consideration paid and the carrying amount of the subsidiaries' net assets during actual acquisition	1,869	39
Donations	544	544
Treasury share transactions	1,945,013	1,837,963
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interest in subsidiaries (2)	7,048	8,576
Share of changes in associates accounted for using the equity method	5,867	654
Gain on sale of property, plant and equipment	<u>4,493</u>	<u>4,493</u>
	<u>\$ 6,606,321</u>	<u>\$ 6,493,756</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in subsidiary resulted from equity transactions other than actual disposal on acquisition, or from changes in capital surplus of subsidiaries accounted for by using the equity method.

c. Retained earnings and dividends policy

The shareholders of the Corporation held their regular meeting on June 18, 2020 and in that meeting, resolved the amendments to the Corporation's Articles of Incorporation (the "Articles"). Under the dividends policy as set forth in the amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders, except that the board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting.

Under the dividend policy as set forth in the Articles before the amendments, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends to shareholders.

For the policies on distribution of compensation of employees and remuneration of directors, please refer to Note 22 c. for details.

For the goal of sustainable operation and development, the Corporation considers the overall environment and the nature of industry growth along with the long-term financial planning, and applies the dividend policy for residual earnings. The Corporation evaluates the annual funding requirements according to its future capital budget and retains the required fund from the earnings, and distributes the residual earnings as follows:

- 1) Determine the optimal capital budget.
- 2) Determine the funding requirements to meet the optimal capital budget.
- 3) Determine the funding requirements to be met by unappropriated earnings (the remaining may be met through capital increase by cash or issuance of bonds).
- 4) The residual earnings, less an appropriate portion for the operation requirements, may be distributed to shareholders.

The Corporation's dividends may be distributed in cash or shares. The distribution of profits shall be made preferably by way of cash dividends. The distribution could also be made by way of stock dividends, which should not exceed 50% of the total distributed earnings in principle. In addition, dividend policy depends on criteria such as the Corporation's current and future investment environment, cash requirements, domestic and international competition, capital budget, etc. Further, the Corporation also takes into consideration shareholders' interests, balances of dividends and its long-term financial goals. Annually, the board of directors prepares a proposal on earnings appropriation for approval at the shareholders' meeting.

For the distribution of dividends, if the distribution is in cash, the board of directors shall be authorized to resolve the proposal by the vote of at least half of the directors present, provided the number of directors present shall be at least two-thirds of the entire board of directors, and report the distribution to the shareholders' meeting. The Corporation may distribute all or part of the reserve in accordance with laws or the regulations of the competent authority. If it is distributed in cash, the Company authorizes the board of directors to make resolutions in accordance with Article 241 of the Company Act and report to the shareholders' meeting.

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

Under the local regulations, an amount equals to the net debit balance of total other equity items shall be appropriated as a special reserve. The special reserve may be reversed to the extent of the decrease in the net debit balance.

If the Corporation's shares are held by its subsidiaries at the end of the year and the market value of the shares held are lower than their carrying amounts, the Corporation should appropriate a special reserve equal to the difference between the carrying amounts and market value multiplied by its percentages of ownership in the subsidiaries. The special reserve can be reversed in proportion to the percentages of ownership in the subsidiaries when the market value of the shares increased.

The appropriations of earnings for 2020 and 2019 that had been resolved by the shareholders in their meetings on August 27, 2021 and June 18, 2020, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Legal reserve	\$ 156,616	\$ 180,803	\$ -	\$ -
Special reserve	189,245	195,624	-	-
Cash dividends	1,346,967	1,346,967	5.0	5.0

The appropriation of earnings for 2021 will be resolved by the shareholders in their meeting in May 2022.

Information about the appropriations of earnings and distribution of capital surplus are available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity items

1) Exchange differences on translation of foreign operations

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (581,485)	\$ (435,908)
Exchange differences on translation of foreign operations	(109,658)	(144,949)
Share of exchange differences of associates accounted for using the equity method	<u>(873)</u>	<u>(628)</u>
Balance at December 31	<u>\$ (692,016)</u>	<u>\$ (581,485)</u>

2) Unrealized (loss) gain on financial assets at FVTOCI

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (187,226)	\$ (143,558)
Recognized for the year		
Unrealized gain (loss) on equity investments	201,132	(126,221)
Share of associates accounted for using the equity method	(29,165)	9,844
Disposal of associates accounted for using the equity method	-	(8,255)
Cumulative unrealized (loss) gain of equity instruments transferred to retained earnings due to disposal	<u>(21,849)</u>	<u>80,964</u>
Balance at December 31	<u>\$ (37,108)</u>	<u>\$ (187,226)</u>

e. Treasury shares (in thousand)

Purpose of Treasury Share	Number of Shares at January 1	Increase During the Year	Decrease During the Year	Number of Shares at December 31
<u>2021</u>				
Reclassification of the Corporation's shares held by subsidiaries from equity-method investments into treasury share	<u>21,410</u>	-	-	<u>21,410</u>
<u>2020</u>				
Reclassification of the Corporation's shares held by subsidiaries from equity-method investments into treasury share	<u>21,410</u>	-	-	<u>21,410</u>

The Corporation's shares held by subsidiaries at end of reporting period were as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Hanmore</u>		
Share (in thousand)	<u>21,317</u>	<u>21,317</u>
Investments cost	<u>\$ 755,480</u>	<u>\$ 755,480</u>
Market value	<u>\$ 1,807,654</u>	<u>\$ 1,869,473</u>
<u>Ching Pu</u>		
Share (in thousand)	<u>10,982</u>	<u>10,982</u>
Investments cost	<u>\$ 246,093</u>	<u>\$ 246,093</u>
Market value	<u>\$ 931,229</u>	<u>\$ 963,075</u>

For the Corporation's shares held by Hanmore, the investment cost at 48.92% (the ownership percentage owned by the Corporation) was transferred from investment accounted for using equity method to treasury shares, both amounting to \$515,617 thousand (10,428 thousand shares) as of December 31, 2021 and 2020. The remaining was treated as recoveries from Hanmore's non-controlling interests, accounted for deduction to non-controlling interests in balance sheets.

The Corporation's shares held by its subsidiaries are recorded as treasury shares, with the subsidiaries having the same rights as other common shareholders on these shares, except that the subsidiaries which are owned by the parent company for over 50% will not have the right to participate in any share issuance for cash or to vote.

f. Non-controlling interests

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 140,324	\$ 89,490
Attributable to non-controlling interests:		
Share of profit for the year	9,180	9,377
Remeasurement on defined benefit plans	(130)	127
Exchange differences on translation of foreign operations	(1,612)	-
Non-controlling interests arising from acquisition of subsidiaries (Note 25)	104,511	43,700
Non-controlling interests arising from cash dividends received by subsidiary (Hanmore) from the Corporation	54,441	54,441
Equity transactions with non-controlling interests (Note 26)	35,015	(2,055)
Cash dividends received from subsidiaries	(53,106)	(54,756)
Changes in percentage of ownership interests in subsidiaries	18,014	-
Adjustments relating to changes in capital surplus of associates accounted for using the equity method	<u>1,191</u>	<u>-</u>
Balance at December 31	<u>\$ 307,828</u>	<u>\$ 140,324</u>

21. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 22,804,054	\$ 17,509,641
Revenue from the rendering of services	6,659,187	6,162,401
Other operating revenue	<u>63,716</u>	<u>63,048</u>
	<u>\$ 29,526,957</u>	<u>\$ 23,735,090</u>

Contract Balances

	December 31	
	2021	2020
Notes and accounts receivable	<u>\$ 4,856,074</u>	<u>\$ 3,795,071</u>
Contract liabilities	<u>\$ 1,545,903</u>	<u>\$ 1,476,379</u>

Please refer to Note 11 for information about notes and accounts receivable. The changes in the balance of contract liabilities primarily result from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment.

22. NET PROFIT

a. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	\$ 133,437	\$ 119,701
Right-of-use assets	164,016	141,039
Intangible assets	<u>49,377</u>	<u>29,658</u>
	<u>\$ 346,830</u>	<u>\$ 290,398</u>
An analysis of depreciation by function		
Operating costs	\$ 89,074	\$ 99,310
Operating expenses	<u>208,379</u>	<u>161,430</u>
	<u>\$ 297,453</u>	<u>\$ 260,740</u>
An analysis of amortization by function		
Operating costs	\$ 938	\$ 892
Operating expenses	<u>48,439</u>	<u>28,766</u>
	<u>\$ 49,377</u>	<u>\$ 29,658</u>

b. Employee benefits expenses

	For the Year Ended December 31	
	2021	2020
Post-employment benefits		
Defined contribution plans	\$ 189,346	\$ 151,167
Defined benefits plans (Note 19)	<u>2,738</u>	<u>3,795</u>
	192,084	154,962
Payroll	3,879,025	3,347,389
Labor and health insurance	317,238	275,488
Other employee benefits	<u>173,189</u>	<u>128,820</u>
Total employee benefits expense	<u>\$ 4,561,536</u>	<u>\$ 3,906,659</u>
An analysis of employee benefits expenses by function		
Operating costs	\$ 198,893	\$ 134,474
Operating expenses	<u>4,362,643</u>	<u>3,772,185</u>
	<u>\$ 4,561,536</u>	<u>\$ 3,906,659</u>

As of December 31, 2021 and 2020, the Group had 4,228 and 3,761 employees, respectively.

c. Compensation of employees and remuneration of directors

The Corporation accrued compensation of employees and remuneration of directors at the rates no less than 0.1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020 which have been approved by the Corporation's board of directors on February 23, 2022 and February 24, 2021, respectively, were as follows:

	For the Year Ended December 31	
	2021	2020
	Cash	Cash
Compensation of employees	\$ 38,635	\$ 53,241
Remuneration of directors	25,756	35,494

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2020.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Gain on sale of investments, net

	For the Year Ended December 31	
	2021	2020
Disposal of financial assets at FVTPL	\$ 43,877	\$ 177,419
Disposal of investments accounted for using the equity method	<u>-</u>	<u>84,309</u>
	<u>\$ 43,877</u>	<u>\$ 261,728</u>

e. Impairment losses recognized

	For the Year Ended December 31	
	2021	2020
Investments accounted for using the equity method	\$ 69,873	\$ 36,077
Intangible assets	<u>97,796</u>	<u>10,692</u>
	<u>\$ 167,669</u>	<u>\$ 46,769</u>

23. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expenses are as follows:

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 183,245	\$ 179,070
Additional income tax on unappropriated earnings	11,382	4,521
Additional income tax under the Alternative Minimum Tax Act	16,280	16,340
Investment tax credit deduction	-	(1,650)
Enterprise income tax on securities	19,201	103,075
Adjustments for prior years' tax	<u>(1,694)</u>	<u>(4,243)</u>
	<u>228,414</u>	<u>297,113</u>
Deferred tax		
In respected of the current year	8,402	(113,586)
Adjustments for prior years' tax	<u>(8,297)</u>	<u>(8,070)</u>
	<u>105</u>	<u>(121,656)</u>
Income tax expense recognized in profit or loss	<u>\$ 228,519</u>	<u>\$ 175,457</u>

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

	For the Year Ended December 31	
	2021	2020
Profit before tax	<u>\$ 1,451,615</u>	<u>\$ 1,851,179</u>
Income tax expense calculated at the statutory rate (20%)	\$ 290,323	\$ 370,236
Permanent difference	(11,447)	(100,768)
Additional income tax on unappropriated earnings	11,382	4,521
Unrecognized loss carryforwards used	(7,542)	(10,137)
Land value increment tax	710	-
Effect of different tax rate of group entities operating in other jurisdictions	(80,397)	(195,497)
Adjustments for prior years' tax	(9,991)	(12,313)
Enterprise Income Tax on securities	19,201	103,075
Additional income tax under the Alternative Minimum Tax Act	<u>16,280</u>	<u>16,340</u>
Income tax expense recognized in profit or loss	<u>\$ 228,519</u>	<u>\$ 175,457</u>

System Solution (HK) Limited sold investments accounted for using equity method and financial assets at FVTOCI in 2021 and 2020 and incurred Enterprise Income Tax of \$19,201 thousand and \$103,075 thousand, respectively, according to the related tax laws in its jurisdiction.

The applicable tax rate used by subsidiaries in China is 25%. SCGI and KIMO are exempt from income tax under their local government regulations. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In accordance with Rule No. 10904558730 issued by the Ministry of Finance of Taiwan, the Group has deducted the amount of dividends distributed in 2020 attributable to the increase in the beginning retained earnings for 2018 as a result of initial adoption of IFRS 9 when calculating the tax on unappropriated earnings for 2018.

b. Income tax recognized in other comprehensive income

For the Year Ended December 31

Deferred tax

	2021	2020
Remeasurement on defined benefit plan	<u>\$ 3,783</u>	<u>\$ 115</u>

c. Current tax assets and liabilities

December 31

	2021	2020
Current tax assets (recognized in other receivables)		
Tax refund receivable	<u>\$ 4,658</u>	<u>\$ 5,885</u>
Current tax liabilities		
Income tax payable	<u>\$ 125,443</u>	<u>\$ 140,545</u>

d. The movements of deferred tax assets and liabilities

For the year ended December 31, 2021

	Opening Balance	Assign on Acquisition	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Allowance for loss on inventories	\$ 59,600	\$ 8,289	\$ (26,426)	\$ -	\$ -	\$ 41,463
Payable for annual leave	2,781	-	320	-	-	3,101
Others	<u>12,868</u>	<u>394</u>	<u>(897)</u>	<u>3,783</u>	<u>-</u>	<u>16,148</u>
	75,249	8,683	(27,003)	3,783	-	60,712
Loss carryforwards	<u>833</u>	<u>-</u>	<u>(697)</u>	<u>-</u>	<u>-</u>	<u>136</u>
	<u>\$ 76,082</u>	<u>\$ 8,683</u>	<u>\$ (27,700)</u>	<u>\$ 3,783</u>	<u>\$ -</u>	<u>\$ 60,848</u>
<u>Deferred tax liabilities</u>						
Temporary differences						
Exchange differences on foreign operations	\$ 5,846	\$ -	\$ -	\$ -	\$ -	\$ 5,846
Gain on disposal of investments	27,742	-	(27,214)	-	(528)	-
Others	<u>485</u>	<u>134</u>	<u>(381)</u>	<u>-</u>	<u>-</u>	<u>238</u>
	<u>\$ 34,073</u>	<u>\$ 134</u>	<u>\$ (27,595)</u>	<u>\$ -</u>	<u>\$ (528)</u>	<u>\$ 6,084</u>

For the year ended December 31, 2020

	Opening Balance	Assign on Acquisition	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Allowance for loss on inventories	\$ 38,530	\$ -	\$ 21,070	\$ -	\$ -	\$ 59,600
Payable for annual leave	2,089	-	692	-	-	2,781
Others	<u>15,290</u>	<u>-</u>	<u>(2,537)</u>	<u>115</u>	<u>-</u>	<u>12,868</u>
	55,909	-	19,225	115	-	75,249
Loss carryforwards	1,164	-	(331)	-	-	833
Investment credits	<u>191</u>	<u>-</u>	<u>(191)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 57,264</u>	<u>\$ -</u>	<u>\$ 18,703</u>	<u>\$ 115</u>	<u>\$ -</u>	<u>\$ 76,082</u>
<u>Deferred tax liabilities</u>						
Temporary differences						
Exchange differences on foreign operations	\$ 5,846	\$ -	\$ -	\$ -	\$ -	\$ 5,846
Gain on disposal of investments	133,229	-	(103,075)	-	(2,412)	27,742
Others	<u>363</u>	<u>-</u>	<u>122</u>	<u>-</u>	<u>-</u>	<u>485</u>
	<u>\$ 139,438</u>	<u>\$ -</u>	<u>\$ (102,953)</u>	<u>\$ -</u>	<u>\$ (2,412)</u>	<u>\$ 34,073</u>

- e. Unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	2021	2020
Loss carryforwards		
Expiry in 2021	\$ -	\$ 4,316
Expiry in 2022	40,064	40,064
Expiry in 2023	46,107	324
Expiry in 2024	20,507	1,143
Expiry in 2025	89,922	65,906
Expiry in 2026	103,322	88,929
Expiry in 2027	6,476	6,476
Expiry in 2028	8,013	8,175
Expiry in 2029	117,522	101,404
Expiry in 2030	831	831
Expiry in 2031	<u>1,415</u>	<u>-</u>
	<u>\$ 434,179</u>	<u>\$ 317,568</u>

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2021 comprised:

Expiry Year	Total Credit
2022	\$ 40,064
2023	46,107
2024	20,507
2025	89,922
2026	103,322
2027	6,476
2028	8,013
2029	117,819
2030	1,035
2031	<u>1,594</u>
	<u>\$ 434,859</u>

g. Income tax assessments

Income tax returns through 2019 and undistributed earnings through 2018 of the Corporation, SSSC, Nexsys, Taifon, CSMC, Ching Pu, Hanmore, GBC, Naturint, Syswiser, Syslink, Smartsys, Dawning, Syspower, Softmobile, Systex Solution, Syscore, Top Information, E-service and TIST; income tax returns through 2020 and undistributed earnings through 2019 of TEDP and Etu have been assessed by the tax authorities.

24. EARNINGS PER SHARE

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

	For the Year Ended December 31	
	2021	2020
<u>Net income for the year</u>		
Net income for the year attributable to owners of the Corporation	<u>\$ 1,213,916</u>	<u>\$ 1,666,345</u>
<u>Number of shares (in thousands)</u>		
Weighted average number of ordinary shares in the computation of basic earnings per share	247,983	247,983
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>549</u>	<u>785</u>
Weighted average number of ordinary shares in the computation of diluted earnings per share	<u>248,532</u>	<u>248,768</u>
<u>Earnings per share (NT\$)</u>		
Basic earnings per share	<u>\$4.90</u>	<u>\$6.72</u>
Diluted earnings per share	<u>\$4.88</u>	<u>\$6.70</u>

If the Corporation can settle bonus to employees in cash or shares, the Corporation should assume the entire amount of the bonus will be settled in shares and the resulting potential shares, if dilutive, should be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The pro-forma net income and earnings per share, assuming the Corporation's share held by subsidiaries were treated as investment instead of treasury shares, were as follows:

	For the Year Ended December 31	
	2021	2020
<u>Net income for the year</u>		
Net income for the year attributable to owners of the Corporation	<u>\$ 1,320,965</u>	<u>\$ 1,773,394</u>
<u>Number of shares (in thousands)</u>		
Weighted average number of ordinary shares in the computation of pro forma basic earnings per shares	269,393	269,393
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>549</u>	<u>785</u>
Weighted average number of ordinary shares in the computation of pro forma diluted earnings per shares	<u>269,942</u>	<u>270,178</u>
<u>Earnings per share (NT\$)</u>		
Basic earnings per share	<u>\$4.90</u>	<u>\$6.58</u>
Diluted earnings per share	<u>\$4.89</u>	<u>\$6.56</u>

25. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)
E-Service	Information software service, intellectual property rights, printing and data storage media manufacturing and copying	January 2020	58.75
TIST	Installation, sale, information software, data processing and other consultation on computer software and related equipment	December 2020	62.87
Dawning	Computer system integration service and computer software industry	January 2021	74.43

E-Service, TIST and Dawning were acquired in 2021 and 2020 in order to continue the expansion of the Group's operations.

b. Consideration transferred

	E-Service	TIST	Dawning
Cash	\$ 44,700	\$ 74,965	\$ 166,594

c. Assets acquired and liabilities assumed at the date of acquisition

	E-Service	TIST	Dawning
Current assets			
Cash and cash equivalents	\$ 44,757	\$ 15,735	\$ 107,704
Accounts receivable	20,448	42,553	430,469
Other receivables	1,622	35	-
Inventories	-	-	177,319
Prepayments	135	456	-
Other current assets	746	64	7,319
Non-current assets			
Property, plant and equipment	159,262	24,630	9,314
Right-of-use assets	-	-	46,750
Other intangible assets	8,202	34,272	44,403
Refundable deposits	6,099	9,282	-
Deferred tax assets	-	-	8,683
Other non-current assets	-	-	3,044
Current liabilities			
Short-term loans	45,630	7,500	43,022
Financial liabilities at FVTPL	-	-	330
Contract liabilities	-	-	3,050
Notes and accounts payable	7,103	2,755	239,643
Other payables	9,486	13,805	52,354
Lease liabilities - current	-	-	14,697
Advance receipts	-	-	6,907
Other current liabilities	1,286	1,814	582
Non-current liabilities			
Long-term loans	104,720	8,728	-
Lease liabilities - non-current	-	-	21,120
Guarantee deposits	300	76	-
Other non-current liabilities	2,420	9,402	133
	<u>\$ 70,326</u>	<u>\$ 82,947</u>	<u>\$ 453,167</u>

d. Goodwill recognized on acquisitions

	E-Service	TIST	Dawning
Consideration transferred	\$ 44,700	\$ 74,965	\$ 166,594
Add: Fair value of the interest originally held by the group at the date of acquisition	-	-	208,064
Add: Non-controlling interests	25,626	18,074	104,511
Less: Fair value of identifiable net assets acquired	<u>(70,326)</u>	<u>(82,947)</u>	<u>(453,167)</u>
Goodwill recognized on acquisitions	<u>\$ -</u>	<u>\$ 10,092</u>	<u>\$ 26,002</u>

e. Net cash inflow (outflow) on the acquisition of subsidiaries

	E-Service	TIST	Dawning
Cash and cash equivalent acquired	\$ 44,757	\$ 15,735	\$ 107,704
Less: Consideration paid in cash	<u>44,700</u>	<u>74,965</u>	<u>166,594</u>
	<u>\$ 57</u>	<u>\$ (59,230)</u>	<u>\$ (58,890)</u>

f. Impact of acquisitions on the results of the Group

The financial results of the acquirees since the acquisition dates, which are included in the consolidated financial statements, do not have significant impact on the results of the Group.

26. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

- a. As described in Note 13g, the Group acquired a 1.01% interest in Conding from the non-controlling shareholders of in the third quarter of 2020.

The above transactions were accounted for as equity transactions, since the Group did not change the control over the subsidiary.

	Amount
Consideration paid in cash	\$ (2,016)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>2,055</u>
Differences recognized from equity transaction (recognized as capital surplus)	<u>\$ 39</u>

- b. In February 2021, the Group purchased shares of E-Service from the non-controlling shareholders and increased its interest in E-Service from 58.75% to 100.00%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over the subsidiary.

	Amount
Consideration paid in cash	\$ (44,800)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>30,102</u>
Differences recognized from equity transaction	(14,698)
Carrying amount of capital surplus deducted	<u>39</u>
Adjustment to retained earnings	<u>\$ (14,659)</u>

- c. As described in Note 13j, the Group subscribed to new shares issued by RTIHK at a percentage different from its original ownership in August 2021 and decreased its interest in RTIHK from 100% to 85%; therefore, the Group recognized a \$378 thousand increase in capital surplus-changes in percentage of ownership interest in subsidiaries.

The Group then disposed of a 36% interest in RTIHK and decreased its interest in RTIHK from 85% to 49%. The above transactions were accounted for as equity transactions, since the Group did not cease to have control over the subsidiary.

	Amount
Consideration received in cash	\$ 46,449
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>(44,579)</u>
Differences recognized from equity transaction (recognized as capital surplus)	<u>\$ 1,870</u>

27. CAPITAL MANAGEMENT

The capital structure of the Group consists of debt and equity of the Group (comprising issued capital, legal reserve, retained earnings and other equity).

Key management personnel of the Corporation review the capital structure on a periodic basis. As part of this review, the Corporation considers the cost of capital and the risks associated with each class of capital. In order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

28. FINANCIAL INSTRUMENTS

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

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2021</u>				
Financial assets at FVTPL				
Listed shares	\$ 151,920	\$ -	\$ -	\$ 151,920
Unlisted shares	-	-	1,502,631	1,502,631
Unlisted preferred shares	-	-	96,020	96,020
Mutual funds	4,412,309	-	-	4,412,309
Others	<u> </u>	<u> </u>	<u>101,652</u>	<u>101,652</u>
	<u>\$ 4,564,229</u>	<u>\$ -</u>	<u>\$ 1,700,303</u>	<u>\$ 6,264,532</u>
Financial assets at FVTOCI				
Unlisted shares	\$ -	\$ -	\$ 250,066	\$ 250,066
Unlisted preferred shares	<u> </u>	<u> </u>	<u>51,485</u>	<u>51,485</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 301,551</u>	<u>\$ 301,551</u>

(Continued)

	Level 1	Level 2	Level 3	Total
<u>December 31, 2020</u>				
Financial assets at FVTPL				
Listed shares	\$ 138,474	\$ -	\$ -	\$ 138,474
Unlisted shares	-	-	1,448,432	1,448,432
Unlisted preferred shares	-	-	93,977	93,977
Mutual funds	3,104,918	-	-	3,104,918
Others	<u>-</u>	<u>-</u>	<u>32,979</u>	<u>32,979</u>
	<u>\$ 3,243,392</u>	<u>\$ -</u>	<u>\$ 1,575,388</u>	<u>\$ 4,818,780</u>
Financial assets at FVTOCI				
Listed shares	\$ 512,962	\$ -	\$ -	\$ 512,962
Unlisted shares	<u>-</u>	<u>-</u>	<u>169,565</u>	<u>169,565</u>
	<u>\$ 512,962</u>	<u>\$ -</u>	<u>\$ 169,565</u>	<u>\$ 682,527</u>
				(Concluded)

There were no transfers between Levels 1 and 2 for the years ended December 31, 2021 and 2020.

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

For the year ended December 31, 2021

Financial Assets	<u>Financial Assets at FVTPL Equity Instruments</u>	<u>Financial Assets at FVTOCI Equity Instruments</u>	Total
Balance at January 1	\$ 1,575,388	\$ 169,565	\$ 1,744,953
Recognized in profit or loss	65,794	-	65,794
Recognized in other comprehensive income	-	61,927	61,927
Purchases	71,018	76,697	147,715
Capital surplus distributed as cash dividends	(477)	-	(477)
Net exchange differences	(655)	(5,749)	(6,404)
Return of capital from capital reduction	<u>(10,765)</u>	<u>(889)</u>	<u>(11,654)</u>
Balance at December 31	<u>\$ 1,700,303</u>	<u>\$ 301,551</u>	<u>\$ 2,001,854</u>
Unrealized gain (loss) for the current year recognized in profit or loss relating to assets held at the end of the year	<u>\$ 65,794</u>		<u>\$ 65,794</u>

For the year ended December 31, 2020

Financial Assets	Financial Assets at FVTPL	Financial Assets at FVTOCI	Total
	Equity Instruments	Equity Instruments	
Balance at January 1	\$ 1,498,961	\$ 113,272	\$ 1,612,233
Recognized in profit or loss	288,610	-	288,610
Recognized in other comprehensive income	-	8,167	8,167
Purchases	10,000	56,290	66,290
Capital surplus distributed as cash dividend	(716)	-	(716)
Disposals	(222,467)	-	(221,467)
Net exchange differences	-	(7,262)	(7,262)
Return of capital from capital reduction	-	(902)	(902)
Balance at December 31	<u>\$ 1,575,388</u>	<u>\$ 169,565</u>	<u>\$ 1,744,953</u>
Unrealized gain (loss) for the current year recognized in profit or loss relating to assets held at the end of the year	<u>\$ 211,416</u>		<u>\$ 211,416</u>

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Taiwan Futures Exchange	The market approach is used to arrive at their fair values for which the recent financial activities of investees, the market transaction prices of the similar companies and market conditions are considered. Significant unobservable inputs are discounted considering marketability.
Unlisted stock and others	The assets approach is used to the individual assets and individual liabilities to reflect the overall value of the investment target. Significant unobservable inputs are discounted considering marketability.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 6,264,532	\$ 4,818,780
Financial assets at amortized cost (1)	10,590,195	8,821,253
Financial assets at FVTOCI	301,551	682,527
<u>Financial liabilities</u>		
Amortized cost (2)	10,185,561	5,970,654

- 1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, refundable deposits, other receivables, lease receivables - current (included in other current assets), long-term receivables, pledged time deposits - non-current (included in other non-current assets), lease receivables - non-current (included in other non-current assets) and debt investment (included in financial assets at amortized cost - non-current).
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, notes and accounts payable, accounts payable to related parties, other payables, guarantee deposits received (included in other non-current liabilities), bonds payable, current portion of long-term borrowings and long-term borrowings.

d. Financial risk management objectives and policies

The Group's main target of financial risk management is to manage the market risk related to operating activity (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. To reduce the potential and detrimental influence of the fluctuations in market on the Group's financial performance, the Group endeavors to identify, estimate and hedge the uncertainties of the market.

The Group's significant financial activity is reviewed and approved by the board of directors and audit committee in compliance with related regulations and internal control policy, and the authority and responsibility are delegated according to the operating procedures.

1) Market risk

a) Foreign currency risk

The Group has foreign currency sales, purchases and borrowings, which were exposed to foreign currency risk. The Group designated a department to monitor exchange rate fluctuations in timely manner and change foreign currency position to control and mitigate such risks as soon as possible.

The sensitivity analysis focused on outstanding foreign currency denominated monetary assets and monetary liabilities (mainly USD and RMB) at the end of the reporting period. A positive number below indicates an increase/decrease in pre-tax net income associated with New Taiwan dollars strengthening/weakening 5% against the relevant currency.

	<u>For the Year Ended December 31</u>	
	2021	2020
<u>USD</u>		
Increase/decrease	\$ 66,500	\$ 58,469
<u>RMB</u>		
Increase/decrease	708	22,688

b) Interest rate risk

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

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 884,580	\$ 1,032,035
Financial liabilities	4,529,046	1,053,083
Cash flow interest rate risk		
Financial assets	4,067,664	3,386,117
Financial liabilities	93,471	107,189

The Group acquires better interest rate through long-term cooperation with banks; therefore, the effect of interest rate fluctuations is immaterial.

The sensitivity analyses below were determined based on financial assets and financial liabilities with floating interest rates at the end of reporting period. If interest rates had been 10 basis points (0.1%) higher/lower, the Group's pre-tax net income effect would have been as follows:

	For the Year Ended December 31	
	2021	2020
Increase/decrease	\$ 3,974	\$ 3,279

c) Other price risk

The Group was exposed to price risk through its investments in listed shares, corporate bonds and mutual funds. The Group established a real-time control system for the price risk, and management does not anticipate any material loss due to this risk.

The sensitivity analyses of the above investment were determined based on financial assets which were measured at fair value at the end of reporting period. If market prices had been 5% higher/lower, the effects on the Group's pre-tax net income and other comprehensive income would have been as follows:

	For the Year Ended December 31	
	2021	2020
Pre-tax net income		
Increase/decrease	\$ 313,227	\$ 240,939
Other comprehensive income		
Increase/decrease	15,078	34,126

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Group if the counterparties breached contracts. Generally, the maximum exposures to credit risk for financial assets at the balance sheet date are their carrying amounts.

Since the counterparties are creditworthy financial institutions and enterprises and the concentration of credit risk is not significant, the credit risk is anticipated to be immaterial.

3) Liquidity risk

The Group puts in place inventory management system, procedures for collections and payments, and develops cash flow forecast to ensure the liquidity of operating capital. In addition, the Group invests idle funds in short-term investments under consideration of liquidity, security and profitability. The Group also maintains banking facilities to ensure the liquidity of cash.

The Group has sufficient working capital to meet the cash needs for their operations. Thus, no material liquidity risk is anticipated.

In addition, the Group's investments in mutual funds and listed shares are traded in active markets and can readily be sold in the market at their approximate fair values. However, the Group also invested in unlisted stocks, subordinate debenture bonds and convertible bonds with significant liquidity risks because these assets do not have quoted market prices in an active market.

29. TRANSACTIONS WITH RELATED PARTIES

Balances, transactions, revenue and expense between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related parties and their relationship with the Group

<u>Related Parties</u>	<u>Relationship with the Group</u>
Systemweb Technologies Co., Ltd.	Associate
Sanfran Technologies Inc.	Associate
Investment Media Ltd.	Associate
Mohist Web Technology Co., Ltd.	Associate
FinRobo Advisor Securities Investment Consulting Co., Ltd.	Associate
Shengsen Cloud Technology	Associate
Frog-jump Information Co., Ltd.	Associate
Dawning Technology Inc.	Associate (1)
Neweb Information Co., Ltd.	Associate
Retail System Co., Ltd.	Associate
Gensys Technology International. Ltd.	Associate
Fuco Technology Co., Ltd.	Associate
AIWin Technology Co., Ltd.	Associate
Genesis Technology Inc.	Associate
Bao Ruh Electronic Co., Ltd.	Associate
CKmates International Co., Ltd.	Associate
Collaboration Co., Ltd.	Associate
Teamplus Technology Inc.	Associate
Asiavest Capital Co., Ltd.	Other related parties
Ms. Luo	Director of subsidiary (2)
Mr. Hsieh	Director of subsidiary

Note 1: Dawning Technology Inc. has become a subsidiary to the Group since January 2021.

Note 2: Ms. Luo was no longer a related party to the Group since February 2021.

b. Operating revenue

Line Items	Related Party Categories	For the Year Ended December 31	
		2021	2020
Sales	Associates	\$ 144,276	\$ 49,430
Service revenue	Associates	\$ 8,416	\$ 7,013
Other operating revenue	Associates	\$ 432	\$ 800

c. Purchases of goods

Related Party Categories	For the Year Ended December 31	
	2021	2020
Associates	\$ 51,061	\$ 219,401

d. Receivables from related parties

Line Items	Related Party Categories	December 31	
		2021	2020
Notes and accounts receivable	Associates	\$ 49,905	\$ 26,824

e. Payables to related parties

Line Items	Related Party Categories	December 31	
		2021	2020
Accounts payable	Associates	\$ 21,776	\$ 85,374
Other payables	Director of subsidiary	\$ 9,402	\$ 11,822

The product/service sales and purchase transactions with related parties were conducted underpricing terms similar to those with third parties, i.e., for purchases or sales of similar products/services, except those transactions on products/services with special specifications. Settlement terms for related-party transactions were similar to those for third parties.

f. Acquisition of property, plant and equipment

Related Party Categories	For the Year Ended December 31	
	2021	2020
Associates	\$ -	\$ 4,878

g. Disposal of property, plant and equipment

Related Party Categories	Disposal Consideration		Gain (Loss) on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020
Other related parties	\$ 1,619	\$ -	\$ 62	\$ -

h. Other transactions with related parties

Line Items	Related Party Categories	For the Year Ended December 31	
		2021	2020
Service cost	Associates	\$ 21,527	\$ 22,057
Operating expenses	Associates	\$ 1,354	\$ 1,251
Rent revenue (recognized as other income, net)	Associates	\$ 204	\$ 222

i. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 198,758	\$ 175,713
Post-employment benefits	4,141	4,113
	<u>\$ 202,899</u>	<u>\$ 179,826</u>

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

30. PLEDGED ASSETS

The following assets were pledged as the Group's collateral for bank loans, contract guarantees and import duty guarantee, and etc.:

	December 31	
	2021	2020
Property, plant and equipment - land and buildings, net	\$ 346,888	\$ 375,332
Pledged time deposits - current (included in other receivables)	241,079	187,493
Pledged time deposits - non-current (included in other non-current assets)	143,501	141,083
The shares of the Corporation (Note)	<u>424,000</u>	<u>438,500</u>
	<u>\$ 1,155,468</u>	<u>\$ 1,142,408</u>

Note: Hanmore pledged 5,000 thousand shares of the Corporation as of December 31, 2021 and 2020, and it was eliminated on consolidation.

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of December 31, 2021 and 2020 were as follows:

a. Unused letters of credit of the Group in aggregate amount were as follows:

December 31	
2021	2020
<u>\$ 695</u>	<u>\$ 707</u>

b. Outstanding sales contracts of the Group in the amount were as follows:

<u>December 31</u>	
2021	2020
<u>\$ 12,582,510</u>	<u>\$ 10,154,802</u>

c. The Group provided endorsements for others in Table 3.

d. The Group issues gift certificates and gift cards. For the handling of advance receipts from customers for sold gift certificates and gift cards, the Group entered into a trust agreement with E.SUN Commercial Bank according to the “Provision to be Included in Standard Form Contract of All Sorts of Gift Certificates of Retail Companies” issued by the Ministry of Economic Affairs. According to the trust agreement, the Group opened a trust account in E.SUN Commercial Bank. Advance receipts from customers for sold gift certificates are deposited in the trust account and amounts for services already provided to customers are paid to the Group on a monthly basis. The balance in the trust account should be not lower than the amount of outstanding gift certificates and gift cards. As of December 31, 2021, the Group’s assets in the trust account amounted to \$47,866 thousand (included in other receivables and other non-current assets).

32. OTHER ITEMS

Due to the impact of the COVID-19 pandemic which has evolved globally and currently in Taiwan, some of the Group’s subsidiaries, clients and suppliers in certain locations are subject to quarantine and traveling restriction policies. The Group has considered the overall operating and financial impacts to be immaterial. There is no doubt on the Group’s ability to continue as a going concern, and there is no impairment of assets or financing risk recognized.

33. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2021

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 57,029	27.68	\$ 1,578,563
RMB	3,738	4.34	16,229
Non-monetary items			
Financial assets at FVTPL			
HKD	14,248	3.55	50,566
<u>Financial liabilities</u>			
Monetary item			
USD	8,980	27.68	248,566
RMB	478	4.34	2,075

December 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 51,809	28.48	\$ 1,475,520
RMB	108,676	4.36	474,349
Non-monetary items			
Financial assets at FVTOCI			
RMB	52,683	4.36	229,950
<u>Financial liabilities</u>			
Monetary item			
USD	10,749	28.48	306,132
RMB	4,716	4.36	20,584

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange gains were \$16,757 thousand and \$49,495 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group entities.

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on financial information. The Group's reportable segments were as follows:

Financial business integration provides financial technologies and develops smart finance, centered on FinTech, to assist financial customers (mainly engaged in large-scale financial customers) in digital transformation, including transformation services in mobile applications, integration services for investor and wealth management upgrade services.

Customer market integration mainly focus on new retail, provides full-channel and full payment services, and assists customers, especially digital e-commerce customer, in operating O2O business to realize digital transformation.

Digital ecosystem integration provides comprehensive Data Technology product portfolio and solution to drive business intelligence growth of customers, acts as the Data Enabler for customers and actively introduces domestic and foreign leading digital technology to provide solution to customer in digital transformation.

The business software integration service mainly provides sales of various domestic and foreign original software and hardware, learning cloud-related technologies and applications, and provides a variety of IT integration services and comprehensive IT ecosystem information services.

China Group, in the way of alliance with local suppliers, expands self-employed business, develops independent products, provides system integration and value-added services, and provides commercial software and cloud platform tools in China.

Investment department engages in investment activities.

The chief operating decision-maker of the Group divided the domestic information service business into four operating segments according to industry level and customer's service requirements and has taken China Group as a reportable segment due to regional specialties. In addition, the financial investment business is considered as an investment department that should be reported separately. Financial business integration included domestic departments which provide a cross-border financial transaction cloud, APP and customized development, community services for investors, and ITDM services of securities or futures trading in Greater China. Customer market integration included domestic departments which provide mobile payments, O2O integration services, data processing services, precision marketing solution, government official website, service platform, and e-commerce platform. Digital ecosystem integration included domestic departments which provide big data platform and value-added innovation, commercial software, cloud value-added services, Cyber-security, IT development training courses, and book publishing into a reportable department. The commercial software service integration mainly categorizes the domestic departments which provide commercial software, technology value-added services of Microsoft product, cloud construction and application, and Mobile APP development into a reportable department.

a. Consolidated revenues and results

	Financial Business Integration	Consumer Market Integration	Digital Ecosystem Integration	Commercial Software Service Integration	China Group	Investment Department	Adjustment and Elimination	Total
<u>2021</u>								
Sales to customers	\$ 4,489,298	\$ 4,199,135	\$ 6,540,825	\$ 8,649,732	\$ 5,647,967	\$ -	\$ -	\$ 29,526,957
Sales to other segments	637,713	111,409	483,536	1,323,778	647,031	-	(3,203,467)	-
Total sales	<u>\$ 5,127,011</u>	<u>\$ 4,310,544</u>	<u>\$ 7,024,361</u>	<u>\$ 9,973,510</u>	<u>\$ 6,294,998</u>	<u>\$ -</u>	<u>\$ (3,203,467)</u>	<u>\$ 29,526,957</u>
Segment (loss) income	<u>\$ 464,888</u>	<u>\$ 346,801</u>	<u>\$ 129,012</u>	<u>\$ 619,780</u>	<u>\$ 71,630</u>	<u>\$ 248,598</u>	<u>\$ -</u>	\$ 1,880,709
Corporate general expenses								(429,094)
Income before income tax								<u>\$ 1,451,615</u>
Segment depreciation and amortization expenses	<u>\$ 52,733</u>	<u>\$ 35,081</u>	<u>\$ 78,589</u>	<u>\$ 9,441</u>	<u>\$ 42,662</u>	<u>\$ -</u>		\$ 218,506
Non-segment depreciation and amortization expenses								128,325
Total depreciation and amortization expenses								<u>\$ 346,830</u>
Segment assets	<u>\$ 3,881,048</u>	<u>\$ 2,787,217</u>	<u>\$ 1,891,707</u>	<u>\$ 4,287,692</u>	<u>\$ 2,825,772</u>	<u>\$ 9,723,156</u>		\$ 25,396,592
General assets								1,163,598
Total assets								<u>\$ 26,560,190</u>
<u>2020</u>								
Sales to customers	\$ 3,791,197	\$ 3,984,488	\$ 4,831,505	\$ 6,389,288	\$ 4,738,612	\$ -	\$ -	\$ 23,735,090
Sales to other segments	552,611	163,082	208,640	571,196	567,004	-	(2,062,533)	-
Total sales	<u>\$ 4,343,808</u>	<u>\$ 4,147,570</u>	<u>\$ 5,040,145</u>	<u>\$ 6,960,484</u>	<u>\$ 5,305,616</u>	<u>\$ -</u>	<u>\$ (2,062,533)</u>	<u>\$ 23,735,090</u>
Segment (loss) income	<u>\$ 360,291</u>	<u>\$ 367,971</u>	<u>\$ 118,812</u>	<u>\$ 570,779</u>	<u>\$ 30,553</u>	<u>\$ 816,501</u>	<u>\$ -</u>	\$ 2,264,907
Corporate general expenses								(413,728)
Income before income tax								<u>\$ 1,851,179</u>
Segment depreciation and amortization expenses	<u>\$ 57,285</u>	<u>\$ 35,495</u>	<u>\$ 29,053</u>	<u>\$ 3,490</u>	<u>\$ 41,087</u>	<u>\$ -</u>		\$ 166,410
Non-segment depreciation and amortization expenses								123,988
Total depreciation and amortization expenses								<u>\$ 290,398</u>
Segment assets	<u>\$ 3,029,400</u>	<u>\$ 2,572,481</u>	<u>\$ 1,436,431</u>	<u>\$ 3,255,776</u>	<u>\$ 2,847,279</u>	<u>\$ 7,713,473</u>		\$ 20,854,839
General assets								1,174,396
Total assets								<u>\$ 22,029,235</u>

Segment (loss) income refers to the profits and losses incurred by each segment, excluding headquarter management cost, remuneration of directors, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, foreign exchange gain, interest expense and income tax expense.

b. Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets is detailed below.

	Revenue from External Customers	
	2021	2020
Domestic	\$ 23,912,039	\$ 19,040,428
Asia	<u>5,614,918</u>	<u>4,694,662</u>
	<u>\$ 29,526,957</u>	<u>\$ 23,735,090</u>
	Non-current Assets	
	December 31	
	2021	2020
Domestic	\$ 6,600,983	\$ 5,705,899
Asia	356,861	546,304
Others	<u>329,324</u>	<u>150,564</u>
	<u>\$ 7,287,168</u>	<u>\$ 6,402,767</u>

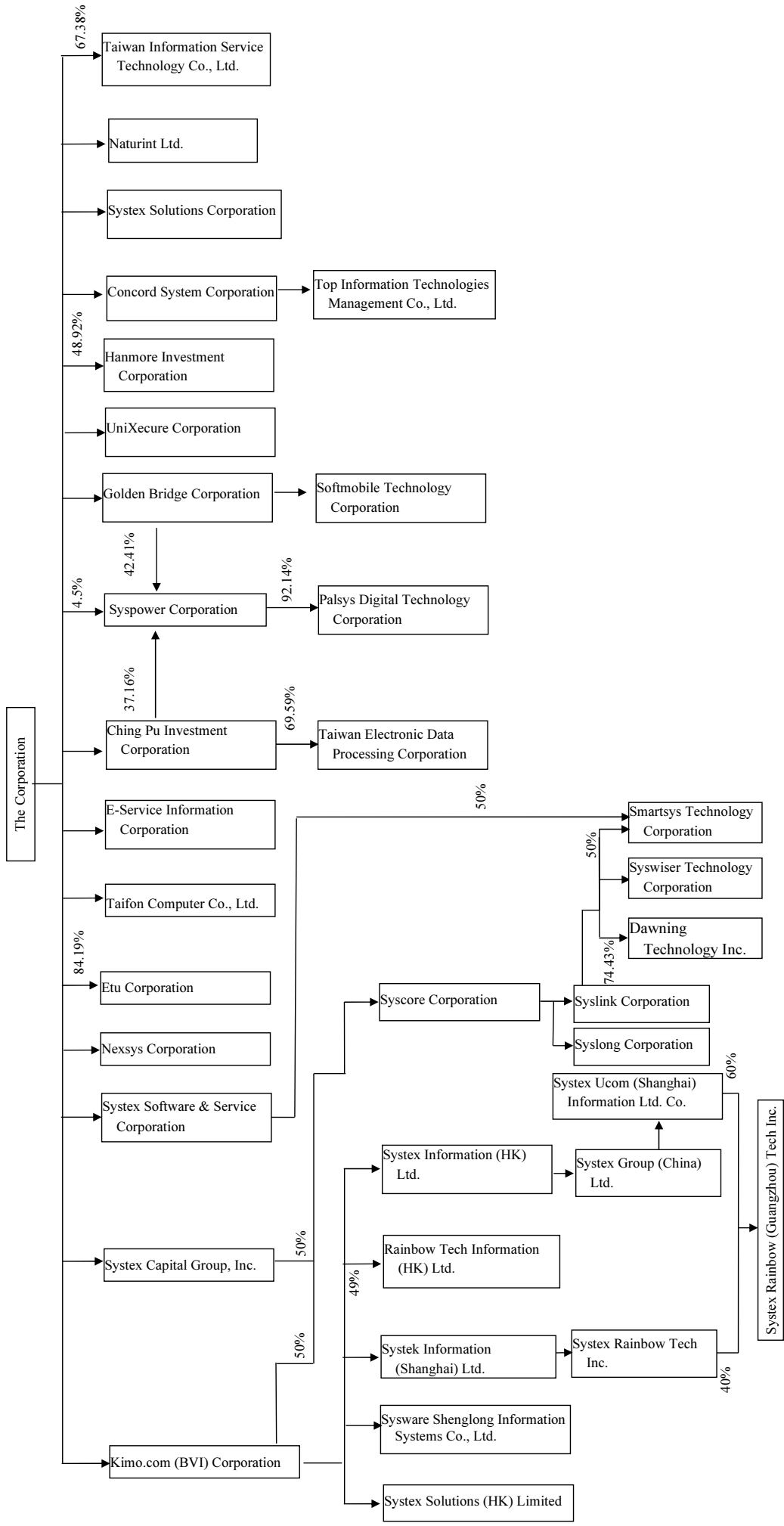
c. Major customers

No revenue from any individual customer exceeded 10% of the Group's total operating revenue for the years ended December 31, 2021 and 2020.

TABLE 1

SYSTEX CORPORATION AND SUBSIDIARIES

THE RELATIONSHIP AND PERCENTAGE OF OWNERSHIP OF COMPANIES IN THE GROUP
DECEMBER 31, 2021



Note: Percentage of ownership is 100% unless noted on the chart.

SYSTEMX CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed (Note 21)	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 2)	Note
													Item	Value			
0	Systemx Corporation	Systemx Software & Service Corporation Systemx Solutions Corporation Concord System Management Corporation	Receivables from related parties Receivables from related parties Receivables from related parties	Y Y Y	\$ 800,000 300,000 200,000	\$ 800,000 300,000 200,000	\$ 80,000 80,000 140,000	1.25 1.25 1.25	Short-term financing Short-term financing Short-term financing	- - -	Operating capital Operating capital Operating capital	- - -	\$ - - -	\$ 5,401,336 5,401,336 5,401,336	(Note 3) (Note 4) (Note 5)		
1	Systemx Group (China) Ltd.	Systemx Information (Shanghai) Ltd. Systemx Rainbow Tech Inc. Sysware Shenglong Information Systems Co., Ltd. Systemx Ucom (Shanghai) Information Ltd. Co.	Receivables from related parties Receivables from related parties Receivables from related parties Receivables from related parties	Y Y Y Y	131,619 219,365 21,937 219,365	130,245 217,075 21,708 217,075	4,342 47,757 - -	1-6.16 1-6.16 1-6.16 1-6.16	Short-term financing Short-term financing Short-term financing Short-term financing	- - - -	Operating capital Operating capital Operating capital Operating capital	- - - -	- - - -	5,401,336 5,401,336 5,401,336 5,401,336	(Note 6) (Note 7) (Note 8) (Note 9)		
2	Systemx Information (Shanghai) Ltd.	Systemx Group (China) Ltd. Systemx Rainbow Tech Inc. Sysware Shenglong Information Systems Co., Ltd.	Receivables from related parties Receivables from related parties Receivables from related parties	Y Y Y	263,238 43,701 43,701	260,490 43,415 43,415	- - -	1-6.16 1-6.16 1-6.16	Short-term financing Short-term financing Short-term financing	- - -	Operating capital Operating capital Operating capital	- - -	- - -	5,401,336 5,401,336 5,401,336	(Note 10) (Note 11) (Note 12)		
3	Systemx Rainbow Tech Inc.	Systemx Group (China) Ltd. Systemx Information (Shanghai) Ltd.	Receivables from related parties Receivables from related parties	Y Y	87,746 43,701	86,830 43,415	- -	1-6.16 1-6.16	Short-term financing Short-term financing	- -	Operating capital Operating capital	- -	- -	5,401,336 5,401,336	(Note 13) (Note 14)		
4	Sysware Shenglong Information Systems Co., Ltd.	Systemx Group (China) Ltd. Systemx Information (Shanghai) Ltd.	Receivables from related parties Receivables from related parties	Y Y	43,873 43,701	43,415 43,415	- 43,415	1-6.16 1-6.16	Short-term financing Short-term financing	- -	Operating capital Operating capital	- -	- -	5,401,336 5,401,336	(Note 15) (Note 16)		
5	Systemx Corporation	Systemx Software & Service Corporation	Receivables from related parties	Y	500,000	-	-	1.5	Short-term financing	-	Operating capital	-	-	977,147	(Note 17)		
6	Systemx Solutions (HK) Limited	Systemx Group (China) Ltd.	Receivables from related parties	Y	228,280	-	-	1	Short-term financing	-	Operating capital	-	-	5,401,336	(Note 18)		
7	Systemx Corporation	Palsys Digital Technology Corporation	Receivables from related parties	Y	160,000	160,000	160,000	1.75	Short-term financing	-	Operating capital	-	-	180,239	(Note 19)		
8	Concord System Management Corporation	Palsys Digital Technology Corporation	Receivables from related parties	Y	50,000	50,000	50,000	1.75	Business Relations	63,548	Operating capital	-	-	176,095	(Note 20)		

Note 1: Financing Limit for the Corporation, Systemx Corporation, Systemx Corporation, and Concord System Management Corporation shall not exceed 40% of their net equity. If it is for short-term financing between foreign companies in which the Corporation holds a 100% interest, the financing limit is not subject to the prior limitation but shall not exceed 20% of the Corporation's net equity.

Note 2: Total loans shall not exceed 40% of the lender's net equity. If it is for short-term financing between foreign companies in which the Corporation holds a 100% interest, the total loans is not subject to the prior limitation but shall not exceed 20% of the Corporation's net equity.

Note 3: The highest balance for the period is NT\$800,000 thousand. The ending balance is NT\$800,000 thousand, including NT\$720,000 thousand which has not been withdrawn.

Note 4: The highest balance for the period is NT\$300,000 thousand. The ending balance is NT\$220,000 thousand which has not been withdrawn.

Note 5: The highest balance for the period is NT\$200,000 thousand. The ending balance is NT\$200,000 thousand which has not been withdrawn.

(Continued)

Note 6: The highest balance for the period is NT\$131,619 thousand (RMB30,000 thousand). The ending balance is NT\$150,245 thousand (RMB30,000 thousand), including NT\$125,903 thousand (RMB29,000 thousand) which has not been withdrawn.

Note 7: The highest balance for the period is NT\$219,365 thousand (RMB50,000 thousand). The ending balance is NT\$217,075 thousand (RMB50,000 thousand), including NT\$169,318 thousand (RMB39,000 thousand) which has not been withdrawn.

Note 8: The highest balance for the period is NT\$21,937 thousand (RMB5,000 thousand). The ending balance is NT\$21,708 thousand (RMB5,000 thousand) which has not been withdrawn.

Note 9: The highest balance for the period is NT\$219,365 thousand (RMB50,000 thousand). The ending balance is NT\$217,075 thousand (RMB50,000 thousand) which has not been withdrawn.

Note 10: The highest balance for the period is NT\$263,238 thousand (RMB60,000 thousand). The ending balance is NT\$260,490 thousand (RMB60,000 thousand) which has not been withdrawn.

Note 11: The highest balance for the period is NT\$43,701 thousand (RMB10,000 thousand). The ending balance is NT\$43,415 thousand (RMB10,000 thousand) which has not been withdrawn.

Note 12: The highest balance for the period is NT\$43,701 thousand (RMB10,000 thousand). The ending balance is NT\$43,415 thousand (RMB10,000 thousand) which has not been withdrawn.

Note 13: The highest balance for the period is NT\$87,746 thousand (RMB20,000 thousand). The ending balance is NT\$86,830 thousand (RMB20,000 thousand) which has not been withdrawn.

Note 14: The highest balance for the period is NT\$43,701 thousand (RMB10,000 thousand). The ending balance is NT\$43,415 thousand (RMB10,000 thousand) which has not been withdrawn.

Note 15: The highest balance for the period is NT\$43,873 thousand (RMB10,000 thousand). The ending balance is NT\$43,415 thousand (RMB10,000 thousand) which has not been withdrawn.

Note 16: The highest balance for the period is NT\$43,701 thousand (RMB10,000 thousand). The ending balance is NT\$43,415 thousand (RMB10,000 thousand) which has not been withdrawn.

Note 17: The highest balance for the period is NT\$500,000 thousand.

Note 18: The highest balance for the period is NT\$228,280 thousand (US\$8,000 thousand).

Note 19: The highest balance for the period is NT\$160,000 thousand. The ending balance is NT\$160,000 thousand which has been withdrawn.

Note 20: The highest balance for the period is NT\$50,000 thousand. The ending balance is NT\$50,000 thousand which has been withdrawn.

Note 21: The ending balance of actual amount borrowed has been eliminated in the consolidated financial statements.

(Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

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

No.	Endorser/Guarantor	Endorsee/Guaranteee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	System Corporation	System Information (HK) Ltd. Rainbow Tech. Information (HK) Ltd. System Group (China) Ltd. System Information (Shanghai) Ltd. System Rainbow Tech Inc. System Ucom (Shanghai) Information Ltd. Co. System Software & Service Corporation	Direct/indirect subsidiary Direct/indirect subsidiary Direct/indirect subsidiary Direct/indirect subsidiary Direct/indirect subsidiary Direct/indirect subsidiary Direct/indirect subsidiary	\$ 3,375,835 3,375,835 3,375,835 3,375,835 3,375,835 3,375,835 3,375,835	\$ 346,000 128,408 1,685,287 14,268 42,803 131,619 1,000,000	\$ 346,000 - 1,655,285 13,840 41,520 130,245 1,000,000	\$ 66,598 - 594,109 - - 53,971 414,735	\$ - - - - - - -	2.56 - 12.26 0.10 0.31 0.96 7.41	\$ 6,751,670 6,751,670 6,751,670 6,751,670 6,751,670 6,751,670 6,751,670	Y Y Y Y Y Y Y	N N N N N N N	N N Y Y Y Y N	(Notes a and b) (Notes a and b) (Notes a and b) (Notes a and b) (Notes a and b) (Notes a and b) (Notes a and b) (Notes a and b)
1	System Information (Shanghai) Ltd.	System Group (China) Ltd.	Affiliate	848,455	219,365	217,075	143,400	217,075	51.17	848,455	N	N	Y	(Notes c and d)

Note a: Limits on endorsements/guarantees amount shall not exceed 25% of the net worth of the provider.

Note b: The maximum balance for the period shall not exceed 50% of the net worth of the provider.

Note c: Limits on endorsements/guarantees amount shall not exceed 200% of the net worth in previous year end of the provider.

Note d: The maximum balance for the period shall not exceed 200% of the net worth in previous year end of the provider.

SYSTEX CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	
Holding company - Systex Corporation	Ordinary shares			56,226	\$ -	0.74	-
	GCH Systems			13,788,302	1,151,753	3.28	1,151,753
	Taiwan Futures Exchange Corporation			795,895	-	1.79	-
	Saho Corporation			25,263,076	211,491	8.42	211,491
	Far Eastern Electronic Toll Collection Co., Ltd.			1,108,592	20,922	4.22	20,922
	Sysjust Co., Ltd.			300,000	2,521	6.42	2,521
	3Probe Technologies Co., Ltd.			1,260,000	10,853	14.63	10,853
	Da Ho Marketing Co., Ltd.			808,415	-	0.20	-
	Princo Co., Ltd.			471,700	-	3.27	-
	Wegoluck Co., Ltd.			150,000	-	3.57	-
	Yankey Inc.			3,404,000	-	2.14	-
	Gemini Data Inc.			52,184	949	0.50	949
	Prudence Capital Management Co., Ltd.			55,556	15,000	1.80	15,000
	Alpha Core Philosophy Co., Ltd.			600,000	9,600	6.12	9,600
	iSpan International Inc.						
	Preference shares						
	Gemini Data, Inc.			7,720,167	-	4.86	-
	<u>Mutual funds</u>						
	Taishin Ta Chong Money Market Fund			13,387,966	192,123	-	192,123
	Capital Money Market Fund			9,210,164	150,099	-	150,099
	Fubon Chi-Hsiang Money Market Fund			6,954,402	110,080	-	110,080
	CTBC Hua Win Money Market Fund			7,195,117	80,061	-	80,061
	GIM Prudential Financial Money Market Fund			5,004,441	80,029	-	80,029
Fuh Hwa Money Market Fund			13,185,153	192,040	-	192,040	
Yuanta De-Li Money Market Fund			14,578,709	240,117	-	240,117	
FSITC Money Market Fund			527,166	95,004	-	95,004	
UPAMC James Bond Money Market Fund			8,896,596	150,106	-	150,106	
Jih Sun Money Market Fund			5,343,038	80,077	-	80,077	
KGI EM Trend ETF Fund of Funds			300,000	2,514	-	2,514	

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			Note				
				Number of Shares	Carrying Amount	Percentage of Ownership (%)		Fair Value			
Subordinate company - Ching Pu Investment Corporation	<u>Ordinary shares</u> Systex Corporation Castles Technology Co., Ltd. Enova Technology Corp. Princo Co., Ltd. WI Harper Global Funding Investment Co., Ltd. Sysjust Co., Ltd. ECM Co., Ltd. Jasper Display Corp. Axtronics Inc. Universal EC Inc. Taiwan Electronic Packaging Co., Ltd.	The Parent Company	Financial assets at FVTOCI - non-current	10,981,476	\$ 931,229	4.08	\$ 931,229	(Note 2)			
			Financial assets at FVTPL - current	2,532,887	97,516	2.83	97,516				
			Financial assets at FVTPL - non-current	1,177,629	-	6.57	-				
			"	8,558,064	-	2.08	-				
			"	126,666	-	2.22	-				
			"	1,276,448	24,090	4.85	24,090				
			"	1,700,000	-	9.19	-				
			"	28,964	-	0.04	-				
			"	64,063	-	0.37	-				
			"	111,829	-	0.22	-				
			"	326,000	-	0.54	-				
			Subordinate company - Taiwan Information Service	<u>Mutual funds</u> Fuh Hwa Lengend Fund VI PGIM Prudential Financial Money Market Fund Yuanta Taiwan High-Yield Leading Company Fund (A) Pinebridge Taiwan Money Market Fund		Financial assets at FVTPL - current	3,000,000		94,238	-	94,238
						"	2,675,858		42,791	-	42,791
"	300,000	4,752				-	4,752				
"	581,717	8,016				-	8,016				
Financial assets at FVTPL - non-current	80,000	-				13.11	-				
"	630,000	-				4.50	-				
"	-	-				5.06	-				
Financial assets at FVTPL - current	168,522	30,370				-	30,370				
Financial assets at FVTPL - current	321,915	58,015				-	58,015				
"	6,979,504	100,159				-	100,159				
"	2,578,672	42,340				-	42,340				
Financial assets at FVTPL - current	2,469,497	40,246				-	40,246				
Subordinate company - Softmobile Technology Corporation	<u>Mutual funds</u> Capital Money Market Fund					Financial assets at FVTPL - current	1,835,204	28,040	-	28,040	
			"	1,675,040	25,104	-	25,104				
			"	1,484,818	18,011	-	18,011				
			"	1,518,306	25,007	-	25,007				
			"	-	-	-	-				
Subordinate company - Nexsys Corporation	<u>Mutual funds</u> Yuanta Wan Tai Money Market Fund Jih Sun Money Market Fund Yuanta De-Bao Money Market Fund Yuanta De-Li Money Market Fund		Financial assets at FVTPL - current	1,835,204	28,040	-	28,040				
			"	1,675,040	25,104	-	25,104				
			"	1,484,818	18,011	-	18,011				
			"	1,518,306	25,007	-	25,007				
			"	-	-	-	-				

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	
Subordinate company - Hanmore System Management Corporation	Ordinary shares	The Parent Company	Financial assets at FVTOCI - non-current	21,316,678	\$ 1,807,654	7.91	(Note 2)
	Systex Corporation						
	Monterey International Corp						
	Enova Technology Corp.						
	NITS Technology Inc.						
	Mutual funds						
	PineBridge Taiwan Market Fund						
	PineBridge Global ESG Quantitative Bond Fund A.						
	Ordinary shares						
	Com2B Corp.						
Subordinate company - Systex Capital Group, Inc.	Techgains International Corp.	Financial assets at FVTPL - non-current	1,000,000	-	-	2.22	-
	Tradetrek.com Inc.						
	Sipix Technology Limited						
	Falcon Stor Software Inc.						
	MagiCapital Fund II, L.P.						
	Preference shares						
	Techgains Pan-Pacific Corporation						
	CipherMax						
	Tonbu Inc.						
	Gemini Data, Inc.						
Subordinate company - Systex Capital Group, Inc.	Other	Financial assets at FVTOCI - non-current	25,611,876	41,520	-	16.11	41,520
	Current Ventures II Limited						
	Mutual funds						
	Goldman Sachs Proprietary Access Fund						
	Offshore, Ltd. Class A Series 1						
	GS Japan Equity Partners Portfolio Class P (ACC) (USD-HEDGED)						
	GS US Core SM Equity Portfolio P(ACC) (SNAP) Shares						
	GS GMS Global Equity Portfolio Mutual Fund						
	Wellington Strategic European Equity Portfolio D USD Acc (Hedged)						
	BlueBay Global High Yield Bond Fund B USD						
Unit Nomura Funds Ireland PLC A/US High Yield Bond							
Subordinate company - Systex Capital Group, Inc.	Other	Financial assets at FVTPL - non-current	3,000,000	-	-	4.96	-
	Current Ventures II Limited						
	Mutual funds						
	Goldman Sachs Proprietary Access Fund						
	Offshore, Ltd. Class A Series 1						
	GS Japan Equity Partners Portfolio Class P (ACC) (USD-HEDGED)						
	GS US Core SM Equity Portfolio P(ACC) (SNAP) Shares						
	GS GMS Global Equity Portfolio Mutual Fund						
	Wellington Strategic European Equity Portfolio D USD Acc (Hedged)						
	BlueBay Global High Yield Bond Fund B USD						
Unit Nomura Funds Ireland PLC A/US High Yield Bond							

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	
	PIMCO Global High Yield Bond PIMCO Income Fund-H Class (IE00BFMWWL31)		Financial assets at FVTPL - current	145,719	\$ 112,172	-	\$ 112,172
	PIMCO Global Bond Fund-H Class (IE0032313805)		"	86,301	28,594	-	28,594
	RBC Funds(LUX) Global Equity Focus Fund A USD_ACC		"	28,347	27,164	-	27,164
	JSS USD HIGH YIELD FUND		"	4,416	29,780	-	29,780
	BLACKROCK BGF CHINA A-SHARE OPPORTUNITIES CLASS A SHARES		"	9,589	36,967	-	36,967
	GS Emerging Markets Broad Equity Portfolio (ACC) Shares		"	32,816	14,016	-	14,016
	GS Multi-manager US Equity Mutual Fund		"	22,011	13,630	-	13,630
	Goldman Sachs High Yield Floating Rate Portfolio Fund		"	35,522	35,073	-	35,073
	BLACKROCK BGF CONTINENTAL EUROPEAN FLEXIBLE FUND		"	15,004	56,823	-	56,823
	GS Multi-manager US Small Cap Equity Fund		"	40,298	27,440	-	27,440
	GS Asia Equity Portfolio Fund		"	52,469	22,904	-	22,904
	Vulcan Value Equity Fund USD Accumulating Class		"	21,027	13,724	-	13,724
	Lord Abbett High Yield Fund		"	3,002	20,683	-	20,683
	Mutual funds Union Money Market Fund		Financial assets at FVTPL - current	49,711	21,383	-	21,383
Subordinate company - Naturint Corporation				1,147,614	15,305	-	15,305
Subordinate company - Syscore Corporation	Ordinary shares Far Eastern Electronic Toll Collection Co., Ltd. Jetwell Computer Co., Ltd.		Financial assets at FVTPL - non-current	7,716,831	64,602	2.57	64,602
	Preference shares Taiwania Capital Buffalo Fund Preference Shares - Class A		Financial assets at FVTPL - current	72,000	3,636	0.18	3,636
	Limited partnership Digital-Economy limited partnership		Financial assets at FVTPL - non-current	92,600,000	96,020	2.15	96,020
			Financial assets at FVTPL - non-current	-	46,490	6.29	46,490

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	
	<u>Mutual funds</u> Allianz Global Investors Taiwan Money Market Fund		Financial assets at FVTPL - current	2,226,407	\$ 28,181	-	\$ 28,181
	Schroder 2022 Emerging Market Sovereignty Bond TWD A Fund		"	300,000	2,908	-	2,908
	Pinebridge Taiwan Money Market Securities Investment Trust Fund		"	2,552,563	35,174	-	35,174
	FSITC Global Artificial Intelligence Fund		"	100,000	1,850	-	1,850
	Allianz Us Low Average Duration High Yield Fund		"	3,000,000	32,503	-	32,503
	Yuanta Taiwan High-Yield Leading Company Fund A		"	1,000,000	15,840	-	15,840
	Fuh Hwa Legend Fund VI		"	19,702,970	618,922	-	618,922
	Fuh Hwa Money Market Fund		"	4,066,376	59,226	-	59,226
	<u>Corporate bond</u> Nan Shan Life Insurance Company, Ltd. 1st Perpetual Unsecured Subordinate Corporate Bond Issue in 2016		Financial assets at amortized cost - non-current	-	504,887	-	504,887 (Note 3)
Subordinate company - Syslink Corporation	<u>Mutual funds</u> Yuanta Wan Tai Money Market Fund		Financial assets at FVTPL - current	4,621,625	70,614	-	70,614
	Yuanta Taiwan High-yield Leading Company Fund (A)		"	200,000	3,168	-	3,168
	<u>Ordinary shares</u> Onward Security Corporation		Financial assets at FVTPL - non-current	6,630,000	5,095	11.02	5,095
	Caloudi Corporation		Financial assets at FVTOCI - non-current	600,000	1,841	10.71	1,841
Subordinate company - Syswiser Technology Corporation	<u>Mutual funds</u> UPAMC James Bond Money Market Fund		Financial assets at FVTPL - current	1,661,376	28,031	-	28,031
Subordinate company - Smartsys Technology Corporation	<u>Mutual funds</u> UPAMC James Bond Money Market Fund		Financial assets at FVTPL - current	100,612	1,698	-	1,698
Subordinate company - Top Information Co., Ltd.	<u>Mutual funds</u> Mega Diamond Money Market Fund		Financial assets at FVTPL - current	6,715,069	85,131	-	85,131
	Taishin 1699 Money Market Fund		"	3,664,883	50,130	-	50,130
Subordinate company - Kimo.com (BVI) Corporation	<u>Ordinary shares</u> ISHARES A50 (2823.HK) CSOP A50 (2822.HK)		Financial assets at FVTPL - current	392,000	25,487	-	25,487
			"	397,000	25,079	-	25,079

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	
	<u>Mutual funds</u> ALLIANZ INCOME AND GROWTH-CLASS AT ACC(USD) ALLIANZ GLOBAL ARTIFICIAL INTELLIGENCE-CLASS AT ACC(USD) ALLIANZ TOTAL RETURN ASIAN EQUITY-CLASS A DIS(USD) ALLIANZ CHINA A SHARES SHS-AT(USD)		Financial assets at FVTPL - current " " "	41,771 15,768 10,167 75,810	\$ 29,380 13,648 11,805 39,975	- - - -	\$ 29,380 13,648 11,805 39,975
	<u>Other</u> New Economy Ventures L.P		Financial assets at FVTPL - non-current	-	55,162	15.86	55,162
	<u>Preference shares</u> XREX Inc.		Financial assets at FVTOCI - non-current	254,148	9,965	0.96	9,965
Subordinate company - Systex Software &Service Corporation	<u>Mutual funds</u> Taishin Ta Chong Money Market Fund Mega Diamond Money Market Fund Sinopac TWD Money Market Fund Taishin 1699 Money Market Fund		Financial assets at FVTPL - current " " "	4,878,151 8,678,791 7,120,833 5,118,456	70,003 110,026 100,028 70,013	- - - -	70,003 110,026 100,028 70,013
Subordinate company - Systong Corporation	Fubon Chi-Hsiang Money Market Fund		Financial assets at FVTPL - current	15,480,952	245,045	-	245,045
Subordinate company - Concord System Management Corporation	UPAMC James Bond Money Market Fund		Financial assets at FVTPL - current	1,778,189	30,002	-	30,002
Subordinate company - Systex Solutions Corporation	Union Money Market Fund		Financial assets at FVTPL - current	3,749,166	50,000	-	50,000

Note 1: The securities mentioned in this table above are those classified as financial instruments under IFRS 9, including shares, bonds, mutual funds, and all other securities derived from those items.

Note 2: In preparing the consolidated financial statements, the transaction has been eliminated.

Note 3: The carrying amount includes the unamortized bond premium of \$4,887 thousand generated from acquiring the bonds from the Corporation and Ching Pu Investment Corporation. In preparing the consolidated financial statements, the amount has been eliminated.

Note 4: Refer to Tables 9 and 10 for information on investment in subsidiaries and associates.

(Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance			
					Number of Shares	Amount (Note 1)	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Gain on Disposal	Number of Shares	Amount (Note 1)
Controlling Company - Systex Corporation	Mutual funds - Fabon Chi-Hsiang Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	5,694,905	\$ 90,000	44,011,026	\$ 696,000	42,751,529	\$ 676,064	92	\$ 675,972	6,954,402	\$ 110,028
	Taishin Ta-Chong Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	4,888,234	70,000	46,796,907	671,000	38,297,175	549,046	114	548,932	13,387,966	192,068
	Capital Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	41,633,642	678,000	32,423,478	528,039	88	527,951	9,210,164	150,049
	UPAMC James Bond Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	28,343,534	478,000	19,446,938	328,030	83	327,947	8,896,596	150,053
Subordinate Company - Systex Software & Service Corporation	Fuh Hwa Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	26,439,789	385,000	13,254,636	193,017	27	192,990	13,185,153	192,010
	Yuanta De-Li Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	4,258,193	70,000	23,688,113	390,000	13,367,597	220,008	42	219,966	14,578,709	240,034
	Shares - Genesis Technology, Inc.	Investments accounted for using equity method	-	-	4,387,499	156,160	15,684,999 (Note 2)	642,012	-	-	-	-	20,072,498	798,172
	Mutual funds - Taishin Ta-Chong Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	27,201,735	390,000	22,323,584	320,026	26	320,000	4,878,151	70,000
Subordinate Company - Syslink Corporation	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	1,581,328	20,000	25,255,826	320,000	18,158,363	230,034	31	230,003	8,678,791	109,997
	SinoPac TWD Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	26,358,786	370,000	19,237,953	270,047	47	270,000	7,120,833	100,000
	Mutual funds - Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	21,007,926	320,371	6,554,368	100,000	22,940,669	350,009	140	349,869	4,621,625	70,502

Note 1: Financial assets at fair value through profit or loss and investments accounted for using equity method are measured at acquisition costs.

Note 2: Stock dividends of 5,734,999 shares were included.

SYSTEX CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Buyer/Seller	Related Party	Relationship (Note 1)	Transaction Details		Abnormal Transaction		Notes/Accounts Receivable (Payable) Ending Balance (Note 2)	% of Total
			Purchase/Sale	Amount (Note 2)	% of Total	Payment Terms		
Holding company - Systex Corporation	Systex Software & Service Corporation (SSSC) Palsys Digital Technology Corporation (Palsys)	b.	Purchase	\$ 1,252,017	29	78 days after transaction month	\$ -	13
		b.	Purchase	128,801	3	78 days after transaction month	-	-
Subordinate company - Systex Software & Service Corporation (SSSC)	Systex Corporation Dawning Technology Inc. (Dawning)	a.	Sale	(1,252,017)	15	78 days after transaction month	-	19
		c.	Purchase	129,166	2	78 days after transaction month	-	2
Subordinate company - Dawning Technology Inc. (Dawning)	Systex Software & Service Corporation (SSSC)	c.	Sale	(129,166)	5	78 days after transaction month	-	3
Subordinate company - Palsys Digital Technology Corporation (Palsys)	Systex Corporation	a.	Sale	(128,801)	49	78 days after transaction month	-	1
Subordinate company - Systex Group (China) Ltd. (Systex China)	Systex Ucom (Shanghai) Information Ltd. Co. (Systex Ucom)	c.	Purchase	306,815	14	120 days after transaction month	-	9
Subordinate company - Systex Ucom (Shanghai) Information Ltd. Co. (Systex Ucom)	Systex Group (China) Ltd. (Systex China)	c.	Sale	(306,815)	85	120 days after transaction month	-	52
Subordinate company - Rainbow Tech Information (HK) Ltd. (RTIHK)	Systex Information (HK) Ltd. (Systex HK)	c.	Purchase	179,111	73	30 days after transaction month	-	76
Subordinate company - Systex Information (HK) Ltd. (Systex HK)	Rainbow Tech Information (HK) Ltd. (RTIHK)	c.	Sale	(179,111)	17	30 days after transaction month	-	9

Note 1: a. Parent company.

b. Subsidiary.

c. Associate.

Note 2: In preparing the consolidated financial statements, the transaction has been eliminated.

SYSTEX CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Subordinate Company System Software & Service Corporation (SSSC) Syspower Corporation (Syspower)	System Corporation System Corporation	Parent company (Note) Parent company (Note)	\$ 222,466 127,200	7.69 1.86	\$ - -	- -	\$ 6,462 5,288	\$ - -

Note: In preparing the consolidated financial statements, the transaction has been eliminated.

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 3)
				Financial Statement Account	Amount	Payment Terms	
1	Systex Software & Service Corporation	Palsys Digital Technology Corporation Palsys Digital Technology Corporation	a a	Cost of goods sold Service cost	\$ 128,801 2,154	Net 78 days Net 78 days	- -
					Cost of goods sold Service cost	18,397 4,346	Net 78 days Net 78 days
	Systex Software & Service Corporation	Sypower Corporation Sypower Corporation Systex Solutions Corporation Systex Solutions Corporation Softmobile Technology Corporation Dawning Technology Inc. Dawning Technology Inc. Palsys Digital Technology Corporation Systek Group (China) Ltd. Systek Information (Shanghai) Ltd. Systek Information (Shanghai) Ltd.	b b b b b b b b b b b	Sales Receivables from related parties Sales Operating expenses Payables to related parties Sales Service cost Payables to related parties Receivables from related parties (including interest receivables) Interest revenue Cost of goods sold Service cost Cost of goods sold Payables to related parties	18,397	Net 78 days	-
					4,346	Net 78 days	-
					4,316	Net 78 days	-
					4,324	Net 78 days	-
					3,918	Net 78 days	-
					129,166	Net 78 days	-
					20,346	Net 78 days	-
					6,684	Net 78 days	-
					27,433	Net 90 days	-
					17,419	Net 90 days	-
					3,934	Net 90 days	-
2	Sypower Corporation	Concord System Management Corporation Concord System Management Corporation Systex Solutions Corporation Naturint Corporation Naturint Corporation Taifon Computer Co., Ltd. Palsys Digital Technology Corporation Palsys Digital Technology Corporation Palsys Digital Technology Corporation Palsys Digital Technology Corporation Palsys Digital Technology Corporation Systex Information (HK) Ltd. Systex Information (HK) Ltd. Dawning Technology Inc. Dawning Technology Inc.	b b b b b b b b b b b b b b b	Sales Receivables from related parties Sales Operating expenses Payables to related parties Sales Service cost Payables to related parties Receivables from related parties (including interest receivables) Interest revenue Cost of goods sold Service cost Cost of goods sold Payables to related parties	144,407	Net 78 days	-
					3,414	Net 78 days	-
					19,216	Net 78 days	-
					11,000	Net 78 days	-
					2,835	Net 78 days	-
					7,650	Net 78 days	-
					87,473	Net 78 days	-
					2,064	Net 78 days	-
					161,032	Short-term financing, with a term of one year	1
					1,032	Short-term financing, with a term of one year	-
					2,603	Net 30 days	-
					6,955	Net 30 days	-
					8,050	Net 30 days	-
2,049	Net 30 days	-					
3	Concord System Management Corporation	Palsys Digital Technology Corporation Palsys Digital Technology Corporation Palsys Digital Technology Corporation	b b b	Cost of goods sold Receivables from related parties (including interest receivables) Interest revenue	8,064	Net 30 days	-
					50,007	Short-term financing, with a term of four months	-
					7	Short-term financing, with a term of four months	-
4	Systex Solutions Corporation	Taifon Computer Co., Ltd. Dawning Technology Inc. Dawning Technology Inc. Palsys Digital Technology Corporation	b b b b	Service cost Cost of goods sold Payables to related parties Cost of goods sold	2,462	Net 120 days	-
					22,112	Net 78 days	-
					3,146	Net 78 days	-
					6,781	Net 78 days	-
5	Softmobile Technology Corporation	Top Information Technologies Co., Ltd.	b	Sales	2,190	Net 78 days	-
6	Taifon Computer Co., Ltd.	Dawning Technology Inc. Dawning Technology Inc.	b b	Cost of goods sold Payables to related parties	19,513	Net 78 days	-
					4,504	Net 78 days	-

(Continued)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 3)
				Financial Statement Account	Amount	Payment Terms	
7	Palsys Digital Technology Corporation	Top Information Technologies Co., Ltd.	b	Sales	\$ 3,175	Net 78 days	-
8	Systex Group (China) Ltd.	Systex Rainbow Tech Inc.	b	Sales	4,737	Net 120 days	-
		Systex Rainbow Tech Inc.	b	Interest revenue	1,352	Short-term financing, with a term of one year	-
		Systex Rainbow Tech Inc.	b	Receivables from related parties (including interest receivables)	47,757	Short-term financing, with a term of one year	-
		Systex Rainbow Tech Inc.	b	Payables to related parties	2,079	Net 120 days	-
		Systek Information (Shanghai) Ltd.	b	Cost of goods sold	15,259	Net 120 days	-
		Systek Information (Shanghai) Ltd.	b	Service cost	4,858	Net 120 days	-
		Systek Information (Shanghai) Ltd.	b	Interest revenue	290	Short-term financing, with a term of one year	-
		Systek Information (Shanghai) Ltd.	b	Receivables from related parties (including interest receivables)	4,342	Short-term financing, with a term of one year	-
		Systex Ucom (Shanghai) Information Ltd. Co.	b	Sales	25,557	Net 120 days	-
		Systex Ucom (Shanghai) Information Ltd. Co.	b	Cost of goods sold	306,815	Net 120 days	1
9	Systex Information (HK) Ltd.	Rainbow Tech Information (HK) Ltd.	b	Sales	241,323	Net 30 days	1
		Rainbow Tech Information (HK) Ltd.	b	Other revenue	12,133	Net 30 days	-
		Rainbow Tech Information (HK) Ltd.	b	Receivables from related parties	36,029	Net 30 days	-
10	Systex Rainbow Tech Inc.	Systek Information (Shanghai) Ltd.	b	Sales	2,606	Net 120 days	-
		Systek Information (Shanghai) Ltd.	b	Cost of goods sold	14,578	Net 120 days	-
		Systek Information (Shanghai) Ltd.	b	Receivables from related parties	3,598	Net 120 days	-
11	Sysware Shenglong Information Systems Co., Ltd.	Systek Information (Shanghai) Ltd.	b	Interest revenue	1,140	Short-term financing, with a term of one year	-
		Systek Information (Shanghai) Ltd.	b	Receivables from related parties (including interest receivables)	43,415	Short-term financing, with a term of one year	-
12	Systek Information (Shanghai) Ltd.	Systex Ucom (Shanghai) Information Ltd. Co.	b	Sales	4,495	Net 120 days	-

Note 1: The method of filling in the number:

- a. Parent is numbered 0.
- b. subsidiaries are sequentially numbered starting from 1.

Note 2: Categories of relationships:

- a. Parent to subsidiary.
- b. Between subsidiaries.

Note 3: Percentage of transaction amount to total consolidated operating revenue or assets is calculated as follows:

For balance sheet accounts: Transaction amount ÷ Total consolidated assets

For income statement accounts: Accumulated transaction amount in current period ÷ Total consolidated operating revenues.

(Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Investor Company	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		Number of Shares	As of December 31, 2021		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020		Ratio (%)	Carrying Amount			
Systex Corporation	Systex Infopro Co., Ltd.	Thailand	Sale of computer and peripheral equipment General investment activities General investment activities Design, assessment and planning of computer system and application software and data-processing system, sale and lease of computer hardware, peripheral equipment and spare parts, and repairs and maintenance services	\$ 2,200	\$ 2,200	20,000	20.00	\$ -	\$ -	-	
	Hanmore Investment Corporation	Taiwan		47,125	47,125	9,640,680	48.92	19,574	103,202	(1,654)	Subsidiary (1, 3)
	Ching Pu Investment Corporation	Taiwan		50,472	50,472	30,750,000	100.00	583,088	177,842	123,634	Subsidiary (2, 3)
	Concord System Management Corporation	Taiwan		485,393	485,393	23,113,372	100.00	439,296	123,958	123,615	Subsidiary (3)
	Systemweb Technologies Co.	Taiwan	Data storage media units manufacturing, installation of computer, and sale and development of computer software	86,950	71,050	3,245,000	32.45	54,934	17,279	6,180	-
	Taifon Computer Co., Ltd.	Taiwan	Design of computer hardware and software equipment system, computer room installation, and maintenance, sale, lease and consultation	220,310	220,310	20,000,000	100.00	297,290	43,014	42,779	Subsidiary (3)
	Sanfran Technologies Inc.	Taiwan	Maintenance and warranty of equipment of internet and information security, and consultation on network infrastructure and information security	20,067	20,067	2,518,989	12.26	52,522	122,116	17,577	-
	Golden Bridge Corporation	Taiwan	General investment activities	230,000	230,000	23,000,000	100.00	285,928	34,934	34,934	Subsidiary (3)
	Systex Software & Service Corporation	Taiwan	Sale and development of computer software, data-processing services	450,000	450,000	54,450,000	100.00	1,161,042	469,625	470,233	Subsidiary (3)
	Syspower Corporation	Taiwan	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software	15,195	15,195	1,096,200	4.50	20,028	46,253	1,939	Subsidiary (3)
	Systex Solutions Corporation	Taiwan	Design, construction and sale of telecom instrument, electronic calculator and computer	260,000	260,000	26,000,000	100.00	320,382	44,716	43,439	Subsidiary (3)
	Nexsys Corporation	Taiwan	Manufacturing of wire communication equipment and apparatus, electronic parts and components, and computers and peripheral equipment, installation of computer, and wholesale and retailing of computer and business machinery equipment	415,000	415,000	19,995,000	100.00	343,685	43,941	43,786	Subsidiary (3)
	Systex Capital Group, Inc.	British Virgin Island	Investment activities including financial trust and holding	91,695	91,695	550	100.00	2,521,909	97,903	98,136	Subsidiary (3)
	Kimo.com (BVI) Corporation	British Virgin Island	Investment activities including financial trust and holding	13,185	13,185	500,000	100.00	3,958,167	120,407	119,931	Subsidiary (3)
	Etu Corporation	Taiwan	Sale and development of computer software, data-processing services	90,436	90,436	9,682,000	84.19	4,192	(95)	(80)	Subsidiary (3)
	Naturint Corporation	Taiwan	Installation, sale, information software, data processing and other consultation on computer software and related equipment, network certification and software publication	20,000	20,000	2,000,000	100.00	21,234	(113)	(113)	Subsidiary (3)
	FinRobo Advisor Securities Investment Consulting Co., Ltd.	Taiwan	Securities investment advisor	16,500	16,500	1,016,293	30.00	202	(6,711)	(2,013)	-
	Mohist Web Technology Co.	Taiwan	Merchandise gift certificate automatic distribution system, in-time trust electronic (paper) ticket automated sales system, and integrated mobile payment platform	25,600	18,600	400,000	40.00	12,539	6,071	2,077	-

(Continued)

Investor Company	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note	
				December 31, 2021	December 31, 2020	Number of Shares	Ratio (%)				Carrying Amount
Ching Pu Investment Corporation	Shengsen Cloud Technology Retail System Co.	Taiwan Taiwan	Information software service Manufacturing, processing, assembling and sale of business machinery equipment	\$ 10,800 24,000	\$ 10,800 24,000	905,084 780,000	30.00 30.00	\$ 10,507 26,846	\$ 3,804 12,937	- -	
	Frog-jump Information Co., Ltd. GenSys Technology (International) Ltd.	Taiwan Hong Kong	Information software service Design, assessment and planning of computer system and application software and data-processing system	18,969 31,640	18,969 31,640	683,202 8,000,000	10.00 40.00	12,079 -	24,775 (5,113)	3,068 -	
	Genesis Technology Inc.	Taiwan	Wholesale of electronic apparatus, electronic equipment, computer and computer peripheral equipment, planning, analyzing and design of system, data processing, co-location and internet hosting services	798,172	-	20,072,498	28.09	936,852	195,967	11,580	-
Golden Bridge Corporation	E-Service Information Corporation	Taiwan	Information software service; intellectual property rights, printing and data storage media manufacturing and copying	89,500	44,700	8,000,000	100.00	87,017	10,157	8,232	Subsidiary (3)
	Bao Ruh Electronic Co., Ltd.	Taiwan	Data storage media manufacturing and duplicating, installation of computer, wholesale of telecommunication apparatus, information software service, international trade, electric appliance construction, and automatic control equipment engineering	128,363	119,250	4,339,500	29.72	62,872	8,865	(4,693)	-
	Taiwan Information Service Technology Corporation	Taiwan	Installation, sale, information software, data processing and other consultation on computer software and related equipment	89,965	74,965	16,630	67.38	40,356	5,045	(3,667)	Subsidiary (3)
Syscore Corporation	Collaboration Co., Ltd. uniXecure Corporation	Taiwan Taiwan	General investment activities	200,015 50,000	- -	6,160,000 5,000,000	44.55 100.00	202,008 49,915	5,487 (85)	1,993 (85)	- Subsidiary (3)
	Taiwan Electronic Data Processing Corporation	Taiwan	Design, installation, maintenance, lease and consultation on computer software and hardware equipment system, computer room engineering, network equipment system integration, and wholesale and retailing of medical appliances	169,049	169,049	2,698,643	69.59	24,977	(230)	-	Subsidiary (3)
	Investment Media Ltd. Syspower Corporation	Taiwan Taiwan	Magazine and book publishing Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software	95,600 162,789	95,600 162,789	4,000,000 9,052,889	40.00 37.16	114,987 167,455	98,650 46,253	- -	- Subsidiary (3)
Syscore Corporation	Syspower Corporation	Taiwan	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software	189,023	189,023	10,331,022	42.41	191,097	46,253	-	Subsidiary (3)
	Softmobile Technology Corporation	Taiwan	Manufacturing of wire communication equipment and apparatus, electronic parts and components, and computers and peripheral equipment, installation of computer, and wholesale and retailing of computer and business machinery equipment	80,000	80,000	3,661,875	100.00	57,739	15,510	-	Subsidiary (3)
Syscore Corporation	Syslink Corporation Syslong Corporation Neweb Information Co., Ltd.	Taiwan Taiwan Taiwan	General investment activities General investment activities Setup and maintenance of computer room, maintenance and setup of system integration, cloud system integration service, management and maintenance of system and database, backup storage service, setup and consultation of internet and information security	650,000 250,000 93,000	650,000 - 93,000	65,000,000 25,000,000 3,100,000	100.00 100.00 30.22	466,537 249,917 54,465	(83,788) (83) 42,354	- - -	Subsidiary (3) Subsidiary (3) -

(Continued)

Investor Company	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	Ratio (%)	Carrying Amount			
	Fuoco Technology Co., Ltd.	Taiwan	Printing, printed matter binding and processing, and wholesale of computers and peripheral equipment	\$ 43,460	\$ 43,460	1,640,000	40.00	\$ 36,237	\$ 9,154	-	
	Genesis Technology Inc.	Taiwan	Wholesale of electronic apparatus, electronic equipment, computer and computer peripheral equipment, planning, analyzing and design of system, other data processing, co-location and internet hosting services	71,994	-	2,831,848	3.96	128,892	195,967	-	
Syslink Corporation	Smartsys Technology Corporation	Taiwan	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software	15,000	2,000	1,500,000	50.00	14,019	(1,816)	Subsidiary (3)	
	Syswiser Technology Corporation	Taiwan	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software	10,000	2,000	1,000,000	100.00	8,698	(1,123)	Subsidiary (3)	
	Dawning Technology Inc.	Taiwan	Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software	446,595	280,000	19,650,177	74.43	310,715	4,022	Subsidiary (3)	
	AIWin Technology Co., Ltd.	Taiwan	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software	12,000	12,000	300,000	20.00	-	(5,575)	-	
	CKmates International Co., Ltd.	Taiwan	Type II telecommunications business, internet certificates service, and retail sale of computer software	60,002	-	3,117,000	25.00	47,201	(63,462)	-	
Concord System Management Corporation	Top Information Technologies Co., Ltd.	Taiwan	Sale of computer peripheral equipment and office machines, design of computer system and professional repairs services	152,608	152,608	18,000,000	100.00	238,399	56,880	Subsidiary (3)	
Kimo.com (BYI) Corporation	Systex Information (HK) Ltd.	Hong Kong	Sale of computer and peripheral equipment, retailing and processing of information of software	860,852	823,406	207,736,600	100.00	563,111	41,891	Subsidiary (3)	
	Systex Solutions (HK) Limited	Hong Kong	Investment activities including financial trust and holding	529,907	529,907	136,000,000	100.00	1,215,530	25,122	Subsidiary (3)	
	Rainbow Tech Information (HK) Ltd.	Hong Kong	Sale of computer and peripheral equipment, retailing and processing of information of software	58,384	101,119	14,607,765	49.00	57,465	8,644	Subsidiary (3)	
	Syscore Corporation	Taiwan	General investment activities	1,000,000	1,000,000	100,000,000	50.00	1,221,434	85,339	Subsidiary (3)	
System Capital Group, Inc.	Syscore Corporation	Taiwan	General investment activities	1,000,000	1,000,000	100,000,000	50.00	1,221,434	85,339	Subsidiary (3)	
Dawning Technology Inc.	Neo Trend Tech Corporation	Taiwan	Cable installation engineering, other computer-related service, circuit engineering, and wireless communication service	20,000	-	2,000,000	25.00	19,895	(19,737)	-	
Syspower Corporation	Palsys Digital Technology Corporation	Taiwan	Sale of computer peripheral equipment and office machines, design of computer system and professional repairs services	193,500	-	19,350,000	92.14	220,616	29,428	Subsidiary (3)	
System Software & Service Corporation	Smartsys Technology Corporation	Taiwan	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software	15,000	-	1,500,000	50.00	14,019	(1,816)	Subsidiary (3)	

(Continued)

Note 1: The carrying amount deducts the reclassification of the Corporation's shares held by the subsidiary from equity-method investments into treasury share of \$51,561,717 thousand, which is calculated by the investment cost amounting to \$1,076,171 thousand at 48.92% (the ownership percentage owned by the Corporation).

Note 2: The carrying amount deducts the reclassification of the Corporation's shares held by the subsidiary from equity-method investments into treasury share of \$412,826 thousand, which is calculated by the investment cost amounting to \$412,826 thousand at 100.00% (the ownership percentage owned by the Corporation).

Note 3: In preparing the consolidated financial statements, the transaction has been eliminated.

Note 4: Refer to Table 10 for information on investments in Mainland China.

(Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
Changzhou Xinguo tai Information Equipment Co., Ltd.	Manufacture, service and sales of software and computer-related products	\$ 21,198	a	\$ 2,780	\$ -	\$ -	\$ 2,780	\$ -	9.10	\$ -	\$ -	\$ -	
Systek Information (Shanghai) Ltd.	Sale of computer and peripheral equipment, retailing and processing of information software	998,503	b	998,503	-	-	998,503	9,361	100.00	9,361	431,322	-	Subsidiary (Note 2)
Sysware Shenglong Information Systems Co., Ltd.	Design of computer system, information processing service provider, retailing of computer and peripheral equipment	181,489	b	181,489	-	-	181,489	(4,016)	100.00	(4,016)	102,505	-	Subsidiary (Note 2)
System Group (China) Ltd.	Management consultation, marketing and sale, and capital and operation financial management	292,700	b	292,700	-	-	292,700	6,901	100.00	6,901	83,434	-	Subsidiary (Note 2)
System Rainbow Tech Inc.	Research, development, installation and wholesale of software and hardware technique and internet system	-	b	-	-	-	-	26,495	100.00	26,495	275,862	-	Subsidiary (Note 2)
Systex Ucom (Shanghai) Information Ltd. Co.	Software design and data processing, retailing and service of software	-	b	-	-	-	-	9,188	100.00	9,188	37,522	-	Subsidiary (Note 2)
Sunlight-tech Inc.	Manufacture of Internet-related software and hardware systems, video service systems, audio and video on-demand systems, multimedia and network video equipment	551,210	b	220,484	-	-	220,484	-	40.00	-	-	-	
Shanghai Mudao Financial Information Service Co., Ltd.	Financial information services, computer software development and technology development, technology transfer, technology consulting, technical services, consulting and research in market information, asset management, supply chain management, investment management, investment consulting, business information consulting, financial consulting in the fields of computer technology, information technology and data technology.	20,420	b	-	-	-	-	(2,316)	29.62	(2,216)	8,795	-	
System Rainbow (Guangzhou) Tech Inc.	Research, development, installation and wholesale of software and hardware technique and internet system	-	b	-	-	-	-	(616)	100.00	(616)	3,610	-	Subsidiary (Note 2)

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$1,695,956	\$1,695,956	\$8,102,003

(Continued)

Note 1: The methods of investment are as follows:

- a. Investment in China through remittances from third regions.
- b. Reinvestment in China through the third-region company.

Note 2: In preparing the consolidated financial statements, the transaction has been eliminated.

(Concluded)

TABLE 11**SYSTEX CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Hanmore Investment Corporation (Hanmore)	21,316,678	7.91
Joray Co., Ltd.	21,072,559	7.82
Huang, Tsong-Jen	20,755,750	7.70

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

Systemx Corporation

Financial Statements for the Years Ended December 31, 2021 and 2020 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Systex Corporation

Opinion

We have audited the accompanying financial statements of Systex Corporation (the "Corporation"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

Basis for Opinion

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

Key Audit Matters

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

The key audit matter identified in the Corporation's financial statements for the year ended December 31, 2021 is stated as follows:

Valuation of Receivables

As of December 31, 2021, notes receivable and accounts receivable amounted to \$1,349,769 thousand. When assessing the impairment of receivables, the management of the Corporation uses the expected credit loss model based on the lifetime expected credit loss. The valuation of receivables involves significant accounting estimates and judgements of the management. Therefore, we considered the valuation of receivables as a key audit matter. For the disclosures related to receivables, refer to Notes 5 and 9 to the financial statements.

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

1. We obtained the reports of impairment of receivables and assessed the reasonableness of the expected credit loss model and data used in the reports.
2. We tested the aging schedule of receivables and reviewed the calculation of expected credit loss to confirm the accuracy of the expected credit loss recognized on receivables.
3. We tested the recoverability of receivables by analyzing overdue accounts and verifying cash receipts in the subsequent period. For a receivable that was past due but not yet received, we assessed the reasonableness of the expected credit loss based on the customer's payment history, customer credit control and tracking of overdue receivables.

Other Matter

We did not audit the financial statements of Collaboration Co., Ltd., which is investee of the Corporation and is accounted for using the equity method, Genesis Technology Inc., which is investee of the Corporation and Syscore Corporation and is accounted for using the equity method, Systex Information (H.K.) Limited and Rainbow Tech Information (HK) Limited, which are investees of Kimo.com (BVI) Corporation and are accounted for using the equity method, Dawning Technology Inc. and CKmates International Co., Ltd, which are investees of Syslink Corporation and are accounted for using the equity method for the year ended December 31, 2021, the financial statements of Systex Information (H.K.) Limited and Rainbow Tech Information (HK) Limited, which are investees of Kimo.com (BVI) Corporation and are accounted for using the equity method, Fuco Technology Co., Ltd., which is investee of Syscore Corporation and is accounted for using the equity method, and Dawning Technology Inc., which is investee of Syslink Corporation and is accounted for using the equity method for the year ended December 31, 2020, but such financial statements were audited by other auditors. Our opinion, insofar as it related to the amounts included in the Corporation's financial statements for these investees, was based solely on the reports of other auditors. The aggregate amounts of aforementioned investments accounted for using the equity method were \$2,246,244 thousand and \$880,396 thousand, respectively, representing 11.15% and 5.32%, respectively, of the Corporation's total assets as of December 31, 2021 and 2020. The aggregate comprehensive (loss) income of these investees were \$(7,243) thousand and \$18,276 thousand, respectively, representing (0.58%) and 1.33%, respectively, of the Corporation's comprehensive income for the years ended December 31, 2021 and 2020.

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

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

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Wan Lin and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 23, 2022

Notice to Readers

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

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

SYSTEMX CORPORATION

BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 338,114	2	\$ 286,173	2
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,372,250	7	232,701	1
Notes receivable, net (Notes 4, 5, 9 and 17)	18,964	-	18,485	-
Accounts receivable, net (Notes 4, 5, 9 and 17)	1,330,805	7	993,271	6
Receivables from related parties (Note 23)	413,757	2	134,947	1
Other receivables (Notes 24 and 25)	125,458	1	88,621	1
Inventories (Notes 4 and 10)	890,281	4	797,236	5
Prepayments	603,874	3	540,680	3
Refundable deposits - current	89,608	-	78,153	-
Other current assets	28,904	-	27,284	-
Total current assets	<u>5,212,015</u>	<u>26</u>	<u>3,197,551</u>	<u>19</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	1,397,540	7	1,352,228	8
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	25,549	-	194,709	1
Investments accounted for using equity method (Notes 4 and 11)	11,524,464	57	9,809,289	59
Property, plant and equipment (Notes 4 and 12)	1,612,071	8	1,636,293	10
Right-of-use assets (Notes 4 and 13)	129,062	1	196,964	1
Computer software (Note 4)	62,347	-	28,203	-
Deferred tax assets (Notes 4 and 19)	16,916	-	11,045	-
Refundable deposits - non-current	88,390	1	67,032	1
Long-term receivables (Notes 4 and 9)	9,150	-	971	-
Other non-current assets (Notes 24 and 25)	71,142	-	61,849	1
Total non-current assets	<u>14,936,631</u>	<u>74</u>	<u>13,358,583</u>	<u>81</u>
TOTAL	<u>\$ 20,148,646</u>	<u>100</u>	<u>\$ 16,556,134</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities (Notes 4 and 17)	\$ 656,142	3	\$ 646,718	4
Notes and accounts payable	1,306,461	7	848,152	5
Payables to related parties (Note 23)	417,286	2	246,371	1
Other payables	734,774	4	735,290	4
Lease liabilities - current (Notes 4 and 13)	79,975	-	95,208	1
Current tax liabilities (Notes 4 and 19)	14,219	-	22,970	-
Other current liabilities	180,737	1	124,592	1
Total current liabilities	<u>3,389,594</u>	<u>17</u>	<u>2,719,301</u>	<u>16</u>
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 14)	2,994,442	15	-	-
Deferred tax liabilities (Notes 4 and 19)	5,931	-	6,088	-
Lease liabilities - non-current (Notes 4 and 13)	50,871	-	103,751	1
Net defined benefit liabilities - non-current (Notes 4 and 15)	199,283	1	212,364	1
Other non-current liabilities	5,186	-	5,507	-
Total non-current liabilities	<u>3,255,713</u>	<u>16</u>	<u>327,710</u>	<u>2</u>
Total liabilities	<u>6,645,307</u>	<u>33</u>	<u>3,047,011</u>	<u>18</u>
EQUITY (Notes 4 and 16)				
Share capital	2,693,933	13	2,693,933	16
Capital surplus	6,606,321	33	6,493,756	39
Retained earnings				
Legal reserve	1,457,250	7	1,300,634	8
Special reserve	768,711	4	579,466	3
Unappropriated earnings	3,634,691	18	4,138,488	25
Total retained earnings	<u>5,860,652</u>	<u>29</u>	<u>6,018,588</u>	<u>36</u>
Other equity	(729,124)	(4)	(768,711)	(4)
Treasury shares	(928,443)	(4)	(928,443)	(5)
Total equity	<u>13,503,339</u>	<u>67</u>	<u>13,509,123</u>	<u>82</u>
TOTAL	<u>\$ 20,148,646</u>	<u>100</u>	<u>\$ 16,556,134</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated February 23, 2022)

SYSTEX CORPORATION

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 17 and 23)				
Sales	\$ 5,061,725	61	\$ 3,884,724	55
Less: Sales returns and allowances	<u>13,567</u>	-	<u>12,250</u>	-
Net sales	5,048,158	61	3,872,474	55
Service revenue	3,199,837	39	3,105,044	44
Other operating revenue	<u>37,392</u>	-	<u>40,019</u>	1
Total operating revenue	<u>8,285,387</u>	100	<u>7,017,537</u>	100
OPERATING COSTS (Notes 4, 10, 18 and 23)				
Cost of goods sold	4,312,140	52	3,240,873	46
Service cost	1,414,674	17	1,376,494	20
Other operating cost	<u>3,915</u>	-	<u>3,969</u>	-
Total operating costs	<u>5,730,729</u>	69	<u>4,621,336</u>	66
GROSS PROFIT	<u>2,554,658</u>	31	<u>2,396,201</u>	34
OPERATING EXPENSES (Notes 18 and 23)				
Selling expenses	1,817,343	22	1,682,786	24
General and administrative expenses	302,188	4	295,209	4
Research and development expenses	<u>339,824</u>	4	<u>319,715</u>	5
Total operating expenses	<u>2,459,355</u>	30	<u>2,297,710</u>	33
PROFIT FROM OPERATIONS	<u>95,303</u>	1	<u>98,491</u>	1
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiaries and associates (Notes 4 and 11)	1,144,248	14	1,086,059	16
Interest income (Notes 4 and 23)	795	-	703	-
Dividend income (Note 4)	43,412	-	37,551	1
Other income, net (Note 23)	17,758	-	20,704	-
Gain on sale of property, plant and equipment	5,737	-	-	-
Gain on sale of investments, net (Note 18)	592	-	163,829	2
Foreign exchange gain, net (Note 4)	2,596	-	1,855	-
Gain on financial assets at fair value through profit or loss, net (Note 4)	45,780	1	306,579	4
Interest expense	(12,467)	-	(3,795)	-
Other expenses	(19,176)	-	(6,592)	-
Loss on sale of intangible assets	(2,116)	-	-	-
Impairment loss on assets (Notes 4 and 11)	<u>(99,034)</u>	(1)	<u>(19,421)</u>	-
Total non-operating income and expenses	<u>1,128,125</u>	14	<u>1,587,472</u>	23

(Continued)

SYSTEX CORPORATION

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

	2021		2020	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 1,223,428	15	\$ 1,685,963	24
INCOME TAX EXPENSE (Notes 4 and 19)	<u>9,512</u>	<u>-</u>	<u>19,618</u>	<u>-</u>
NET INCOME	<u>1,213,916</u>	<u>15</u>	<u>1,666,345</u>	<u>24</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 15)	(20,813)	-	(25,950)	-
Unrealized gain (loss) on equity instruments at fair value through other comprehensive income	113,958	1	(62,970)	(1)
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	<u>46,747</u>	<u>1</u>	<u>(54,853)</u>	<u>(1)</u>
	<u>139,892</u>	<u>2</u>	<u>(143,773)</u>	<u>(2)</u>
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive loss of subsidiaries and associates accounted for using the equity method	<u>(110,531)</u>	<u>(2)</u>	<u>(145,577)</u>	<u>(2)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>29,361</u>	<u>-</u>	<u>(289,350)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,243,277</u>	<u>15</u>	<u>\$ 1,376,995</u>	<u>20</u>
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 4.90</u>		<u>\$ 6.72</u>	
Diluted	<u>\$ 4.88</u>		<u>\$ 6.70</u>	

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

(With Deloitte & Touche audit report dated February 23, 2022)

(Concluded)

SYSTEX CORPORATION

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

	Retained Earnings						Other Equity			Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized (Loss) Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	
BALANCE AT JANUARY 1, 2020	\$ 2,693,933	\$ 6,407,221	\$ 1,119,831	\$ 383,842	\$ 4,295,725	\$ 5,799,398	\$ (435,908)	\$ (143,558)	\$ (928,443)	\$ 13,392,643
Appropriation of 2019 earnings	-	-	180,803	-	(180,803)	-	-	-	-	-
Legal reserve	-	-	-	195,624	(195,624)	-	-	-	-	-
Special reserve	-	-	-	-	(1,346,967)	(1,346,967)	-	-	-	(1,346,967)
Cash dividends - NT\$5 per share	-	-	-	-	-	-	-	-	-	-
Changes in investments in subsidiaries and associates accounted for using equity method	-	(20,666)	-	-	(83)	(83)	-	-	-	(20,749)
Net income for 2020	-	-	-	-	1,666,345	1,666,345	-	-	-	1,666,345
Other comprehensive loss for 2020	-	-	-	-	(27,396)	(27,396)	(145,577)	(116,377)	-	(289,350)
Total comprehensive income (loss) for 2020	-	-	-	-	1,638,949	1,638,949	(145,577)	(116,377)	-	1,376,995
Cash dividends received by subsidiaries from the Corporation	-	107,049	-	-	-	-	-	-	-	107,049
Disposal of investments accounted for using equity method	-	152	-	-	8,255	8,255	-	(8,255)	-	152
Disposal of investments by subsidiaries in equity instruments at fair value through other comprehensive income	-	-	-	-	(80,964)	(80,964)	-	80,964	-	-
BALANCE AT DECEMBER 31, 2020	2,693,933	6,493,756	1,300,634	579,466	4,138,488	6,018,588	(581,485)	(187,226)	(928,443)	13,509,123
Appropriation of 2020 earnings	-	-	156,616	-	(156,616)	-	-	-	-	-
Legal reserve	-	-	-	189,245	(189,245)	-	-	-	-	-
Special reserve	-	-	-	-	(1,346,967)	(1,346,967)	-	-	-	(1,346,967)
Cash dividends - NT\$5 per share	-	-	-	-	-	-	-	-	-	-
Changes in investments in subsidiaries and associates accounted for using equity method	-	5,516	-	-	(14,659)	(14,659)	-	-	-	(9,143)
Net income for 2021	-	-	-	-	1,213,916	1,213,916	-	-	-	1,213,916
Other comprehensive loss for 2021	-	-	-	-	(32,073)	(32,073)	(110,531)	171,967	-	29,361
Total comprehensive (loss) income for 2021	-	-	-	-	1,181,841	1,181,841	(110,531)	171,967	-	1,243,277
Cash dividends received by subsidiaries from the Corporation	-	107,049	-	-	-	-	-	-	-	107,049
Disposal of investments by subsidiaries in equity instruments at fair value through other comprehensive income	-	-	-	-	21,849	21,849	-	(21,849)	-	-
BALANCE AT DECEMBER 31, 2021	\$ 2,693,933	\$ 6,606,521	\$ 1,457,250	\$ 768,211	\$ 3,634,691	\$ 5,860,652	\$ (692,016)	\$ (37,108)	\$ (928,443)	\$ 13,503,339

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated February 23, 2022)

SYSTEX CORPORATION

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,223,428	\$ 1,685,963
Adjustments for :		
Depreciation expenses	185,389	173,890
Amortization expenses	18,344	14,467
Expected credit loss recognized	7,828	29,697
Gain on financial assets at fair value through profit or loss, net	(45,780)	(306,579)
Interest expense	12,467	3,795
Interest income	(795)	(703)
Dividend income	(43,412)	(37,551)
Share of profit of subsidiaries and associates accounted for using equity method	(1,144,248)	(1,086,059)
Gain on sale of property, plant and equipment	(5,737)	-
Loss on sale of intangible assets	2,116	-
Gain on sale of investments	-	(84,308)
Impairment loss on financial assets	99,034	19,421
Write-down of inventories	21,445	3,363
Unrealized gain on foreign currency exchange, net	(568)	(125)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(1,139,081)	581,807
Notes receivable	(479)	1,393
Accounts receivable	(345,725)	(194,204)
Receivables from related parties	(278,905)	15,910
Other receivables	(38,810)	3,187
Inventories	(114,490)	63,458
Prepayments	(63,194)	(78,034)
Other current assets	(1,620)	(5,065)
Notes and accounts payable	459,339	(59,141)
Payables to related parties	170,911	119,656
Other payables	(516)	6,017
Contract liabilities	9,424	169,051
Other current liabilities	56,369	40,155
Net defined benefit liabilities	(33,894)	(47,302)
Cash (used in) generated from operations	(991,160)	1,032,159
Interest paid	(12,535)	(3,840)
Income tax paid	(24,291)	(12,153)
Net cash (used in) generated from operating activities	<u>(1,027,986)</u>	<u>1,016,166</u> (Continued)

SYSTEX CORPORATION

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

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (250,777)	\$ -
Return of capital from capital reduction of financial assets at fair value through other comprehensive income	889	902
Acquisition of investments accounted for using equity method	(757,663)	(240,415)
Return of capital from capital reduction of investments accounted for using equity method	-	294,500
Payments for property, plant and equipment	(66,692)	(96,031)
Proceeds on disposal of property, plant and equipment	14,055	239
Increase in refundable deposits	(32,813)	(4,893)
Payments for intangible assets	(54,604)	(22,926)
(Increase) decrease in long-term receivables	(8,179)	507
Decrease in pledged time deposits	2,007	2,432
Increase in other non-current assets	(9,293)	(5,811)
Interest received	761	785
Dividends received	43,412	37,551
Dividends received from subsidiaries and associates	<u>654,830</u>	<u>513,125</u>
Net cash (used in) generated from investing activities	<u>(464,067)</u>	<u>479,965</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of corporate bonds	2,994,218	-
Decrease in guarantee deposits received	(321)	(354)
Repayment of the principal portion of lease liabilities	(102,936)	(102,476)
Dividends paid	<u>(1,346,967)</u>	<u>(1,346,967)</u>
Net cash generated from (used in) financing activities	<u>1,543,994</u>	<u>(1,449,797)</u>
NET INCREASE IN CASH	51,941	46,334
CASH AT THE BEGINNING OF THE YEAR	<u>286,173</u>	<u>239,839</u>
CASH AT THE END OF THE YEAR	<u>\$ 338,114</u>	<u>\$ 286,173</u>

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

(With Deloitte & Touche audit report dated February 23, 2022)

(Concluded)

SYSTEX CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Systemex Corporation (the “Corporation”) was incorporated on January 7, 1997 under the provision of the Company Act of the Republic of China and other laws and regulations. The Corporation is mainly engaged in sales and leases of computer software and related equipment, transmission and security of value-added network, maintenance of database, and consultation.

The Corporation’s shares had been traded on Emerging Stock Market since April 10, 2002 and Taipei Exchange since January 6, 2003. On December 30, 2010, the Corporation has changed the listing and trading of its shares to the Taiwan Stock Exchange.

The financial statements are presented in the Corporation’s functional currency, the New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on February 23, 2022.

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

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Corporation’s accounting policies.

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

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

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

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

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

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

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

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

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

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for the financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

When preparing the financial statements, the Corporation accounts for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the financial statements.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- 2) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least twelve months after the reporting period. 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.

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

d. Foreign currencies

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

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

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

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

For the purposes of presenting financial statements, the assets and liabilities of the Corporation's foreign operations (including subsidiaries and associates in other countries that use currency different from the currency of the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e., a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

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

e. Inventories

Inventories are stated at the lower of cost (monthly weighted average) or net realizable value. Net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale.

f. Investments in subsidiaries

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

A subsidiary is an entity that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries.

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

When the Corporation's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the subsidiary), the Corporation continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss. When the Corporation acquires a subsidiary that does not constitute a business, the Corporation appropriately allocates the cost of acquisition to the Corporation's share of the amounts of the identifiable assets acquired (including intangible assets) and liabilities assumed, and the transaction does not give rise to goodwill nor gains.

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

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

Profit or loss resulting from downstream transactions is eliminated in full only in the financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the financial statements and only to the extent of interests in the subsidiaries that are not related to the Corporation.

g. Investment in associates

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

The Corporation uses the equity method to account for its investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate. The Corporation also recognizes the changes in the Corporation's share of equity of associates.

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

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

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

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

The Corporation discontinues the use of the equity method from the date on which it ceases to have significant influence. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Corporation transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the financial statements only to the extent of interests in the associate that are not related to the Corporation.

h. Property, plant and equipment

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

Except for freehold land is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

i. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

j. Impairment of property, plant and equipment, right-of-use asset and intangible assets other than goodwill

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at fair value through other comprehensive income (“FVTOCI”).

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset.

ii. Financial assets at amortized cost

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

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

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

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

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

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;

- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Corporation recognizes a loss allowance for expected credit losses ("ECLs") on financial assets at amortized cost (including accounts receivable) and lease receivables.

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

1. Revenue recognition

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

Sales revenue comes from sales of computer hardware and software. Sales of computer hardware and software are recognized as revenue when the goods are delivered and the customers have full discretion over the price to sell the goods, rights to use the goods, and bears the risks of obsolescence. Accounts receivable are recognized concurrently. The transaction price received under the conditions of a contract is recognized as a contract liability until the goods have been delivered to the customer.

Service revenue comes from maintenance of computer software and hardware, value-added network services and related consultation services. As the Corporation provides services, customers simultaneously receive and consume the benefits provided by the Corporation's performance. Consequently, the related revenue is recognized when services are rendered. Service revenue other than conditions stated above is recognized when services have been completed.

Other operating revenue is mainly comprised of rental revenue on leases of computer equipment, which is recognized over the term of the lease.

m. Leases

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

For a contract that contains a lease component and non-lease components, the Corporation allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

1) The Corporation as lessor

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

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor plus (b) initial direct costs and is presented as a lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Corporation's net investment outstanding in respect of leases.

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

2) The Corporation as lessee

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

Right-of-use assets are initially measured at cost (the initial measurement of lease liabilities). Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

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

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

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

The Corporation negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease. There is no substantive change to other terms and conditions. The Corporation elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Corporation recognizes the reduction in lease payment in profit or loss, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Corporation's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

o. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and the corresponding tax bases used in the computation of taxable profit. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

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

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Corporation considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Valuation of Receivables

The valuation of receivables is based on assumptions on probability of default and loss given default. The Corporation uses judgment in making these assumptions and in selecting the inputs to the impairment valuation, based on the Corporation's historical experience, existing market conditions and forward looking estimates. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand	\$ 224	\$ 224
Checking accounts and demand deposits	<u>337,890</u>	<u>285,949</u>
	<u>\$ 338,114</u>	<u>\$ 286,173</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2021	2020
<u>Current</u>		
Financial assets mandatorily classified as at FVTPL		
Mutual funds	<u>\$ 1,372,250</u>	<u>\$ 232,701</u>
<u>Non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Unlisted shares	<u>\$ 1,397,540</u>	<u>\$ 1,352,228</u>

8. FINANCIAL ASSETS AT FVTOCI – NON-CURRENT

Investments in Equity Instruments

	December 31	
	2021	2020
Unlisted shares	\$ 25,549	\$ 1,001
Listed shares	<u>-</u>	<u>193,708</u>
	<u>\$ 25,549</u>	<u>\$ 194,709</u>

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

In first quarter of 2021, the Corporation increased its interests in Genesis Technology Inc. (Genesis) and achieved significant influence over Genesis; therefore, investment in Genesis was reclassified from financial assets at FVTOCI to investments accounted for using the equity method in the amount of \$533,006 thousand, and its related unrealized valuation gain of \$49,429 thousand was transferred from other equity to retained earnings.

9. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND LONG-TERM RECEIVABLES, NET

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Notes receivable	\$ 19,136	\$ 18,657
Less: Allowance for doubtful accounts	<u>(172)</u>	<u>(172)</u>
	<u>\$ 18,964</u>	<u>\$ 18,485</u>
Accounts receivable	\$ 1,348,462	\$ 1,003,100
Less: Allowance for doubtful accounts	<u>(17,657)</u>	<u>(9,829)</u>
	<u>\$ 1,330,805</u>	<u>\$ 993,271</u>
Long-term receivables	\$ 9,827	\$ 1,004
Less: Unrealized interest income	<u>(677)</u>	<u>(33)</u>
	<u>\$ 9,150</u>	<u>\$ 971</u>

The average credit period of receivables was 60 to 90 days. The Corporation delegated a department responsible for managing receivables, establishing credit limits, credit approvals and other monitoring procedures to ensure the profitability of the Corporation.

The Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all receivables. The expected credit losses on receivables are estimated using a provision matrix by reference to past default experience of the debtor the debtor's current financial position, economic conditions of the industry in which the debtors operate as well as the GDP forecasts and industry outlook. As the Corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Corporation's different customer base.

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

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

December 31, 2021

	Not Past Due	Less than 91 Days	91 to 180 Days	181 to 270 Days	Over 270 Days	Total
Gross carrying amount	\$ 1,290,748	\$ 39,641	\$ 26,727	\$ 2,639	\$ 7,843	\$ 1,367,598
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>(7,347)</u>	<u>(2,639)</u>	<u>(7,843)</u>	<u>(17,829)</u>
Amortized cost	<u>\$ 1,290,748</u>	<u>\$ 39,641</u>	<u>\$ 19,380</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,349,769</u>

December 31, 2020

	Not Past Due	Less than 91 Days	91 to 180 Days	181 to 270 Days	Over 270 Days	Total
Gross carrying amount	\$ 973,966	\$ 32,978	\$ 5,460	\$ 4,039	\$ 5,314	\$ 1,021,757
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>(648)</u>	<u>(4,039)</u>	<u>(5,314)</u>	<u>(10,001)</u>
Amortized cost	<u>\$ 973,966</u>	<u>\$ 32,978</u>	<u>\$ 4,812</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,011,756</u>

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 10,001	\$ 18,766
Add: Net remeasurement of loss allowance	7,828	29,697
Less: Amount written off	<u>-</u>	<u>(38,462)</u>
Balance at December 31	<u>\$ 17,829</u>	<u>\$ 10,001</u>

10. INVENTORIES

	December 31	
	2021	2020
Merchandise	\$ 883,279	\$ 788,334
Maintenance parts	<u>7,002</u>	<u>8,902</u>
	<u>\$ 890,281</u>	<u>\$ 797,236</u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$4,312,140 thousand and \$3,240,873 thousand, respectively. The cost of goods sold included inventory write-downs of \$21,445 thousand and \$3,363 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Investments in subsidiaries	\$ 10,153,103	\$ 9,555,296
Investments in associates	<u>1,371,361</u>	<u>253,993</u>
	<u>\$ 11,524,464</u>	<u>\$ 9,809,289</u>

a. Investments in subsidiaries

	December 31	
	2021	2020
Unlisted Corporation		
Kimo.com (BVI) Corporation (Kimo BVI)	\$ 3,958,167	\$ 3,914,331
System Capital Group, Inc. (SCGI)	2,521,909	2,369,571
System Software & Service Corporation (SSSC)	1,161,042	1,021,321
Ching Pu Investment Corporation (Ching Pu) (Notes 4 and 16)	583,088	465,995
Concord System Management Corporation (CSMC)	439,296	390,208
Nexsys Corporation (Nexsys)	343,685	360,139
System Solutions Corporation (System Solutions)	320,382	310,743
Taifon Computer Co., Ltd. (Taifon)	297,290	264,415
Golden Bridge Corporation (GBC)	285,928	273,935
E-service Information Corporation (E-service)	87,017	48,682
uniXecure Corporation (uniXecure)	49,915	-
Taiwan Information Service Technology Corporation (TIST)	40,356	74,965
Naturint Corporation (Naturint)	21,234	21,347
Syspower Corporation (Syspower)	20,028	18,083
Hanmore Investment Corporation (Hanmore) (Notes 4 and 16)	19,574	17,289
Etu Corporation (Etu)	<u>4,192</u>	<u>4,272</u>
	<u>\$ 10,153,103</u>	<u>\$ 9,555,296</u>

The Corporation's proportion of ownership and voting rights of its subsidiaries as of the balance sheet date were 100%, except for:

Name of Associate	Proportion of Ownership and Voting Rights	
	December 31	
	2021	2020
Syspower	4.50%	4.50%
Etu	84.19%	84.19%
Hanmore	48.92%	48.92%
E-service	100.00%	58.75%
TIST	67.38%	62.87%

Refer to Note 26 to the consolidated financial statements for the information on the Corporation's acquisition of E-service.

The Corporation holds 48.92% of the ownership and voting rights of Hanmore. However, the Corporation considers that it has the practical ability to direct the relevant activities of Hanmore; thus, Hanmore is accounted for as subsidiary.

The Corporation and its subsidiaries, collectively, hold more than 50% of the ownership and voting rights of Syspower; therefore, the Corporation has control over Syspower, which is accounted for as subsidiary.

The impairment losses on the investments accounted for using the equity method amounted to \$37,509 thousand for the years ended December 31, 2021.

Except for TIST for the year ended December 31, 2020, the Corporation's share of profit (loss) and other comprehensive income (loss) from subsidiaries using the equity method was recognized based on each subsidiary's audited financial statements for the years ended December 31, 2021 and 2020.

b. Investments in associates

All the associates owned by the Corporation were not individually material. Aggregate information of associates were as follows:

	For the Year Ended December 31	
	2021	2020
The Corporation's share of:		
Profit for the year	\$ 39,189	\$ 38,307
Other comprehensive (loss) income	<u>(24,788)</u>	<u>6,416</u>
Total comprehensive income for the year	<u>\$ 14,401</u>	<u>\$ 44,723</u>

The impairment losses on the associates that are not individually material amounted to \$61,525 thousand and \$19,421 thousand, respectively, for the years ended December 31, 2021 and 2020.

Except for Systemweb Technologies Co., Sanfran Technologies Inc., Retail System Co., Mohist Web Technology Co., Frog-jump Information Co., Ltd., Shengesen Cloud Technology, FinRobo Advisor Securities Investment Consulting Co., Ltd., GenSys Technology (International) Ltd. and Systex Infopro Co., Ltd. for the year ended December 31, 2021, Sanfran Technologies Inc., Retail System Co., Mohist Web Technology Co., Frog-jump Information Co., Ltd., Shengesen Cloud Technology, GenSys Technology (International) Ltd. and Systex Infopro Co., Ltd. for the year ended December 31, 2020, the Corporation's share of profit and other comprehensive income (loss) from associates using the equity method were recognized based on each associate's audited financial statements. Management believes the financial statements that have not been audited would not have material impact on the investments accounted for using the equity method or the Corporation's share of profit and other comprehensive income (loss) in the financial statements.

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Computer Equipment	Transportation Equipment	Lease Equipment	Leasehold Improvements	Other Equipment	Total
<u>Cost</u>								
Balance at January 1, 2020	\$ 795,378	\$ 1,161,115	\$ 129,019	\$ 11,162	\$ 15,157	\$ 33,106	\$ 40,270	\$ 2,185,207
Additions	-	-	56,909	-	2,954	6,724	29,444	96,031
Disposals	-	-	(27,782)	(485)	(3,493)	(13,118)	(4,331)	(49,209)
Reclassifications	-	-	(35)	-	(558)	-	-	(593)
Balance at December 31, 2020	<u>\$ 795,378</u>	<u>\$ 1,161,115</u>	<u>\$ 158,111</u>	<u>\$ 10,677</u>	<u>\$ 14,060</u>	<u>\$ 26,712</u>	<u>\$ 65,383</u>	<u>\$ 2,231,436</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2020	\$ 7,693	\$ 462,355	\$ 58,556	\$ 6,013	\$ 7,554	\$ 18,988	\$ 12,677	\$ 573,836
Depreciation expenses	-	16,600	34,225	1,813	3,958	5,093	8,990	70,679
Disposals	-	-	(27,543)	(485)	(3,493)	(13,118)	(4,331)	(48,970)
Reclassifications	-	-	-	-	(402)	-	-	(402)
Balance at December 31, 2020	<u>\$ 7,693</u>	<u>\$ 478,955</u>	<u>\$ 65,238</u>	<u>\$ 7,341</u>	<u>\$ 7,617</u>	<u>\$ 10,963</u>	<u>\$ 17,336</u>	<u>\$ 595,143</u>
Carrying amounts at December 31, 2020	<u>\$ 787,685</u>	<u>\$ 682,160</u>	<u>\$ 92,873</u>	<u>\$ 3,336</u>	<u>\$ 6,443</u>	<u>\$ 15,749</u>	<u>\$ 48,047</u>	<u>\$ 1,636,293</u>
<u>Cost</u>								
Balance at January 1, 2021	\$ 795,378	\$ 1,161,115	\$ 158,111	\$ 10,677	\$ 14,060	\$ 26,712	\$ 65,383	\$ 2,231,436
Additions	-	-	41,784	-	2,729	5,463	16,716	66,692
Disposals	(4,585)	(2,973)	(21,599)	(10,677)	(2,930)	(1,581)	(3,536)	(47,881)
Reclassifications	-	-	18	-	(18)	-	-	-
Balance at December 31, 2021	<u>\$ 790,793</u>	<u>\$ 1,158,142</u>	<u>\$ 178,314</u>	<u>\$ -</u>	<u>\$ 13,841</u>	<u>\$ 30,594</u>	<u>\$ 78,563</u>	<u>\$ 2,250,247</u>

(Continued)

	Land	Buildings	Computer Equipment	Transportation Equipment	Lease Equipment	Leasehold Improvements	Other Equipment	Total
Accumulated depreciation and impairment								
Balance at January 1, 2021	\$ 7,693	\$ 478,955	\$ 65,238	\$ 7,341	\$ 7,617	\$ 10,963	\$ 17,336	\$ 595,143
Depreciation expenses	-	16,594	42,202	890	3,654	5,626	13,630	82,596
Disposals	-	(1,926)	(21,520)	(8,231)	(2,930)	(1,581)	(3,375)	(39,563)
Reclassifications	-	-	15	-	(15)	-	-	-
Balance at December 31, 2021	<u>\$ 7,693</u>	<u>\$ 493,623</u>	<u>\$ 85,935</u>	<u>\$ -</u>	<u>\$ 8,326</u>	<u>\$ 15,008</u>	<u>\$ 27,591</u>	<u>\$ 638,176</u>
Carrying amounts at December 31, 2021	<u>\$ 783,100</u>	<u>\$ 664,519</u>	<u>\$ 92,379</u>	<u>\$ -</u>	<u>\$ 5,515</u>	<u>\$ 15,586</u>	<u>\$ 50,972</u>	<u>\$ 1,612,071</u>

(Concluded)

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

Buildings	60 years
Computer equipment and other equipment	3-5 years
Transportation equipment	5 years
Lease equipment	2-3 years
Leasehold improvements	5 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2021	2020
<u>Carrying amounts</u>		
Buildings	\$ 73,365	\$ 111,766
Machinery	53,592	85,198
Transportation equipment	<u>2,105</u>	<u>-</u>
	<u>\$ 129,062</u>	<u>\$ 196,964</u>
	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 34,891</u>	<u>\$ 53,478</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 66,659	\$ 62,794
Machinery	36,042	40,417
Transportation equipment	<u>92</u>	<u>-</u>
	<u>\$ 102,793</u>	<u>\$ 103,211</u>

Except for the additions and depreciation charge listed above, there is no subleasing or impairment loss of right-of-use assets for the years ended December 31, 2021 and 2020.

b. Lease liabilities

	<u>December 31</u>	
	2021	2020
<u>Carrying amounts</u>		
Current	<u>\$ 79,975</u>	<u>\$ 95,208</u>
Non-current	<u>\$ 50,871</u>	<u>\$103,751</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	2021	2020
Buildings	1.00%-1.25%	1.00%-1.25%
Machinery	1.00%-1.25%	1.25%
Transportation equipment	1.00%	-

c. Material leasing on activities and terms

The Corporation leased buildings for the use of offices and equipment for the use of operation with lease terms of 1 to 7 years. The Corporation does not have bargain purchase options to acquire the leasehold buildings and equipment at the end of the lease terms.

d. Other lease information

	<u>For the Year Ended December 31</u>	
	2021	2020
Expenses relating to short-term leases and low-value asset leases	<u>\$ 40,721</u>	<u>\$ 41,170</u>
Total cash outflow for leases	<u>\$ 145,652</u>	<u>\$ 146,900</u>

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

The amount of lease commitments for short-term leases for which the recognition exemption was applied was \$14,904 thousand and \$14,067 thousand, respectively, as of December 31, 2021 and 2020.

14. BONDS PAYABLE

	<u>December 31</u>	
	2021	2020
Unsecured domestic bonds	\$ 3,000,000	\$ -
Less: Discount on bonds payable	<u>(5,558)</u>	<u>-</u>
	<u>\$ 2,994,442</u>	<u>\$ -</u>

In September 2021, the Corporation issued 3,000 units (each unit at par value of \$1,000 thousand), 0.82% NTD-denominated unsecured bonds, in an aggregate principal amount of \$3,000,000 thousand. The five-year bonds will mature in September 2026. Interest is paid annually and the principal will be repaid in full on the maturity date. The funds raised by the issuance of bonds will be used to repay the bank loan and replenish the working capital.

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. These entities contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Corporation has no right to influence the investment policy and strategy.

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

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 519,970	\$ 519,107
Fair value of plan assets	<u>(320,687)</u>	<u>(306,743)</u>
Net defined benefit liability	<u>\$ 199,283</u>	<u>\$ 212,364</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2020	\$ 492,134	\$ (258,418)	\$ 233,716
Service cost			
Current service cost	927	-	927
Net interest expense (income)	<u>3,640</u>	<u>(2,076)</u>	<u>1,564</u>
Recognized in profit or loss	<u>4,567</u>	<u>(2,076)</u>	<u>2,491</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(8,453)	(8,453)
Actuarial loss - changes in financial assumptions	22,315	-	22,315
Actuarial loss - experience adjustments	<u>12,088</u>	<u>-</u>	<u>12,088</u>
Recognized in other comprehensive income	<u>34,403</u>	<u>(8,453)</u>	<u>25,950</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Contributions from the employer	\$ -	\$ (49,793)	\$ (49,793)
Benefits paid	<u>(11,997)</u>	<u>11,997</u>	<u>-</u>
Balance at December 31, 2020	<u>519,107</u>	<u>(306,743)</u>	<u>212,364</u>
Service cost			
Current service cost	763	-	763
Net interest expense (income)	<u>1,801</u>	<u>(1,122)</u>	<u>679</u>
Recognized in profit or loss	<u>2,564</u>	<u>(1,122)</u>	<u>1,442</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,258)	(4,258)
Actuarial gain - changes in financial assumptions	(5,368)	-	(5,368)
Actuarial loss - experience adjustments	17,812	-	17,812
Actuarial loss - changes in demographic assumptions	<u>12,627</u>	<u>-</u>	<u>12,627</u>
Recognized in other comprehensive income	<u>25,071</u>	<u>(4,258)</u>	<u>20,813</u>
Contributions from the employer	-	(35,336)	(35,336)
Benefits paid	<u>(26,772)</u>	<u>26,772</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 519,970</u>	<u>\$ (320,687)</u>	<u>\$ 199,283</u> (Concluded)

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

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

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

	December 31	
	2021	2020
Discount rates	0.55%	0.35%
Expected rates of salary increase	1.20%	1.10%

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

	<u>December 31</u>	
	2021	2020
Discount rates		
0.5% increase	<u>\$ (26,349)</u>	<u>\$ (27,693)</u>
0.5% decrease	<u>\$ 28,286</u>	<u>\$ 29,814</u>
Expected rates of salary increase		
0.5% increase	<u>\$ 27,955</u>	<u>\$ 29,433</u>
0.5% decrease	<u>\$ (26,311)</u>	<u>\$ (27,626)</u>

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

	<u>December 31</u>	
	2021	2020
The expected contributions to the plan for the next year	<u>\$ 44,959</u>	<u>\$ 36,408</u>
The average duration of the defined benefit obligation	10 years	11 years

16. EQUITY

a. Share capital

	<u>December 31</u>	
	2021	2020
Number of shares authorized (in thousands)	<u>400,000</u>	<u>400,000</u>
Share capital authorized	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
Number of shares issued (in thousands)	<u>269,393</u>	<u>269,393</u>
Share capital issued	<u>\$ 2,693,933</u>	<u>\$ 2,693,933</u>

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

b. Capital surplus

	<u>December 31</u>	
	2021	2020
May be used to offset a deficit, distribute as cash dividends, or <u>transfer to share capital (1)</u>		
Issuance of shares	\$ 4,641,487	\$ 4,641,487
The difference between the consideration paid and the carrying amount of the subsidiaries' net assets during actual acquisition	1,869	39
Donations	544	544
Treasury share transactions	1,945,013	1,837,963

(Continued)

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interest in subsidiaries (2)	\$ 10,655	\$ 8,576
Share of changes in associates accounted for by using equity method	2,260	654
Gain on sale of property and equipment	<u>4,493</u>	<u>4,493</u>
	<u>\$ 6,606,321</u>	<u>\$ 6,493,756</u>
		(Concluded)

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in subsidiary resulted from equity transactions other than actual disposal on acquisition, or from changes in capital surplus of subsidiaries accounted for by using the equity method.

c. Retained earnings and dividends policy

The shareholders of the Corporation held their regular meeting on June 18, 2020 and in that meeting, resolved the amendments to the Corporation's Articles of Incorporation (the "Articles"). Under the dividends policy as set forth in the amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders, except that the board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting.

Under the dividend policy as set forth in the Articles before the amendments, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends to shareholders.

For the policies on distribution of compensation of employees and remuneration of directors, please refer to Note 18 c. for details.

For the goal of sustainable operation and development, the Corporation considers the overall environment and the nature of industry growth along with the long-term financial planning, and applies the dividend policy for residual earnings. The Corporation evaluates the annual funding requirements according to its future capital budget and retains the required fund from the earnings, and distributes the residual earnings as follows:

- 1) Determine the optimal capital budget.
- 2) Determine the funding requirements to meet the optimal capital budget.

- 3) Determine the funding requirements to be met by unappropriated earnings (the remaining may be met through capital increase by cash or issuance of bonds).
- 4) The residual earnings, less an appropriate portion for the operation requirements, may be distributed to shareholders.

The Corporation's dividends may be distributed in cash or shares. The distribution of profits shall be made preferably by way of cash dividends. The distribution could also be made by way of stock dividends, which should not exceed 50% of the total distributed earnings in principle. In addition, dividend policy depends on criteria such as the Corporation's current and future investment environment, cash requirements, domestic and international competition, capital budget, etc. Further, the Corporation also takes into consideration shareholders' interests, balances of dividends and its long-term financial goals. Annually, the board of directors prepares a proposal on earnings appropriation for approval at the shareholders' meeting.

For the distribution of dividends, if the distribution is in cash, the board of directors shall be authorized to resolve the proposal by the vote of at least half of the directors present, provided the number of directors present shall be at least two-thirds of the entire board of directors, and report the distribution to the shareholders' meeting. The Corporation may distribute all or part of the reserve in accordance with laws or the regulations of the competent authority. If it is distributed in cash, the Company authorizes the board of directors to make resolutions in accordance with Article 241 of the Company Act and report to the shareholders' meeting.

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

Under the local regulations, an amount equals to the net debit balance of total other equity items shall be appropriated as a special reserve. The special reserve may be reversed to the extent of the decrease in the net debit balance.

If the Corporation's shares are held by its subsidiaries at the end of the year and the market value of the shares held are lower than their carrying amounts, the Corporation should appropriate a special reserve equal to the difference between the carrying amounts and market value multiplied by its percentages of ownership in the subsidiaries. The special reserve can be reversed in proportion to the percentages of ownership in the subsidiaries when the market value of the shares increased.

The appropriations of earnings for 2020 and 2019 had been approved in the shareholders' meetings held on August 27, 2021 and June 18, 2020, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share	
	For the Year Ended		(NT\$)	
	December 31		For the Year Ended	
	2020	2019	2020	2019
Legal reserve	\$ 156,616	\$ 180,803	\$ -	\$ -
Special reserve	189,245	195,624	-	-
Cash dividends	1,346,967	1,346,967	5.0	5.0

The appropriation of earnings for 2021 will be resolved by the shareholders in their meeting in May 2022.

Information about the appropriations of earnings and distribution of capital surplus are available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Others equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (581,485)	\$ (435,908)
Share of exchange difference of subsidiaries and associates accounted for using the equity method	<u>(110,531)</u>	<u>(145,577)</u>
Balance at December 31	<u>\$ (692,016)</u>	<u>\$ (581,485)</u>

2) Unrealized (loss) gain on financial assets as at FVTOCI

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (187,226)	\$ (143,558)
Recognized for the year		
Unrealized gain (loss) on equity investments	113,958	(62,970)
Share from subsidiaries and associates accounted for using the equity method	58,009	(53,407)
Disposal of associates accounted for using the equity method	-	(8,255)
Cumulative unrealized (loss) gain of equity instruments transferred to retained earnings by subsidiaries	<u>(21,849)</u>	<u>80,964</u>
Balance at December 31	<u>\$ (37,108)</u>	<u>\$ (187,226)</u>

f. Treasury shares (in thousands)

Purpose of Treasury Share	Number of Shares at January 1	Increase During the Year	Decrease During the Year	Number of Shares at December 31
<u>2021</u>				
Reclassification of the Corporation's shares held by subsidiaries from equity-method investments into treasury share	<u>21,410</u>	<u>-</u>	<u>-</u>	<u>21,410</u>
<u>2020</u>				
Reclassification of the Corporation's shares held by subsidiaries from equity-method investments into treasury share	<u>21,410</u>	<u>-</u>	<u>-</u>	<u>21,410</u>

The Corporation's shares held by subsidiaries at the end of reporting period were as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Hanmore</u>		
Share (in thousands)	<u>21,317</u>	<u>21,317</u>
Investments cost	<u>\$ 755,480</u>	<u>\$ 755,480</u>
Market value	<u>\$ 1,807,654</u>	<u>\$ 1,869,473</u>
<u>Ching Pu</u>		
Share (in thousands)	<u>10,982</u>	<u>10,982</u>
Investments cost	<u>\$ 246,093</u>	<u>\$ 246,093</u>
Market value	<u>\$ 931,229</u>	<u>\$ 963,075</u>

For the Corporation's shares held by Hanmore, the investment cost at 48.92% (the ownership percentage owned by the Corporation) was transferred from investment accounted for using equity method to treasury shares, amounting to both \$515,617 (10,428 thousand shares) as of December 31, 2021 and 2020.

The Corporation's shares held by its subsidiaries are recorded as treasury shares, with the subsidiaries having the same rights as other common shareholders on these shares, except that the subsidiaries which are owned by the parent company for over 50% will not have the right to participate in any share issuance for cash or to vote.

17. OPERATING REVENUE

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 5,048,158	\$ 3,872,474
Revenue from the rendering of services	3,199,837	3,105,044
Other operating revenue	<u>37,392</u>	<u>40,019</u>
	<u>\$ 8,285,387</u>	<u>\$ 7,017,537</u>

Contract Balances

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Notes and accounts receivable	<u>\$ 1,349,769</u>	<u>\$ 1,011,756</u>
Contract liabilities	<u>\$ 656,142</u>	<u>\$ 646,718</u>

Please refer to Note 9 for the information on notes and accounts receivable. The changes in the balance of contract liabilities primarily result from the timing difference between the Corporation's satisfaction of performance obligations and the respective customer's payment.

18. NET PROFIT

a. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	\$ 82,596	\$ 70,679
Right-of-use assets	102,793	103,211
Intangible assets	<u>18,344</u>	<u>14,467</u>
	<u>\$ 203,733</u>	<u>\$ 188,357</u>
An analysis of depreciation by function		
Operating costs	\$ 80,973	\$ 85,527
Operating expenses	<u>104,416</u>	<u>88,363</u>
	<u>\$ 185,389</u>	<u>\$ 173,890</u>
An analysis of amortization by function		
Operating costs	\$ 938	\$ 892
Operating expenses	<u>17,406</u>	<u>13,575</u>
	<u>\$ 18,344</u>	<u>\$ 14,467</u>

b. Employee benefits expenses (recognized as operating expenses)

	For the Year Ended December 31	
	2021	2020
Post-employment benefits		
Defined contribution plans	\$ 86,326	\$ 80,352
Defined benefits plans (Note 15)	<u>1,442</u>	<u>2,491</u>
	87,768	82,843
Payroll	1,833,104	1,752,547
Labor and health insurance	165,958	142,597
Remuneration of directors	25,756	35,494
Other employee benefits	<u>73,786</u>	<u>47,425</u>
	<u>\$ 2,186,372</u>	<u>\$ 2,060,906</u>

For the years ended December 31, 2021 and 2020, the Corporation had 1,962 and 1,847 employees on average, respectively; the number of board of directors who did not serve concurrently as employees amounted to 11 for both years.

For the years ended December 31, 2021 and 2020, the average employee benefits expenses amounted to \$1,107 thousand and \$1,103 thousand, respectively, and the average payroll expenses amounted to \$940 thousand and \$955 thousand, respectively. The average payroll expenses decreased by 1.57%.

The Corporation's policies for employee benefits expenses are as follows.

The directors are remunerated in accordance with the Corporation's current Articles. The Corporation has also established the "Regulations on Directors' Remuneration" to calculate their remuneration based on the base numbers established by directors' contribution to the Corporation and whether they are independent directors.

Directors' remuneration includes remuneration, salary, travel expenses, etc. Independent directors are paid in fixed amounts of remuneration every quarter in accordance with the resolutions in the board of directors' meetings. Travel expenses are paid each time directors attend board of directors or functional committee meetings in person.

Managerial officers' remuneration is paid in accordance with the Corporation's human resources policies. Their remuneration mainly includes basic salary, rewards, and employee remuneration. Rewards and bonuses are distributed based on the overall operating performance of the Corporation and shall be in accordance with the "Regulations on the Distribution of Year-End Bonuses".

The Corporation has established a remuneration committee to be in charge of the performance evaluation of directors and managerial officers, set and reviewing the remuneration policies, system standards and structure, and conduct periodic reviews on the accomplishment of performance targets in order to build a comprehensive remuneration system for the Corporation's directors and managerial officers.

The Corporation has set up a well-established performance management and remuneration system which connected the target of organization with personal performance. The Corporation ensures performance examination, feedback, and assessment are completed regularly. Bonuses are paid based on the overall performance of the Corporation, department performance, personal performance and contribution in order to achieve the Corporation's goal of high performance, high contribution, and high reward.

c. Compensation of employees and remuneration of directors

The Corporation accrued compensation of employees and remuneration of directors at the rates no less than 0.1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020 which have been approved by the Corporation's board of directors on February 23, 2022 and February 24, 2021, respectively, were as follows:

	For the Year Ended December 31	
	2021	2020
	Cash	Cash
Compensation of employees	\$ 38,635	\$ 53,241
Remuneration of directors	25,756	35,494

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2020.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Gain on sale of investments, net

	For the Year Ended December 31	
	2021	2020
Disposals of financial assets at FVTPL	\$ 592	\$ 79,521
Disposals of investments accounted for using the equity method	<u>-</u>	<u>84,308</u>
	<u>\$ 592</u>	<u>\$ 163,829</u>

19. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of income tax expenses are as follows:

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 17,436	\$ 5,290
Additional income tax on unappropriated earnings	-	1,650
Additional income tax under the Alternative Minimum Tax Act	-	14,197
Investment tax credit deduction	-	(1,650)
Adjustments for prior years' tax	<u>(1,896)</u>	<u>(1,591)</u>
	<u>15,540</u>	<u>17,896</u>
Deferred tax		
In respected of the current year	(6,028)	7,483
Adjustments for prior years' tax	<u>-</u>	<u>(5,761)</u>
	<u>(6,028)</u>	<u>1,722</u>
Income tax expense recognized in profit or loss	<u>\$ 9,512</u>	<u>\$ 19,618</u>

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

	For the Year Ended December 31	
	2021	2020
Profit before tax	<u>\$ 1,223,428</u>	<u>\$ 1,685,963</u>
Income tax expense calculated at the statutory rate	\$ 244,686	\$ 337,193
Additional income tax on unappropriated earnings	-	1,650
Permanent difference	(233,810)	(326,070)
Additional income tax under the Alternative Minimum Tax Act	-	14,197
Land value incremental tax	532	-
Adjustments for prior years' tax	<u>(1,896)</u>	<u>(7,352)</u>
Income tax expense recognized in profit or loss	<u>\$ 9,512</u>	<u>\$ 19,618</u>

b. Current tax assets and liabilities

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Current tax liabilities		
Income tax payable	\$ <u>14,219</u>	\$ <u>22,970</u>

Prepaid income tax of \$2,685 thousand and \$1,137 thousand have been deducted, respectively, from income tax payable as of December 31, 2021 and 2020.

c. The movements of deferred tax assets and liabilities

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Payable for annual leave	\$ 1,651	\$ 297	\$ 1,948
Allowance for loss on inventories	3,767	3,735	7,502
Others	<u>5,627</u>	<u>1,839</u>	<u>7,466</u>
	<u>\$ 11,045</u>	<u>\$ 5,871</u>	<u>\$ 16,916</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Exchange differences on foreign operations	\$ 5,846	\$ -	\$ 5,846
Others	<u>242</u>	<u>(157)</u>	<u>85</u>
	<u>\$ 6,088</u>	<u>\$ (157)</u>	<u>\$ 5,931</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Payable for annual leave	\$ 1,269	\$ 382	\$ 1,651
Allowance for loss on inventories	3,733	34	3,767
Others	<u>7,332</u>	<u>(1,705)</u>	<u>5,627</u>
	12,334	(1,289)	11,045
Investment credits	<u>191</u>	<u>(191)</u>	<u>-</u>
	<u>\$ 12,525</u>	<u>\$ (1,480)</u>	<u>\$ 11,045</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax liabilities</u>			
Temporary differences			
Exchange differences on foreign operations	\$ 5,846	\$ -	\$ 5,846
Others	<u>-</u>	<u>242</u>	<u>242</u>
	<u>\$ 5,846</u>	<u>\$ 242</u>	<u>\$ 6,088</u> (Concluded)

d. Income tax assessments

Income tax returns through 2019 and undistributed earnings through 2018 of the Corporation has been assessed by the tax authorities.

20. EARNINGS PER SHARE

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

	For the Year Ended December 31	
	2021	2020
Net income for the year	<u>\$ 1,213,916</u>	<u>\$ 1,666,345</u>
<u>Number of shares (in thousands)</u>		
Weighted average number of ordinary shares in the computation of basic earnings per share	247,983	247,983
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>549</u>	<u>785</u>
Weighted average number of ordinary shares in the computation of diluted earnings per share	<u>248,532</u>	<u>248,768</u>
<u>Earnings per share (NT\$)</u>		
Basic earnings per share	<u>\$4.90</u>	<u>\$6.72</u>
Diluted earnings per share	<u>\$4.88</u>	<u>\$6.70</u>

If the Corporation can settle bonus to employees in cash or shares, the Corporation should assume the entire amount of the bonus will be settled in shares and the resulting potential shares, if dilutive, should be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The pro-forma net income and earnings per share, assuming the Corporation's share held by subsidiaries were treated as investment instead of treasury shares, were as follows:

	For the Year Ended December 31	
	2021	2020
Net income for the year	<u>\$ 1,320,965</u>	<u>\$ 1,773,394</u>
<u>Number of shares (in thousands)</u>		
Weighted average number of ordinary shares in the computation of pro forma basic earnings per shares	269,393	269,393
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>549</u>	<u>785</u>
Weighted average number of ordinary shares in the computation of pro forma diluted earnings per shares	<u>269,942</u>	<u>270,178</u>
<u>Earnings per share (NT\$)</u>		
Basic earnings per share	<u>\$4.90</u>	<u>\$6.58</u>
Diluted earnings per share	<u>\$4.89</u>	<u>\$6.56</u>

21. CAPITAL MANAGEMENT

The capital structure of the Corporation consists of debt and equity of the Corporation (comprising issued capital, capital surplus, retained earnings and other equity).

Key management personnel of the Corporation review the capital structure on a periodic basis. As part of this review, the Corporation considers the cost of capital and the risks associated with each class of capital. In order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

22. FINANCIAL INSTRUMENTS

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

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2021</u>				
Financial assets at FVTPL				
Unlisted shares	\$ -	\$ -	\$ 1,397,540	\$ 1,397,540
Mutual funds	<u>1,372,250</u>	<u>-</u>	<u>-</u>	<u>1,372,250</u>
	<u>\$ 1,372,250</u>	<u>\$ -</u>	<u>\$ 1,397,540</u>	<u>\$ 2,769,790</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Unlisted shares	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 25,549</u>	\$ <u> 25,549</u>
<u>December 31, 2020</u>				
Financial assets at FVTPL				
Unlisted shares	\$ -	\$ -	\$ 1,352,228	\$ 1,352,228
Mutual funds	<u> 232,701</u>	<u> -</u>	<u> -</u>	<u> 232,701</u>
	<u>\$ 232,701</u>	<u>\$ -</u>	<u>\$ 1,352,228</u>	<u>\$ 1,584,929</u>
Financial assets at FVTOCI				
Listed shares	\$ 193,708	\$ -	\$ -	\$ 193,708
Unlisted shares	<u> -</u>	<u> -</u>	<u> 1,001</u>	<u> 1,001</u>
	<u>\$ 193,708</u>	<u>\$ -</u>	<u>\$ 1,001</u>	<u>\$ 194,709</u>
				(Concluded)

There were no transfers between Levels 1 and 2 in 2021 and 2020.

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

For the year ended December 31, 2021

Financial Assets	Financial Assets at FVTPL Equity Instruments	Financial Assets at FVTOCI Equity Instruments	Total
Balance at January 1	\$ 1,352,228	\$ 1,001	\$ 1,353,229
Recognized in profit or loss	45,534	-	45,534
Recognized in other comprehensive income	-	837	837
Purchases	-	24,600	24,600
Capital reduction	-	(889)	(889)
Capital surplus distributed as cash dividends	<u>(222)</u>	<u> -</u>	<u>(222)</u>
Balance at December 31	<u>\$ 1,397,540</u>	<u>\$ 25,549</u>	<u>\$ 1,423,089</u>
Unrealized gain/(loss) for the current year included in profit or loss relating to assets held at the end of the year	<u>\$ 45,534</u>		<u>\$ 45,534</u>

For the year ended December 31, 2020

Financial Assets	Financial Assets at FVTPL	Financial Assets at FVTOCI	Total
	Equity Instruments	Equity Instruments	
Balance at January 1	\$ 1,267,686	\$ 1,181	\$ 1,268,867
Recognized in profit or loss	306,342	-	306,342
Recognized in other comprehensive income	-	722	722
Capital reduction	-	(902)	(902)
Capital surplus distributed as cash dividends	(333)	-	(333)
Disposals	<u>(221,467)</u>	<u>-</u>	<u>(221,467)</u>
Balance at December 31	<u>\$ 1,352,228</u>	<u>\$ 1,001</u>	<u>\$ 1,353,229</u>
Unrealized gain/(loss) for the current year included in profit or loss relating to assets held at the end of the year	<u>\$ 229,149</u>		<u>\$ 229,149</u>

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

Financial Instruments	Valuation Techniques and Inputs
Taiwan Futures Exchange	The market approach is used to arrive at their fair values for which the recent financial activities of investees, the market transaction prices of the similar companies and market conditions are considered. Significant unobservable inputs are discounted considering marketability.
Unlisted shares and others	The assets approach is used to the individual assets and individual liabilities to reflect the overall value of the investment target. Significant unobservable inputs are discounted considering marketability.

c. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 2,769,790	\$ 1,584,929
Financial assets at amortized cost (1)	2,490,219	1,721,969
Financial assets at FVTOCI	25,549	194,709
<u>Financial liabilities</u>		
Amortized cost (2)	5,458,149	1,835,319

- 1) The balances include financial assets at amortized cost, which comprise cash, notes receivable, accounts receivable, receivables from related parties, refundable deposits, other receivables, lease receivables - current (included in other current assets), long-term receivables, pledged time deposits - non-current (included in other non-current assets) and lease receivables - non-current (included in other non-current assets).
- 2) The balances included financial liabilities measured at amortized cost, which comprise notes and accounts payable, payables to related parties, other payables, guarantee deposits received (included in other non-current liabilities) and bonds payable.

d. Financial risk management objectives and policies

The Corporation's main target of financial risk management is to manage the market risk related to operating activity (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. To reduce the potential and detrimental influence of the fluctuations in market on the Corporation's financial performance, the Corporation endeavors to identify, estimate and hedge the uncertainties of the market.

The Corporation's significant financial activity is reviewed and approved by the board of directors and audit committee in compliance with related regulations and internal control policy, and the authority and responsibility are delegated according to the operating procedures.

1) Market risk

a) Foreign currency risk

The Corporation has foreign currency sales, purchases and borrowings, which were exposed to foreign currency risk. The Corporation designated a person to monitor exchange rate fluctuations in timely manner and change foreign currency position to control and mitigate such risks as soon as possible.

The sensitivity analysis focused on outstanding foreign currency denominated monetary assets and monetary liabilities (mainly USD) at the end of the reporting period. A positive number below indicates an increase/decrease in pre-tax gain associated with New Taiwan dollars strengthening/weakening 5% against the relevant currency.

	For the Year Ended December 31	
	2021	2020
Increase/decrease	\$ 1,649	\$ 2,222

b) Interest rate risk

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

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 137,063	\$ 111,449
Financial liabilities	3,125,288	198,959
Cash flow interest rate risk		
Financial assets	337,890	285,949

The Corporation acquires better interest rate through long-term cooperation with banks; therefore, the effect of interest rate fluctuations is immaterial.

The sensitivity analyses below were determined based on financial assets and financial liabilities with floating interest rates at the end of reporting period. If interest rates had been 10 basis points (0.1%) higher/lower, the Corporation's pre-tax net income effect would have been as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Increase/decrease	\$ 338	\$ 286

c) Other price risk

The Corporation was exposed to price risk through its investments in shares, corporate bonds and mutual funds. The Corporation established a real-time control system for the price risk, and management does not anticipate any material loss due to this risk.

The sensitivity analyses of the above investment were determined based on financial assets which were measured at fair value at the end of reporting period. If market prices had been 5% higher/lower, the effects on the Corporation's pre-tax net income and other comprehensive income would have been as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Pre-tax net income		
Increase/decrease	\$ 138,490	\$ 79,246
Other comprehensive income		
Increase/decrease	1,277	9,735

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Corporation if the counterparties breached contracts. Generally, the maximum exposures to credit risk for financial assets at the balance sheet date are their carrying amounts.

The Corporation designated a department to manage accounts receivable, establish management policies and develop credit limit management procedures to ensure its benefit. The corporation also choose creditworthy financial institutions with good credit rating as counterparties to reduce credit risk.

Since the counterparties are creditworthy financial institutions and enterprises and the concentration of credit risk is not significant, the credit risk is anticipated to be immaterial.

3) Liquidity risk

The Corporation puts in place inventory management system, procedures for collections and payments, and develops cash flow forecast to ensure the liquidity of operating capital. In addition, the Corporation invests idle funds in short-term investments under consideration of liquidity, security and profitability. The Corporation also maintains banking facilities to ensure the liquidity of cash.

The Corporation has sufficient working capital to meet the cash needs for their operations. Thus, no material liquidity risk is anticipated.

In addition, the Corporation's investments in mutual funds and listed shares are traded in active markets and can readily be sold in the market at their approximate fair values. However, the Corporation also invested in unlisted stocks, subordinate debenture bonds and convertible bonds with significant liquidity risks because these assets do not have quoted market prices in an active market.

23. TRANSACTIONS WITH RELATED PARTIES

Except for those disclosed in other notes, transactions between the Corporation and related parties are disclosed below.

a. Related parties and their relationship with the Corporation

<u>Related Parties</u>	<u>Relationship with the Corporation</u>
Taifon Computer Co., Ltd. (Taifon)	Subsidiary
System Solutions Corporation (System Solutions)	Subsidiary
Syspower Corporation (Syspower)	Subsidiary
Concord System Management Corporation (CSMC)	Subsidiary
Nexsys Corporation (Nexsys)	Subsidiary
Ching Pu Investment Corporation (Ching Pu)	Subsidiary
Golden Bridge Corporation (GBC)	Subsidiary
Hanmore Investment Corporation (Hanmore)	Subsidiary
Kimo.com (BVI) Corporation (Kimo BVI)	Subsidiary
Naturint Corporation (Naturint)	Subsidiary
System Software & Service Corporation (SSSC)	Subsidiary
Softmobile Technology Corporation (Softmobile)	Subsidiary
Syscore Corporation (Syscore)	Subsidiary
Syslink Corporation (Syslink)	Subsidiary
Syswiser Technology Corporation (Syswiser)	Subsidiary
Smartsys Technology Corporation (Smartsys)	Subsidiary
Top Information Technologies Co., Ltd. (Top Information)	Subsidiary
E-service Information Corporation (E-service)	Subsidiary
Taiwan Information Service Technology Corporation (TIST)	Subsidiary
Palsys Digital Technology Corporation (Palsys)	Subsidiary
Syslong Corporation (Syslong)	Subsidiary
uniXecure Corporation (uniXecure)	Subsidiary
System Information (HK) Ltd. (System HK)	Subsidiary
Rainbow Tech Information (HK) Ltd. (Rainbow HK)	Subsidiary
System Information (Shanghai) Ltd. (System)	Subsidiary
Sysware Shenglong Information Systems Co., Ltd. (Sysware Shenglong)	Subsidiary
System Ucom (Shanghai) Information Ltd. Co. (System Ucom)	Subsidiary
System Solutions (HK) Limited (SSHK)	Subsidiary
System Rainbow Tech Inc. (System Rainbow)	Subsidiary
System Rainbow (Guangzhou) Tech Inc. (Rainbow Guangzhou)	Subsidiary
System Group (China) Limited (System China)	Subsidiary
Dawning Technology Inc. (Dawning)	Associate (subsidiary of the Corporation since January 2021)
Investment Media Ltd. (IM)	Associate

(Continued)

<u>Related Parties</u>	<u>Relationship with the Corporation</u>
Sanfran Technologies Inc. (Sanfran)	Associate
Systemweb Technologies Co., Ltd. (Systemweb)	Associate
Shengsen Cloud Technology (Shengsen)	Associate
Frog-jump Information Co., Ltd. (Frog-jump)	Associate
Retail System Co., Ltd. (Retail System)	Associate
Neweb Information Co., Ltd. (Neweb)	Associate
Gensys Technology International. Ltd. (Gensys)	Associate
Fuco Technology Co., Ltd. (Fuco)	Associate
AIWin Technology Co., Ltd. (AIWin)	Associate
Genesis Technology Inc. (Genesis)	Associate
Mohist Web Technology Co., Ltd. (Mohist)	Associate
FinRobo Advisor Securities Investment Consulting Co., Ltd. (FinRobo)	Associate
Bao Ruh Electronic Co., Ltd. (Bao Ruh)	Associate
CKmates International Co., Ltd. (CKmates)	Associate
Collaboration Co., Ltd. (Collaboration)	Associate
Teamplus Technology Inc. (Teamplus)	Associate

(Concluded)

b. Operating revenue

Line Items	Related Party Categories	<u>For the Year Ended December 31</u>	
		2021	2020
Sales	Subsidiary	\$ 104,456	\$ 92,827
	Associate	<u>27,506</u>	<u>13,840</u>
		<u>\$ 131,962</u>	<u>\$ 106,667</u>
Service revenue	Subsidiary	\$ 137,847	\$ 188,613
	Associate	<u>5,560</u>	<u>6,400</u>
		<u>\$ 143,407</u>	<u>\$ 195,013</u>

c. Purchases of goods

Related Party Categories	<u>For the Year Ended December 31</u>	
	2021	2020
Subsidiary		
SSSC	\$ 1,252,017	\$ 487,954
Others	344,636	331,508
Associate	<u>44,000</u>	<u>94,628</u>
	<u>\$ 1,640,653</u>	<u>\$ 914,090</u>

d. Receivables from related parties

Line Items	Related Party Categories	December 31	
		2021	2020
Receivables from related parties	Subsidiary		
	SSSC	\$ 41,343	\$ 45,315
	CSMC	23,664	37,452
	System Solutions	14,796	10,027
	Syspower	12,295	22,450
	Others	17,819	18,114
	Associate	<u>3,686</u>	<u>1,589</u>
		<u>113,603</u>	<u>134,947</u>
Loans and interest receivables from related parties	Subsidiary		
	CSMC	140,072	-
	SSSC	80,041	-
	System Solutions	<u>80,041</u>	<u>-</u>
		<u>300,154</u>	<u>-</u>
		<u>\$ 413,757</u>	<u>\$ 134,947</u>

The Corporation provided short-term loans to CSMC, SSSC and System Solutions. Such loans are due in December 2022, with a fixed interest rate of 1.25%, and the principal and interest will be repaid in full on the maturity date.

e. Payables to related parties

Line Items	Related Party Categories	December 31	
		2021	2020
Payables to related parties	Subsidiary		
	SSSC	\$ 222,466	\$ 103,180
	Syspower	127,200	94,256
	Others	48,867	18,958
	Associate		
	Others	<u>18,753</u>	<u>29,977</u>
		<u>\$ 417,286</u>	<u>\$ 246,371</u>

The product/service sales and purchase transactions with related parties were conducted under pricing terms similar to those with third parties, i.e., for purchases or sales of similar products/services, except those transactions on products/services with special specifications. Settlement terms for related-party transactions were similar to those for third parties.

f. Acquisition of property, plant and equipment and computer software

Related Party Categories	Purchase Price	
	For the Year Ended December 31	
	2021	2020
Subsidiary		
SSSC	\$ 3,746	\$ 13,898
Others	5,437	4,356
Associate	<u>-</u>	<u>3,330</u>
	<u>\$ 9,183</u>	<u>\$ 21,584</u>

g. Disposal of property, plant and equipment and computer software

Related Party Categories	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020
Subsidiary				
Systex Solutions	\$ -	\$ 20	\$ -	\$ -
Syspower	-	209	-	-
CSMC	59	-	-	-
SSSC	2	10	-	-
Palsys	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 79</u>	<u>\$ 239</u>	<u>\$ -</u>	<u>\$ -</u>

h. Other transactions with related parties

Line Items	Related Party Categories	For the Year Ended December 31	
		2021	2020
Service cost	Subsidiary	\$ 63,006	\$ 63,234
	Associate	<u>19,813</u>	<u>20,343</u>
		<u>\$ 82,819</u>	<u>\$ 83,577</u>
Operating expenses	Subsidiary	\$ 14,439	\$ 2,850
	Associate	<u>1,265</u>	<u>1,251</u>
		<u>\$ 15,704</u>	<u>\$ 4,101</u>
Revenue of management fee (recognized as deduction of operating expenses)	Subsidiary	<u>\$ 104,402</u>	<u>\$ 115,195</u>
Other income	Subsidiary		
	Nexsys	\$ 3,484	\$ 3,484
	Others	1,751	2,157
	Associate	<u>204</u>	<u>222</u>
		<u>\$ 5,439</u>	<u>\$ 5,863</u>
Interest revenue	Subsidiary	<u>\$ 154</u>	<u>\$ -</u>

i. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 132,274	\$ 119,312
Post-employment benefits	<u>2,782</u>	<u>2,879</u>
	<u>\$ 135,056</u>	<u>\$ 122,191</u>

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

24. PLEDGED ASSETS

The following assets were pledged as the Corporation's collateral for contract guarantees, guarantees for gift certificates and gift cards issued and import duty guarantee:

	December 31	
	2021	2020
Pledged time deposits - current (included in other receivables)	\$ 87,411	\$ 88,198
Pledged time deposits - non-current (included in other non-current assets)	<u>49,652</u>	<u>22,032</u>
	<u>\$ 137,063</u>	<u>\$ 110,230</u>

25. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Corporation as of December 31, 2021 and 2020 were as follows:

a. Unused letters of credit of the Corporation in aggregate amount were as follows:

	December 31	
	2021	2020
	<u>\$ 695</u>	<u>\$ 707</u>

b. Outstanding sales contracts of the Corporation in the amount were as follows:

	December 31	
	2021	2020
	<u>\$ 3,586,874</u>	<u>\$ 2,946,127</u>

c. Please refer to Table 1 for information that the Corporation provided endorsements for others.

- d. The Corporation issues gift certificates and gift cards. For the handling of advance receipts from customers for sold gift certificates and gift cards, the Corporation entered into a trust agreement with E.SUN Commercial Bank according to the “Provision to be Included in Standard Form Contract of All Sorts of Gift Certificates of Retail Companies” issued by the Ministry of Economic Affairs. According to the trust agreement, the Corporation opened a trust account in E.SUN Commercial Bank. Advance receipts from customers for sold gift certificates are deposited in the trust account and amounts for services already provided to customers are paid to the Corporation on a monthly basis. The balance in the trust account should be not lower than the amount of outstanding gift certificates and gift cards. As of December 31, 2021, the Corporation’s assets in the trust account amounted to \$47,866 thousand (included in other receivables and other non-current assets).

26. OTHER ITEMS

Due to the impact of the COVID-19 pandemic which has evolved globally and currently in Taiwan, some of the Corporation’s subsidiaries, clients and suppliers in certain locations are subject to quarantine and traveling restriction policies. The Corporation has considered the overall operating and financial impacts to be immaterial. There is no doubt on the Corporation’s ability to continue as a going concern, and there is no impairment of assets or financing risk recognized.

27. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2021

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary item			
USD	\$ 3,376	27.68	\$ 93,456
Non-monetary item			
Investment accounted for using equity method			
USD	234,107	27.68	6,480,076
<u>Financial liabilities</u>			
Monetary item			
USD	2,185	27.68	60,471

December 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary item			
USD	\$ 3,546	28.48	\$ 100,988
Non-monetary item			
Investment accounted for using equity method			
USD	220,643	28.48	6,283,902

Financial liabilities

Monetary item			
USD	1,985	28.48	56,546

The significant unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2021		2020	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
Foreign Currency				
USD	27.68	\$ <u>(38)</u>	28.48	\$ <u>(186)</u>

SYSTEMX CORPORATION

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 2)	Note
													Item	Value			
0	Systemx Corporation	Systemx Software & Service Corporation Systemx Solutions Corporation Concord System Management Corporation	Receivables from related parties Receivables from related parties Receivables from related parties	Y Y Y	\$ 800,000 300,000 200,000	\$ 800,000 300,000 200,000	\$ 80,000 80,000 140,000	1.25 1.25 1.25	Short-term financing Short-term financing Short-term financing	- - -	Operating capital Operating capital Operating capital	- - -	- - -	\$ 5,401,336 5,401,336 5,401,336	5,401,336 5,401,336 5,401,336	(Note 3) (Note 4) (Note 5)	
1	Systemx Group (China) Ltd.	Systemx Information (Shanghai) Ltd. Systemx Rainbow Tech Inc. Sysware Shenglong Information Systems Co., Ltd. Systemx Ucom (Shanghai) Information Ltd. Co.	Receivables from related parties Receivables from related parties Receivables from related parties Receivables from related parties	Y Y Y Y	131,619 219,365 21,937 219,365	130,245 217,075 21,708 217,075	4,342 47,757 - -	1-6.16 1-6.16 1-6.16 1-6.16	Short-term financing Short-term financing Short-term financing Short-term financing	- - - -	Operating capital Operating capital Operating capital Operating capital	- - - -	- - - -	2,700,668 2,700,668 2,700,668 2,700,668	5,401,336 5,401,336 5,401,336 5,401,336	(Note 6) (Note 7) (Note 8) (Note 9)	
2	Systemx Information (Shanghai) Ltd.	Systemx Group (China) Ltd. Systemx Rainbow Tech Inc. Sysware Shenglong Information Systems Co., Ltd.	Receivables from related parties Receivables from related parties Receivables from related parties	Y Y Y	263,238 43,701 43,701	260,490 43,415 43,415	- - -	1-6.16 1-6.16 1-6.16	Short-term financing Short-term financing Short-term financing	- - -	Operating capital Operating capital Operating capital	- - -	- - -	2,700,668 2,700,668 2,700,668	5,401,336 5,401,336 5,401,336	(Note 10) (Note 11) (Note 12)	
3	Systemx Rainbow Tech Inc.	Systemx Group (China) Ltd. Systemx Information (Shanghai) Ltd.	Receivables from related parties Receivables from related parties	Y Y	87,746 43,701	86,830 43,415	- -	1-6.16 1-6.16	Short-term financing Short-term financing	- -	Operating capital Operating capital	- -	- -	2,700,668 2,700,668	5,401,336 5,401,336	(Note 13) (Note 14)	
4	Sysware Shenglong Information Systems Co., Ltd.	Systemx Group (China) Ltd. Systemx Information (Shanghai) Ltd.	Receivables from related parties Receivables from related parties	Y Y	43,873 43,701	43,415 43,415	- 43,415	1-6.16 1-6.16	Short-term financing Short-term financing	- -	Operating capital Operating capital	- -	- -	2,700,668 2,700,668	5,401,336 5,401,336	(Note 15) (Note 16)	
5	Syscore Corporation	Systemx Software & Service Corporation	Receivables from related parties	Y	500,000	-	-	1.5	Short-term financing	-	Operating capital	-	-	977,147	977,147	(Note 17)	
6	Systemx Solutions (HK) Limited	Systemx Group (China) Ltd.	Receivables from related parties	Y	228,280	-	-	1	Short-term financing	-	Operating capital	-	-	2,700,668	5,401,336	(Note 18)	
7	Syspower Corporation	Palsys Digital Technology Corporation	Receivables from related parties	Y	160,000	160,000	160,000	1.75	Short-term financing	-	Operating capital	-	-	180,239	180,239	(Note 19)	
8	Concord System Management Corporation	Palsys Digital Technology Corporation	Receivables from related parties	Y	50,000	50,000	50,000	1.75	Business Relations	63,548	Operating capital	-	-	176,095	176,095	(Note 20)	

Note 1: Financing Limit for the Corporation, Syscore Corporation, Syspower Corporation, and Concord System Management Corporation shall not exceed 40% of their net equity. If it is for short-term financing between foreign companies in which the Corporation holds a 100% interest, the financing limit is not subject to the prior limitation but shall not exceed 20% of the Corporation's net equity.

Note 2: Total loans shall not exceed 40% of the lender's net equity. If it is for short-term financing between foreign companies in which the Corporation holds a 100% interest, the total loans is not subject to the prior limitation but shall not exceed 20% of the Corporation's net equity.

Note 3: The highest balance for the period is NT\$800,000 thousand. The ending balance is NT\$800,000 thousand, including NT\$720,000 thousand which has not been withdrawn.

Note 4: The highest balance for the period is NT\$300,000 thousand. The ending balance is NT\$220,000 thousand which has not been withdrawn.

Note 5: The highest balance for the period is NT\$200,000 thousand. The ending balance is NT\$200,000 thousand which has not been withdrawn.

(Continued)

Note 6: The highest balance for the period is NT\$131,619 thousand (RMB30,000 thousand). The ending balance is NT\$150,245 thousand (RMB30,000 thousand), including NT\$125,903 thousand (RMB29,000 thousand) which has not been withdrawn.

Note 7: The highest balance for the period is NT\$219,365 thousand (RMB50,000 thousand). The ending balance is NT\$217,075 thousand (RMB50,000 thousand), including NT\$169,318 thousand (RMB39,000 thousand) which has not been withdrawn.

Note 8: The highest balance for the period is NT\$21,937 thousand (RMB5,000 thousand). The ending balance is NT\$21,708 thousand (RMB5,000 thousand) which has not been withdrawn.

Note 9: The highest balance for the period is NT\$219,365 thousand (RMB50,000 thousand). The ending balance is NT\$217,075 thousand (RMB50,000 thousand) which has not been withdrawn.

Note 10: The highest balance for the period is NT\$263,238 thousand (RMB60,000 thousand). The ending balance is NT\$260,490 thousand (RMB60,000 thousand) which has not been withdrawn.

Note 11: The highest balance for the period is NT\$43,701 thousand (RMB10,000 thousand). The ending balance is NT\$43,415 thousand (RMB10,000 thousand) which has not been withdrawn.

Note 12: The highest balance for the period is NT\$43,701 thousand (RMB10,000 thousand). The ending balance is NT\$43,415 thousand (RMB10,000 thousand) which has not been withdrawn.

Note 13: The highest balance for the period is NT\$87,746 thousand (RMB20,000 thousand). The ending balance is NT\$86,830 thousand (RMB20,000 thousand) which has not been withdrawn.

Note 14: The highest balance for the period is NT\$43,701 thousand (RMB10,000 thousand). The ending balance is NT\$43,415 thousand (RMB10,000 thousand) which has not been withdrawn.

Note 15: The highest balance for the period is NT\$43,873 thousand (RMB10,000 thousand). The ending balance is NT\$43,415 thousand (RMB10,000 thousand) which has not been withdrawn.

Note 16: The highest balance for the period is NT\$43,701 thousand (RMB10,000 thousand). The ending balance is NT\$43,415 thousand (RMB10,000 thousand) which has not been withdrawn.

Note 17: The highest balance for the period is NT\$500,000 thousand.

Note 18: The highest balance for the period is NT\$228,280 thousand (US\$8,000 thousand).

Note 19: The highest balance for the period is NT\$160,000 thousand. The ending balance is NT\$160,000 thousand which has been withdrawn.

Note 20: The highest balance for the period is NT\$50,000 thousand. The ending balance is NT\$50,000 thousand which has been withdrawn.

(Concluded)

SYSTEX CORPORATION

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

No.	Endorser/Guarantor	Endorsee/Guaranteee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	System Corporation	System Information (HK) Ltd. Rainbow Tech. Information (HK) Ltd. System Group (China) Ltd. System Information (Shanghai) Ltd. System Rainbow Tech Inc. System Ucom (Shanghai) Information Ltd. Co. System Software & Service Corporation	Direct/indirect subsidiary Direct/indirect subsidiary Direct/indirect subsidiary Direct/indirect subsidiary Direct/indirect subsidiary Direct/indirect subsidiary Direct/indirect subsidiary	\$ 3,375,835 3,375,835 3,375,835 3,375,835 3,375,835 3,375,835 3,375,835	\$ 346,000 128,408 1,685,287 14,268 42,803 131,619 1,000,000	\$ 346,000 - 1,655,285 13,840 41,520 130,245 1,000,000	\$ 66,598 - 594,109 - - 53,971 414,735	\$ - - - - - - -	2.56 - 12.26 0.10 0.31 0.96 7.41	\$ 6,751,670 6,751,670 6,751,670 6,751,670 6,751,670 6,751,670 6,751,670	Y Y Y Y Y Y Y	N N N N N N N	N N Y Y Y Y N	(Notes a and b) (Notes a and b) (Notes a and b) (Notes a and b) (Notes a and b) (Notes a and b) (Notes a and b) (Notes a and b)
1	System Information (Shanghai) Ltd.	System Group (China) Ltd.	Affiliate	848,455	219,365	217,075	143,400	217,075	51.17	848,455	N	N	Y	(Notes c and d)

Note a: Limits on endorsements/guarantees amount shall not exceed 25% of the net worth of the provider.

Note b: The maximum balance for the period shall not exceed 50% of the net worth of the provider.

Note c: Limits on endorsements/guarantees amount shall not exceed 200% of the net worth in previous year end of the provider.

Note d: The maximum balance for the period shall not exceed 200% of the net worth in previous year end of the provider.

SYSTEX CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	
Holding company - Systex Corporation	Ordinary shares			56,226	\$ -	0.74	-
	GCH Systems			13,788,302	1,151,753	3.28	1,151,753
	Taiwan Futures Exchange Corporation			795,895	-	1.79	-
	Saho Corporation			25,263,076	211,491	8.42	211,491
	Far Eastern Electronic Toll Collection Co., Ltd.			1,108,592	20,922	4.22	20,922
	Sysjust Co., Ltd.			300,000	2,521	6.42	2,521
	3Probe Technologies Co., Ltd.			1,260,000	10,853	14.63	10,853
	Da Ho Marketing Co., Ltd.			808,415	-	0.20	-
	Princo Co., Ltd.			471,700	-	3.27	-
	Wegoluck Co., Ltd.			150,000	-	3.57	-
	Yankey Inc.			3,404,000	-	2.14	-
	Gemini Data Inc.			52,184	949	0.50	949
	Prudence Capital Management Co., Ltd.			55,556	15,000	1.80	15,000
	Alpha Core Philosophy Co., Ltd.			600,000	9,600	6.12	9,600
	iSpan International Inc.						
	Preference shares						
	Gemini Data, Inc.			7,720,167	-	4.86	-
	<u>Mutual funds</u>						
	Taishin Ta Chong Money Market Fund			13,387,966	192,123	-	192,123
	Capital Money Market Fund			9,210,164	150,099	-	150,099
Fubon Chi-Hsiang Money Market Fund			6,954,402	110,080	-	110,080	
CTBC Hua Win Money Market Fund			7,195,117	80,061	-	80,061	
GIM Prudential Financial Money Market Fund			5,004,441	80,029	-	80,029	
Fuh Hwa Money Market Fund			13,185,153	192,040	-	192,040	
Yuanta De-Li Money Market Fund			14,578,709	240,117	-	240,117	
FSITC Money Market Fund			527,166	95,004	-	95,004	
UPAMC James Bond Money Market Fund			8,896,596	150,106	-	150,106	
Jih Sun Money Market Fund			5,343,038	80,077	-	80,077	
KGI EM Trend ETF Fund of Funds			300,000	2,514	-	2,514	

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	
Subordinate company - Hanmore System Management Corporation	Ordinary shares	The Parent Company	Financial assets at FVTOCI - non-current	21,316,678	\$ 1,807,654	7.91	\$ 1,807,654
	Systex Corporation						
	Monterey International Corp						
	Enova Technology Corp.						
	NITS Technology Inc.						
	Mutual funds						
	PineBridge Taiwan Market Fund						
	PineBridge Global ESG Quantitative Bond Fund A.						
	Ordinary shares						
	Com2B Corp.						
Subordinate company - Systex Capital Group, Inc.	Techgains International Corp.	The Parent Company	Financial assets at FVTPL - non-current	1,000,000	-	2.22	-
	Tradetrek.com Inc.						
	Sipix Technology Limited						
	Falcon Stor Software Inc.						
	MagiCapital Fund II, L.P.						
	Preference shares						
	Techgains Pan-Pacific Corporation						
	CipherMax						
	Tonbu Inc.						
	Gemini Data, Inc.						
Subordinate company - Systex Capital Group, Inc.	Other	The Parent Company	Financial assets at FVTOCI - non-current	4,000	202	0.07	202
	Current Ventures II Limited						
	Mutual funds						
	Goldman Sachs Proprietary Access Fund						
	Offshore, Ltd. Class A Series 1						
	GS Japan Equity Partners Portfolio Class P (ACC) (USD-HEDGED)						
	GS US Core SM Equity Portfolio P(ACC) (SNAP) Shares						
	GS GMS Global Equity Portfolio Mutual Fund						
	Wellington Strategic European Equity Portfolio D USD Acc (Hedged)						
	BlueBay Global High Yield Bond Fund B USD						
Unit Nomura Funds Ireland PLC A/US High Yield Bond							
Subordinate company - Systex Capital Group, Inc.	Other	The Parent Company	Financial assets at FVTPL - current	968,720	9,875	-	9,875
	Current Ventures II Limited						
	Mutual funds						
	Goldman Sachs Proprietary Access Fund						
	Offshore, Ltd. Class A Series 1						
	GS Japan Equity Partners Portfolio Class P (ACC) (USD-HEDGED)						
	GS US Core SM Equity Portfolio P(ACC) (SNAP) Shares						
	GS GMS Global Equity Portfolio Mutual Fund						
	Wellington Strategic European Equity Portfolio D USD Acc (Hedged)						
	BlueBay Global High Yield Bond Fund B USD						
Unit Nomura Funds Ireland PLC A/US High Yield Bond							

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	
	PIMCO Global High Yield Bond PIMCO Income Fund-H Class (IE00BFMWWL31)		Financial assets at FVTPL - current	145,719	\$ 112,172	-	\$ 112,172
	PIMCO Global Bond Fund-H Class (IE0032313805)		"	86,301	28,594	-	28,594
	RBC Funds(LUX) Global Equity Focus Fund A USD_ACC		"	28,347	27,164	-	27,164
	JSS USD HIGH YIELD FUND		"	4,416	29,780	-	29,780
	BLACKROCK BGF CHINA A-SHARE OPPORTUNITIES CLASS A SHARES		"	9,589	36,967	-	36,967
	GS Emerging Markets Broad Equity Portfolio (ACC) Shares		"	32,816	14,016	-	14,016
	GS Multi-manager US Equity Mutual Fund		"	22,011	13,630	-	13,630
	Goldman Sachs High Yield Floating Rate Portfolio Fund		"	35,522	35,073	-	35,073
	BLACKROCK BGF CONTINENTAL EUROPEAN FLEXIBLE FUND		"	15,004	56,823	-	56,823
	GS Multi-manager US Small Cap Equity Fund		"	40,298	27,440	-	27,440
	GS Asia Equity Portfolio Fund		"	52,469	22,904	-	22,904
	Vulcan Value Equity Fund USD Accumulating Class		"	21,027	13,724	-	13,724
	Lord Abbett High Yield Fund		"	3,002	20,683	-	20,683
Subordinate company - Naturint Corporation	Mutual funds Union Money Market Fund		Financial assets at FVTPL - current	49,711	21,383	-	21,383
Subordinate company - Syscore Corporation	Ordinary shares Far Eastern Electronic Toll Collection Co., Ltd. Jetwell Computer Co., Ltd.		Financial assets at FVTPL - non-current	1,147,614	15,305	-	15,305
	Preference shares Tatwania Capital Buffalo Fund Preference Shares - Class A		Financial assets at FVTPL - non-current	7,716,831	64,602	2.57	64,602
	Limited partnership Digital-Economy limited partnership		Financial assets at FVTPL - non-current	72,000	3,636	0.18	3,636
			Financial assets at FVTPL - non-current	92,600,000	96,020	2.15	96,020
			Financial assets at FVTPL - non-current	-	46,490	6.29	46,490

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	
	<u>Mutual funds</u> Allianz Global Investors Taiwan Money Market Fund		Financial assets at FVTPL - current	2,226,407	\$ 28,181	-	\$ 28,181
	Schroder 2022 Emerging Market Sovereignty Bond TWD A Fund		"	300,000	2,908	-	2,908
	Pinebridge Taiwan Money Market Securities Investment Trust Fund		"	2,552,563	35,174	-	35,174
	FSITC Global Artificial Intelligence Fund		"	100,000	1,850	-	1,850
	Allianz Us Low Average Duration High Yield Fund		"	3,000,000	32,503	-	32,503
	Yuanta Taiwan High-Yield Leading Company Fund A		"	1,000,000	15,840	-	15,840
	Fuh Hwa Legend Fund VI		"	19,702,970	618,922	-	618,922
	Fuh Hwa Money Market Fund		"	4,066,376	59,226	-	59,226
	<u>Corporate bond</u> Nan Shan Life Insurance Company, Ltd. 1st Perpetual Unsecured Subordinate Corporate Bond Issue in 2016		Financial assets at amortized cost - non-current	-	504,887	-	504,887 (Note 2)
Subordinate company - Syslink Corporation	<u>Mutual funds</u> Yuanta Wan Tai Money Market Fund		Financial assets at FVTPL - current	4,621,625	70,614	-	70,614
	Yuanta Taiwan High-yield Leading Company Fund (A)		"	200,000	3,168	-	3,168
	<u>Ordinary shares</u> Onward Security Corporation		Financial assets at FVTPL - non-current	6,630,000	5,095	11.02	5,095
	Caloudi Corporation		Financial assets at FVTOCI - non-current	600,000	1,841	10.71	1,841
Subordinate company - Syswiser Technology Corporation	<u>Mutual funds</u> UPAMC James Bond Money Market Fund		Financial assets at FVTPL - current	1,661,376	28,031	-	28,031
Subordinate company - Smartsys Technology Corporation	<u>Mutual funds</u> UPAMC James Bond Money Market Fund		Financial assets at FVTPL - current	100,612	1,698	-	1,698
Subordinate company - Top Information Co., Ltd.	<u>Mutual funds</u> Mega Diamond Money Market Fund		Financial assets at FVTPL - current	6,715,069	85,131	-	85,131
	Taishin 1699 Money Market Fund		"	3,664,883	50,130	-	50,130
Subordinate company - Kimo.com (BVI) Corporation	<u>Ordinary shares</u> ISHARES A50 (2823.HK) CSOP A50 (2822.HK)		Financial assets at FVTPL - current	392,000	25,487	-	25,487
			"	397,000	25,079	-	25,079

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	
	<u>Mutual funds</u> ALLIANZ INCOME AND GROWTH-CLASS AT ACC(USD) ALLIANZ GLOBAL ARTIFICIAL INTELLIGENCE-CLASS AT ACC(USD) ALLIANZ TOTAL RETURN ASIAN EQUITY-CLASS A DIS(USD) ALLIANZ CHINA A SHARES SHS-AT(USD)		Financial assets at FVTPL - current	41,771	\$ 29,380	-	\$ 29,380
	Other New Economy Ventures L.P		Financial assets at FVTPL - non-current	-	55,162	15.86	55,162
	Preference shares XREX Inc.		Financial assets at FVTOCI - non-current	254,148	9,965	0.96	9,965
Subordinate company - Systex Software &Service Corporation	<u>Mutual funds</u> Taishin Ta Chong Money Market Fund Mega Diamond Money Market Fund Sinopac TWD Money Market Fund Taishin 1699 Money Market Fund		Financial assets at FVTPL - current	4,878,151 8,678,791 7,120,833 5,118,456	70,003 110,026 100,028 70,013	- - - -	70,003 110,026 100,028 70,013
Subordinate company - Systong Corporation	Fubon Chi-Hsiang Money Market Fund		Financial assets at FVTPL - current	15,480,952	245,045	-	245,045
Subordinate company - Concord System Management Corporation	UPAMC James Bond Money Market Fund		Financial assets at FVTPL - current	1,778,189	30,002	-	30,002
Subordinate company - Systex Solutions Corporation	Union Money Market Fund		Financial assets at FVTPL - current	3,749,166	50,000	-	50,000

Note 1: The securities mentioned in this table above are those classified as financial instruments under IFRS 9, including shares, bonds, mutual funds, and all other securities derived from those items.

Note 2: The carrying amount includes the unamortized bond premium of \$4,887 thousand generated from acquiring the bonds from the Corporation and Ching Pu Investment Corporation.

Note 3: Refer to Table 7 and 8 for information on investment in subsidiaries and associates.

(Concluded)

SYSTEX CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance	
					Number of Shares	Amount (Note 1)	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount (Note 1)
Controlling Company - Systex Corporation	Mutual funds											
	Fubon Chi-Hsiang Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	5,694,905	\$ 90,000	44,011,026	\$ 696,000	42,751,529	\$ 676,064	6,954,402	\$ 110,028
	Taishin Ta-Chong Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	4,888,234	70,000	46,796,907	671,000	38,297,175	549,046	13,387,966	192,068
	Capital Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	41,633,642	678,000	32,423,478	528,039	9,210,164	150,049
	UPAMC James Bond Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	28,343,534	478,000	19,446,938	328,030	8,896,596	150,053
	Fuh Hwa Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	26,439,789	385,000	13,254,636	193,017	13,185,153	192,010
	Yuanta De-Li Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	4,258,193	70,000	23,688,113	390,000	13,367,597	220,008	14,578,709	240,034
	Shares											
Subordinate Company - Systex Software & Service Corporation	Genesis Technology, Inc.	Investments accounted for using equity method	-	-	4,387,499	156,160	15,684,999 (Note 2)	642,012	-	-	20,072,498	798,172
	Taishin Ta-Chong Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	27,201,735	390,000	22,323,584	320,026	4,878,151	70,000
	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	1,581,328	20,000	25,255,826	320,000	18,158,363	230,034	8,678,791	109,997
	SinoPac TWD Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	26,358,786	370,000	19,237,953	270,047	7,120,833	100,000
Subordinate Company - Syslink Corporation	Mutual funds											
	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	21,007,926	320,371	6,554,368	100,000	22,940,669	350,009	4,621,625	70,502

Note 1: Financial assets at fair value through profit or loss and investments accounted for using equity method are measured at acquisition costs.

Note 2: Stock dividends of 5,734,999 shares were included.

SYSTEX CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Buyer/Seller	Related Party	Relationship (Note)	Transaction Details		Abnormal Transaction		Notes/Accounts Receivable (Payable)			
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total
Holding company - Systex Corporation	Systex Software & Service Corporation (SSSC) Palsys Digital Technology Corporation (Palsys)	b.	Purchase	\$ 1,252,017	29	78 days after transaction month	-	\$	(222,466)	13
		b.	Purchase	128,801	3	78 days after transaction month	-		(879)	-
Subordinate company - Systex Software & Service Corporation (SSSC)	Systex Corporation Dawning Technology Inc. (Dawning)	a.	Sale	(1,252,017)	15	78 days after transaction month	-		222,466	19
		c.	Purchase	129,166	2	78 days after transaction month	-		(20,346)	2
Subordinate company - Dawning Technology Inc. (Dawning)	Systex Software & Service Corporation (SSSC)	c.	Sale	(129,166)	5	78 days after transaction month	-		20,346	3
Subordinate company - Palsys Digital Technology Corporation (Palsys)	Systex Corporation	a.	Sale	(128,801)	49	78 days after transaction month	-		879	1
Subordinate company - Systex Group (China) Ltd. (Systex China)	Systex Ucom (Shanghai) Information Ltd. Co. (Systex Ucom)	c.	Purchase	306,815	14	120 days after transaction month	-		(35,175)	9
Subordinate company - Systex Ucom (Shanghai) Information Ltd. Co. (Systex Ucom)	Systex Group (China) Ltd. (Systex China)	c.	Sale	(306,815)	85	120 days after transaction month	-		35,175	52
Subordinate company - Rainbow Tech Information (HK) Ltd. (RTIHK)	Systex Information (HK) Ltd. (Systex HK)	c.	Purchase	179,111	73	30 days after transaction month	-		(24,077)	76
Subordinate company - Systex Information (HK) Ltd. (Systex HK)	Rainbow Tech Information (HK) Ltd. (RTIHK)	c.	Sale	(179,111)	17	30 days after transaction month	-		24,077	9

Note:

- a. Parent company.
- b. Subsidiary.
- c. Associate.

SYSTEX CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Subordinate Company System Software & Service Corporation (SSSC) Syspower Corporation (Syspower)	System Corporation System Corporation	Parent company (Note) Parent company (Note)	\$ 222,466 127,200	7.69 1.86	\$ - -	- -	\$ 6,462 5,288	\$ - -

SYSTEX CORPORATION

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Investor Company	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note	
				December 31, 2021	December 31, 2020	Number of Shares	Ratio (%)				Carrying Amount
Systex Corporation	Systex Infopro Co., Ltd. Hammore Investment Corporation Ching Pu Investment Corporation Concord System Management Corporation	Thailand	Sale of computer and peripheral equipment General investment activities General investment activities Design, assessment and planning of computer system and application software and data-processing system, sale and lease of computer hardware, peripheral equipment and spare parts, and repairs and maintenance services	\$ 2,200	\$ 2,200	20,000	20.00	\$ -	\$ -	-	
		Taiwan		47,125	47,125	9,640,680	48.92	19,574	103,202	(1,654)	Subsidiary (1)
		Taiwan		50,472	50,472	30,750,000	100.00	583,088	177,842	123,634	Subsidiary (2)
		Taiwan		485,393	485,393	23,113,372	100.00	439,296	123,958	123,615	Subsidiary
	Systemweb Technologies Co.	Taiwan		Data storage media units manufacturing, installation of computer, and sale and development of computer software	86,950	71,050	3,245,000	32.45	54,934	17,279	6,180
		Taiwan		Design of computer hardware and software equipment system, computer room installation, and maintenance, sale, lease and consultation	220,310	220,310	20,000,000	100.00	297,290	43,014	42,779
	Sanfran Technologies Inc.	Taiwan		Maintenance and warranty of equipment of internet and information security, and consultation on network infrastructure and information security	20,067	20,067	2,518,989	12.26	52,522	122,116	17,577
		Taiwan		General investment activities	230,000	230,000	23,000,000	100.00	285,928	34,934	34,934
	Golden Bridge Corporation	Taiwan		Sale and development of computer software, data-processing services	450,000	450,000	54,450,000	100.00	1,161,042	469,625	470,233
		Taiwan		Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software	15,195	15,195	1,096,200	4.50	20,028	46,253	1,939
	Systex Solutions Corporation	Taiwan		Design, construction and sale of telecom instrument, electronic calculator and computer	260,000	260,000	26,000,000	100.00	320,382	44,716	43,439
		Taiwan		Manufacturing of wire communication equipment and apparatus, electronic parts and components, and computers and peripheral equipment, installation of computer, and wholesale and retailing of computer and business machinery equipment	415,000	415,000	19,995,000	100.00	343,685	43,941	43,786
	Systex Capital Group, Inc.	British Virgin Island		Investment activities including financial trust and holding	91,695	91,695	550	100.00	2,521,909	97,903	98,136
		British Virgin Island		Investment activities including financial trust and holding	13,185	13,185	500,000	100.00	3,958,167	120,407	119,931
Etu Corporation	Taiwan		Sale and development of computer software, data-processing services	90,436	90,436	9,682,000	84.19	4,192	(95)	(80)	
	Taiwan		Installation, sale, information software, data processing and other consultation on computer software and related equipment, network certification and software publication	20,000	20,000	2,000,000	100.00	21,234	(113)	(113)	
FinRobo Advisor Securities Investment Consulting Co., Ltd. Mohist Web Technology Co.	Taiwan		Securities investment advisor	16,500	16,500	1,016,293	30.00	202	(6,711)	(2,013)	
	Taiwan		Merchandise gift certificate automatic distribution system, in-time trust electronic (paper) ticket automated sales system, and integrated mobile payment platform	25,600	18,600	400,000	40.00	12,539	6,071	2,077	

(Continued)

Investor Company	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	Ratio (%)	Carrying Amount			
Ching Pu Investment Corporation	Shengsen Cloud Technology Retail System Co.	Taiwan Taiwan	Information software service Manufacturing, processing, assembling and sale of business machinery equipment	\$ 10,800 24,000	\$ 10,800 24,000	905,084 780,000	30.00 30.00	\$ 10,507 26,846	\$ 3,804 12,937	-(94) 3,514	
	Frog-jump Information Co., Ltd. GenSys Technology (International) Ltd.	Taiwan Hong Kong	Information software service Design, assessment and planning of computer system and application software and data-processing system	18,969 31,640	18,969 31,640	683,202 8,000,000	10.00 40.00	12,079 -	24,775 (5,113)	3,068 -	
	Genesis Technology Inc.	Taiwan	Wholesale of electronic apparatus, electronic equipment, computer and computer peripheral equipment, planning, analyzing and design of system, data processing, co-location and internet hosting services	798,172	-	20,072,498	28.09	936,852	195,967	11,580	
Golden Bridge Corporation	E-Service Information Corporation	Taiwan	Information software service; intellectual property rights, printing and data storage media manufacturing and copying	89,500	44,700	8,000,000	100.00	87,017	10,157	8,232	Subsidiary
	Bao Ruh Electronic Co., Ltd.	Taiwan	Data storage media manufacturing and duplicating, installation of computer, wholesale of telecommunication apparatus, information software service, international trade, electric appliance construction, and automatic control equipment engineering	128,363	119,250	4,339,500	29.72	62,872	8,865	(4,693)	-
	Taiwan Information Service Technology Corporation	Taiwan	Installation, sale, information software, data processing and other consultation on computer software and related equipment	89,965	74,965	16,630	67.38	40,356	5,045	(3,667)	Subsidiary
Syscore Corporation	Collaboration Co., Ltd. uniXecure Corporation	Taiwan Taiwan	General investment activities	200,015 50,000	- -	6,160,000 5,000,000	44.55 100.00	202,008 49,915	5,487 (85)	1,993 (85)	Subsidiary
	Taiwan Electronic Data Processing Corporation	Taiwan	Design, installation, maintenance, lease and consultation on computer software and hardware equipment system, computer room engineering, network equipment system integration, and wholesale and retailing of medical appliances	169,049	169,049	2,698,643	69.59	24,977	(230)	-	Subsidiary
	Investment Media Ltd. Syspower Corporation	Taiwan Taiwan	Magazine and book publishing Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software	95,600 162,789	95,600 162,789	4,000,000 9,052,889	40.00 37.16	114,987 167,455	98,650 46,253	- -	Subsidiary
Syscore Corporation	Syspower Corporation	Taiwan	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software	189,023	189,023	10,331,022	42.41	191,097	46,253	-	Subsidiary
	Softmobile Technology Corporation	Taiwan	Manufacturing of wire communication equipment and apparatus, electronic parts and components, and computers and peripheral equipment, installation of computer, and wholesale and retailing of computer and business machinery equipment	80,000	80,000	3,661,875	100.00	57,739	15,510	-	Subsidiary
	Syslink Corporation Syslong Corporation Neweb Information Co., Ltd.	Taiwan Taiwan Taiwan	General investment activities General investment activities Setup and maintenance of computer room, maintenance and setup of system integration, cloud system integration service, management and maintenance of system and database, backup storage service, setup and consultation of internet and information security	650,000 250,000 93,000	650,000 - 93,000	65,000,000 25,000,000 3,100,000	100.00 100.00 30.22	466,537 249,917 54,465	(83,788) (83) 42,354	- - -	Subsidiary Subsidiary -

(Continued)

Investor Company	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	Ratio (%)	Carrying Amount			
	Fuoco Technology Co., Ltd.	Taiwan	Printing, printed matter binding and processing, and wholesale of computers and peripheral equipment	\$ 43,460	\$ 43,460	1,640,000	40.00	\$ 36,237	\$ 9,154	-	
	Genesis Technology Inc.	Taiwan	Wholesale of electronic apparatus, electronic equipment, computer and computer peripheral equipment, planning, analyzing and design of system, other data processing, co-location and internet hosting services	71,994	-	2,831,848	3.96	128,892	195,967	-	
Syslink Corporation	Smartsys Technology Corporation	Taiwan	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software	15,000	2,000	1,500,000	50.00	14,019	(1,816)	Subsidiary	
	Syswiser Technology Corporation	Taiwan	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software	10,000	2,000	1,000,000	100.00	8,698	(1,123)	Subsidiary	
	Dawning Technology Inc.	Taiwan	Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software	446,595	280,000	19,650,177	74.43	310,715	4,022	Subsidiary	
	AIWin Technology Co., Ltd.	Taiwan	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software	12,000	12,000	300,000	20.00	-	(5,575)	-	
	CKmates International Co., Ltd.	Taiwan	Type II telecommunications business, internet certificates service, and retail sale of computer software	60,002	-	3,117,000	25.00	47,201	(63,462)	-	
Concord System Management Corporation	Top Information Technologies Co., Ltd.	Taiwan	Sale of computer peripheral equipment and office machines, design of computer system and professional repairs services	152,608	152,608	18,000,000	100.00	238,399	56,880	Subsidiary	
Kimo.com (BYI) Corporation	Systex Information (HK) Ltd.	Hong Kong	Sale of computer and peripheral equipment, retailing and processing of information of software	860,852	823,406	207,736,600	100.00	563,111	41,891	Subsidiary	
	Systex Solutions (HK) Limited	Hong Kong	Investment activities including financial trust and holding	529,907	529,907	136,000,000	100.00	1,215,530	25,122	Subsidiary	
	Rainbow Tech Information (HK) Ltd.	Hong Kong	Sale of computer and peripheral equipment, retailing and processing of information of software	58,384	101,119	14,607,765	49.00	57,465	8,644	Subsidiary	
	Syscore Corporation	Taiwan	General investment activities	1,000,000	1,000,000	100,000,000	50.00	1,221,434	85,339	Subsidiary	
System Capital Group, Inc.	Syscore Corporation	Taiwan	General investment activities	1,000,000	1,000,000	100,000,000	50.00	1,221,434	85,339	Subsidiary	
Dawning Technology Inc.	Neo Trend Tech Corporation	Taiwan	Cable installation engineering, other computer-related service, circuit engineering, and wireless communication service	20,000	-	2,000,000	25.00	19,895	(19,737)	-	
Syspower Corporation	Palsys Digital Technology Corporation	Taiwan	Sale of computer peripheral equipment and office machines, design of computer system and professional repairs services	193,500	-	19,350,000	92.14	220,616	29,428	Subsidiary	
System Software & Service Corporation	Smartsys Technology Corporation	Taiwan	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software	15,000	-	1,500,000	50.00	14,019	(1,816)	Subsidiary	

(Continued)

Note 1: The carrying amount deducts the reclassification of the Corporation's shares held by the subsidiary from equity-method investments into treasury share of \$51,561,717 thousand, which is calculated by the investment cost amounting to \$1,076,171 thousand at 48.92% (the ownership percentage owned by the Corporation).

Note 2: The carrying amount deducts the reclassification of the Corporation's shares held by the subsidiary from equity-method investments into treasury share of \$412,826 thousand, which is calculated by the investment cost amounting to \$412,826 thousand at 100.00% (the ownership percentage owned by the Corporation).

Note 3: Refer to Table 8 for information on investments in Mainland China.

(Concluded)

SYSTEX CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
Changzhou Xinguo tai Information Equipment Co., Ltd.	Manufacture, service and sales of software and computer-related products	\$ 21,198	a	\$ 2,780	\$ -	\$ -	\$ 2,780	\$ -	9.10	\$ -	\$ -	\$ -	
Systek Information (Shanghai) Ltd.	Sale of computer and peripheral equipment, retailing and processing of information software	998,503	b	998,503	-	-	998,503	9,361	100.00	9,361	431,322	-	Subsidiary
Sysware Shenglong Information Systems Co., Ltd.	Design of computer system, information processing service provider, retailing of computer and peripheral equipment	181,489	b	181,489	-	-	181,489	(4,016)	100.00	(4,016)	102,505	-	Subsidiary
Systex Group (China) Ltd.	Management consultation, marketing and sale, and capital and operation financial management	292,700	b	292,700	-	-	292,700	6,901	100.00	6,901	83,434	-	Subsidiary
Systex Rainbow Tech Inc.	Research, development, installation and wholesale of software and hardware technique and internet system	-	b	-	-	-	-	26,495	100.00	26,495	275,862	-	Subsidiary
Systex Ucom (Shanghai) Information Ltd. Co.	Software design and data processing, retailing and service of software	-	b	-	-	-	-	9,188	100.00	9,188	37,522	-	Subsidiary
Sunlight-tech Inc.	Manufacture of Internet-related software and hardware systems, video service systems, audio and video on-demand systems, multimedia and network video equipment	551,210	b	220,484	-	-	220,484	-	40.00	-	-	-	
Shanghai Mudao Financial Information Service Co., Ltd.	Financial information services, computer software development and technology development, technology transfer, technology consulting, technical services, consulting and research in market information, asset management, supply chain management, investment management, investment consulting, business information consulting, financial consulting in the fields of computer technology, information technology and data technology.	20,420	b	-	-	-	-	(2,316)	29.62	(2,216)	8,795	-	
Systex Rainbow (Guangzhou) Tech Inc.	Research, development, installation and wholesale of software and hardware technique and internet system	-	b	-	-	-	-	(616)	100.00	(616)	3,610	-	Subsidiary

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$1,695,956	\$1,695,956	\$8,102,003

(Continued)

Note: The methods of investment are as follows:

- a. Investment in China through remittances from third regions.
- b. Reinvestment in China through the third-region company.

(Concluded)

SYSTEX CORPORATION**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Hanmore Investment Corporation (Hanmore)	21,316,678	7.91
Joray Co., Ltd.	21,072,559	7.82
Huang, Tsong-Jen	20,755,750	7.70

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

VII. Review of Financial Conditions, Operating Results, and Risk Management

7.1 Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	2021	2020	Difference	
			Amount	%
Current assets	19,273,022	15,626,468	3,646,554	23.34
Long-term investments	1,781,833	655,557	1,126,276	171.80
Fixed assets	2,088,417	2,098,670	(10,253)	(0.49)
Intangible assets	136,147	131,440	4,707	3.58
Other assets	3,280,771	3,517,100	(236,329)	(6.72)
Total assets	26,560,190	22,029,235	4,530,955	20.57
Current liabilities	9,259,857	7,842,987	1,416,870	18.07
Other liabilities	3,489,166	536,801	2,952,365	549.99
Total liabilities	12,749,023	8,379,788	4,369,235	52.14
Share capital	2,693,933	2,693,933	-	-
Capital surplus	6,606,321	6,493,756	112,565	1.73
Retained earnings	5,860,652	6,018,588	(157,936)	(2.62)
Other equity and Treasury shares	(1,657,567)	(1,697,154)	39,587	2.33
Total equity attributable to owners of the Corporation	13,503,339	13,509,123	(5,784)	(0.04)
Non-controlling interests	307,828	140,324	167,504	119.37
Total equity	13,811,167	13,649,447	161,720	1.18

Analysis of changes in financial ratios:

1. Increase in Current assets by NT\$3,646,554 thousands mainly due to which increase in Cash and cash equivalents by NT\$478,250 thousands, increase in Financial assets at fair value through profit or loss – current by NT\$1,320,837 thousands, increase in Accounts receivable, net by NT\$1,177,625 thousands and increase in Prepayments by NT\$517,544 thousands.
2. Increase in Long-term investments by NT\$1,126,276 thousands mainly due to increase in Investments accounted for using equity method.
3. Increase in Other liabilities by NT\$2,952,365 thousands mainly due to increase in Bonds payable by NT\$2,994,442 thousands.
4. Increase in Non-controlling interests by NT\$167,504 thousands mainly due to increase in Non-controlling interests arising from acquisition of subsidiaries and increase in Equity transactions with non-controlling interests.

VII. Review of Financial Conditions, Operating Results, and Risk Management

7.2 Analysis of Operating Results

Unit: NT\$ thousands

Item \ Year	2021		2020		Difference	
	Subtotal	Total	Subtotal	Total	Amount	%
Gross sales	29,623,844		23,835,962		5,787,882	24.28
Less: sales returns & allowances	96,887		100,872		(3,985)	(3.95)
Net sales		29,526,957		23,735,090	5,791,867	24.40
Cost of sales		22,871,571		17,983,644	4,887,927	27.18
Gross profit		6,655,386		5,751,446	903,940	15.72
Operating expenses		5,521,934		4,826,573	695,361	14.41
Operating income		1,133,452		924,873	208,579	22.55
Total non-operating income and expenses		318,163		926,306	(608,143)	(65.65)
Income before tax		1,451,615		1,851,179	(399,564)	(21.58)
Tax expense		228,519		175,457	53,062	30.24
Other comprehensive income (loss) for the year, net of income tax		27,619		(289,223)	316,842	109.55
Total comprehensive income for the year		1,250,715		1,386,499	(135,784)	(9.79)

1. Analysis of changes in financial ratios:

- (1) Increase in Net sales by NT\$5,791,867 thousands mainly due to increase in sales.
- (2) Increase in Cost of sales by NT\$4,887,927 thousands mainly due to increase in cost of goods sold.
- (3) Decrease in Total non-operating income and expenses by NT\$608,143 thousands mainly due to decrease in Gain on sale of investments, net by NT\$217,851 thousands, decrease in gain on financial assets at fair value through profit, net by NT\$196,490 thousands, decrease in Impairment loss on assets by NT\$120,900 thousands and decrease in foreign exchange gain, net by NT\$32,738 thousands.
- (4) Increase in Tax expense by NT\$53,062 thousands mainly due to decrease in current tax by 68,699 thousands and increase in deferred tax by 121,761 thousands.
- (5) Increase in Total comprehensive income for the year by 316,842 thousands mainly due to increase unrealized gain on equity instruments at fair value through other comprehensive income

2. Mainly reason of expected sales growing up in 2022:

The demand for digital transformation has been accelerated due to the epidemic. We are optimistic about the growth trend of the industry in 2022, and the company will continue to grow with the industry. Among them, cloud services will be an important growth driver in the future, and the services of various subsidiaries will be cloudized through the platform of SYSTEX, and subscription-based services will be continuously developed to inject long-term business momentum.

VII. Review of Financial Conditions, Operating Results, and Risk Management

7.3 Analysis of Cash Flow

7.3.1 Remedy for Cash Deficit and Liquidity Analysis

Item	Year	2021	2020	Variance (%)
	Cash Flow Ratio (%)		0	14.09
Cash Flow Adequacy Ratio (%)		41.31	56.69	(27.13)
Cash Reinvestment Ratio (%)		(7.12)	(0.94)	(654.28)

Analysis of changes in financial ratios:
Decrease in Cash Flow Ratio by 100%, decrease in Cash Flow Adequacy Ratio 27% and decrease in Cash Reinvestment Ratio by 654% mainly due to net cash generated from operating activities flowed out.

7.3.2 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Estimated Cash Beginning Balance ①	Estimated Net Cash Flow from Operating Activities ②	Estimated Cash Outflow ③	Estimated Cash Ending Balance (Shortage) ① + ② - ③	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
4,068,254	1,302,615	(2,166,326)	3,204,543	-	-

1. Analysis of change in cash flow in the current year:

Item	Cash Inflow (Outflow)		Variance		Remarks
	2021	2020	Amount	%	
Operating activities	\$ (395,511)	\$ 1,105,092	\$ (1,500,603)	(135.79)	(1)
Investing activities	(1,091,259)	972,491	(2,063,750)	(212.21)	(2)
Financing activities	2,043,976	(1,159,425)	3,203,401	276.29	(3)

(1) The Decrease of NT\$1,500,603 thousands in 2021 was mainly due to the decrease in income before tax.
(2) The Decrease of NT\$2,063,750 thousands in 2021 was mainly due to the decrease of NT\$246,584 thousands in financial assets at fair value through other comprehensive income, decrease of NT\$896,670 thousands in disposal of financial assets at fair value through other comprehensive income and decrease of NT\$557,843 thousands in Investments accounted for using equity method.
(3) The Increase of NT\$3,203,401 thousands in 2021 was mainly due to the increase of NT\$3 billion in Proceeds from issuance of corporate bonds and increase of NT\$199,417 thousands in short-term loans by subsidiaries.

2. Remedial action for cash deficit: N/A.
3. Cash liquidity analysis for the next year: The Company expects business activities in the next year to generate positive cash flow. The cash outflow in the next year shall be primarily for the distribution of cash dividends that can be supported by the Company's cash balance and cash flow.

VII. Review of Financial Conditions, Operating Results, and Risk Management

7.4 Major Capital Expenditure Items: There are no any Major Capital Expenditure in 2021.

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

7.5.1 Investment policy in the most recent year

The company's reinvestment policy will increase investment in overseas business, go out of Taiwan, initially take Asia as the development hinterland, enter the Southeast Asian and Northeast Asian markets, and cooperate with start-ups and local partners to win world-class markets and customers.

7.5.2 The main reason for profit or loss and improvement plan for reinvestment enterprises

Unit: NT\$ thousands

Item	Remarks	Book Value (Note 1)	Net Income (Loss) 2021	Policies	Reasons for Gain or Loss	Action Plan
Ching Pu Investment Corp.		583,088	177,842	Shareholding in other companies and reinvestment business	Net profit from investment income from dividends of financial assets and recognized by the equity method	
Golden Bridge Information Corp.		285,928	34,934	Shareholding in other companies and reinvestment business	Net profit from investment income recognized by the equity method	
Syscore Corp. (Note 2)		2,442,868	85,339	Shareholding in other companies and reinvestment business	Net profit from investment income from dividends of financial assets and recognized by the equity method	
Syslink Corp.		466,537	(83,788)	Shareholding in other companies and reinvestment business	Recognized loss from investments	To strengthen the management of investment
Syslong Corp.		249,917	(83)	Shareholding in other companies and reinvestment business	Early stage of operation	
Kimo.com (BVI) Corp.		3,958,167	120,407	Shareholding in other companies and reinvestment business	Recognized profits from investments	
System Capital Group, Inc.		2,521,909	97,903	Shareholding in other companies and reinvestment business	Net profit from investment income from dividends of financial assets and recognized by the equity method	
System Solutions (HK) Ltd.		1,215,530	25,122	Shareholding in other companies and reinvestment business	Recognized profits from investments	

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Item \ Remarks	Book Value (Note 1)	Net Income (Loss) 2021	Policies	Reasons for Gain or Loss	Action Plan
Taifon Computer Co., Ltd.	297,290	43,014	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
System Solutions Corp.	320,382	44,716	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
Concord System Management Corp.	439,296	123,958	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
Top Information Technologies Co., Ltd.	238,399	56,880	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
System Software & Service Corp.	1,161,042	469,625	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
Nexsys Corp.	343,685	43,941	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
Palsys Digital Technology Corp.	220,616	29,428	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
Dawning Technology Inc.	310,715	4,022	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
Syspower Corp. (Note 2)	378,580	46,253	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
System Information (Shanghai) Ltd.	431,322	9,361	Developed overseas markets and distribution channels in Greater China	After the business integration and adjustment, the operating conditions improved	
System Rainbow Tech Inc.	275,862	26,495	Developed overseas markets and distribution channels in Greater China	After the business integration and adjustment, the operating conditions improved	
System Information (H.K.) Ltd.	563,111	41,891	Developed overseas markets and distribution channels in Greater China	Revenue has reached economies of scale and generated profits for main business	

Note 1: Refers to subsidiary companies with a carrying amount exceeding 5% of paid-in capital as of December 31, 2021.

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Note 2: Held directly and indirectly by the Company.

7.5.3 Investment Plans for the Coming Year: None.

7.6 Analysis of Risk Management

The Company has established functional committees that report to the Board of Directors in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" promulgated by the competent authority to enhance the supervision and management functions of the Board of Directors. Proposals are submitted to the Board for resolution to reduce risks in operating and financial decisions.

7.6.1 Risk management policies and organization

The Company's internal management system covers various business activities within the scope of its operations. Responsibilities for the management of risks in various operations are assigned to related units in accordance with the nature of business. The Company has also established the "Crisis Management Regulations," "Strategic Investment Management Regulations," and "Regulations on the Supervision and Management of Subsidiaries" to facilitate effective risk control.

(1) Crisis Management

The Company established the "Crisis Management Regulations" to ensure that the Company can effectively manage and respond to crises as they unfold and reduce the damage and impact caused by crises. The Company also established a Crisis Management Team to oversee crisis management and adopt management methods and measures to minimize the impact caused by crises to the Company.

The organization and responsibilities of the Crisis Management Team are as follows:

Team Member	Person in Charge	Job Description
Crisis Management Team for Legal & Compliance Affair	Supervisor of Legal Division	1. Responsible for legal & compliance crisis management and control. 2. Affair: breach of contract, litigation, administrative sanction, trade secret, and serious fraud, Labor dispute etc.
Crisis Management Team for Business Continuity Affair	Supervisor of Business Unit	1. Responsible for business crisis management and control. 2. Affair: market upheaval, material breach of contract, loss of operating key resource, and computer facilities interruption etc.
Crisis Management Team for Disaster Response Affair	Supervisor of Human Resources Division	1. Responsible for disaster crisis management and control. 2. Affair: natural disaster, loss of asset, infrastructure failure, personal safety, and infectious disease etc.
Crisis Management Team for Information Security & Personal Data Affair	Supervisor of Information Technology Division	1. Responsible for information security & personal data crisis management and control. 2. Affair: corporation information security, customer information security, test room failure, and breaches of personal data etc.
Crisis Management Team for Social Media Affair	Supervisor of Marketing & P.R. Division and Spokesperson	1. Responsible for goodwill and corporate image crisis management and control. 2. Affair: negative reports from media, spread of negative comment on the internet etc.

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(2) Strategic Investment Management

The Company has established the "Strategic Investment Management Regulations" to effectively control the risks and performance of follow-up investment in Company's Strategic Investment cases.

The responsibilities of each unit are as follows:

Department	Responsibilities
All Business Units	Responsible for the investment project; formulate business development strategies and seek potential investment targets; evaluate the business side of the investee or newly-established company and establish a business plan of at least three years; assess project risks; assess the value and investment structure design of the investment target.
Business Planning & Corporate Affairs	Review business plans submitted by Business Units; assists Business Units in assessing the value and investment structure design of the investment target; establishes standard operating procedures for subsidiary corporate communications ; establishes subsidiary company management regulations; assists in the incorporation of operating procedures of investee companies into states manageable by the parent company
Legal Department	Ensures legal compliance of all operations in the Company's investment projects; formulates related legal documents for investment cases; assesses the reasonableness of the investment structure; executes legal due diligence (DD); establishes legal standard operating procedures for investment projects.
CFO Office	Reviews assessment of the reasonableness of the investment structure; executes financial due diligence (DD); establishes financial standard operating procedures for M&A.
Human Resources Division	Assists in the design of talent retention plans; establishes standard operating procedures for personnel and general affairs of investment projects.
Marketing & P.R. Division	Organizes press conferences or publicizes information after the completion of investment plans.
Business Management Division	Establishes standard operating procedures for supporting subsidiary operations.
Information Management Department	Plans the basic IT structure of the investee company or newly-established company and assists in the connection of its IT system with the parent company's IT system; establishes standard operating procedures for IT of investment projects

(3) Subsidiary Supervision and Management

The "Regulations on the Supervision and Management of Subsidiaries" are established to implement business management, disclosure of financial and business information at appropriate times, internal control system, and auditing management of subsidiaries in order to ensure their business performance.

The responsibilities of each unit are as follows:

Department	Responsibilities
Business Management Division	Establishment and revision of parent-subsidary companies' operations and management guidelines; assists the supplement (revision) and review of related regulations of the operations and management of subsidiaries; provides supervision, support, and assistance for the operations of subsidiaries; conducts regular performance analyses and follow-up management on subsidiaries; reviews business strategies and plans of subsidiaries; facilitates communication between the parent company and subsidiaries (and between subsidiaries).
Information Technology Division	Establishment and revision of parent-subsidary companies' IT system operating guidelines; assists in the supplement (revision) and review of related regulations of the IT systems of subsidiaries; provides supervision, support, and assistance for the IT systems of subsidiaries.
Legal Department	Establishment and revision of parent-subsidary companies' legal affairs system

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Department	Responsibilities
	operating guidelines; assists the supplement (revision) and review of related regulations of legal affairs of subsidiaries; provides supervision, support, and assistance for legal affairs of subsidiaries.
Human Resources Division	Establishment and revision of parent-subsidiary companies' human resources and general affairs operating guidelines; assists the supplement (revision) and review of related human resources regulations of subsidiaries; provides supervision, support, and assistance for human resources and general affairs of subsidiaries.
CFO Office	Establishment and revision of parent-subsidiary companies' finance and accounting operating guidelines; assists the supplement (revision) and review of related finance and accounting regulations of subsidiaries; provides supervision, support, and assistance for finance and accounting operations of subsidiaries.
Audit Division	Assists the establishment of internal control systems, internal control self-inspection operations, and various business operations regulations of subsidiaries; audits and reviews the internal control systems and internal control self-inspection operations of subsidiaries.

7.6.2 Risks, Assessment, and Response Strategies

A. Market Risks: The Company's forecast risks, pricing risks, production capacity risks, and inventory risks caused by changes in the industry.

Risk Assessment: The characteristics of the IT service industry includes rapid changes in technologies, continuous flow of new products, continuous functional improvements, decline in cost, short product lifecycle, changes in customer requirements, and manufacturer standard specifications. Due to high uncertainties, market risks will influence company operations.

Response Strategy: Implement an annual budget system and rolling forecast system to fully account for the impact of market changes on revenue; organize monthly business review meetings to account for market conditions; actively increase the added-value of products and OEM product lines to maintain reasonable costs and comprehensive services; adopt full digitalization in the company, enhance education and training, and increase the efficiency of information delivery between departments to increase personnel productivity; adopt the principle of making purchases after receiving purchase orders to prevent excess inventory and control the value of inventories.

B. Financial Risks: Additional risks imposed on the Company due to the use of financial leverages.

Risk Assessment: Changes in the Company's industry occur fast and pose high risks in operations. High financial leverage operations will put the Company in greater risk.

Response Strategy: The Company's source of funding consists mainly of equity funds; high financial leverage strategies are avoided. If financing is required, long-term funding obtained from the capital market shall be the primary means for financing to lower financial risks.

C. Fluidity Risks: Risks in which the Company cannot cash in on assets or obtain sufficient funding in time, leading to the inability to perform due responsibilities.

Risk Assessment: Due to high risks in the industry, the speed and capacity of cash flow will affect the Company's competitiveness and daily operations.

Response Strategy: The Company shall strengthen its cash flow forecast, strictly control inventory backlog, and payment/collection conditions and procedures to ensure the fluidity of the Company's operating cash. Conduct short-term operations with idle funds under conditions of maintaining fluidity, security, and profitability. The Company shall also establish financing credit lines with banks to maintain fluidity of funds.

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D. Credit Risks: Risks in which customers and suppliers cannot perform payment or delivery.

Risk Assessment: Due to industry characteristics, the Company faces longer payment cycles from clients.

The unique transaction model of large projects also requires multiple suppliers of varying scales for which credit risks differ. The Company conducts various financial transactions with financial institutions in accordance with financial and business requirements. The credit risks of transaction partners shall also be taken into consideration.

Response Strategy: The Company shall establish a department dedicated to the management of accounts receivable and payable and establish authorization management regulations to enhance credit investigation procedures and strictly control the credit line of customers to safeguard the interests of the Company. The Company selects reputable financial institutions with high ratings to lower credit risks.

E. Legal Risks: Risks of serious impact or other negative impact on the Company's operations or finances due to illegal business activities of the Company or competitors' infringement of the Company's rights.

Risk Assessment: The Company conducts businesses honestly and does not take part in illegal activities. The Company maintains ownership of multiple intellectual property rights and comprehensive legal protection from infringements that affect company interests.

Response Strategy: The Company established a dedicated Legal Affairs Department to take charge of processing potential legal risks faced by the Company. The Legal Affairs Department also reviews all important contracts before signing to safeguard company interests.

F. Strategy and Business Risks: Risks of immediate or potential impact on the Company's profits or capital due to unfavorable business decisions, inappropriate execution of related strategies, or a lack of response measures to changes in the industry.

Risk Assessment: The Company operates in the technology industry which undergoes constant changes, numerous competitors, and therefore relatively higher operating risks. The implementation of strategies will affect overall normal operations.

Response Strategy: The Company regularly organizes domestic and international senior management business meetings to fully communicate and review the Company's operating strategies and adopt appropriate response measures. The Company also established an Audit Committee to strengthen the functions of the Board of Directors and to help the Company establish major business strategies and supervise the performance of the management team.

7.6.3 Analysis of Risk Management

A. Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

(a) Interest rate

Unit: NT\$ thousands;%

Item \ Year	2020			2021		
	Amount	Percentage of Net Sales	Percentage of Profit from Operation	Amount	Percentage of Net Sales	Percentage of Profit from Operation
Interest income	27,538	0.12%	2.98%	28,279	0.10%	2.50%
Interest expense	31,868	0.13%	3.45%	44,448	0.15%	3.92%

The Company's operating funds are readily available and the Company conducts short-term operations with idle funds under conditions of maintaining fluidity, security, and profitability.

The Company maintains close relations with banks in long-term collaboration and uses the banks' assistance to obtain favorable interest rates and conditions. The Company's income on interest remains

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higher than interest expenses and therefore changes in interest rates have limited effects on the Company's profitability. The Company shall continue to monitor trends in interest rate changes and maintain a high degree of profitability while taking into account the requirements for security and fluidity in order to reduce the impact of changes in interest rates.

(b) Foreign exchange rates

Unit: NT\$ thousands; %

Item \ Year	2020			2021		
	Amount	Percentage of Net Sales	Percentage of Profit from Operation	Amount	Percentage of Net Sales	Percentage of Profit from Operation
Foreign exchange gain (loss), net	49,495	0.21%	5.35%	16,757	0.06%	1.48%

The Company's corporate financing personnel used transactions with financial institutions and the Internet to collect information on changes in exchange rates, adjusted the Company's foreign exchange positions, and estimated the cash flow in foreign currency expenditure for the purpose of controlling risks as early as possible. In principle, the Company uses income in foreign currencies to pay for foreign currency expenditures to achieve natural hedging effects and therefore changes in interest rates have limited impact on the Company's profits and losses.

(c) Inflation

The Company maintains close and good relations with suppliers and customers and pays attention to fluctuations in market prices in order to make timely adjustments in response to market fluctuations in purchase and sales prices as well as to lower the impact of changes in inflation.

The Company's main suppliers are IT firms and the Company pays attention to the changes in prices of products from original manufacturers at all times to prevent major impact of changes in cost on the Company's profits and losses.

B. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions:

The Company does not conduct high-risk and high-leverage investments. The Company provides loans to others, endorsement or guarantee, and trade in derivatives in accordance with the Company's policies and response measured established in the Company's "Procedures for the Acquisition or Disposal of Assets," "Operating Procedures for Fund Lending," and "Procedures for Making Endorsements and Guarantees."

No breaches of contract that caused profits or losses have occurred in Company's endorsements, guarantees, and loans to subsidiary companies for their financing requirements.

C. Future Research & Development Projects and Corresponding Budget:

Research Projects	Completion [%]	Expected Research Expenditure (NT\$ ten thousand)	Expected Completion Schedule	Major Risk Factors
DynaQuote StrategyWinner	Development Stage	80	April, 2022	Human Resources and Core Technology
DynaQuote Simulated Trading	Development Stage	100	June, 2022	Data volume and bandwidth usage
DynaQuote Time Machine	Development Stage	120	June, 2022	Data volume and bandwidth usage
Optimization of DynaQuote	Not Started Yet	100	June, 2022	Human Resources and Core Technology

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Research Projects	Completion (%)	Expected Research Expenditure (NT\$ ten thousand)	Expected Completion Schedule	Major Risk Factors
Optimization of FMIDST	Not Started Yet	100	June, 2022	Human Resources and Core Technology
Optimization of eMIDST	Not Started Yet	100	June, 2022	Human Resources and Core Technology
Cyber Security Product AI Creation Platform Value-Added Development Project	1. Assess market and user needs. 2. Chain agent cyber security products and generate new value with AI interaction.	3,654	December, 2023	1. Development progress of personnel on core AI integrated computing analysis 2. The EOS time of the agent product and the completeness of the API. 3. The complexity of the customer's special needs function.

D. Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales:

We expand cross-domain integrated services in response to the national service-oriented smart government 2.0 program, continuously invest in applied service technologies such as FidO Internet identity verification and T-Road/MyData, combine comprehensive information security mechanisms to transform social affairs administration from over-the-counter application or application service in the applicant's home to online benefit application services using the applicant's personal information with the applicant's authorization.

In response to the government's anti-money laundering and anti-terrorism policies, assist bank customers to build information systems and education training that comply with relevant laws and regulations, , so as to build a sound money laundering prevention and control system.

E. Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales:

(a) SYSTEX will not only continue to provide investors with much needed international investment and wealth management systems, but also work with international finance IT operators to provide instantaneous information services across different markets and build a global transaction network to lower investors' investment cost for global transactions. The financial industry should reposition its strategy of FinTech development and enhance digital transformation, while applying these approaches to AI, cloud, identity verification, and other technologies. Looking forward, Taiwan must accelerate its promotion of API economy and data sharing, facilitate the creation of new financial ecosystem, and allow consumers to gain access to more diversified financial services via open banking. By sharing financial data, the relationship among financial institutions and financial technology companies will evolve from that of competition to that of cooperation, thus creating a multi-win situation with a mutually benefiting and co-prosperous financial ecosystem.

(b) As the market develops towards AI-powered operation in the future, omni-channel and online-merge-offline (OMO) have become the main developmental trends of the global retail industry. With the active planning for market presence by large business groups, Taiwan's retail and e-commerce industry has also progressively broken the barriers between various retail business patterns and virtual and physical channels, including interactive electronic statements, video electronic statements, LBS discount information services, mobile payment, and mobile discount coupons.

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(c) About Cyber security management, please referred page 102~103.

F. The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures:

The Company has always upheld the operation principles of professionalism and integrity as well as its emphasis on corporate image and risk management. Therefore the corporate image has been well-maintained and there has been no major incident detrimental to corporate image.

G. Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.

H. Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: None.

I. Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:

The Company maintains good relations with multiple domestic and international suppliers to ensure the diversity of products and security of sources. The Company's sales customers are distributed across the government, finance industry, telecommunications, distribution, and education. Customers are numerous and dispersed and the Company uses the dispersion strategy to reduce the risk of concentrated purchases or sales.

J. Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors or Shareholders with Shareholdings of over 10%:

There are not any large share transfers or changes in shareholdings by directors or shareholders with shareholdings of over 10% in the most recent year and as of the printing date of the prospectus.

K. Effects of, Risks Relating to and Response to the Changes in Management Rights: None.

L. Litigation or Non-litigation Matters: None.

7.7 Other Major Risks: None.

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 SYSTEX's Subsidiaries

Unit: NT(USD,RMB,HKD)\$ thousands As of December 31, 2021

Company	Date of Incorporation	Place of Registration	Share Capital	Business Activities
Taifon Computer Co., Ltd.	1992.10.14	Taipei, Taiwan	200,000	Design, construction, and sales of telecommunications, electronic calculators, and computer installation projects etc.
System Solutions Corp.	2014.04.29	Taipei, Taiwan	260,000	Design, construction, and sales of telecommunications, electronic calculators, and computer installation projects etc.
Concord System Management Corp.	1982.10.19	Taipei, Taiwan	231,134	Design of computer system software and software application programs, assessment and planning of computer systems etc.
Top Information Technologies Co., Ltd.	1980.11.18	Taipei, Taiwan	180,000	Sale of computer peripheral equipment and office machines, design of computer system and professional repairs services.
System Software & Service Corp.	2011.08.25	Taipei, Taiwan	544,500	IT software and data processing services, retail and services for IT software.
SoftMobile Technology Corp.	2011.08.02	Taipei, Taiwan	36,619	Manufacture of electronic wired communication machinery and equipment, manufacture of electronic components, manufacture of computers and peripheral equipment, installation of computer equipment, IT software retail, computer and office appliance wholesale and retail.

VIII. Special Disclosure

Company	Date of Incorporation	Place of Registration	Share Capital	Business Activities
Nexsys Corp.	2000.05.16	Taipei, Taiwan	199,950	Manufacture of electronic wired communication machinery and equipment, manufacture of electronic components, manufacture of computers and peripheral equipment, installation of computer equipment, IT software retail, computer and office appliance wholesale and retail.
Naturint Ltd.	2016.07.19	Taipei, Taiwan	20,000	Installation and sales of computer software and related equipment, IT software, data processing, and other consulting services, network certification, software publication etc.
Smartsys Technology Corp.	2018.04.18	Taipei, Taiwan	30,000	Design, installation, and maintenance of computer information and telecommunication construction, design and sales of computer system software.
Syswiser Technology Corp.	2018.04.18	Taipei, Taiwan	10,000	Design, installation, and maintenance of computer information and telecommunication construction, design and sales of computer system software.
E-service Information Co.	2001.08.06	Taipei, Taiwan	80,000	Information software services and intellectual property rights and printing and data storage media manufacturing and duplicating ,
uniXecure Corp.	2021.12.15	Taipei, Taiwan	50,000	Design, construction, and sales of telecommunications, electronic calculators, and computer installation projects etc.
Syspower Corp.	1988.09.05	Taipei, Taiwan	243,600	Design, installation, and maintenance of computer information and telecommunication construction, design and sales of computer system software.

VIII. Special Disclosure

Company	Date of Incorporation	Place of Registration	Share Capital	Business Activities
Palsys Digital Technology Corp.	2021.01.14	Taipei, Taiwan	210,000	Sale of computer peripheral equipment and office machines, design of computer system and professional repairs services.
Dawning Technology Inc.	2000.09.13	Taipei, Taiwan	264,000	Design, installation, and maintenance of computer information and telecommunication construction, design and sales of computer system software.
Taiwan Information Service Technology Corp.	2008.09.09	Taichung, Taiwan	24,680	Design, installation, and maintenance of computer information and telecommunication construction, design and sales of computer system software.
Systek Information (Shanghai) Ltd.	2000.11.27	Shanghai, China	USD31,100	Data processing services, IT supply services, IT software services, international trade.
Sysware Shenglong Information Systems Co., Ltd.	2007.10.16	Shanghai, China	USD5,656	Research, development, and production of computer software and hardware, sales of self-manufactured products, technical consulting services, technical services, training and transfer.
Systex Group (China) Ltd.	2012.09.28	Shanghai, China	USD10,000	Business management and consulting services, market management and sales services, financial management services for fund operations etc.
Systex Rainbow Tech Inc.	2001.03.16	Guangzhou, China	RMB50,000	Computer software and hardware technologies, research, development, installation, wholesale, and trade of computer network systems etc.
Systex Ucom (Shanghai) Information Co., Ltd.	2015.01.13	Shanghai, China	RMB2,000	IT software services, IT software wholesale, IT software retail.

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Company	Date of Incorporation	Place of Registration	Share Capital	Business Activities
System Rainbow (Guangzhou) Tech Inc.	2018.08.31	Guangzhou, China	RMB1,250	Computer software and hardware technologies, research, development, installation, wholesale, and trade of computer network systems etc.
System Information (H.K.) Ltd.	1999.12.02	Hong Kong	HKD 207,737	Sales of computers and peripherals.
Rainbow Tech Information (HK) Ltd.	2012.04.26	Hong Kong	HKD29,812	Sales of computers and peripherals.
Ching Pu Investment Corp.	1998.09.02	Taipei, Taiwan	307,500 (Note)	Investment.
Golden Bridge Information Corp.	2011.08.25	Taipei, Taiwan	230,000	Investment.
Syscore Corp.	2017.10.25	Taipei, Taiwan	2,000,000	Investment.
Syslink Corp.	2018.03.29	Taipei, Taiwan	650,000	Investment.
Syslong Corp.	2021.11.04	Taipei, Taiwan	250,000	Investment.
Hanmore Investment Corp.	1989.04.21	Taipei, Taiwan	197,065	Investment.
Kimo.com (BVI) Corporation	1999.08.12	British Virgin Islands	USD500	Financial trust, shareholding and other investment businesses.
System Capital Group, Inc.	2000.02.23	British Virgin Islands	USD0.55	Financial trust, shareholding and other investment businesses.
System Solutions (HK) Ltd.	2011.10.03	Hong Kong	HKD 136,000	Financial trust, shareholding and other investment businesses.

Note: Capital increased by Return Earnings of NT\$76,875 thousands in February, 2022 and after the capital increased, the share capital is NT\$384,375 thousands.

VIII. Special Disclosure

8.1.2 SYSTEX's Subsidiaries Chart (December 31, 2021): Please refer to page 182.

8.1.3 Shareholders in Common of SYSTEX and Its Subsidiaries with Deemed Control and Subordination: None.

8.1.4 Rosters of Directors, Supervisors, and Presidents of SYSTEX's Subsidiaries :

As of December 31, 2021

Company	Title	Name	Shareholding	
			Shares (Investment Amount)	% (Investment Holding)
Taifon Computer Co., Ltd.	Chairman & President	SYSTEX Corp. Rep.: Yang, Yun-Chang	20,000,000	100.00%
	Director	SYSTEX Corp. Rep.: Lin, Jen-Shou		
	Director	SYSTEX Corp. Rep.: Liu, Kuan-Lin		
	Supervisor	SYSTEX Corp. Rep.: Chung, Chih-Chun		
Systex Solutions Corp.	Chairman	SYSTEX Corp. Rep.: Yang, Shih-Chung	26,000,000	100.00%
	Director	SYSTEX Corp. Rep.: Lin, Lung-Fen		
	Director	SYSTEX Corp. Rep.: Lin, Jen-Shou		
	Supervisor	SYSTEX Corp. Rep.: Chung, Chih-Chun		
	President	Lee, Chien Long	-	-
Concord System Management Corp.	Chairman	SYSTEX Corp. Rep.: Hsiao, Wei-Chun	23,113,372	100.00%
	Director & President	SYSTEX Corp. Rep.: Tao, Ya-Kuang		
	Director	SYSTEX Corp. Rep.: Lin, Jen-Shou		
	Supervisor	SYSTEX Corp. Rep.: Chung, Chih-Chun		
Top Information Technologies Co., Ltd.	Chairman & President	Concord System Management Corp. Rep.: Tao, Ya-Kuang	18,000,000	100%
	Director	Concord System Management Corp. Rep.: Fan, Jee-Der		
	Director	Concord System Management Corp. Rep.: Liu, Kuan-Lin		
	Supervisor	Concord System Management Corp. Rep.: Cheng, Yuan-Yih		
System Software & Service Corp.	Chairman & President	SYSTEX Corp. Rep.: Lee, Su-Yue	54,450,000	100.00%

VIII. Special Disclosure

	Director	SYSTEX Corp. Rep.: Lin, Lung-Fen		
	Director	SYSTEX Corp. Rep.: Lin, Jen-Shou		
	Supervisor	SYSTEX Corp. Rep.: Cheng, Yuan-Yih		
SoftMobile Technology Corp.	Chairman	Golden Bridge Information Corp. Rep.: Wu, Wen-Shun	3,661,875	100.00%
	Director	Golden Bridge Information Corp. Rep.: Lin, Lung-Fen		
	Director	Golden Bridge Information Corp. Rep.: Fan, Jee-Der		
	Supervisor	Golden Bridge Information Corp. Rep.: Chung, Chih-Chun		
	President	Huang, Feng-Lin	-	-
Nexsys Corp.	Chairman	SYSTEX Corp. Rep.: Pan, Tieh-I	19,995,000	100.00%
	Director & President	SYSTEX Corp. Rep.: Chung, Cheng-Wen		
	Director	SYSTEX Corp. Rep.: Yang, Shih-Chung		
	Supervisor	SYSTEX Corp. Rep.: Chung, Chih-Chun		
Naturint Ltd.	Chairman & President	SYSTEX Corp. Rep.: Fan, Jee-Der	2,000,000	100.00%
	Director	SYSTEX Corp. Rep.: Lin, Lung-Fen		
	Director	SYSTEX Corp. Rep.: Hsieh, Shu-Heng		
	Supervisor	SYSTEX Corp. Rep.: Chung, Chih-Chun		
Smartsys Technology Corp. (Note1)	Chairman	Syslink Corp. Rep.: Lin, Lung-Fen	1,500,000	50.00%
	Director	Syslink Corp. Rep.: Liu, Kuan-Lin		
	Director	Syslink Corp. Rep.: Lin, Cheng-Hsuan		
	Supervisor	Systex Software & Service Corp. Rep.: Cheng, Yuan-Yih	1,500,000	50.00%
	President	Chou, Mu-Yi	-	-
Syswiser Technology Corp.	Chairman	Syslink Corp. Rep.: Lin, Lung-Fen	1,000,000	100.00%

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	Director	Syslink Corp. Rep.: Liu, Kuan-Lin		
	Director	Syslink Corp. Rep.: Chan, Yi-Cheng		
	Supervisor	Syslink Corp. Rep.: Cheng, Yuan-Yih		
E-service Information Corp.	Chairman	SYSTEX Corp. Rep.: Yang, Shih-Chung	8,000,000	100.00%
	Director	SYSTEX Corp. Rep.: Hsiao, Wei-Chun		
	Director	SYSTEX Corp. Rep.: Lin, Chia-Ying		
	Supervisor	SYSTEX Corp. Rep.: Cheng, Yuan-Yih		
uniXecure Corp.	Chairman	SYSTEX Corp. Rep.: Chan, Yi-Cheng	5,000,000	100.00%
	Director	SYSTEX Corp. Rep.: Lin, Jen-Shou		
	Director	SYSTEX Corp. Rep.: Hsieh, Ming-Shu		
	Supervisor	SYSTEX Corp. Rep.: Chan, Yi-Cheng		
	President	Wu, Jian-Ho	-	-
Syspower Corp.	Chairman	Golden Bridge Information Corp. Rep.: Fan, Jee-Der	10,331,022	42.41%
	Director & President	Golden Bridge Information Corp. Rep.: Chen, Kuo-Chen		
	Director	Golden Bridge Information Corp. Rep.: Lin, Lung-Fen		
	Supervisor	Ching Pu Investment Corp. Rep.: Cheng, Yuan-Yih	9,052,889	37.16%
Palsys Digital Technology Corp.	Chairman	Syspower Corp. Rep.: Lin, Cheng-Hsuan	19,350,000	92.14%
	Director	Syspower Corp. Rep.: Chen, Kuo-Chen		
	Director	Syspower Corp. Rep.: Hsieh, Ming-Shu		
	Supervisor	Cheng, Yuan-Yih	-	-
	President	Hsu, Shu-Yang	-	-
Dawning Technology Inc.	Chairman	Syslink Corp. Rep.: Liu, Kuan-Lin	19,650,177	74.43%

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	Director	Syslink Corp. Rep.: Lin, Cheng-hsuan	(Note 2)	
	Director	Cheng, Hsiu-Ching	-	-
	Supervisor	Chung, Chih-Chun	-	-
	Supervisor	Jen, Yu-Yin	-	-
	President	Mao, Mei-Lung	-	-
Taiwan Information Service Technology Corp.	Chairman	SYSTEX Corp. Rep.: Chan, Yi-Cheng	16,630	67.38%
	Director	SYSTEX Corp. Rep.: Wu, Jian-Ho		
	Director	Micro Factor Data Co., Ltd. Rep.: Hsieh, Jen-Chieh	8,050	32.62%
	Supervisor	Cheng, Yuan-Yih	-	-
	President	Huang, Chin-Te	-	-
Systek Information (Shanghai) Ltd.	Executive Director	Lin, Wen-Chou	Kimo.com (BVI) Corp. Investment USD31,100,000	100.00%
	Supervisor	Chang, Mei-Yi		
	President	Tan, Chien-Jung	-	-
Sysware Shenglong Information Systems Co., Ltd.	Executive Director	Lin, Wen-Chou	Kimo.com (BVI) Corp. Investment USD5,656,000	100.00%
	Supervisor	Chang, Mei-Yi		
	President	Chien, Shih-Feng	-	-
Systex Group (China) Ltd.	Executive Director	Lin, Wen-Chou	Systex Information (H.K.) Ltd. Investment USD10,000,000	100.00%
	Supervisor	Chang, Mei-Yi		
Systex Rainbow Tech Inc.	Executive Director	Lin, Wen-Chou	Systek Information (Shanghai) Ltd. Investment RMB50,000,000	100.00%
	Supervisor	Chang, Mei-Yi		
Systex Ucom (Shanghai) Information Co., Ltd.	Executive Director	Li, Jing	Systex Group (China) Ltd. Investment RMB2,000,000	100.00%
	Supervisor	Zhong, Qian-Fen		
Systex Rainbow (Guangzhou) Tech Inc.	Director & President	Yu, Can-Xiong	Systex Rainbow Tech Inc. Investment RMB500,000	40.00%
	Director	Tan, Chien-Jung		

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	Director	Yen, Jung-Chung	Systex Ucom (Shanghai) Information Co., Ltd. Investment RMB750,000	60.00%
	Supervisor	Lin, Wen-Chou		
Systex Information (H.K.) Ltd.	Chairman	Cheng, Deng-Yuan	Kimo.com (BVI) Corp. 207,736,600	100.00%
	Director & President	HUI Hiu Tung		
	Director	Lin, Wen-Chou		
Rainbow Tech Information (HK) Ltd.	Chairman	Cheng, Deng-Yuan	Kimo.com (BVI) Corp. 14,607,765	49.00%
	Director	Lee On Nei Annie		
	Director	Or Chi Shing Eric	RTJVT1 Limited 6,200,847	20.80%
	Director	Hui Hiu Tung	Aottasys Information (H.K.) Limited 2,384,941	8.00%
	Director	Yu Yat Fung	Pi2 Limited 6,618,211	22.20%
Ching Pu Investment Corp.	Chairman & President	SYSTEX Corp. Rep.: Lin, Lung-Fen	30,750,000 (Note 3)	100.00 %
	Director	SYSTEX Corp. Rep.: Chung, Chih-Chun		
	Director	SYSTEX Corp. Rep.: Lin, Pei-Fen		
	Supervisor	SYSTEX Corp. Rep.: Cheng, Yuan-Yih		
Golden Bridge Information Corp.	Chairman & President	SYSTEX Corp. Rep.: Lin, Lung-Fen	23,000,000	100.00%
	Director	SYSTEX Corp. Rep.: Chung, Chih-Chun		
	Director	SYSTEX Corp. Rep.: Lin, Jen-Shou		
	Supervisor	SYSTEX Corp. Rep.: Cheng, Yuan-Yih		
Syscore Corp.	Chairman	Kimo.com (BVI) Corp. Rep.: Chung, Chih-Chun	100,000,000	50.00%
	Director	Kimo.com (BVI) Corp. Rep.: Lin, Lung-Fen		
	Director	Kimo.com (BVI) Corp. Rep.: Lin, Pei-Fen		

VIII. Special Disclosure

	Supervisor	System Capital Group, Inc. Rep.: Cheng, Yuan-Yih	100,000,000	50.00%
Syslink Corp.	Chairman	Syscore Corp. Rep.: Lin, Lung-Fen	65,000,000	100.00%
	Director	Syscore Corp. Rep.: Liu, Kuan-Lin		
	Director	Syscore Corp. Rep.: Tang, Yin-Soon		
	Supervisor	Syscore Corp. Rep.: Chung, Chih-Chun		
Syslong Corp.	Chairman & President	Syscore Corp. Rep.: Chung, Chih-Chun	25,000,000	100.00 %
	Director	Syscore Corp. Rep.: Lin, Lung-Fen		
	Director	Syscore Corp. Rep.: Lin, Pei-Fen		
	Supervisor	Syscore Corp. Rep.: Cheng, Yuan-Yih		
Hanmore Investment Corp.	Chairman & President	Joray Co., Ltd. Rep.: Wu, Cheng-Huan	18,768	0.10%
	Director	Joray Co., Ltd. Rep.: Lin, Chih-Min		
	Director	SYSTEX Corp. Rep.: Cheng, Yuan-Yih	9,640,680	48.92%
	Supervisor	Chung, Chih-Chun	-	-
Kimo.com (BVI) Corp.	Director	Lin, Lung-Fen	500,000	100.00%
	Director	Chung, Chih-Chun		
System Capital Group, Inc.	Director	Lin, Lung-Fen	550	100.00%
	Director	Chung, Chih-Chun		
System Solutions (HK) Ltd.	Director	Lin, Lung-Fen	136,000,000	100.00%
	Director	Chung, Chih-Chun		

Note 1: Be assigned and elected in February, 2022.

Note 2: Acquired stock 3,800,000 shares and the shareholding ratio increased to 88.83% in March, 2022.

Note 3: Capital increased by returning earning of NT\$76,875 thousands in February, 2022 and after the capital increased, the share capital is NT\$384,375 thousands.

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8.1.5 Operational Highlights of SYSTEX's Subsidiaries

Unit: NT\$ thousands, except EPS (\$) As of December 31, 2021

Company	Share Capital	Assets	Liabilities	Net Book Value	Net Revenues	Income (Loss) from Operation	Net Income (Loss)	EPS
Taifon Computer Co., Ltd.	200,000	556,137	257,678	298,459	565,461	53,360	43,014	2.15
Systex Solutions Corp.	260,000	940,552	618,053	322,499	1,840,343	57,845	44,716	1.72
Concord System Management Corp.	231,134	1,043,892	603,655	440,237	1,350,036	84,218	123,958	5.36
Top Information Technologies Co., Ltd.	180,000	345,474	107,075	238,399	341,255	46,816	56,880	3.16
Systex Software & Service Corp.	544,500	2,801,335	1,635,827	1,165,508	8,761,651	574,092	469,625	8.62
SoftMobile Technology Corp.	36,619	92,710	34,972	57,738	132,468	19,456	15,510	4.24
Nexsys Corp.	199,950	460,536	116,588	343,948	328,981	54,583	43,941	2.20
Naturint Ltd.	20,000	23,126	1,892	21,234	11,000	(180)	(113)	(0.06)
Smartsys Technology Corp.	30,000	28,594	556	28,038	0	(1,849)	(1,816)	(0.61)
Syswiser Technology Corp.	10,000	13,407	4,709	8,698	0	(1,105)	(1,123)	(1.12)
E-service Information Co.	80,000	241,999	161,544	80,455	121,514	14,864	10,157	1.27
uniXecure Corp.	50,000	49,966	51	49,915	0	(85)	(85)	(0.02)
Syspower Corp.	243,600	1,003,322	552,725	450,597	1,509,965	25,605	46,253	1.90
Palsys Digital Technology Corp.	210,000	564,592	325,164	239,428	372,351	37,285	29,428	1.40
Dawning Technology Inc.	264,000	1,427,863	1,010,418	417,445	2,755,009	14,198	4,022	0.15
Taiwan Information Service Technology Corporation	24,680	90,817	30,926	59,891	58,065	2,640	5,045	204.44 (Note)
Systek Information (Shanghai) Ltd.	1,031,327	489,195	57,871	431,324	57,599	(16,441)	9,361	-

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Company	Share Capital	Assets	Liabilities	Net Book Value	Net Revenues	Income (Loss) from Operation	Net Income (Loss)	EPS
Sysware Shenglong Information Systems Co., Ltd.	182,082	122,452	19,947	102,505	31,944	4,379	(4,016)	-
Systex Group (China) Ltd.	275,209	1,023,766	940,332	83,434	2,804,406	(1,131)	6,901	-
Systex Rainbow Tech Inc.	218,240	683,724	407,862	275,862	1,107,012	32,792	26,495	-
Systex Ucom (Shanghai) Information Co., Ltd.	8,730	91,937	54,415	37,522	373,464	7,657	9,188	-
Systex Rainbow (Guangzhou) Tech Inc.	5,456	11,393	7,782	3,611	4,917	(555)	(616)	-
Systex Information (H.K.) Ltd.	763,017	856,223	293,112	563,111	1,548,448	26,618	39,873	-
Rainbow Tech Information (HK) Ltd.	109,499	177,505	60,229	117,276	357,015	9,465	7,815	-
Ching Pu Investment Corp.	307,500	1,517,404	885	1,516,519	0	(385)	177,842	5.78
Golden Bridge Information Corp.	230,000	286,189	260	285,929	0	(129)	34,934	1.52
Syscore Corp.	2,000,000	2,469,317	26,449	2,442,868	0	(390)	85,339	0.43
Syslink Corp.	650,000	466,669	131	466,538	0	(564)	(83,788)	(1.29)
Syslong Corp.	250,000	249,967	50	249,917	0	(132)	(83)	(0.00)
Hanmore Investment Corp.	197,065	1,850,894	3,220	1,847,674	0	(3,931)	103,032	5.24
Kimo.com (BVI) Corp.	14,240	3,960,492	248	3,960,244	0	(1,406)	120,407	-
Systex Capital Group, Inc.	16	2,523,250	363	2,522,887	0	(613)	97,903	-
Systex Solutions (HK) Ltd.	499,528	1,215,630	96	1,215,534	0	(268)	25,122	-

Note: The par value is NT\$1,000.

8.1.6 Subsidiaries' Consolidated Financial Statements: Please refer to pages 115~204.

VIII. Special Disclosure

8.2 Private Placement Securities in the Most Recent Years: N/A

8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years

Unit: NT\$ thousands : shares : %

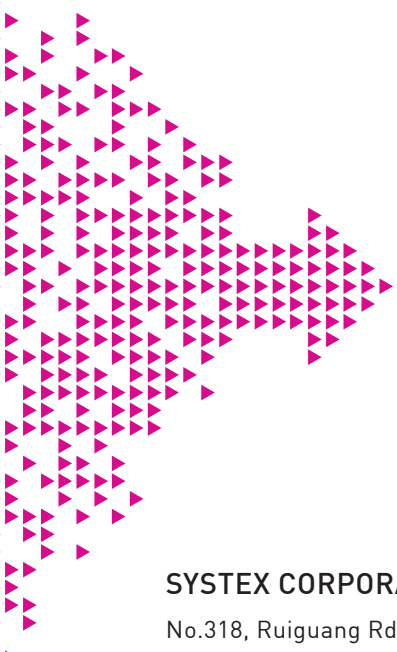
Name of Subsidiary	Paid-in Capital	Fund Source	Shareholding Ratio of the Company	Date of Acquisition or Disposition	Shares and Amount Acquired	Shares and Amount Disposed	Investment Gain (Loss)	Shareholdings and Amount as of the printing date of this annual report (Note1)	Mortgage	Endorsement Amount Made for the Subsidiary	Amount Loaned to the Subsidiary
Hanmore Investment Corp.	NT\$ 197,065 thousands	N/A	48.9%	-	-	-	-	21,316,678 shares NT\$1,724,519 thousands	5,000,000 shares (Note 2)	-	-
Ching Pu Investment Corp.	NT\$ 384,375 thousands	N/A	100.0%	-	-	-	-	10,981,476 shares NT\$888,401 thousands	-	-	-

Note 1: The amount held is the fair market value as of March 31, 2022

Note 2: Hanmore Investment Corp. pledged 5,000,000 shares of the Company as collateral; the pledge does not affect the Company's financial performance or financial status.

8.4 Other Necessary Supplement: None.

8.5 Any Events in 2021 and as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.



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