Stock Code:6245

LANNER ELECTRONICS INC.
AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019

Address: **7rd Floor, No. 173, Sec. 2, Datong Rd., Xizhi Dist., New Taipei City, Taiwan, R.O.C.**
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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of LANNER ELECTRONICS INC. as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, LANNER ELECTRONICS INC. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: LANNER ELECTRONICS INC.

Chairman: Chou I Wen

Date: March 4, 2021

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Independent Auditors' Report

To the Board of Directors of LANNER ELECTRONICS INC.:

Opinion

We have audited the consolidated financial statements of LANNER ELECTRONICS INC. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please 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, 2020 and 2019, 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 with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the Consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of another auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Other Matter

We did not audit the financial statements of LANNER ELECTRONICS USA, INC.. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for LANNER ELECTRONICS USA, INC. , is based solely on the report of another auditor. The financial statements of LANNER ELECTRONICS USA, INC. reflect 10% and 11% of its consolidated total assets, and 27% each constituting of the consolidated total operating revenues for both years ended December 31, 2020 and 2019, respectively.

The Company has prepared its parent company only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion with other matter.

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 of the current period. 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

   Please refer to notes 4(n) and 6(s) for disclosures related to revenue recognition.

   Description of key audit matter:

   Revenue is the key indicator used by the investors and management while evaluating the Group's finance or operating performance. Timing and amount of revenue recognized have significant impact on its financial statements, for which the assumptions and judgments of revenue measurement and recognition rely on subjective judgments of the management. Therefore, we consider revenue recognition as one of our key audit matters.

   How the matter was addressed in our audit:

   Testing the effectiveness of the design and implementing the internal control (both manual and system control) of sales and collecting cycle; reviewing the significant sales contracts to determine whether the accounting treatment is reasonable; analyzing the changes in significant sales from the customers from the most recent period and previous year, and the changes in the price and quantity of each category of product line to determine whether if there are any significant misstatements; selecting sales transactions from a period of time before and after the balance sheet date, and verifying with the vouchers to determine the accuracy of the timing and amounts of revenue recognition; understanding whether if there is a significant subsequent sales return or discount.

2. Impairment of trade receivables

   Please refer to notes 4(g), 5, and 6(c) for disclosures related to trade receivable of the financial statements.

   Description of key audit matter:

   The trade receivables constituted 14% of the consolidated total assets of the Group as of December 31, 2020. Therefore, the management is required to establish a policy on its allowance for impairment in order to evaluate the customers' financial status, as well as the political and economic environment. Therefore, we consider the impairment of trade receivables as one of our key audit matters.

How the matter was addressed in our audit:

Obtaining the list of accounts receivable balance to send confirmations for selected samples; acquiring the Group's computation of impairment loss rate to review its appropriateness; deriving the aging analysis of accounts receivable to verify the accuracy of aging periods by examining relevant documents of selected receivables; reviewing whether the recognition of provision for the impairment loss is based on impairment loss rate; and evaluating whether the recognition of impairment on accounts receivable made by the management is reasonable.

3. Inventory measurement

Please refer to notes 4(h), 5, and 6(e) for disclosures related to inventory measurement.

Description of key audit matter:

The electronic industry faces rapid evolving technology. Therefore, the characteristic of fierce competition may result in large fluctuations in market demand and prices. In addition, the increasing performance of product within time basis may result in a decline on the price of raw material, wherein the carrying value of inventories may exceed its net realizable value. Also the measurement of inventory depends on the evaluation of the management based on evidence from internal and external, both subjective and objective. Therefore, we consider the inventory measurement as one of our key audit matters.

How the matter was addressed in our audit:

Understanding the management's accounting policy on inventory measurement to determine whether if it is reasonable and is being implemented; reviewing the inventory aging documents and analyzing their changes; obtaining the documents on inventory measurement and evaluating whether the basis used for net realizable value is reasonable; selecting samples and verifying them with the vouchers to test the accuracy of the amounts; and reviewing whether the disclosure of inventory measurement made by the management is appropriate.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the supervisors) are responsible for overseeing 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 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group 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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Po-Shu Huang and Yung-Sheng Wang.

KPMG

Taipei, Taiwan (Republic of China)
March 4, 2021

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

LANNER ELECTRONICS INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 2,406,320	34	1,154,657	19
1110	Current financial assets at fair value through profit or loss (note 6(b))	544,425	7	101,100	2
1150	Notes receivable, net (note 6(c))	6,476	-	9,043	-
1170	Accounts receivable, net (note 6(c))	999,981	14	1,225,566	20
1180	Accounts receivable－related parties, net (notes 6(c) and 7)	26	-	-	-
1200	Other receivables (notes 6(d), (f) and 7)	10,745	-	48,586	1
130x	Inventories (note 6(e))	1,739,242	24	1,900,134	31
1476	Other financial assets－current (note 8)	2,811	-	2,633	-
1410	Prepayments	79,488	1	90,265	1
1479	Other current assets	81,713	1	98,887	2
	Total current assets	5,871,227	81	4,630,871	76
	Non-current assets:				
1600	Property, plant and equipment (note 6(g))	1,241,727	17	1,311,084	22
1755	Right-of-use assets (notes 6(h) and 7)	108,158	1	39,173	1
1915	Prepayments for equipment	9,523	-	12,799	-
1780	Intangible assets (note 6(i))	-	-	4,342	-
1840	Deferred income tax assets (note 6(o))	73,369	1	60,690	1
1960	Prepayments for investments in stocks	-	-	8,145	-
1995	Other non-current assets (note 7)	17,591	-	21,262	-
	Total non-current assets	1,450,368	19	1,457,495	24
	Total assets	$ 7,321,595	100	6,088,366	100

	Liabilities and Equity	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current liabilities:				
2100	Short-term borrowings (notes 6(j) and 8)	$ 345,065	5	250,944	4
2322	Current portion of long-term borrowings (notes 6(j) and 8)	-	-	1,097	-
2120	Current financial liabilities at fair value through profit or loss (note 6(b))	709	-	-	-
2130	Current contract liabilities (note 6(s))	37,180	1	35,212	1
2170	Accounts payable	1,062,513	15	1,140,723	19
2230	Current tax liabilities	133,313	2	35,942	1
2219	Other payables (notes 6(n) and 6(t))	634,941	9	592,043	9
2250	Provisions－current (note 6(k))	44,946	1	41,607	1
2280	Current lease liabilities (notes 6(m) and 7)	32,093	-	24,807	-
2399	Other current liabilities (note 6(s))	196,676	3	224,785	4
	Total current liabilities	2,487,436	36	2,347,160	39
	Non-Current liabilities:				
2530	Bonds payable (note 6(t))	877,942	12	-	-
2630	Long-term deferred revenue (note 6(s))	34,185	-	37,382	1
2570	Deferred income tax liabilities (note 6(o))	193,686	3	175,145	3
2580	Non-current lease liabilities (notes 6(m) and 7)	76,753	1	15,670	-
2640	Accrued pension liabilities (note 6(n))	39,600	1	38,743	1
2670	Other non-current liabilities	986	-	1,026	-
	Total non-current liabilities	1,223,152	17	267,966	5
	Total liabilities	3,710,588	53	2,615,126	44
	Equity attributable to owners of parent (notes 6(l), 6(p) and 6(q)):				
	Share capital:				
3110	Common stock	1,180,044	16	1,180,084	19
3200	Capital surplus	741,768	10	709,964	12
	Retained earnings:				
3310	Legal reserve	358,912	5	310,278	5
3320	Special reserve	92,949	-	57,366	1
3350	Unappropriated retained earnings	1,187,707	16	1,014,072	17
		1,639,568	21	1,381,716	23
	Other equity:				
3410	Financial statements translation differences for foreign operations	(128,464)	(2)	(92,949)	(2)
	Total equity attributable to owners of parent	3,432,916	45	3,178,815	52
36xx	**Non-controlling interests**	178,091	2	294,425	4
	Total equity	3,611,007	47	3,473,240	56
	Total liabilities and equity	$ 7,321,595	100	6,088,366	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

LANNER ELECTRONICS INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		2020 Amount	%	2019 Amount	%
4000	**Operating revenue (notes 6(s) and 7)**	$ 7,502,682	100	7,724,798	100
5000	**Operating cost (notes 6(e), 6(g), 6(h), 6(k), 6(m), 6(n), 6(q) and 6(t))**	5,296,244	71	5,508,718	71
	Gross profit, net	2,206,438	29	2,216,080	29
	Operating expenses (notes 6(c), 6(d), 6(g), 6(h), 6(m), 6(n), 6(q), 6(t) and 7):				
6100	Selling expenses	586,751	8	603,237	8
6200	Administrative expenses	340,158	5	355,650	5
6300	Research and development expenses	563,449	7	570,062	7
6450	Impairment loss determined in accordance with IFRS9	56,888	1	15,665	-
	Total operating expenses	1,547,246	21	1,544,614	20
	Operating profit	659,192	8	671,466	9
	Non-operating income and expenses (notes 6(f), 6(l), 6(m), 6(u) and 7):				
7100	Interest income	7,546	-	6,233	-
7010	Other income	38,593	1	41,820	-
7020	Other gains and losses	129,437	2	(6,472)	-
7050	Financial costs	(6,991)	-	(7,865)	-
	Total non-operating income and expenses	168,585	3	33,716	-
	Net Income before tax	827,777	11	705,182	9
7950	**Less: income tax expenses (note 6(o))**	188,806	2	144,265	2
	Net income	638,971	9	560,917	7
8300	**Other comprehensive income (loss) (note 6(n)):**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	(1,348)	-	(6,088)	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(1,348)	-	(6,088)	-
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(39,295)	(1)	(46,523)	(1)
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	(39,295)	(1)	(46,523)	(1)
8300	**Other comprehensive income**	(40,643)	(1)	(52,611)	(1)
	Total comprehensive income	**$ 598,328**	**8**	**508,306**	**6**
	Net income attributable to:				
8610	Owners of parent	$ 595,898	8	492,428	6
8620	Non-controlling interests	43,073	1	68,489	1
		$ 638,971	**9**	**560,917**	**7**
	Total comprehensive income attributable to:				
8710	Owners of parent	$ 559,035	7	450,757	5
8720	Non-controlling interests	39,293	1	57,549	1
		$ 598,328	**8**	**508,306**	**6**
9750	**Basic earnings per share (New Taiwan Dollars) (note 6(r))**	**$ 5.05**		**4.18**	
9850	**Diluted earnings per share (New Taiwan Dollars) (note 6(r))**	**$ 4.88**		**4.12**	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

LANNER ELECTRONICS INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
			Retained earnings								
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Financial statements translation differences for foreign operations	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2019	$ 1,089,934	704,585	267,854	44,515	888,967	1,201,336	(57,366)	-	2,938,489	276,212	3,214,701
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	42,424	-	(42,424)	-	-	-	-	-	-
Special reserve	-	-	-	12,851	(12,851)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(218,540)	(218,540)	-	-	(218,540)	(39,336)	(257,876)
Stock dividends	87,420	-	-	-	(87,420)	(87,420)	-	-	-	-	-
Net income	-	-	-	-	492,428	492,428	-	-	492,428	68,489	560,917
Other comprehensive income (loss)	-	-	-	-	(6,088)	(6,088)	(35,583)	-	(41,671)	(10,940)	(52,611)
Total comprehensive income (loss)	-	-	-	-	486,340	486,340	(35,583)	-	450,757	57,549	508,306
Issuance of shares for excercise of employee stock options	2,730	5,379	-	-	-	-	-	-	8,109	-	8,109
Balance at December 31, 2019	1,180,084	709,964	310,278	57,366	1,014,072	1,381,716	(92,949)	-	3,178,815	294,425	3,473,240
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	48,634	-	(48,634)	-	-	-	-	-	-
Special reserve	-	-	-	35,583	(35,583)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(330,420)	(330,420)	-	-	(330,420)	(33,799)	(364,219)
Net income	-	-	-	-	595,898	595,898	-	-	595,898	43,073	638,971
Other comprehensive income (loss)	-	-	-	-	(1,348)	(1,348)	(35,515)	-	(36,863)	(3,780)	(40,643)
Total comprehensive income (loss)	-	-	-	-	594,550	594,550	(35,515)	-	559,035	39,293	598,328
Due to recognition of equity component of convertible bonds issued	-	22,680	-	-	-	-	-	-	22,680	-	22,680
Purchase of treasury shares	-	-	-	-	-	-	-	(9,691)	(9,691)	-	(9,691)
Retirement of treasury shares	(2,160)	(1,253)	-	-	(6,278)	(6,278)	-	9,691	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(123,864)	(123,864)
Share-based payment transactions	-	6,868	-	-	-	-	-	-	6,868	-	6,868
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	2,036	2,036
Issuance of shares for excercise of employee stock options	2,120	3,509	-	-	-	-	-	-	5,629	-	5,629
Balance at December 31, 2020	$ **1,180,044**	**741,768**	**358,912**	**92,949**	**1,187,707**	**1,639,568**	**(128,464)**	**-**	**3,432,916**	**178,091**	**3,611,007**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

LANNER ELECTRONICS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) operating activities:		
Consolidated net income before tax	$ 827,777	705,182
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation expense	139,380	143,186
Amortization expense	-	247
Impairment loss determined in accordance with IFRS9	56,888	15,665
Net gain on financial assets or liabilities at fair value through profit or loss	(1,917)	(2,100)
Interest expense	6,991	7,865
Interest income	(7,546)	(6,233)
Share-based payment transactions	6,868	-
Loss (gains) on disposal of property, plant and equipment	465	(60)
Gain on disposal of investments	(139,344)	-
Total adjustments to reconcile profit	61,785	158,570
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets or liabilities at fair value through profit or loss	(441,408)	(98,888)
Notes receivable	2,567	47,549
Accounts receivable	98,192	116,127
Accounts receivable due from related parties	(26)	-
Other receivables	(8,354)	13,271
Inventories	92,257	94,600
Prepayments	(75,906)	(21,099)
Other current assets	17,174	(35,391)
Other financial assets	1,613	(22)
Total changes in operating assets, net	(313,891)	116,147
Changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	709	-
Contract liabilities	1,968	(3,808)
Accounts payable	(62,188)	(261,856)
Other payables	63,603	17,610
Provisions	3,339	(5,298)
Other current liabilities	(25,730)	29,372
Net defined benefit liabilites	(491)	(483)
Deferred revenue	(3,100)	6,380
Total changes in operating liabilities, net	(21,890)	(218,083)
Total changes in operating assets and liabilities, net	(335,781)	(101,936)
Total adjustments	(273,996)	56,634
Cash provided by operating activities	553,781	761,816
Interest income received	5,755	5,995
Interest paid	(2,812)	(4,814)
Income taxes paid	(86,479)	(112,671)
Net cash provided by operating activities	470,245	650,326
Cash flows from (used in) investing activities:		
Increase in prepayments for investments	-	(8,145)
Proceeds from disposal of subsidiaries (reduced the deduction of cash)	209,247	-
Acquisition of property, plant and equipment	(57,972)	(94,099)
Proceeds from disposal of property, plant and equipment	320	118
Decrease in refundable deposits	61	1,890
Net cash inflows from business combination	8,145	-
Decrease in other non-current assets	3,610	2,757
Decrease (increase) in prepayments for equipment	432	(11,297)
Net cash provided by (used in) investing activities	163,843	(108,776)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	1,894,288	425,224
Decrease in short-term borrowings	(1,735,854)	(423,032)
Proceeds from issuing bonds	900,000	-
Repayments of long-term borrowings	(1,075)	(18,552)
Payment of lease liabilities	(43,129)	(37,560)
Decrease in other non-current liabilities	(40)	(1,844)
Cash dividends paid	(364,219)	(257,876)
Proceeds from exercise of employee stock options	5,629	8,109
Cost of increase in treasury stock	(9,691)	-
Changes in non-controlling interests	2,036	-
Net cash provided by (used in) financing activities	647,945	(305,531)
Effect of exchange rate changes on cash and cash equivalents	(30,370)	(37,233)
Net decrease in cash and cash equivalents	1,251,663	198,786
Cash and cash equivalents at beginning of period	1,154,657	955,871
Cash and cash equivalents at end of period	$ **2,406,320**	**1,154,657**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

LANNER ELECTRONICS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

LANNER ELECTRONICS INC. (the Company) was incorporated on October 30, 1986, under the laws of the Republic of China (ROC). The Company and its subsidiaries (the Group) are mainly engaged in the manufacturing and trading of computer peripheral equipment, computer software design and development services, and related information processing trade business. Please refer to note 14.

(2) Approval date and procedures of the consolidated financial statements

The consolidated financial statements were authorized for issue by the Board of Directors and issued on March 4, 2021.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform－Phase 2"

LANNER ELECTRONICS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for those otherwise explained in the accounting policies in the notes.

(Continued)

(ii) Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan Dollars, which is Company's functional currency. The assets and liabilities of foreign operations are translated to the Group's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by the Group.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over its subsidiaries are accounted for as equity transactions. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the parent.

When the Group loses control of a subsidiary, the Group derecognizes the assets (including goodwill) and liabilities of the former subsidiary at their carrying amounts from the consolidated statement and re-measures the fair value of retained interest at the date when control is lost. A gain or loss is recognized in profit or loss and is calculated as the difference between:

1) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and

2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any noncontrolling interest.

LANNER ELECTRONICS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group shall apply the accounting treatment to all previously recognizes amount related to its subsidiary in its comprehensive income as if the related assets and liabilities were disposed by the Group directly.

(ii) List of subsidiaries included in the consolidated financial statements

List of subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Scope of business	Percentage of ownership December 31, 2020	Percentage of ownership December 31, 2019	Note
The Company	LANNER ELECTRONICS USA, INC. (LANNER (USA))	Trading of computer peripheral products	100.00 %	100.00 %	
The Company	LANNER ELECTRONICS (MAURITIUS) INC. (LANNER (MAURITIUS))	Investing	100.00 %	100.00 %	
The Company	LEI TECHNOLOGY CANADA LTD. (LEI)	Trading of computer peripheral products	100.00 %	100.00 %	
The Company	LANNER TECHNOLOGY JAPAN Co., Ltd. (LANNER (JAPAN))	Trading of computer peripheral products	80.00 %	- %	Note 3
The Company	Whitebox Solutions Inc,	Manufacture and trading of computer peripheral products	100.00 %	- %	Note 6
LANNER (MAURITIUS)	LANCOM HOLDING CO., LTD. (LANCOM)	Investing	100.00 %	100.00 %	
LANCOM	Beijing L&S Lancom Platform Tech. Co., Ltd. (L&S)	Trading of computer peripheral products	80.00 %	80.00 %	
LANCOM	Lanner Technology (Dongguan) Co., Ltd. (Lanner Technology)	Manufacture and trading of computer peripheral products	100.00 %	100.00 %	
L&S	Dongguan Lihua Haiwell Tech. Co., Ltd. (Haiwell)	Manufacture and trading of computer peripheral products	100.00 %	- %	Note 2
L&S	Beijing HDZX Technology Co., Ltd. (HDZX)	Manufacture and trading of computer peripheral products	- %	- %	Notes 1, 2 and 5
L&S	Beijing LSZC Investment Co., Ltd. (LSZC)	Investing	- %	100.00 %	Note 4
LSZC	Dongguan Lihua Haiwell Tech. Co., Ltd. (Haiwell)	Manufacture and trading of computer peripheral products	- %	100.00 %	Note 2
LSZC	Beijing HDZX Technology Co., Ltd. (HDZX)	Trading of computer peripheral products	- %	39.90 %	Notes 1, and 2

Note 1: Lanner holds less than 50% of the ownership of LSZC. However, considering the proportion of the remaining shares held by the management of the Group, the Group still holds control over LSZC and its operation. As such, HDZX is considered to be a subsidiary of the Group.

Note 2: Due to the restructuring of investment structure in January 2020, the Group sold all the shares of Haiwell and HDZX that originally held by the Group through LSZC, to L&S, this is viewed as restructuring of the Group, and is recognized as an equity transaction.

LANNER ELECTRONICS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 3: The Group established a new branch company LANNER (JAPAN) in January 2020, with investment amount of $8,145 thousand.

Note 4: LSZC has been canceled the business registration in April 2020.

Note 5: The Group has disposed of all the shares of HDZC in June 2020.

Note 6: The Group established a new Branch, Whitebox Solutions Inc., in September 2020, with investment amount of $7,500 thousand.

(d) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are remeasured to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedges are effective.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It expected to be settled liability in its normal operating cycle;

(ii) It held liability primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability 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 issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprised cash, cash in banks and short-term investments with high liquidity that are subject to an insignificant risk of changes in their fair value.

The time deposits with maturity of one year or less from the acquisition date are listed in cash and cash equivalents because they are held for the purpose of meeting short-term cash commitments instead of investment or other purposes. They are also readily convertible to fixed amount of cash, and are subject to an insignificant risk of changes in value.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

(Continued)

The Group shall reclassify all affected financial assets only when it changes its business model in managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Trade receivables that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'trade receivables' line item. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(Continued)

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

(Continued)

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

(Continued)

4) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

5) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

6) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(Continued)

7) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

8) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of: (a) the amount of the loss allowance determined in accordance with IFRS 9; and (b) the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out below.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Inventories

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories includes an appropriate share of fixed production overhead based on normal capacity and allocated variable production overhead based on actual output. However, unallocated fixed production overhead arising from lower or idle capacity is recognized in cost of goods sold during the period. If actual capacity is higher than normal capacity, fixed production overhead should be allocated based on actual capacity. The method of valuing inventories is the weighted-average method.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold.

(Continued)

LANNER ELECTRONICS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1)	buildings	31~51 years
2)	machinery	2~10 years
3)	other equipment	1~11 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

LANNER ELECTRONICS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Leases

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the Group has the right to direct use of the asset when it has the decision-making rights that are most relevant to changing how, and for what purpose, the asset is used. In rare cases where the decision about how, and for what purpose, the asset is used is predetermined, the Group has the right to direct the use of an asset if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
- the relevant decisions about how and for what purpose the asset is used are predetermined and:
  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by using the impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

1) fixed payments;

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3) amounts expected to be payable under a residual value guarantee; and

4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

4) there is a change of its assessment on whether it will exercise a extension or termination option; or

5) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents its right-of-use assets that do not meet the definition of investment and its lease liabilities as a separate line item respectively in the statement of financial position.

(Continued)

The Group has elected not to recognize the right-of-use assets and lease liabilities for its short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Group acts as a lessor, it determines, at lease commencement, whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

(k) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1)	Customer relationships	3 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment－non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(Continued)

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(n) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

The Group manufactures and sells industrial personal computers and network communication apparatus to computer manufacturers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group's obligation to provide a refund for faulty electronic components under the standard warranty terms is recognized as a provision for warranty; please refer to note 6(k).

The Group provides certain customers who buy product with an extended warranty over the two-year period in addition to the assurance that the product complies with agreed-upon specifications. This kind of contract contains two performance obligations and, therefore, the transaction price is allocated to each performance obligation on a relative stand-alone selling price basis. Management estimates the stand-alone selling prices at contract inception based on the observable prices at which the Group would sell the product and the extended warranty separately in similar circumstances and to similar customers. The Group recognizes revenue for the service-type warranty on a straight-line basis over the extended warranty period. The payment terms of the extended warranty are similar to product.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(Continued)

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For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

(q) Government grants

The Group recognizes an unconditional government grant in profit or loss as other income when the grant becomes receivable. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(r) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off currenttax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle currenttax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(s) Business combination

The Group uses the acquisition method for its business combination. Goodwill is measured as an aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and the amount of any non-controlling interest in the acquiree, including non-controlling interests that belong to the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If the residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase thereafter.

All the transaction costs incurred for the business combination are recognized immediately as the Group's expenses when incurred, except for the issuance of debt or equity instruments.

If the initial accounting for a business combination is incomplete by the end of the reporting period (referred to as reporting date) in which the combination occurs, the Group shall report in its financial statements the provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group shall retrospectively adjust the provisional amounts recognized at the acquisition date, or recognize the additional assets or liabilities to reflect the new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

Non-controlling interests that are present ownership interests which entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation are measured by the Group using either the fair value on acquisition date or the non-controlling interests’ proportionate share of the recognized amounts of the acquire’s identifiable net assets. The choice of measurement is based on every transaction. Other types of non-controlling interests are measured (1) at fair value on the acquisition date or (2) by using other basis in accordance with the IFRSs endorsed by FSC.

(t) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The weighted-average number of common shares outstanding is adjusted retroactively for the increase in common shares outstanding from stock issuance arising from the capitalization of retained earnings, or additional paid-in capital.

When computing diluted earnings per share with regards to employee bonuses in the form of stock, the closing price at the balance sheet date is used as the basis of computation in the number of shares to be issued. When computing diluted earnings per share prior to the following year's Board of Directors the effect of dilution from these potential stocks is taken into consideration.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The Management will continually review the estimates and basic assumptions. Changes in accounting estimates will be recognized in the period of change and the future period of their impact.

There are no critical judgments in applying the accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Impairment assessment of account receivable

Assessing impairment loss of account receivables takes company arrears record, receivable aging analysis and receiving to the customers in to consideration, and measured by the difference between the carrying amount of the assets and the present value of the recoverable amount. Please refer to note 6(c) for the recognition of impairment loss.

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(b) Inventory measurement

Since inventories are measured at the lower of cost or net realizable value, the Group evaluated the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. Please refer to note 6(e) for inventory measurement.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash	$ 362	1,224
Demand deposits	1,030,472	376,922
Checking deposits	28,811	5,391
Time deposits	989,400	548,500
Foreign currency deposits	357,275	222,620
Cash and cash equivalents per consolidated statements of cash flow	**$ 2,406,320**	**1,154,657**

Please refer to note 6(v) for the credit risk, exchange rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

(b) Financial assets and liabilities at fair value through profit or loss

	December 31, 2020	December 31, 2019
Mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging－forward exchange contracts	$ 2,047	778
Non-derivative financial assets－open end funds	520,901	100,322
Non-derivative financial assets－financing products	21,477	-
Total	**$ 544,425**	**101,100**

	December 31, 2020	December 31, 2019
Financial liabilities held for trading:		
Derivative instruments not used for hedging－forward exchange contracts	**$ 709**	**-**

Please refer to note 6(u) for the gains or losses on financial assets and liabilities remeasured at fair value through profit or loss.

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The Group uses derivative financial instruments to manage the exposures due to fluctuations of foreign exchange risk from its operating activities. The Group reported the following mandatorily measured at fair value through profit or loss and derivative instruments not used for hedging without the application of hedge accounting:

	December 31, 2020		
	Contract amount (thousand dollars)	**Currency**	**Maturity dates**
Forward contracts	USD 13,000 / TWD 367,749	USD/TWD	January 7, 2021~ April 28, 2021

	December 31, 2019		
	Contract amount (thousand dollars)	**Currency**	**Maturity dates**
Forward contracts	USD 5,500 / TWD 166,199	USD/TWD	January 3, 2020~ February 7, 2020

The Group had not provided any financial assets mentioned above as collateral as of December 31, 2020 and 2019.

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

	December 31, 2020	**December 31, 2019**
Notes receivable	$ 6,476	9,043
Accounts receivable	1,034,724	1,255,257
Accounts receivable－related parties	26	-
Less: allowance for impairment	34,743	29,691
	$ 1,006,483	**1,234,609**

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The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision in Asia (except China), America, and Europe was determined as follows:

	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 725,535	0.11%~1.57%	782
1 to 30 days past due	27,571	2.91%~5.13%	1,416
31 to 60 days past due	17,147	5.75%~32.04%	986
61 to 90 days past due	1,011	36.51%~45.75%	369
91 to 120 days past due	552	53.08%~70.84%	391
More than 121 days past due	12,950	100%	12,950
	$ 784,766		**16,894**

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 802,752	0.04%~0.11%	599
1 to 30 days past due	91,736	1.11%~1.47%	1,234
31 to 60 days past due	18,954	1.71%~33.34%	3,111
61 to 90 days past due	11,393	17.10%~78.15%	2,089
91 to 120 days past due	5,918	54.02%~100%	3,416
More than 121 days past due	6,400	100%	6,400
	$ 937,153		**16,849**

The loss allowance provision in China was determined as follows:

	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 245,816	1.01%	8,119
1 to 30 days past due	220	1.13%	2
31 to 60 days past due	-	1.41%	-
61 to 90 days past due	721	3.48%	25
91 to 120 days past due	-	3.45%	-
121 to 150 days past due	-	12.99%	-
151 to 180 days past due	-	51.98%	-
More than 181 days past due	9,703	100%	9,703
	$ 256,460		**17,849**

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	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 253,257	0%~1.55%	964
1 to 30 days past due	38,069	0.27%~4.78%	525
31 to 60 days past due	20,672	5.09%~9.93%	1,052
61 to 90 days past due	881	11.72%~20.20%	178
91 to 120 days past due	4,602	22.60%~28.71%	1,040
121 to 150 days past due	116	42.60%~48.80%	56
151 to 180 days past due	2,145	75.62%~86.50%	1,622
More than 181 days past due	7,405	100%	7,405
	$ 327,147		**12,842**

The movement in the allowance for notes and accounts receivable was as follows:

	2020	2019
Balance on January 1	$ 29,691	15,973
Impairment losses recognized	11,062	15,665
Amounts written off	-	(1,376)
Foreign exchange gains	(388)	(571)
Disposal of a subsidiary	(5,622)	-
Balance on December 31	**$ 34,743**	**29,691**

The Group has not provided the notes and accounts receivable as collateral or factored them for cash. For other credit risk information, please refers to note 6(v).

(d) Other receivables

	December 31, 2020	December 31, 2019
Other receivables－related parties	$ 3,926	-
Other	53,208	48,586
Less Loss allowance	46,389	-
	$ 10,745	**48,586**

The movement in the allowance for other receivables was as follows:

	2020	2019
Balance on January 1	$ -	-
Impairment losses recognized	45,826	-
Foreign exchange losses	563	-
Balance on December 31	**$ 46,389**	**-**

As of December 31, 2019, the Group had no other receivables that were past due. Therefore, no provisions for doubtful debt were required after the management's assessment. For other credit risk information, please refers to note 6(v).

(e) Inventories

	December 31, 2020	December 31, 2019
Merchandise	$ 261	549
Finished goods	863,188	814,751
Work in process	239,297	347,705
Raw material	636,496	737,129
Total	$ **1,739,242**	**1,900,134**

Inventories are measured at the lower of cost and net realizable value. Hence, the Group makes judgments and estimates in the net realizable value of inventory for financial statement. The rapid development on technology may significantly affect the market demand on electronic products, which can lead to product obsolescence, resulting in the cost of inventory to exceed its net realizable value. Valuation of the inventory is based according to the estimated future demand for its products. Hence, there is a possibility for the valuation to have a significant fluctuation.

As of December 31, 2020 and 2019, the Group's inventories had not pledged as collateral.

Aside from charging operating costs through the ordinary sale of inventories, other gains and losses directly recorded under operating costs in the years 2020 and 2019 were as follows:

	2020	2019
Loss on (reversal of) market value of inventory	$ 30,899	(3,154)
Loss from scrapped inventory	24,941	53,037
Gain on physical count	(779)	(2,030)
Total	$ **55,061**	**47,853**

The Group reversed the allowance for loss on inventory for the year ended December 31, 2018, when the Group sold, scrapped or used the inventories for which an allowance had been provided for the year ended December 31, 2019.

(f) Loss control of subsidiaries

The Group disposes of all the shares of HDZX and loses the control of it in June 2020. The consideration amount and gain on disposal through the transaction are respectively $218,771 thousand (RMB52,606 thousand) and $139,344 thousand (RMB32,852 thousand).

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The carrying amount of assets and liabilities of HDZX on the date of disposal were as follow:

Cash and cash equivalents	$ 9,524
Inventories	68,635
Accounts receivable and other receivables	117,264
Prepayments	86,683
Property, plant and equipment	21,391
Right-of-use assets	998
Intangible assets	4,209
Short-term borrowings	(62,381)
Accounts payable	(16,022)
Other payables and other current liabilities	(24,288)
Carrying amount of net assets	**$ 206,013**

(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	Land	Buildings	Machinery	Other equipment	Total
Cost or deemed cost:					
Balance at January 1, 2020	$ 509,258	684,491	174,423	583,501	1,951,673
Additions	12,096	9,631	2,748	33,497	57,972
Disposals	-	-	(4,138)	(59,016)	(63,154)
Disposal of a subsidiary	-	(17,894)	-	(5,079)	(22,973)
Reclassification	-	-	-	2,844	2,844
Effect of changes in exchange rates	(1,801)	(2,702)	(473)	(2,303)	(7,279)
Balance at December 31, 2020	**$ 519,553**	**673,526**	**172,560**	**553,444**	**1,919,083**
Balance at January 1, 2019	$ 509,882	456,266	155,594	516,477	1,638,219
Additions	-	19,351	26,329	48,419	94,099
Disposals	-	-	(6,722)	(18,350)	(25,072)
Reclassification	-	218,183	238	43,032	261,453
Effect of changes in exchange rates	(624)	(9,309)	(1,016)	(6,077)	(17,026)
Balance at December 31, 2019	**$ 509,258**	**684,491**	**174,423**	**583,501**	**1,951,673**

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	Land	Buildings	Machinery	Other equipment	Total
Depreciation and impairment loss:					
Balance at January 1, 2020	$ -	118,364	127,816	394,409	640,589
Depreciation	-	24,413	10,545	68,015	102,973
Disposal	-	-	(4,115)	(58,254)	(62,369)
Disposal of a subsidiary	-	(428)	-	(1,154)	(1,582)
Effect of changes in exchange rates	-	(680)	(349)	(1,226)	(2,255)
Balance at December 31, 2020	**$ -**	**141,669**	**133,897**	**401,790**	**677,356**
Balance at January 1, 2019	$ -	100,436	123,816	340,657	564,909
Depreciation	-	18,416	10,932	74,973	104,321
Disposal	-	-	(6,722)	(18,292)	(25,014)
Effect of changes in exchange rates	-	(488)	(210)	(2,929)	(3,627)
Balance at December 31, 2019	**$ -**	**118,364**	**127,816**	**394,409**	**640,589**
Carrying value:					
December 31, 2020	**$ 519,553**	**531,857**	**38,663**	**151,654**	**1,241,727**
December 31, 2019	**$ 509,258**	**566,127**	**46,607**	**189,092**	**1,311,084**
January 1, 2019	**$ 509,882**	**355,830**	**31,778**	**175,820**	**1,073,310**

Please refer to note 8 for the information of the pledged property, plant and equipment, as of December 31, 2020 and 2019.

(h) Right-of-use assets

The Group leases its assets including its buildings and transportation equipment. Information about leases, for which the Group is the lessee, is presented below:

	Building	Transportation equipment	Total
Cost:			
Balance at January 1, 2020	$ 69,122	7,976	77,098
Additions	92,579	7,063	99,642
Write-off	(30,585)	-	(30,585)
Lease modification	6,427	-	6,427
Disposal of a subsidiary	(2,311)	-	(2,311)
Effect of changes in foreign exchange rates	(758)	-	(758)
Balance at December 31, 2020	**$ 134,474**	**15,039**	**149,513**
Balance at January 1, 2019	$ 71,613	6,498	78,111
Additions	4,289	1,478	5,767
Lease modification	(5,128)	-	(5,128)
Effect of changes in foreign exchange rates	(1,652)	-	(1,652)
Balance at December 31, 2019	**$ 69,122**	**7,976**	**77,098**

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		Building	Transportation equipment	Total
Accumulated depreciation and impairment losses:				
Balance at January 1, 2020	$	35,356	2,569	37,925
Depreciation		31,517	4,890	36,407
Write-off		(30,585)	-	(30,585)
Disposal of a subsidiary		(1,313)	-	(1,313)
Effect of changes in foreign exchange rates		(1,079)	-	(1,079)
Balance at December 31, 2020	**$**	**33,896**	**7,459**	**41,355**
Balance at January 1, 2019	$	-	-	-
Depreciation		36,296	2,569	38,865
Effect of changes in foreign exchange rates		(940)	-	(940)
Balance at December 31, 2019	**$**	**35,356**	**2,569**	**37,925**
Carrying value:				
December 31, 2020	**$**	**100,578**	**7,580**	**108,158**
December 31, 2019	**$**	**33,766**	**5,407**	**39,173**
January 1, 2019	**$**	**71,613**	**6,498**	**78,111**

(i) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group were as follows:

		Goodwill	Customer relation	Total
Costs:				
Balance at January 1, 2020	$	4,342	4,290	8,632
Disposals		(4,209)	(4,290)	(8,499)
Effect of changes in exchange rates		(133)	-	(133)
Balance at December 31, 2020	**$**	**-**	**-**	**-**
Balance at January 1, 2019	$	4,502	4,450	8,952
Effect of changes in exchange rates		(160)	(160)	(320)
Balance at December 31, 2019	**$**	**4,342**	**4,290**	**8,632**

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	Goodwill	Customer relation	Total
Amortization:			
Balance at January 1, 2020	$ -	4,290	4,290
Disposals	-	(4,290)	(4,290)
Balance at December 31, 2020	$ -	-	-
Balance at January 1, 2019	$ -	4,201	4,201
Amortization	-	247	247
Effect of changes in exchange rates	-	(158)	(158)
Balance at December 31, 2019	$ -	4,290	4,290
Carrying value:			
December 31, 2020	$ -	-	-
December 31, 2019	$ 4,342	-	4,342
January 1, 2019	$ 4,502	249	4,751

(i) Amortization

Goodwill and customer relations were obtained by acquiring subsidiaries in March 2016. For amortization expense, please refer to note 12.

(ii) Impairment Loss

In accordance with IAS 36 "impairment of assets," the Group assesses the impairment loss of intangible assets－goodwill, at the end of each reporting period. The recoverable amount of the cash generating unit is the expected discount present value of future cash inflows. As of December 31, 2019, based on the result of the assessment of the Group, the recoverable amount of the cash-generating unit was higher than the book value. Therefore, there was no impairment loss.

1) The cash flow projections were estimated on the basis of previous experience, actual operating results, and the financial budget.

2) Forecast of operating revenue, operating cost, and operating expenses are based on the future operational plan, with consideration on the changes and competition in the market industry.

3) For the years ended December 31, 2019, the discount rates for the present value of recoverable amounts was 9%.

(iii) The Group did not pledge any collateral on intangible assets.

(j) Short-term and long-term borrowings

The details, terms and clauses of the Group's short-term and long-term borrowings were as follows:

(i) Short-term borrowings

	December 31, 2020			
	Currency	**Interest rate (%)**	**Maturity year**	**Amount**
Unsecured loans	RMB	3.85	2021	$ 64,430
Unsecured loans	USD	0.80~4.99	2021	280,635
Total				**$ 345,065**

	December 31, 2019			
	Currency	**Interest rate (%)**	**Maturity year**	**Amount**
Secured loans	RMB	5.22	2020	$ 128,688
Unsecured loans	USD	2.75~4.18	2020	122,256
Total				**$ 250,944**

Please refer to note 6(v) for the disclosures on the Group's risk exposure to interest rates and liquidity risks.

As of December 31, 2020 and 2019, the unused credit facilities of the Group's short-term borrowings amounted to $1,409,064 thousand and $1,317,790 thousand, respectively.

(ii) Long-term borrowings

	December 31, 2019			
	Currency	**Interest rate (%)**	**Maturity year**	**Amount**
Secured loans	USD	4.9326	2020	**$ 1,097**
Current				$ 1,097
Non-current				-
Total				**$ 1,097**

Please refer to note 6(v) for the disclosures on the Group's risk exposure to interest rates and liquidity risks.

(iii) Collateral of loans

The Group has mortgaged their assets as collateral of loans. Please refer to note 8.

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(k) Provisions

	Warranty provision
Balance at January 1, 2020	$ 41,607
Provisions made during the year	34,899
Provisions used during the year	(28,786)
Reversal of provisions during the year	(2,320)
Effect of changes in exchange rates	(454)
Balance at December 31, 2020	**$ 44,946**
Balance at January 1, 2019	$ 46,905
Provisions made during the year	29,416
Provisions used during the year	(31,616)
Reversal of provisions during the year	(2,730)
Effect of changes in exchange rates	(368)
Balance at December 31, 2019	**$ 41,607**

In 2020 and 2019, provisions are estimated based on the historical data of trading of interment communications equipment, which are mainly associated with the Group’s business products. The Group anticipates the warranties to occur in the following year of the sales.

(l) Bonds payable

(i) The information of unsecured convertible bonds issued by the Group was as follows:

	December 31, 2020
Total amount of convertible bonds upon issuance	$ 900,000
Unamortized discount on bonds payable	(22,058)
Ending balance of bonds payable	**$ 877,942**
Equity component－conversion options (recorded as capital surpluses－ share options)	**$ 22,680**

	2020
Interest expenses	**$ 622**

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(ii) On June 19, 2020, the first domestic unsecured convertible bonds issued by the Group were approved at the shareholders' meeting under private placement and fully funded on the November 19, 2020 . The primary terms and conditions of the bonds are as below.

1) Principal amount: $900,000 thousand.

2) Issue price: 100% of the principal amount of the bonds, with a par value of $100 thousand.

3) Coupon rate: 0%.

4) Repayment method: The Group may redeem the bonds in cash at 100% par value of the bonds upon maturity, with the exception of those converted into ordinary shares of the Group by the private bondholders in accordance with Article 10 of the issuance and conversion method.

5) Issue period: 3 years (December 4, 2020 to December 4, 2023).

6) Conversion Period:

The private bondholders shall convert the convertible bonds 3 months after the issuance date (March 5, 2021) to 10 days before the maturity date (November 24, 2023), with the exceptions of the following: (1) the closing period in accordance with the applicable laws,(2) the period starting from the fifteen business days prior to the date of record fordetermination wherein the shareholders are entitled to receive the distributions or rights to subscribe for new shares from a capital increase for cash, and ends on the date of record for the distribution of the right/benefits (3) the period starting from the date of record of the capital decrease and ends one day prior to the re issuance of the trading of shares after the capital decrease .

7) Conversion price and adjustment:

The conversion price was set at $55.62 per share. After the issuance of the converted bonds, if the Group issue additional common share (included but not limited to capital increase by issuing additional stock shares through public or private placement,capital increased out of retained earnings, capitalization of reserves, company merged or issuance of new shares due to acquisition of shares of another company, stock split or cash capital increase through issue oversea depositary receipt) apart from common shares that entitled to conversion rights or stock options to exchange for common shares or when new shares are issued for employee compensation, the conversion price shall be adjusted according to the formula in the issuance terms as follows. Adjustment price will be base on the Ex-date of the new issuance share and be disclose on the Taiwan Market Observation Post System. However, if there is a scheduled payment date then the adjustment price will be base on the date when payment fully received. If the priced changed after the Ex-date then the price per share shall be adjusted according to the formula. If the adjustment price after the calculation is lower than the Ex-date price then the price will be re-announced.

(Continued)

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(m) Lease liabilities

The Group's lease liabilities were as follow:

		December 31, 2020	December 31, 2019
Current	$	32,093	24,807
Non-current	$	76,753	15,670

For the maturity analysis, please refer to note 6(v).

The amounts recognized in profit or loss were as follows:

		2020	2019
Interest on lease liabilities	$	2,450	2,021
Expenses relating to short-term leases	$	3,174	2,712
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$	2,179	5,360

The amounts recognized in the statement of cash flows for the Group was as follows:

		2020	2019
Total cash outflow for leases	$	50,932	47,653

(n) Employee benefits

(i) Defined benefit plans

The following table shows a reconciliation between the present value of the defined benefit obligation and the fair value of plan assets:

		December 31, 2020	December 31, 2019
The present value of the defined benefit obligations	$	63,324	62,755
Fair value of plan assets		(23,724)	(24,012)
The net defined benefit liability	$	39,600	38,743

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The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to $23,724 thousand at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of the Group's defined benefit plan obligation for the years ended December 31, 2020 and 2019, were as follows:

	2020	2019
Defined benefit obligation at 1 January	$ 62,755	55,710
Current service costs and interest	874	939
Remeasurements of the net defined benefit liability (asset)		
－Return on plan assets (excluding amounts included in net interest expense)	755	840
－Due to changes in financial assumption of actuarial (losses) gains	1,348	6,088
Benefits paid by the plan	(2,408)	(822)
Defined benefit obligation at 31 December	**$ 63,324**	**62,755**

(Continued)

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3) Movement of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2020 and 2019, were as follows:

		2020	2019
Fair value of plan assets, January 1	$	24,012	22,572
Expected return		211	231
Remeasurements of the net defined benefit liability (asset)			
－Return on plan assets (excluding amounts included in net interest expense)		755	840
Contributions made		1,154	1,191
Benefits paid by the plan		(2,408)	(822)
Fair value of plan assets, December 31	$	**23,724**	**24,012**

4) Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2020 and 2019, were as follows:

		2020	2019
Current service cost	$	281	341
Net interest on the defined benefit liability (asset)		382	367
	$	**663**	**708**

		2020	2019
Operating costs	$	392	393
Selling expenses		50	105
Research and development expenses		221	210
	$	**663**	**708**

5) Actuarial assumptions

The principal actuarial assumption used to determine the present value of the defined benefit obligation on December 31, 2020 and 2019 is as follows:

	2020.12.31	2019.12.31
Discount rate	0.625 %	1.000 %
Future salary increases rate	3.300 %	3.300 %

The Group expects to make contributions of $1,150 thousand to the defined benefit plans in the next year starting from the reporting date of 2020.

The weighted average duration of the defined benefit obligation is 12.28 years.

(Continued)

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6) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

As of December 31, 2020 and 2019, the present value of defined benefit obligation impact was as follow:

	The impact of defined benefit obligation	
	Increase 0.25%	**Decrease 0.25%**
December 31, 2020		
Discount rate	$ (1,261)	1,306
Future salary increase rate	1,247	(1,208)
December 31, 2019		
Discount rate	(1,331)	1,385
Future salary increase rate	1,323	(1,283)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Group's pension costs under the defined contribution method were $27,618 thousand and $38,632 thousand for 2020 and 2019, respectively. Payment was made to the Bureau of the Labor Insurance and the local authorities of the consolidated overseas subsidiaries.

(iii) Short-term employee benefit

	December 31, 2020	**December 31, 2019**
Annual leave benefit	$ 27,250	24,785

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(o) Income tax

(i) Income tax expenses (benefit)

The amount of income tax for 2020 and 2019 were as follows:

		2020	2019
Current tax expense			
Current period	$	178,538	104,456
Adjustment for prior periods		5,312	1,490
		183,850	105,946
Deferred income tax expense			
Origination and reversal of temporary differences		4,956	38,319
Income tax expense from continuing operations	$	**188,806**	**144,265**

Reconciliation of the Company's income tax expense (benefit) and the profit before tax for 2020 and 2019 were as follows:

		2020	2019
Net income before tax	$	**827,777**	**705,182**
Income tax using the Company's domestic tax rate	$	196,717	168,266
Previously underestimate income tax		5,312	1,490
Non-deductible expenses		5,755	18
Surtax on unappropriated earnings		-	1,059
R&D tax credits utilized		(20,881)	(25,335)
Others		1,903	(1,233)
Total	$	**188,806**	**144,265**

Due to the impact of coronavirus pandemic, the Company applied for postponement of the payment of the Profit-seeking Enterprise Income Tax and undistributed surplus earning tax for 2019 and 2018, respectively, wherein the National Taxation Bureau of the Northern Area has agreed to the postponement of the payment for twelve months.

(ii) Deferred income tax assets and liabilities－Recognized deferred income tax assets and liabilities

Changes in the amount of deferred income tax assets and liabilities for 2020 and 2019 were as follows:

Deferred income tax assets:

		Unrealized profit from sales	Tax differences from sales	Others	Total
Balance at January 1, 2020	$	18,031	10,942	31,717	60,690
Recognized in profit or loss		3,491	(130)	9,318	12,679
Balance at December 31, 2020	$	**21,522**	**10,812**	**41,035**	**73,369**

(Continued)

LANNER ELECTRONICS INC. AND SUBSIDIARIES
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		Unrealized profit from sales	Tax differences from sales	Others	Total
Balance at January 1, 2019	$	19,176	12,182	37,058	68,416
Recognized in profit or loss		(1,145)	(1,240)	(5,341)	(7,726)
Balance at December 31, 2019	$	**18,031**	**10,942**	**31,717**	**60,690**

Deferred income tax liabilities:

		Foreign investment income accounted for using equity method	Others	Total
Balance at January 1, 2020	$	(173,136)	(2,009)	(175,145)
Recognized in profit or loss		(20,358)	1,817	(18,541)
Balance at December 31, 2020	$	**(193,494)**	**(192)**	**(193,686)**
Balance at January 1, 2019	$	(142,850)	(1,495)	(144,345)
Recognized in profit or loss		(30,286)	(514)	(30,800)
Balance at December 31, 2019	$	**(173,136)**	**(2,009)**	**(175,145)**

(iii) Assessment of tax

The tax returns of the Company have been assessed by the tax authorities through 2018.

(p) Capital and other equity

As of December 31, 2020 and 2019, the ordinary shares with par value of $10 per share, amounted to $1,500,000 thousand; also, 118,004 thousand and 118,008 thousand common stocks, respectively, were issued from the shares mentioned above. All issued shares were paid up upon issuance.

A reconciliation of the Company's outstanding shares for the years ended December 31, 2020 and 2019 were as follows:

Unit: thousands shares

	2020	2019
Balance at January 1	118,008	108,993
Stock dividends of ordinary share	-	8,742
Exercise of employee share options	212	273
Retirement of treasury share	(216)	-
Balance at December 31	**118,004**	**118,008**

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(i) Issue of common stock

Upon the approval of the Annual Shareholders' Meeting held on June 19, 2019, the Company withdrew $87,420 thousand from distributable earnings to issue dividends stocks of 8,742 thousand shares, with a face value of $10 per share. As of December 31, 2019, the shares recorded under stock dividend to be distributed.

For the years ended December 31, 2020 and 2019, the Company issued 212 thousand shares and 273 thousand shares of common stocks, as its employees exercised their stock option at $25.5 and $26.8 per share and $29.7 per share, respectively.

(ii) Capital surplus

The composition of the Company's capital surplus are as follows:

		December 31, 2020	December 31, 2019
Share premium from issuance	$	685,289	681,333
Changes in equity of associates and joint ventures accounted for using equity method		17,539	17,539
Employee share options		6,760	1,700
Share options		22,680	-
Employee share options expired		9,500	9,392
	$	**741,768**	**709,964**

In accordance with the ROC Company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

(iii) Retained earnings

1) Legal reserve

In accordance with the Company Act, 10% of net income after tax should be set aside as legal reserve, until it is equal to authorized capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

(Continued)

2) Special earnings reserve

By choosing to apply exemptions granted under IFRS 1 First-time Adoption of International Financial Reporting Standards during the Company's first-time adoption of the IFRSs endorsed by the FSC, cumulative translation adjustments (gains) recognized under shareholders' equity were reclassified to retained earnings at the adoption date. In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special earnings reserve during earnings distribution. However, when adjusted retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC are insufficient for the appropriation of a special earnings reserve at the transition date, the Company may appropriate a special earnings reserve up to the amount of increase in retained earnings. Upon the use, disposal, or reclassification of related assets, the Company may reverse the special earnings reserve proportionately. As a result of elections made according to IFRS 1, the Company has reclassified $(13,624) thousand to retained earnings and is not required to appropriate a special earnings reserve.

In accordance with the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

In accordance with the Company's articles of incorporation that after-tax earnings from the current year shall first be used to offset against any prior year's deficit and pay income tax; and 10% of the remaining balance shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Special reserve may be appropriated for operations or to meet regulations. After the distribution of dividends, the remaining earnings, if any, may be appropriated according to the proposal presented in the annual stockholders' meetings by the board of directors. Distribution plan shall be executed after a resolution by the shareholders’ meeting. The Company authorizes the Distribution plan paid in cash shall be executed after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders’ meeting.

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In accordance with Article 241 of the Company Act, the distribution of its legal reserve and the following capital reserve, in whole or in part, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash； Once upon by cash, the Company authorizes the distribution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

After the abovementioned appropriation, in order to operate proper investment and maintain Capital adequacy ratio simultaneously, the Company uses the Residual dividend policy to measure its monetary demand for the future according to its budget planned for the following years, then executes financial intermediation with retain earnings, after which, distributes cash dividends with the remaining earnings, which should not less than 30% of the total dividends amount.

In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. The amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2020 and 2019 the special earnings reserve amounted to $92,949 thousand and $57,366 thousand, respectively.

The Company's appropriations of earnings for 2019 and 2018 have been approved in the Board of Directors' meeting held on May 7, 2020 and the shareholders' meeting held on June 19, 2019, respectively. The dividends to shareholders were as follows:

	2019		2018	
	Amount per share (NTD)	**Total Amount**	**Amount per share (NTD)**	**Total Amount**
Dividends distributed to ordinary stockholders:				
Cash (earnings)	$ 2.80	330,420	2.00	218,540
Cash (capital surplus)	-	-	0.80	87,420
Total		$ 330,420		305,960

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(iv) Treasury stock

In order to protect the Group's integrity and shareholder's equity, the group has repurchased its 216 thousand shares from the market in accordance with the requirements under section 28(2) of the Securities and Exchange Act in 2020. The board of directors has approved to retire the treasury shares in full which result in debiting additional paid-in capital of $1,253 thousand dollar and retained earnings of $6,278 thousand dollar August 13, 2020. The Board of Directors has approved the proposal of the capital reduction record date as of August 14, 2020 and the registration has been completed on September 16, 2020.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(v) Other equities (net of tax)

	Foreign exchange differences arising from foreign operation	Non-controlling interests	Total
Balance at January 1, 2020	$ (92,949)	(21,369)	(114,318)
Foreign exchange differences arising from net assets of foreign operation	(35,515)	(3,780)	(39,295)
Balance at December 31, 2020	**$ (128,464)**	**(25,149)**	**(153,613)**
Balance at January 1, 2019	$ (57,366)	(10,429)	(67,795)
Foreign exchange differences arising from net assets of foreign operation	(35,583)	(10,940)	(46,523)
Balance at December 31, 2019	**$ (92,949)**	**(21,369)**	**(114,318)**

(q) Share-based payment

On August 25, 2015, the Securities and Futures Bureau approved the Company's issuance of 3,000 units of Employee’ s Stock option; with each unit representing 1,000 shares of common stock, wherein a total of 3,000 thousand shares may be subscribed. The option holder is eligible, two years after issuance until the sixth year of issuance, to convert a certain percentage of options to common stocks at the price designated on the issuance date. Under such circumstances as changes in equity or distribution of cash dividends, the exercise price per share and the number of subscriptions per option are to be adjusted using a specific formula. However, the adjusted exercise price should not be lower than the par value. All options were granted on September 17, 2015 and their fair value on the grant date was priced using the Black Scholes option pricing model. The weighted-average data of each assumption were as follows:

Dividend rate	- %
Expected volatility	34.99 %
Risk-free interest rate	0.8779 %
Expected life	5 years

The Company estimates the compensation to be $20,657 thousand based on the above assumptions. The compensation has been amortized from 2015 to 2018.

The outstanding stock option rights as follows:

	2020		
Employee stock options in 2015	**Units**		**Exercise price (dollars)**
Outstanding balance as of January 1	212	$	26.8
Options granted	-		-
Options exercised	212		26.8／25.5
Options cancelled	-		-
Options expired	-		-
Outstanding balance as of December 31	-		-
Exercisable as of December 31	-		-
Exercisable shares per unit as of December 31－adjusted	1,000		
Fair market value	$ 4.3		

	2019		
Employee stock options in 2015	**Units**		**Exercise price (dollars)**
Outstanding balance as of January 1	485	$	29.7
Options granted	-		-
Options exercised	273		29.7
Options cancelled	-		-
Options expired	-		-
Outstanding balance as of December 31	212		26.8
Exercisable as of December 31	212		-
Exercisable shares per unit as of December 31－adjusted	1,000		
Fair market value	$ 4.3		

The Group established a share option program that entitles the employee to purchase shares in the company on 2015. The option has been granted on September 17, 2020.

On December 9, 2019, the Securities and Futures Bureau approved the Company's issuance of 3,000 units of Employee’ s Stock option; with each unit representing 1,000 shares of common stock, wherein a total of 3,000 thousand shares may be subscribed. The option holder is eligible, two years after issuance until the sixth year of issuance, to convert a certain percentage of options to common stocks at the price designated on the issuance date. Under such circumstances as changes in equity or distribution of cash dividends, the exercise price per share and the number of subscriptions per option are to be adjusted using a specific formula. However, the adjusted exercise price should not be lower than the par value. All options were granted on March 19, 2020 and their fair value on the grant date was priced using the Black Scholes option pricing model. The weighted-average data of each assumption were as follows:

Dividend rate	- %
Expected volatility	25.78 %
Risk-free interest rate	0.4750 %
Expected life	5 years

The Company estimates the compensation to be $22,105 thousand based on the above assumptions. The compensation will be amortized over three years. Under the fair value method, the compensation of the option was estimated to be $6,868 thousand for the year ended December 31, 2020. The additional paid-in capital also increased due to the stock option plan.

The outstanding stock option rights were as follows:

	2020	
Employee stock options in 2015	**Units**	**Exercise price (dollars)**
Outstanding balance as of January 1	-	$ -
Options granted	3,000	36.45
Options exercised	-	-
Options cancelled	-	-
Options expired	60	-
Outstanding balance as of December 31	**2,940**	34.70
Exercisable as of December 31	**-**	-
Exercisable shares per unit as of December 31－adjusted	**-**	
Fair market value	**$ 8.6**	

As of December 31, 2020, the expected duration of the employee stock option issued in 2019 was 4.22 years.

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(r) Earnings per share

The calculation of the Group's basic earnings per share and diluted earnings per share for years ended December 31, 2020 and 2019 were as follows:

(i) Basic earnings per share

	2020	2019
Net income attributable to ordinary shareholders of the Company	$ **595,898**	**492,428**
Weighted-average number of ordinary shares	**117,990**	**117,930**
Basic earnings per share (in NT dollars)	$ **5.05**	**4.18**

(ii) Diluted earnings per share

	2020	2019
Net income of the company	595,898	492,428
Effect of after tax interest expense of conversion bonds	498	-
Net income attributable to ordinary shareholders of the Company (diluted)	$ **596,396**	**492,428**
Weighted-average number of ordinary shares (basic)	117,990	117,930
Impact of potential common shares		
Effect of employee stock bonus	1,900	-
Effect of employee stock option	1,216	1,410
Effect of conversion of convertible bonds	1,197	130
Weighted-average number of ordinary shares (diluted)	**122,303**	**119,470**
Diluted earnings per share (in NT dollars)	$ **4.88**	**4.12**

For calculation of the dilutive effect of the stock option, the average market value is assessed based on the quoted market price where the Company’s option is outstanding.

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	2020		
	Sale of Network Communication and other related products	**Others**	**Total**
Primary geographical markets:			
America	3,541,218	57,602	3,598,820
Asia	$ 2,783,982	57,562	2,841,544
Europe	986,575	3,961	990,536
Others	71,574	208	71,782
	$ **7,383,349**	**119,333**	**7,502,682**

(Continued)

LANNER ELECTRONICS INC. AND SUBSIDIARIES
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	2020		
	Sale of Network Communication and other related products	**Others**	**Total**
Primary merchandises/services lines:			
Network communication apparatus	$ 6,153,648	111,439	6,265,087
Others	1,229,701	7,894	1,237,595
	$ 7,383,349	**119,333**	**7,502,682**

	2019		
	Sale of Network Communication and other related products	**Others**	**Total**
Primary geographical markets:			
America	3,604,030	85,051	3,689,081
Asia	$ 3,152,602	17,719	3,170,321
Europe	752,519	1,527	754,046
Others	110,924	426	111,350
	$ 7,620,075	**104,723**	**7,724,798**
Primary merchandises/services lines:			
Network communication apparatus	$ 6,635,891	102,442	6,738,333
Others	984,184	2,281	986,465
	$ 7,620,075	**104,723**	**7,724,798**

Unearned revenue, net for the Group's amounted to $(2,561) thousand and $6,532 thousand for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, accumulated unearned revenue amounted to $52,738 thousand and $55,838 thousand, respectively. Unearned revenue was booked due to identifiable services to be rendered.

(ii) Contract balance

	December 31, 2020	**December 31, 2019**	**January 1, 2019**
Current contract liabilities	**$ 37,180**	**35,212**	**39,020**

For details on accounts receivable and allowance for impairment, please refer to note 6(c).

The amount of revenue recognized for the years ended December 31, 2020 and 2019 that was included in the contract liability balance at the beginning of the period was $35,212 thousand and $39,020 thousand, respectively.

The contract liabilities primarily relate to the advance consideration received from customers for the electronic components sales contracts, for which revenue is recognized when products are delivered to customers.

(t) Employee compensation and directors' and supervisors' remuneration

In accordance with the Company's article, the Company should contribute 10% to 20% of its profit as employee remuneration, and no greater than 2% as directors' and supervisors' remuneration, when there is profit for the year. However, if the Company has accumulated deficits, the profit should first be used to offset the deficit. The pervading target given via shares includes these dependent employees of the Company’s subsidiaries under certain requirements.

For the years ended December 31, 2020 and 2019, the Company recognized its employee remuneration of $101,146 thousand and $82,353 thousand, respectively, and directors' and supervisors' remuneration of $10,115 thousand and $8,235 thousand, respectively. These amounts are calculated by using the Company's pre-tax net profit for the period before deducting the amount of the remuneration to employees and directors under the Company’s articles of association, and expensed under operating cost or expense. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2020 and 2019.

(u) Non-operating income and expenses

(i) Interest income

		2020	2019
Interest income from bank deposits	$	**7,546**	**6,233**

(ii) Other income

The details of the Group's other income were as follows:

		2020	2019
Rent income	$	5,790	5,458
Other		32,803	36,362
Total other income	$	**38,593**	**41,820**

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(iii) Other gains and losses

The details of the Group's other gains and losses were as follows:

		2020	2019
Gains (losses) on disposal of property, plant and equipment	$	(465)	60
Gain on disposal of investments		139,344	-
Losses on foreign exchange, net		(5,470)	(7,672)
Gains (losses) on financial assets (liabilities) at fair value through profit or loss		1,917	2,100
Other losses		(5,889)	(960)
Net other gains and losses	**$**	**129,437**	**(6,472)**

(iv) Finance costs

The details of the Group's finance costs were as follows:

		2020	2019
Interest expense	**$**	**6,991**	**7,865**

(v) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

Approximately, 11% and 8% of the Group's total sales were derived from a single client in 2020 and 2019, respectively. Region wise, approximately 86% and 89% of the sales were significantly concentrated in Asia and America in 2020 and 2019, respectively.

LANNER ELECTRONICS INC. AND SUBSIDIARIES
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(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within a year	1-2 years	3-5 years	Over 5 years
December 31, 2020						
Non-derivative financial liabilities						
Short-term borrowings	$ 345,065	345,399	345,399	-	-	-
Accounts payable	1,062,513	1,062,513	1,062,513	-	-	-
Other payables	634,941	634,941	634,941	-	-	-
Bonds payable	877,942	900,000	-	-	900,000	-
Lease liabilities	108,846	117,370	35,762	25,475	56,133	-
Guarantee deposits received	986	986	-	-	-	986
Derivative financial liabilities						
Other forward exchange contracts:						
Outflow	709	709	709	-	-	-
	$ 3,031,002	**3,061,918**	**2,079,324**	**25,475**	**956,133**	**986**
December 31, 2019						
Non-derivative financial liabilities						
Short-term borrowings	$ 250,944	256,652	256,652	-	-	-
Accounts payable	1,140,723	1,140,723	1,140,723	-	-	-
Other payables	592,043	592,043	592,043	-	-	-
Long-term borrowings (including due within a year)	1,097	1,120	1,120	-	-	-
Lease liabilities	40,477	42,301	28,542	12,325	1,434	-
Guarantee deposits received	1,026	1,026	-	-	-	1,026
	$ 2,026,310	**2,033,865**	**2,019,080**	**12,325**	**1,434**	**1,026**

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	Foreign currency	Exchange rate	NTD
December 31, 2020			
Financial assets:			
Monetary items:			
USD (note)	$ 48,545	28.0450	1,361,444
Financial liabilities:			
Monetary items:			
USD (note)	$ 39,840	28.0450	1,117,323

LANNER ELECTRONICS INC. AND SUBSIDIARIES
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		Foreign currency	Exchange rate	NTD
December 31, 2019				
Financial assets:				
Monetary items:				
USD (note)	$	45,610	29.9860	1,367,665
Financial liabilities:				
Monetary items:				
USD (note)	$	32,534	29.9860	975,564

Note: Amounts are designated before consolidation.

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of foreign currency exchange gains and losses on cash and cash equivalents, trade receivables and trade and other payables that are denominated in foreign currency. A 1 dollar appreciation (depreciation) of the NTD against the USD as of December 31, 2020 and 2019 would have increased or decreased the net income by $6,964 thousand and $10,462 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary item

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on Monetary items is disclosed by total amount. For the years ended December 31, 2020 and 2019, foreign exchange loss (including realized and unrealized abortions) amounted to $5,470 thousand and $7,672 thousand, respectively.

(iv) Interest rate analysis

Please refer to the note for liquidity risk management and the Group's interest rate exposure to its financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure of the interest rate on derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the management of the Group's assessment on the reasonably possible interval of interest rate change.

If the interest rate increases or decreases by 1%, the Group's net income will increase or decrease by $2,761 thousand and $2,016 thousand, respectively, for the years ended December 31, 2020 and 2019, with all other variable factors remain constant. This is mainly due to the Group's borrowing in variable rates.

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(v) Information of fair value

1) Categories and fair value of financial instruments

Except for the following, carrying amount of the Group's financial assets and liabilities are valuated approximately to their fair value. No additional disclosure is required in accordance to the Regulations.

	December 31, 2020				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets for hedging	$ 2,047	-	2,047	-	2,047
Financial assets mandatorily measured at fair value through profit or loss	542,378	520,901	21,477	-	542,378
Total	**$ 544,425**	**520,901**	**23,524**	**-**	**544,425**
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	$ 709	-	709	-	709
Financial liabilities measured at amortized cost					
Bonds payable	877,942	-	877,942	-	877,942
Total	**$ 878,651**	**-**	**878,651**	**-**	**878,651**

	December 31, 2019				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets for hedging	$ 778	-	778	-	778
Financial assets mandatorily measured at fair value through profit or loss	100,322	100,322	-	-	100,322
Total	**$ 101,100**	**100,322**	**778**	**-**	**101,100**

2) Valuation techniques and assumptions used in fair value determination

The financial instruments of the Group are evaluated by using the publicly-adopted valuation models. Forward contracts are referred to the evaluation outcomes from financial institutions. The financial instrument in China is evaluated based on the market value.

LANNER ELECTRONICS INC. AND SUBSIDIARIES
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(w) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note expresses the information on risk exposure and objectives, policies and process of risk measurement and management. For detailed information, please refer to the related notes to each risk.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for establishing and monitoring the Group's risk management policies. The committee reports its activities regularly to the Board of Directors.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set control mechanism, and to monitor the execution of the policies. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, developed a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors the risk which should be in compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Assisting the Board of Directors in oversight, the internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, and reports the results to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by each customer’s condition. However, management also considers the demographics of the customers, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances. The Group’s Accounts Receivable and Notes Receivable are mainly due from customers in Asia and America, accounting 92% and 86% of the total amount of the receivables as of December 31, 2020, and 2019, respectively.

The Group has established a credit policy wherein each new customer is assessed for credit rating before standard payment, delivery terms, and conditions are granted. The analysis includes external ratings, when available, and in some cases, bank references. Purchase limits are established for each customer and reviewed regularly. Any amount below the limits requires no approval from the Board of Directors. Customers that fail to meet the Company's rating benchmark are allowed to transact with the Company only on a prepayment basis.

The Group has established an allowance for bad debt account to reflect the estimated losses on trade receivables, other receivables, and investments. The allowance for bad debt account consists of specific losses related to individually significant exposure and unrecognized losses arose from similar assets groups. The allowance for bad debt account is based on the historical collection record of similar financial assets.

2) Investments

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transactions are with the counterparties, and the contractually obligated counterparties are the banks, financial institutions, corporate organizations and government agencies with good credits, there are no compliance issues, and therefore, there is no significant credit risk.

3) Guarantees

The consolidated company policy provides endorsements and assurances to be offered only to companies who it has business relationship with, as well as to those companies who hold more than 50% of the voting rights of the consolidated company, either directly or indirectly. As of December 31, 2020 and 2019, the Group did not provide any endorsement and guarantees.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of the expected cash flows on financial liabilities (other than trade payables) over the succeeding 60 days. The Group also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2020 and 2019, the Group's unused credit line were amounted to $1,409,064 thousand and $1,317,790 thousand, respectively.

(v) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate, and equity prices which will affect the group's income or the value of its holding of financial instrument. The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimizing the return.

In order to manage market risk, the Group conducts derivative transactions and incurs financial liabilities. All such transactions are within the guidelines set by the Risk Management Committee. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

1) Currency risk

The group reports its financial statements in TWD, while conducting such transaction as sales, purchase, and borrowing in USD, thereby exposing itself to currency risk.

The Group hedges most of its trade receivables and trade payables denominated in a foreign currency. The Group hedges its currency risk through forward exchange contracts with maturity less than one year from the reporting date.

2) Interest rate risk

To avoid interest rate risk, the Group raises its working capital mainly through long-term and short-term loans. Should long term loans be needed, plans and conditions of early repayment shall be settled in advance.

(x) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, and non-controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

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The Group's debt-to-adjusted-capital ratio at the end of the reporting period was as follows:

	December 31, 2020	December 31, 2019
Total liabilities	$ 3,710,588	2,615,126
Less: cash and cash equivalents	2,406,320	1,154,657
Net debt	**$ 1,304,268**	**1,460,469**
Total equity	**$ 3,611,007**	**3,473,240**
Debt-to-adjusted-capital ratio	**36 %**	**42 %**

The reduction of the debt to capital equity ratio as of December 31, 2020 was due to the increase in cash and cash equivalents.

As of December 31, 2020, no changes have been made on the capital management.

(y) Reconciliation of liabilities arising from financing activities

			Non-cash changes			
	January 1, 2020	Cash flows	Foreign exchange movement	Amortization of commercial paper discount	Others	December 31, 2020
Short-term borrowings	$ 250,944	158,434	(1,932)	-	(62,381)	345,065
Long-term borrowings (including current portion)	1,097	(1,075)	(22)	-	-	-
Lease liabilities	40,477	(43,129)	2,979	2,450	106,069	108,846
Bonds payable	-	900,000	-	622	(22,680)	877,942
Total liabilities from financing activities	**$ 292,518**	**1,014,230**	**1,025**	**3,072**	**21,008**	**1,331,853**

			Non-cash changes			
	January 1, 2019	Cash flows	Foreign exchange movement	Amortization of commercial paper discount	Others	December 31, 2019
Short-term borrowings	$ 253,528	2,192	(4,776)	-	-	250,944
Long-term borrowings (including current portion)	19,583	(18,552)	66	-	-	1,097
Lease liabilities	80,951	(37,560)	570	2,021	(5,505)	40,477
Total liabilities from financing activities	**$ 354,062**	**(53,920)**	**(4,140)**	**2,021**	**(5,505)**	**292,518**

(7) Related-party transactions

(a) Parent Company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Related-party and relationship between the Company

The Group has transactions with its related parties as follows:

Related-parties	Relationship between the Company
Jie Wei Investment Development Co., Ltd. (Jie Wei)	One of the board of directors of the Company also serves as a director of the related-party
Lanner Foundation	Related party
Haiwell Lancom Electronic Co., Ltd.	Related party

(Continued)

Related-parties	Relationship between the Company
Beijing HDZX Technology Co., Ltd. (HDZX)	Originally accounted for as a subsidiary in the consolidated financial statement. The Group disposed of the subsidiary's shares in June, 2020 but the subsidiary remained to be a related party because the president of HDZX and the general manager of the Group's subsidiary are the same person. As of December 25, 2020, HDZX was no longer a related party to the Group.
Mr. Zhang Jun Hai	Key management of Consolidated Company

(c) Significant related party transactions

(i) Operating revenue

The amounts of significant sales transactions between the Group and related parties were as follows:

	2020	2019
Other related parties	$ 112,253	-

There were no significant differences between the pricing of sale transactions and receipts condition with related parties and that with other customers. Receivable between related parties have not receive collateral, and no need to provision for bad debt expense after evaluation.

(ii) Receivables from related parties

The details of the Group's receivables from related parties were as follow:

Accounts	Type of related parties	December 31, 2020	December 31, 2019
Accounts receivable	Other related parties	$ 26	-
Other receivable	Other related parties	3,926	-
		$ 3,952	-

(iii) Leases

1) Lessee

Lease contracts with the period from June 2015 to May 2020 and June 2020 to May 2025 were signed with other related party on April 2015 and April 2020. In accordance with the contract, the Group provided $175 thousand as deposit and booked the same amount under non-current assets. At the date of initial application of IFRS 16, the Company recognized right-of-use asset $1,855 thousand and lease liability $1,855 thousand, respectively, because of the aforementioned lease transaction. For the years ended December 31, 2020 and 2019, the Group recognized the amount of $16 thousand and $10 thousand as interest expense, respectively. As of December 31, 2020 and 2019, the balance of lease liabilities amounted to $5,677 thousand and $546 thousand, respectively.

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2) Lessor

	2020	2019
Other related parties	$ **1,443**	**326**

The amount of rent is based on neighboring rent, and the rental is collected monthly from other related parties.

(iv) Contribution

With the approval from the broad of directors, the Group agreed to contribute $5,000 thousand and $3,700 thousand to Lanner Foundation for the years ended December 31, 2020 and 2019, recorded under operating expenses－administrative expenses.

(v) Property translationauditor

The main management personnel of the Group purchased part of the shares of HDZX, the amount of the shares transaction was $61,728 thousand (RMB14,843 thousand). As of December 31, 2020, the related payments have been fully received.

(d) Key management personnel compensations

Key management personnel compensation comprised:

	2020	2019
Short-term employee benefits	$ 141,034	111,694
Post-employment benefits	819	780
	$ **141,853**	**112,474**

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2020	December 31, 2019
Certificate of deposits (recorded under other financial assets－current)	Guarantee for customs	$ 2,394	2,371
Land	Guarantee for long and short-term borrowings	-	413,815
Building	Guarantee for long and short-term borrowings	-	240,853
		$ **2,394**	**657,039**

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(9) Commitments and contingencies

The Group is defending a lawsuit filed by its former employee for his alleged wrongful termination. To protect the Group's right and interest, the Company has appointed a lawyer to handle the legal matter. As of December 31, 2020, there has been no change in the probability of the outcome of the lawsuit.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events

On March 4, 2021, the Board of Directors has approved to acquire 20% shares of Beijing L&S Lancom Platform Tech. Co., Ltd. at the amount less than $191,855 thousand (RMB44,701 thousand), which will result in the Group to hold the entire shares and become a full owner of Beijing L&S Lancom Platform Tech. Co.

(12) Other

The following is a summary statement of employee benefits, depreciation and amortization expensed by function:

By function	Years ended December 31, 2020			Years ended December 31, 2019		
By nature	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	215,984	861,432	1,077,416	230,552	849,413	1,079,965
Labor and health insurance	22,341	52,569	74,910	22,589	52,466	75,055
Pension	7,796	20,485	28,281	9,518	29,822	39,340
Others	15,544	30,101	45,645	14,956	34,675	49,631
Depreciation	45,965	93,415	139,380	48,411	94,775	143,186
Amortization	-	-	-	-	247	247

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(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties:

Unit: thousand dollars/thousand shares

No.	Name of company	Counter-party of guarantee and endorsement: Name	Counter-party of guarantee and endorsement: Relationship with the Company	Limitation on amount of guarantees and endorsements for one party	Highest balance for guarantees and endorsements during the year	Ending balance of guarantees and endorsements	Amount actually drawn	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum allowable amount for guarantees and endorsements	Parent company endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of company in Mainland China
0	The Company	Beijing L&S Lancom Platform Tech. Co., Ltd.	(2)	686,583	64,653	64,430	64,430	-	1.87 %	1,716,458	Y		Y
0	The Company	Dongguan Lihua Haiwell Tech. Co., Ltd.	(2)	686,583	99,135	98,792	-	-	2.87 %	1,716,458	Y		Y

Note 1: The guarantee's relationship with the guarantor is as follows:
(1) A company with which it does business.
(2) A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.
(3) A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.
(4) A company in which the public company holds, directly and indirectly, 50 percent or more of voting shares.
(5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
(6) A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.

Note 2: The aggregate amount of guarantee by the Company is limited to 50 percent of total equity.

Note 3: The guaranteed amount is limited to 20 percent for one party.

Note 4: The Company endorses others due to business relationships, and the amount of the endorsement guarantee shall not exceed the amount of the company's business transactions with it.

(iii) Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included):

Unit: thousand dollars/thousand shares

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	December 31, 2020: Number of shares	December 31, 2020: Book value	December 31, 2020: Holding percentage	December 31, 2020: Market value	Maximum investment in 2020	Remarks
The Company	Mutual fund: Capital Money Market Fund	—	Financial assets at fair value though profit or loss — current	27,107	440,901	- %	440,901	440,000	
The Company	Taishin 1699 Money Market Fund	—	Financial assets at fair value though profit or loss — current	5,863	80,000	- %	80,000	80,000	
Beijing L & S Lancom Platform of Technology CO., Ltd.	China Merchants Bank Financial Products – Jyu Yi Sheng Jin 98063	—	Financial assets at fair value though profit or loss — current	-	21,477	- %	21,477	21,477	

(iv) Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance: Shares	Beginning Balance: Amount	Purchases: Shares	Purchases: Amount	Sales: Shares	Sales: Price	Sales: Cost	Sales: Gain (loss) on disposal	Ending Balance: Shares	Ending Balance: Amount
The Company	Capital Money Market Fund	Financial assets at fair value though profit or loss — current	Capital Securities Corporation	-	6,194	100,000	27,067	440,000	6,154	100,000	99,361	639	27,107	440,901
Beijing L&S Lancom Platform Tech. Co., Ltd.	China Merchants Bank Financial Products – Point Gold Pool 7007	Financial assets at fair value though profit or loss — current	China Merchants Bank	-	-	-	-	458,190	-	458,190	458,190	-	-	-

(v) Information on acquisition of real estate with purchase amount exceeding 300 million or 20% of the Company's paid-in capital: None.

(vi) Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital: None.

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(vii) Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company’ s paid-in capital:

Unit: thousand dollars

Name of Company	Counter-party	Relationship	Transaction details				The status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
The Company	LANNER ELECTRONICS USA, INC.	Subsidiary	(Sales)	(1,798,233)	(31) %	90 days	-	-	333,961	37 %	
LANNER ELECTRONICS USA, INC.	The Company	Subsidiary	Purchase	1,798,233	98 %	90 days	-		(333,961)	(96) %	
The Company	Dongguan Lihua Haiwell Tech. Co., Ltd.	Subsidiary	(Sales)	(319,541)	(6) %	60 days	-		105,200	12 %	
Dongguan Lihua Haiwell Tech. Co., Ltd.	The Company	Subsidiary	Purchase	319,541	27 %	60 days	-		(105,200)	(20) %	
The Company	LEI TECHNOLOGY CANDA INC.	Subsidiary	(Sales)	(589,273)	(10) %	90 days	-		138,905	15 %	
LEI TECHNOLOGY CANDA INC.	The Company	Subsidiary	Purchase	589,273	87 %	90 days	-		(138,905)	(92) %	
Dongguan Lihua Haiwell Tech. Co., Ltd.	Beijing L&S Lancom Platform Tech. Co., Ltd.	Subsidiary	(Sales)	(796,123)	(54) %	60 days	-		-	- %	
Beijing L&S Lancom Platform Tech. Co., Ltd.	Dongguan Lihua Haiwell Tech. Co., Ltd.	Subsidiary	Purchase	796,123	100 %	60 days	-		-	- %	
Dongguan Lihua Haiwell Technology Co., Ltd.	Beijing HDZX Technology CO., Ltd.	Associated company/ Related parties	(Sales)	(237,187)	(16) %	60 days	-		-	- %	

Note 1: The transactions within the Group were eliminated in the consolidated financial statements.

(viii) Information regarding receivables from related-parties exceeding 100 million or 20% of the Company’s paid-in capital:

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party (Note)	Turnover rate	Overdue amount		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
The Company	LANNER ELECTRONICS USA, INC.	Subsidiary	333,961	5.50	-		296,733 (Until March 4, 2021)	-
The Company	Dongguan Lihua Haiwell Tech. Co., Ltd.	Subsidiary	105,200	2.27	-		45,794 (Until March 4, 2021)	-
The Company	LEI TECHNOLOGY CANDA INC.	Subsidiary	138,905	4.65	-		95,214 (Until March 4, 2021)	-

Note: The transactions within the Group were eliminated in the consolidated financial statements.

(ix) Information regarding trading in derivative financial instruments: Please refer to Notes 6(b).

(x) Significant transactions and business relationship between the parent company and its subsidiaries in December 31, 2020:

Unit: thousand dollars

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
0	The Company	LANNER ELECTRONICS USA, INC.	1	Sales	1,798,233	No significant differences	23.97%
0	The Company	Dongguan Lihua Haiwell Technology Co., Ltd.	1	Sales	319,541	No significant differences	4.26 %
0	The Company	LEI Technology Canada Ltd.	1	Sales	589,273	No significant differences	7.85 %

(Continued)

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No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
0	The Company	LANNER ELECTRONICS USA, INC.	1	Accounts receivable	333,961	No significant differences	4.56 %
0	The Company	Dongguan Lihua Haiwell Technology Co., Ltd.	1	Accounts receivable	105,200	No significant differences	1.44 %
0	The Company	LEI Technology Canada Ltd.	1	Accounts receivable	138,905	No significant differences	1.90 %
1	Dongguan Lihua Haiwell Technology Co., Ltd.	Beijing L & S Lancom Platform of Technology CO., Ltd.	3	Sales	796,123	No significant differences	10.61%
1	Dongguan Lihua Haiwell Technology Co., Ltd.	Beijing L & S Lancom Platform of Technology CO., Ltd.	3	Current contract liabilities	71,021	No significant differences	0.97 %
1	Dongguan Lihua Haiwell Technology Co., Ltd.	Beijing HDZX Technology CO., Ltd.	3	Sales	124,934	No significant differences	1.67 %

Note 1: Company numbering is as follows:
(1) Parent company is 0.
(2) Subsidiary starts from 1.

Note 2: The number of the relationship with the transaction counterparty represents the following:
(1) "1" represents downstream transactions.
(2) "2" represents upstream transactions.
(3) "3" represents sidestream transactions.

Note 3: The transactions within the Group were eliminated in the consolidated financial statements.

(b) Information on investees:

The following are the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

Unit: thousand dollars/thousand shares

Name of investor	Investor investee	Address	Scope of business.	Original cost		Ending balance			Maximum investment in 2020	Net income of investee	Investment income (losses)	Remarks
				December 31, 2020	December 31, 2019	Shares	Ratio of shares	Book value				
The Company	LANNER ELECTRONICS USA, INC.	USA	Trading of computer peripheral equipment	248,819	248,819	7,850	100 %	265,174	248,819	33,718	33,718	(Note 1)
The Company	LANNER ELECTRONICS (MAURITIUS) INC.	Mauritius	Investing	84,990	84,990	2,653	100 %	875,633	84,990	116,265	116,265	(Note 1)
The Company	LEI TECHNOLOGY CANADA LTD.	Canada	Trading of computer peripheral equipment	153,926	96,174	5,105	100 %	141,627	153,926	10,110	10,110	(Note 1)
The Company	LANNER TECHNOLOGY JAPAN CO., LTD.	Japan	Trading of computer peripheral equipment	8,145	-	3	80 %	6,028	8,145	(2,234)	(1,787)	(Note 1)
The Company	Whitebox Solutions Inc.	Taiwan	Manufacture and trading of computer peripheral products	7,500	-	750	100 %	7,443	7,500	(57)	(57)	(Note 1)
Lanner Electronics (Mauritius) Inc.	Lancom Holding Co., Ltd.	Samoa	Investing	78,251	78,251	2,623	100 %	899,793	78,251	116,363	116,363	(Note 1)

Note 1: Aforementioned amounts have been eliminated upon consolidation.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the scope of businesses and products, and other information:

Unit: thousand dollars

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2020	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2020	Net income on investee	Direct / indirect investment holding percentage	Maximum investment in 2020	Investment income (loss) (Note 2)	Book value (Note 2)	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount							
Beijing L&S Lancom Platform Tech. Co., Ltd.	Trading of computer peripheral equipment	118,388	(3)	75,982	-	-	75,982	144,005	80.00 %	75,982	115,204	706,336	-
Beijing LSZC Investment Co., Ltd.	Investing	103,663	(4)	-	-	-	-	(8,077)	80.00 %	103,663	(6,462)	(Note 5)	-
Dongguan Lihua Haiwell Tech. Co., Ltd.	Manufacture and trading of computer peripheral products	92,037	(4)	-	-	-	-	15,231	80.00 %	92,037	12,185	92,318	-
Beijing HDZX Technology Co., Ltd.	Trading of computer peripheral equipment	70,358	(4)	-	-	-	-	24,390	31.92 %	70,358	7,785	(Note 4)	-
Lanner Technology (Dongguan) Co., Ltd. (Lanner Technology)	Trading of computer peripheral equipment	22,099	(1)	-	-	-	-	437	100.00 %	22,099	437	8,541	-

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Note 1: The method of investment is divided into the following four categories:
(1) Remittance from third-region companies to invest in Mainland China.
(2) Through the establishment of third-region companies then investing in Mainland China.
(3) Through transferring the investment to third-region existing companies then investing in Mainland China.
(4) Other methods — Investing in Mainland China through Beijing L & S Lancom Platform of Technology Co., Ltd.

Note 2: The investment income (losses) were recognized under the equity method and based on the financial statements audited by the auditor of the Company.

Note 3: Aforementioned amounts have been eliminated upon consolidated financial statements.

Note 4: The Group has disposed of all the shares in June 2020.

Note 5: LSZC has been canceled the business registration in April 2020.

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount remitted from Taiwan to Mainland China at the end of the period	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
The Company	75,982	161,928	- (Note 1)

Note 1: The Company was certified as an operations center by the Industrial Development Bureau, Ministry of Economic Affairs, in approval letter No. 10720420590, and the certification is valid from 2018 to 2021. The Company has no limitation on investment in Mainland China during the abovementioned period.

(iii) Significant transactions with investees in Mainland China:

Please refer to “Information on significant transactions” and “Business relationships and significant intercompany transaction” for the indirect and direct business transactions in China. All transactions were eliminated upon consolidation.

(d) Major shareholders:

Shareholding / Shareholder’s Name	Shares	Percentage
Yi-Wen Chou	10,146,089	8.59 %
Fubon Life Insurance Co., Ltd.	8,250,000	6.99 %
Delta Electronics, Inc.	6,763,845	5.73 %

(14) Segment information

(a) General information

The Group is mainly engaged in the manufacturing and selling of internet and communication equipment. Management reviews the Company’s overall performance regularly to evaluate the performance of each segment and allocate its resources accordingly. As the production procedure is highly similar, the Group is identified as a sole operating segment.

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(b) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Geographic information	2020	2019
Revenue from external customers:		
United States	$ 2,908,856	2,873,302
China	1,790,910	2,240,822
Canada	689,964	793,851
Israel	676,848	614,424
Other countries	1,436,104	1,202,399
Total	**$ 7,502,682**	**7,724,798**

Geographical information	December 31, 2020	December 31, 2019
Non-current assets:		
Taiwan	$ 922,339	940,640
United States	69,071	88,284
China	361,697	335,759
Canada	6,301	2,715
Total	**$ 1,359,408**	**1,367,398**

Non-current assets include property, plant and equipment, right-of-use assets, prepayments for equipment and intangible assets. They do not include financial instruments, deferred income tax assets and refundable deposit.

(c) Information about major customers

	2020	2019
Customer A	**$ 790,664**	**594,458**