YUAN High-Tech Development Co., Ltd.

Financial Report and Independent Auditors' Review Report

First Quarter of 2021 and 2020

(Stock Code: 5474)

Address: 18F., No. 88, Sec. 2, Zhongxiao E. Rd.,
Zhongzheng Dist., Taipei City

Tel: (02) 2392-1233

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

YUAN High-Tech Development Co., Ltd.

Financial Report and Independent Auditors' Review Report for the First Quarter of 2021 and 2020

Table of Contents

Independent Auditors' Review Report

(110) Cai-Shen-Bao-Zi No. 21000300

To YUAN High-Tech Development Co., Ltd.,

Introduction

The Balance Sheet as of March 31, 2021 and 2020, the Comprehensive Income Statement, the Statement of Changes in Equity and Cash Flow Statement for the period from January 1 to March 31, 2021 and 2020, as well as the Notes to the Financial Statements (including a summary of major accounting policies) of YUAN High-Tech Development Co., Ltd., have been reviewed by us. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 Interim Financial Reporting as endorsed by the Financial Supervisory Commission (FSC). Our responsibility is to express a conclusion on the financial statements based on our reviews.

Scope

We conducted our reviews in accordance with Statement of Auditing Standards 65 Review of Financial Information Performed by the Independent Auditor of the Entity. A review of the financial statements consists of making inquiries, primarily to persons responsible for financial and accounting affairs, and applying analytical and other review procedures. Since the scope of review is substantially than that of audit, we might not be fully aware of all material matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions

According to our review results, we have determined that the foregoing financial statements have been prepared in all material respects in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 Interim Financial Reporting as endorsed by the Financial Supervisory Commission (FSC), with a fair presentation of the financial position as of March 31, 2021 and 2020, the financial performance and the cash flows for the period from January 1 to March 31, 2021 and 2020 of YUAN High-Tech Development Co., Ltd.

PwC Taiwan

Feng, Min-Chuan

CPA

Hsu, Yung-Chien

Securities and Futures Bureau, Financial Supervisory Commission, R.O.C.
Approval Document No.: Jin-Guan-Zheng-Liu-Zi No.0960038033
Securities and Exchange Commission of the Ministry of Finance
Approval Document No.: the Ministry of Finance Securities & Futures Commission Letter No. (84) Tai-Cai-Zeng-Liu No. 13377

May 12, 2021

YUAN High-Tech Development Co., Ltd.
Balance Sheet
March 31, 2021, December 31 and March 31, 2020
(Balance sheet dated on march 31, 2021 and 2020 have only been reviewed, not audited in accordance with the generally accepted auditing standards)

Unit: NT$ thousand

			March 31, 2021		December 31, 2020		March 31, 2020	
	Assets	Note	Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and cash equivalents	VI(I)	$ 517,395	23	$ 655,987	28	$ 1,103,311	71
1150	Net notes receivable	VI(II)	4,981	-	2,874	-	5,274	-
1170	Net accounts receivable	VI(II)(III)	15,828	1	8,529	-	6,588	1
130X	Inventories	VI(IV)	399,791	18	333,571	14	235,096	15
1470	Other current assets	VI(III)	167,484	7	149,410	7	126,429	8
11XX	**Total current assets**		1,105,479	49	1,150,371	49	1,476,698	95
	Non-current assets							
1600	Property, plant and equipment	VI(V)	1,092,529	48	1,093,383	47	8,186	1
1755	Right-of-use assets	VI(VI)	19,965	1	26,038	1	22,993	2
1760	Net amount of investment properties	VI(VIII) & VIII	22,409	1	22,442	1	22,067	1
1780	Intangible assets		4,435	-	5,452	-	5,858	-
1840	Deferred income tax assets		27,445	1	25,975	1	14,134	1
1900	Other non-current assets		5,569	-	5,569	1	4,277	-
15XX	**Total non-current assets**		1,172,352	51	1,178,859	51	77,515	5
1XXX	**Total assets**		$ 2,277,831	100	$ 2,329,230	100	$ 1,554,213	100

(Continued on the next page)

YUAN High-Tech Development Co., Ltd.
Balance Sheet
March 31, 2021, December 31 and March 31, 2020
(Balance sheet dated on march 31, 2021 and 2020 have only been reviewed, not audited in accordance with the generally accepted auditing standards)

Unit: NT$ thousand

			March 31, 2021		December 31, 2020		March 31, 2020	
	Liabilities and equity	Note	Amount	%	Amount	%	Amount	%
	Liabilities							
	Current liabilities							
2100	Short-term loans	VI(IX)	$ 30,000	1	$ -	-	$ -	-
2130	Contract liabilities - current	VI(XVI)	31,240	2	29,474	1	24,072	2
2150	Notes payable		118,517	5	199,338	9	66,515	4
2170	Accounts payable		165,850	7	214,301	9	149,251	10
2200	Other payables	VI(X)	81,113	4	123,882	5	50,839	3
2230	Current tax liabilities		167,318	7	154,467	7	64,823	4
2250	Liability provision - current	VI(XII)	21,460	1	20,851	1	14,996	1
2280	Lease liabilities - current		12,623	1	15,831	1	15,118	1
2300	Other current liabilities		3,837	-	3,170	-	2,456	-
21XX	**Total current liabilities**		631,958	28	761,314	33	388,070	25
	Non-current liabilities							
2550	Liability provision - non-current	VI(XII)	39,811	2	38,574	2	26,687	2
2570	Deferred income tax liabilities		-	-	-	-	691	-
2580	Lease liabilities - non-current		1,747	-	3,495	-	8,016	-
2600	Other non-current liabilities		5,111	-	5,111	-	8,149	1
25XX	**Total non-current liabilities**		46,669	2	47,180	2	43,543	3
2XXX	**Total liabilities**		678,627	30	808,494	35	431,613	28
	Equity							
	Share capital	VI(XIII)						
3110	Share capital of common stock		337,298	15	337,298	14	337,298	22
	Capital reserve	VI(XIV)						
3200	Capital reserve		793	-	793	-	793	-
	Retained earnings	VI(XV)						
3310	Legal capital reserve		182,484	8	182,484	8	156,453	10
3350	Unappropriated earnings		1,116,925	49	1,038,457	45	657,470	42
	Other equity							
3500	Treasury shares	VI(XIII)	(38,296)	(2)	(38,296)	(2)	(29,414)	(2)
3XXX	**Total equity**		1,599,204	70	1,520,736	65	1,122,600	72
	Material contingent liabilities and unrecognized contractual commitments	IX						
3X2X	**Total liabilities and equity**		$ 2,277,831	100	$ 2,329,230	100	$ 1,554,213	100

The notes to the financial statements attached hereto are part of this financial report and shall be referred to accordingly.

Chairman: Chen, Li-Min　　Manager: Chao, Hsi-Cheng　　Accounting Manager: Lo, Chia-Ling

YUAN High-Tech Development Co., Ltd.
Comprehensive Income Statement
From January 1 to March 31, 2021 and 2020
(reviewed only, not audited in accordance with the generally accepted auditing standards)

Unit: NT$ thousand
(Except for earnings per share in NT$)

Code	Item	Note	From January 1 to March 31, 2021 Amount	%	From January 1 to March 31, 2020 Amount	%
4000	Operating income	VI(XVI)	$ 423,389	100	$ 290,017	100
5000	Operating costs	VI(IV)	(236,870)	(56)	(152,371)	(52)
5900	Gross profit		186,519	44	137,646	48
	Operating expenses	VI(XI)(XX)(XXI)				
6100	Selling expenses		(13,373)	(3)	(12,580)	(4)
6200	Administrative expenses		(28,935)	(7)	(22,664)	(8)
6300	R&D expenses		(45,455)	(11)	(37,451)	(13)
6450	Expected credit impairment benefit	XII(II)	-	-	-	-
6000	Total operating expenses		(87,763)	(21)	(72,695)	(25)
6900	Operating profit		98,756	23	64,951	23
	Non-operating income and expenses					
7100	Interest income	VI(XVII)	150	-	1,117	-
7010	Other income	VI(XVIII)	2,136	1	2,336	1
7020	Other gains and losses	VI(XIX)	(2,665)	(1)	3,345	1
7050	Finance costs		(279)	-	(152)	-
7000	Total non-operating income and expenses		(658)	-	6,646	2
7900	**Net income before tax**		98,098	23	71,597	25
7950	Income tax expenses	VI(XXII)	(19,630)	(4)	(14,330)	(5)
8200	**Net profit in the current period**		$ 78,468	19	$ 57,267	20
8500	**Total comprehensive income for the period**		$ 78,468	19	$ 57,267	20
	Earnings per share	VI(XXIII)				
9750	Basic earnings per share		$ 2.37		$ 1.70	
9850	Diluted earnings per share		$ 2.36		$ 1.69	

The notes to the financial statements attached hereto are part of this financial report and shall be referred to accordingly.

Chairman: Chen, Li-Min   Manager: Chao, Hsi-Cheng   Accounting Manager: Lo, Chia-Ling

YUAN High-Tech Development Co., Ltd.
Statement of Changes in Equity
From January 1 to March 31, 2021 and 2020
(reviewed only, not audited in accordance with the generally accepted auditing standards)

Unit: NT$ thousand

	Note	Share capital of common stock	Capital reserve	Retained earnings: Legal capital reserve	Retained earnings: Unappropriated earnings	Treasury shares	Total equity
2020							
Balance as of January 1, 2020		$ 337,298	$ 793	$ 156,453	$ 600,203	$ -	$ 1,094,747
Net profit in the current period		-	-	-	57,267	-	57,267
Total comprehensive income for the period		-	-	-	57,267	-	57,267
Repurchase of treasury shares	VI(XIII)	-	-	-	-	(29,414)	(29,414)
Balance as of March 31, 2020		$ 337,298	$ 793	$ 156,453	$ 657,470	($ 29,414)	$ 1,122,600
110							
Balance as of January 1, 2021		$ 337,298	$ 793	$ 182,484	$ 1,038,457	($ 38,296)	$ 1,520,736
Net profit in the current period		-	-	-	78,468	-	78,468
Total comprehensive income for the period		-	-	-	78,468	-	78,468
Balance as of March 31, 2021		$ 337,298	$ 793	$ 182,484	$ 1,116,925	($ 38,296)	$ 1,599,204

The notes to the financial statements attached hereto are part of this financial report and shall be referred to accordingly.

Chairman: Chen, Li-Min　　Manager: Chao, Hsi-Cheng　　Accounting Manager: Lo, Chia-Ling

YUAN High-Tech Development Co., Ltd.
Cash Flow Statement
From January 1 to March 31, 2021 and 2020
(reviewed only, not audited in accordance with the generally accepted auditing standards)

Unit: NT$ thousand

	Note	From January 1 to March 31, 2021	From January 1 to March 31, 2020
Cash flows from operating activities			
Current net profit before tax		$ 98,098	$ 71,597
Adjustments			
Income and expenses			
Depreciation expenses	VI(V)(VI)(VIII)(XX)	7,262	4,846
Amortization expenses	VI(XX)	1,231	1,103
Interest income	VI(XVII)	(150)	(1,117)
Interest expense		279	152
Changes in assets/liabilities relating to operating activities			
Net changes in assets related to operating activities			
Increase in notes receivable		(2,107)	(1,565)
Increase in accounts receivable		(7,299)	(3,079)
Increase in inventory		(66,220)	(69,568)
Increase in other current assets		(18,074)	(13,648)
Net change in liabilities related to operating activities			
Increase in contract liabilities - current		1,766	3,280
Decrease in notes payable		(80,821)	(4,820)
Increase (decrease) in accounts payable		(48,451)	73,730
Decrease in other payables		(42,769)	(26,395)
Increase (decrease) in other current liabilities		667	(1,178)
Increase (decrease) in liability provision		1,846	(5,612)
Cash inflow (outflow) from operations		(154,742)	27,726
Interest received		150	1,117
Interest paid		(279)	(151)
Income tax paid		(8,249)	-
Net cash inflow (outflow) from operating activities		(163,120)	28,692
Cash flows from investing activities			
Acquisition of property, plant and equipment	VI(V)	(302)	(1,003)
Purchase of intangible assets		(214)	(1,152)
Net cash outflow from investment activities		(516)	(2,155)
Cash flows from financing activities			
Short-term loans		260,000	-
Repayment of short-term loans		(230,000)	-
Repayment of leasing principal	VI(XXIV)	(4,956)	(3,716)

The notes to the financial statements attached hereto are part of this financial report and shall be referred to accordingly.

Chairman: Chen, Li-Min Manager: Chao, Hsi-Cheng Accounting Manager: Lo, Chia-Ling

YUAN High-Tech Development Co., Ltd.
Cash Flow Statement
From January 1 to March 31, 2021 and 2020
(reviewed only, not audited in accordance with the generally accepted auditing standards)

Unit: NT$ thousand

	Note	From January 1 to March 31, 2021	From January 1 to March 31, 2020
Repurchase of treasury shares	VI(XIII)	-	(29,414)
Net cash inflow (outflow) from financing activities		25,044	(33,130)
Decrease in cash and cash equivalents for the current period		(138,592)	(6,593)
Balance of cash and cash equivalents at the beginning of period		655,987	1,109,904
Balance of cash and cash equivalents at the end of the period		$ 517,395	$ 1,103,311

The notes to the financial statements attached hereto are part of this financial report and shall be referred to accordingly.

Chairman: Chen, Li-Min　　Manager: Chao, Hsi-Cheng　　Accounting Manager: Lo, Chia-Ling

YUAN High-Tech Development Co., Ltd.

Notes to the Financial Report

First Quarter of 2021 and 2020

(Reviewed only, not audited in accordance with the generally accepted auditing standards)

Unit: NT$ thousand

(unless otherwise specified)

I. Company history

YUAN High-Tech Development Co., Ltd. (hereinafter referred to as "the Company") was established in October, 1990 in the Republic of China, and is mainly engaged in the manufacturing, processing and trading of computer multimedia peripheral video converters and interface cards, electronic and computer parts, general import and export business of the aforementioned products, and the distribution and bidding business of the aforementioned products on behalf of domestic manufacturers.

II. Date and procedures for adoption of the financial report

This financial report was reported to and issued by the Board of Directors on May 12, 2021.

III. Application of new and amended standards and interpretations

(I) Effect of the application of new and amended international financial reporting standards ("IFRSS") as endorsed by the financial supervisory commission ("FSC").

The following table lists the newly issued, amended and revised IFRSs and interpretations as endorsed by the FSC in 2021:

Newly Issued, Amended, and Revised Standards and Interpretations	The effective date published by International Accounting Standards Board (IASB)
Amendments to IFRS 4 - Extension of the Temporary Exemption from Applying IFRS 9	January 1, 2021
The Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 - Interest Rate Benchmark Reform	January 1, 2021
Amendments to IFRS 16 - COVID-19 – Related Rent Concessions After June 30, 2021	April 1, 2021 (Note)
Note: The FSC allows the application as early on January 1, 2021.	

The Company assessed the above standards and interpretations and there is no significant impact to the Company's financial position and financial performance.

(II) The impact of newly issued and amended IFRS endorsed by FSC but yet has not been adopted by the Company

none

(III) The impact of IFRS published by the IASB but not yet endorsed by the FSC

The following table lists the newly issued, amended and revised IFRSs and interpretations published by the IASB but not yet endorsed by the FSC:

Newly Issued, Amended, and Revised Standards and Interpretations	The effective date published by International Accounting Standards Board (IASB)
Amendments to IFRS 3 - Reference to the Conceptual Framework	January 1, 2022
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be decided by IASB
IFRS 17 - Insurance Contracts	January 1, 2023
Amendments to IFRS 17 - Insurance Contracts	January 1, 2023
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 1 - Disclosure Initiative-Accounting Policies	January 1, 2023
Amendments to IAS 8 - Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use	January 1, 2023
Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract	January 1, 2023
Annual Improvements to IFRS Standards 2018-2020	January 1, 2023

The Company assessed the above standards and interpretations and there is no significant impact to the Company's financial position and financial performance.

IV. Summary of significant accounting policies

The main accounting policies adopted in the preparation of this financial report are described below. Unless otherwise stated, these policies apply consistently throughout all reporting periods.

(I) Statement of compliance

This financial report has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IAS 34 Interim Financial Reporting as endorsed by the FSC.

(II) Basis of preparation

1. Except for the following important items, this financial report is prepared at historical cost:

   A defined benefit liability is recognized as the net value of the pension fund assets minus the present value of the defined benefit obligation.

2. The preparation of financial report in compliance with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations, and SIC Interpretations (collectively referred to as "IFRSs") endorsed by the FSC requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Please refer to Note V for items involving in a higher degree of judgment or complexity or items involving in significant assumptions and estimates to the financial report.

(III) Translation of foreign currency

The items presented in the financial report of the Company are measured at the currency (i.e., functional currency) of the main economic environment in which the Company operating. This financial report is presented in the functional currency of the Company, New Taiwan Dollar.

Transaction in foreign currencies and balances

1. Transaction in foreign currencies are translated into functional currencies at the spot exchange rate on the trading day or the measurement date, and the translation differences generated by such transactions are recognized as profit or loss for the current period.
2. The balance of monetary assets and liabilities in foreign currencies shall be evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the translation differences generated by such adjustment shall be recognized as profit and loss for the current period.
3. If the balance of non-monetary assets and liabilities in foreign currencies is not measured at fair value, it shall be measured at the historical exchange rate of the initial trading day.
4. All other exchange gains and losses shall be presented under "Other gains and losses" in the Income Statement.

(IV) The classification criteria for assets and liabilities whether are current or non-current

1. An asset that meets any of the following conditions shall be classified as current

asset:

(1) The asset is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
(2) The asset is held primarily for trading purposes;
(3) The asset is expected to be realized within 12 months after the balance sheet date; and
(4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to pay off a liability at least 12 months after the balance sheet date.

The Company classifies all assets that do not meet the foregoing conditions as non-current.

2. A liability that meets any of the following conditions shall be classified as current liability:

(1) The liability is expected to be paid off in the normal operating cycle;
(2) The liability is held primarily for trading purposes;
(3) The liability is expected to be paid off within 12 months after the balance sheet date; and
(4) The liability of which the settlement term cannot be deferred unconditionally to at least 12 months after the balance sheet date. However, the terms of a liability which may result in the settlement of an equity instrument at the option of the counterparty will not affect its classification.

The Company classifies all liabilities that do not meet the foregoing conditions as non-current.

(V) Cash equivalents

Cash equivalents refer to short-term investments with highly liquidity that can be converted into quota cash at any time with little risk of change in value. Time deposits that meet the foregoing definition and are held for the purpose of meeting short-term cash commitments in operation are classified as cash equivalents.

(VI) Accounts and notes receivable

1. Accounts and notes receivable refer to the accounts and notes which have the right to unconditionally receive the consideration for the transfer of goods or services in accordance with the contract.
2. The Company measures the short-term accounts and notes receivable without interest paid at the original invoice value, due to the little effect from discount.
3. The Company's expected factoring receivables are operated for the purpose of

selling, and shall be measured at fair value subsequently, with changes recognized as profit and loss for the current period.

(VII) Impairments of financial assets

At each balance sheet date, the Company, taking into account all reasonable and verifiable information (including forward-looking information) regarding financial assets measured at amortized cost, and accounts receivable with material financial components, measures the loss allowance by the expected credit loss in 12 months for those without credit risk increased significantly since the initial recognition, and measures the loss allowance by the expected credit loss during the duration for those with credit risk increased significantly since the initial recognition. For accounts receivable that do not contain a material financial component, the Company measures the loss allowance by the expected credit loss during the duration.

(VIII) Derecognition of financial assets

The Company will derecognize a financial asset if:

1. The contractual rights to receive cash flows from the financial asset expire.
2. The Company transfers the contractual rights to receive cash flows from the financial asset and virtually has transferred all the risks and rewards of the ownership of the financial asset.
3. The Company transfers the contractual rights to receive cash flows from the financial asset without retaining control over the financial asset.

(IX) Lessor's lease transaction - operating lease

The deduction of any inducement given to the lessee from the lease income of an operating lease shall be recognized as the current profit or loss by the straight-line method during the lease term.

(X) Inventories

Inventory shall be measured at the lower of cost or net realized value, and the cost is determined by weighted average method. The costs of finished goods and work in process include raw materials, direct labor, other direct costs and manufacturing overhead related to production, but does not include borrowing costs. The item by item comparison method is adopted for the lower of comparative cost and net realized value. The net realized value refers to the balance of the estimated selling price in the normal course of business minus the estimated cost to be invested until completion and related variable selling expenses.

(XI) Property, plant and equipment

1. Property, plant and equipment are accounted for on the basis of acquisition cost.
2. Subsequent costs are included in the asset's carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replacement shall be derecognized. All other maintenance costs shall be recognized as current profit or loss when incurred.
3. Property, plant and equipment shall be subsequently measured by the cost model, and shall be depreciated by the straight-line method based on the estimated service life except for land If each item of property, plant and equipment is material, it shall be depreciated separately.
4. The Company reviews each asset's residual values, service lives and depreciation methods at the end date of each fiscal year. If expected values of residual values and service lives differ from the previous estimates or there has been a material change in the expected consumption pattern of the future economic benefits contained in the asset, it shall be treated in accordance with the provisions of the IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for changes in accounting estimates since the date of the change. The service life of each asset is as follows:

Machinery equipment	2 to 5 Years
Transportation equipment	5 Years
Office equipment	2 to 5 Years
Lease improvement	2 Years

(XII) Lessee's lease transaction - right-of-use assets/lease liabilities

1. The leased assets shall be recognized as the right-of-use assets and lease liabilities on the date when they are available to the Company. When the lease contract is a short-term lease or a lease of an underlying asset of low value, the lease payment shall be recognized as expense during the lease period by straight-line method.
2. The lease liabilities shall be recognized at the present value of the unpaid lease payments at the commencement date of lease discounted at the Company's interest rate on the increment loan. A lease payment is a fixed payment minus any lease inducement that may be received.

The lease liabilities shall be measured by the interest method and the amortized cost method subsequently, and the provision for interest expense shall be made during the lease term. When the lease term or lease payment changes not due to the contract modification, the lease liability will be reassessed and the remeasurement amount will be adjusted to the right-of-use asset.

3. The right-of-use assets shall be recognized at cost on the commencement date of lease, and the cost shall include:

    (1) The initial measurement amount of the lease liability;
    (2) Any lease payment paid on or before the commencement date.

    The right-of-use assets shall be measured by the cost model subsequently, and the provision for depreciation expense shall be made on the earlier of the expiry date of the asset's service life or the expiry date of the lease term. When the lease liability is reassessed, the right-of-use assets will be adjusted to any remeasurement of the lease liability.

4. For a lease modification that reduces the scope of the lease, lessee will reduce the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between the carrying amount and the remeasurement amount of the lease liability in the profit and loss.

(XIII) Investment properties

Investment properties shall be recognized at acquisition cost, and measured by the cost model subsequently. Except for land, investment property shall be depreciated by the straight-line method according to the estimated service life, which is 10-20 years.

(XIV) Intangible assets

Computer software

Computer software shall be recognized at acquisition cost, and amortized over an estimated service life of 1 - 5 years by the straight-line method.

(XV) Impairment of non-financial assets

On the balance sheet date, the Company estimates the recoverable amount of the assets with an indication of impairment, and recognizes the impairment loss when the recoverable amount is lower than the book value. The recoverable amount refers to the fair value of an asset minus the cost of disposal or its use value, whichever is higher. When the impairment of an asset recognized in previous years does not exist or decreases, the impairment loss shall be reversed, provided that the increase in the carrying amount of the asset resulting from the reversal of the impairment loss shall not exceed the carrying amount of the asset after deducting depreciation or amortization if the impairment loss is not recognized.

(XVI) Loans

It refers to a short-term loan from a bank. At the time of initial recognition, the Company shall measure the loans by deducting transaction costs from their fair value, and shall subsequently recognize the interest expense in profit and loss during the current period according to the amortization procedure using the effective interest method for any difference between the price after deducting transaction costs and the redemption value in profit and loss.

(XVII) Accounts and notes payable

1. Accounts and notes payable are debts incurred for the purchase of raw materials, goods or services on credit and notes payable incurred either arising from business or not arising from business.
2. The Company measures the short-term accounts and notes payable without interest paid at the original invoice value, due to the little effect from discount.

(XVIII) Derecognition of financial liabilities

The Company derecognizes financial liabilities when its contractual obligations specified have been performed, canceled or due.

(XIX) Offsetting of financial assets and liabilities

The Company may offset the financial assets and financial liabilities against each other and present them net in the balance sheet only when it has a legally enforceable right to offset the recognized amount of financial assets and liabilities, and intends to close on a net basis or realize assets and pay off liabilities at the same time.

(XX) Liability provision

Provision for liabilities (including warranties and provisions for liabilities arising from litigation) shall be recognized when the Company has a current legal or constructive obligation arising from a past event, and it is likely that the Company will have to discharge resources with economic benefit in the future to fulfill the obligation, the amount of such obligation can be reliably estimated. The provision for liabilities shall be measured by the best estimated present value of the expenditure required to fulfill the obligation at the balance sheet date, with a pre-tax discount rate which reflects the current market assessment of the time value of money and the specific risk of the liability. The amortization of the discount shall be recognized as interest expense. No provision for liabilities shall be recognized for future operating losses.

(XXI) Employee benefits

1. Short-term employee benefits

   Short-term employee benefits shall be measured at the undiscounted amount expected to be paid and shall be recognized as expenses when the services are provided.

2. Pension

   (1) Defined contribution plans

   For a defined contribution plan, the amount of the pension fund to be contributed shall be recognized as the current pension cost on an accrual basis. Contributions paid in advance shall be recognized as assets to the extent refundable cash or reduced future payments.

   (2) Defined benefit plans

   A. Net obligations under defined benefit plans shall be calculated by discounting the amount of future benefits earned by the employee from the current or past services, and by present value of defined benefit obligations less the fair value of plan assets at the balance sheet date. Net obligations under defined benefit plan shall be calculated on an annually basis by actuaries using the projected unit benefit method. The discount rate adopted shall be the market yield (at the balance sheet date) of government bonds in the same currency and period as the defined benefit plan at the balance sheet date.

   B. The remeasurement amount generated by the defined benefit plan shall be recognized in other comprehensive income for the period in which it is incurred and expressed in retained earnings.

C. The pension cost for the interim period shall be calculated on the basis of actuarial pension cost rates as at the end date of the preceding fiscal year from the beginning to the end of the year. If there are material market changes and material reductions, liquidations or other material one-off events after such end date, the pension cost shall be adjusted and disclosed in accordance with the foregoing policy.

3. Employees compensation and remuneration to directors and supervisors

   Employees compensation and remuneration to directors and supervisors shall be recognized as expenses and liabilities where there are legal or constructive obligations and the amounts can be reasonably estimated. If there is a difference between the actual amount distributed and the accrued amount resolved subsequently, it shall be treated as a change in accounting estimate. In addition, if employees compensation is issued in stock, the number of shares shall be calculated based on the closing price of the day prior to the resolution of the board of directors.

(XXII) Income tax

1. Income tax expense includes current and deferred income taxes. Income tax shall be recognized in profit and loss, except that income tax related to items included in other comprehensive income or directly included in equity shall be separately included in other comprehensive income or directly included in equity.
2. The Company shall calculate the current income tax on the basis of the tax rates that are legislated or substantially legislated at the balance sheet date by the country in which the Company operates and generates its taxable income. Management shall evaluate on a regularly basis the status of income tax returns in respect of applicable income tax regulations and, where applicable, estimate income tax liabilities based on the taxes expected to be paid to tax authorities. The expense of income tax imposed on undistributed earnings under the Income Tax Act shall not be recognized according to the actual distribution of undistributed earnings until the next year of the year in which the surplus is generated after the earnings distribution plan is approved by the shareholders' meeting.
3. Deferred income tax shall be recognized on the basis of temporary differences between the tax basis of assets and liabilities and their carrying amounts on the balance sheet, using the balance sheet method. Deferred tax is subject to the tax rate (and tax law) that is legislated or substantially legislated at the balance sheet date and is expected to apply at the time of realization of the relevant deferred tax asset or settlement of the deferred tax liability.

4. Deferred income tax assets shall be recognized to the extent that temporary differences are likely to be used to offset future taxable income, and the unrecognized and recognized deferred income tax assets shall be reassessed on each balance sheet date.
5. The Company shall offset the current income tax assets and current income tax liabilities against each other only when it has the legal enforcement power to offset the recognized current income tax assets and liabilities against each other and intends to repay them on a net basis or realize assets and pay off liabilities at the same time. The Company shall offset the deferred income tax assets and liabilities against each other only when it has the legal enforcement power to offset the current income tax assets and the current income tax liabilities against each other, and the deferred income tax assets and liabilities are generated by the same taxpayer, or by different taxpayers, levied by the same tax authority, provided that each taxpayer intends to repay them on a net basis or realize assets and pay off liabilities at the same time.
6. Unused income tax credits transferred in later period arising from research and development expenditure shall be recognized as income tax assets to the extent that future tax income is likely to be available for the use of the unused income tax credit.
7. Income tax expense for the interim period shall be calculated by the profit and loss before tax for the interim period applying the estimated annual average effective tax rate and shall be disclosed in accordance with the foregoing policy.

(XXIII) Share capital

1. Common stock is classified as equity, and the incremental costs directly attributable to the issuance of new shares or stock options shall be included as price deduction in equity with the net amount after deduction of income tax.

2. When the Company repurchases its outstanding shares, it recognizes the consideration paid, including any directly attributable incremental costs, as a reduction of shareholders' equity on a net after-tax basis. When the repurchased shares are subsequently re-issued, the difference between the book value and the consideration received after deducting any directly attributable increment costs and income tax effects of the repurchased shares shall be recognized as an adjustment of shareholders' equity.

(XXIV) Dividend distribution

Dividends distributed to the Company's shareholders shall be recognized in the financial report when the dividends distribution are approved by resolution of the shareholders' meeting or by special resolution of the Board of Directors. Cash dividends distribution shall be recognized as liabilities, while stock dividends distribution shall be recognized as stock dividends to be distributed and recognized as ordinary shares on the base date of issue of new shares.

(XXV) Recognition of revenue

1. Merchandise sales

(1) The Company develops, manufactures and sells computer multimedia peripheral video converters, interface cards and other related products, and recognizes the sales revenue when the control of the products is transferred to the customer, that is, when the products are delivered to the customer, the customer has the discretion over the distribution and price of the products, and the Company has no outstanding performance obligations that may affect the customer's acceptance of the products. The delivery of products shall be deemed to have occurred only when the products are shipped to the designated location, the risk of obsolescence and loss has been transferred to the customer and the customer has accepted the products pursuant to the sales contract or there is objective evidence that all acceptance criteria have been met.

(2) The sales revenue of computer multimedia peripheral video converters, interface cards and other related products shall be recognized according to the quantity of goods purchased by the customer and the price of item agreed upon. The terms of collection of sales transactions are agreed upon in accordance with the general commercial transaction model and the market practice, therefore, it is concluded that there is no material financial component to the contract.

(3) Sales allowances granted to customers are generally calculated on a 12-month

cumulative sales basis. The Company estimates sales allowances using the expected value approach based on historical experience. Revenue recognized is limited to the portion of the sales that is highly likely not to be materially reversed in the future and shall be updated on each balance sheet date. Estimated sales allowance payable to customer in relation to sales as at the balance sheet date shall be recognized as a refund liability. Payment terms for sales transactions are usually 30 to 60 days due from the date of shipment. The Company will not adjust the transaction price to reflect the time value of currency if the time interval between the transfer of the promised goods to the customer and the payment by the customer has not exceeded one year.

(4) The Company provides standard warranty for the products sold, shall be obligated to refund for product defects, and shall recognize liability provisions at the time of sales.

(5) Accounts receivable shall be recognized when the goods are delivered to the customer, since the Company has an unconditional right to the contract price from that point on and can collect consideration from the customer only after the lapse of time.

2. Acquisition costs of customer contracts

The incremental costs incurred by the Company in obtaining the customer contracts are expected to be recoverable. However, as the contract period is less than one year, such costs shall be recognized as expenses when incurred.

(XXVI) Operating segments

Information about the Company's operating segments is reported in a manner consistent with internal management reports provided to principal operating decision maker. The principal operating decision maker is responsible for allocating resources to the operating segments and evaluating their performance. The principal operating decision maker of the Company is identified as the Board of Directors.

V. Major sources of uncertainty in major accounting judgments, estimates and assumptions

At the time of the preparation of this financial report, management has used its judgment in determining the accounting policies to be adopted and has made accounting estimates and assumptions based on reasonable expectations concerning future events according to the current conditions as at the balance sheet date. Significant accounting estimates and assumptions made that may differ from actual results will be continuously evaluated and adjusted taking into account historical experience and other factors. Such estimates and assumptions are subject to the risk of a material adjustment of the carrying amounts of assets and liabilities in the following fiscal year. Please refer to the following descriptions of the uncertainties in significant accounting judgments, estimates and assumptions:

(I) Significant judgments adopted for accounting policies

None.

(II) Significant accounting estimates and assumptions

Valuation of inventory

Since inventories are valued at the lower of cost and net realized value, the Company must use judgment and estimation to determine the net realized value of inventories at the balance sheet date. Due to rapid changing technology, the Company evaluates the amount of inventory for normal wear and tear, obsolescence, or without market value at the balance sheet date and offsets the cost of inventory to net realized value. This inventory valuation is based primarily on product demand estimates for specific periods in the future and may be subject to material change.

As of March 31, 2021, the carrying amount of the Company's inventory is NT$399,791.

VI. Description of material accounting items

(I) Cash and cash equivalents

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand and working capital	$ 775	$ 788	$ 790
Check deposits and current deposits	381,720	520,299	550,171
Time deposits	134,900	134,900	552,350
	$ 517,395	$ 655,987	$ 1,103,311

1. The Company transacts with financial institutions of high credit quality, and transacts with a variety of financial institutions to diversify credit risk; therefore, the probability of counterparty's default is remote.
2. The Company has not pledged any cash and cash equivalents.

(II) Notes and accounts receivable

	March 31, 2021	December 31, 2020	March 31, 2020
Notes receivable	$ 4,981	$ 2,874	$ 5,274
Less: allowance for loss	-	-	-
	$ 4,981	$ 2,874	$ 5,274
Accounts receivables	$ 16,528	$ 9,229	$ 7,288
Less: allowance for loss	(700)	(700)	(700)
	$ 15,828	$ 8,529	$ 6,588

1. The aging analysis of accounts receivable and notes receivable is as follows:

	March 31, 2021		December 31, 2020		March 31, 2020	
	Accounts receivables	Notes receivable	Accounts receivables	Notes receivable	Accounts receivables	Notes receivable
Not overdue	$ 13,480	$ 4,981	$ 8,595	$ 2,874	$ 6,589	$ 5,274
Within 30 days	2,477	-	23	-	-	-
31-90 days	-	-	-	-	5	-
91-180 days	-	-	-	-	-	-
More than 181 days	571	-	611	-	694	-
	$ 16,528	$ 4,981	$ 9,229	$ 2,874	$ 7,288	$ 5,274

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

2. Balances of accounts receivable and notes receivable as of March 31, 2021, December 31 and March 31, 2020 were generated by contracts with customer, and the balance of accounts receivable under contracts with customer as of January 1, 2020 was NT$7,918.

3. Without regard to collateral held or other credit enhancements, the maximum exposure amount representing most the credit risk of the Company's notes receivable and accounts receivable as of March 31, 2021, December 31 and March 31, 2020 is NT$4,981, NT$2,874 and NT$5,274, NT$15,828, NT$8,529 NT$6,588 as of March 31, 2021, December 31 and March 31, 2020 respectively.

4. Please refer to Note XII (II) for information on the credit risks.

(III) Transfer of financial assets

Transferred financial assets derecognized as a whole

The Company entered into an account receivable factoring agreement with Taipei Fubon Commercial Bank Co., Ltd., CTBC Bank Co., Ltd., EnTie Commercial Bank Co., Ltd. and Cathay United Bank Co., Ltd. On March 22, 2021, December 29, 2020, July 17, 2020, and October 27, 2020 respectively. The Company is contractually free from the risk of non-collection of such transferred receivables and is only liable for losses arising from commercial disputes, and the Company has no ongoing involvement in such transferred receivables. Therefore, the Company derecognizes such factoring accounts receivable. The relevant information regarding those outstanding accounts receivable is as follows:

March 31, 2021

Factoring object	Amount of factoring accounts receivable	Derecognition amount	Anticipated amount	Predictable amount	Interest rate range for anticipated amounts
Taipei Fubon Commercial Bank Co., Ltd.	$ 5,120	$ 5,120	$ -	$ 118,080	-
CTBC Bank Co., Ltd.	7,211	7,211	-	44,951	-
EnTie Commercial Bank Co., Ltd.	128,381	128,381	-	128,430	-
Cathay United Bank Co., Ltd.	4,310	4,310	-	8,562	-
	$ 145,022	$ 145,022	$ -	$ 300,023	

December 31, 2020

Factoring object	Amount of factoring accounts receivable	Derecognition amount	Anticipated amount	Predictable amount	Interest rate range for anticipated amounts
Taipei Fubon Commercial Bank Co., Ltd.	$ 5,647	$ 5,647	$ -	$ 117,960	-
CTBC Bank Co., Ltd.	1,955	1,955	-	50,552	-
EnTie Commercial Bank Co., Ltd.	117,222	117,222	-	128,160	-
Cathay United Bank Co., Ltd.	4,098	4,098	-	8,544	-
	$ 128,922	$ 128,922	$ -	$ 305,216	

March 31, 2020					
Factoring object	Amount of factoring accounts receivable	Derecognition amount	Anticipated amount	Predictable amount	Interest rate range for anticipated amounts
Taipei Fubon Commercial Bank Co., Ltd.	$ 19,846	$ 19,846	$ -	$ 118,653	-
CTBC Bank Co., Ltd.	5,543	5,543	-	51,383	-
EnTie Commercial Bank Co., Ltd.	83,165	83,165	-	90,675	-
	$ 108,554	$ 108,554	$ -	$ 260,711	

The foregoing unadvanced price is presented as "other current assets". The Company transacts its factoring accounts receivable with financial institutions of high credit quality, and transacts with a variety of financial institutions to diversify credit risk; therefore, the probability of counterparty's default is remote.

(IV) Inventories

	March 31, 2021		
	Costs	Loss allowance for falling price	Carrying amount
Raw material	$ 406,704	($ 27,171)	$ 379,533
Work in process	30,506	(11,263)	19,243
Finished products	1,257	(242)	1,015
Total	$ 438,467	($ 38,676)	$ 399,791

	December 31, 2020		
	Costs	Loss allowance for falling price	Carrying amount
Raw material	$ 332,161	($ 27,171)	$ 304,990
Work in process	29,388	(11,263)	18,125
Finished products	10,698	(242)	10,456
Total	$ 372,247	($ 38,676)	$ 333,571

	March 31, 2020		
	Costs	Loss allowance for falling price	Carrying amount
Raw material	$ 227,682	($ 13,277)	$ 214,405
Work in process	24,646	(8,070)	16,576
Finished products	5,151	(1,036)	4,115
Total	$ 257,479	($ 22,383)	$ 235,096

Inventory cost recognized as expense and loss in the current period:

	From January 1 to March 31, 2021	From January 1 to March 31, 2020
Cost of inventory sold	$ 236,870	$ 236,870
Loss from falling price	-	745
	$ 236,870	$ 152,371

(V) Property, plant and equipment

2021

	Land	Machinery equipment	Transportation equipment	Office equipment	Lease improvement	Total
January 1						
Costs	$ 1,078,743	$ 6,471	$ 3,960	$ 11,340	$ 1,765	$ 1,102,279
Accumulated depreciation	-	(1,954)	(2,489)	(2,688)	(1,765)	(8,896)
	$ 1,078,743	$ 4,517	$ 1,471	$ 8,652	$ -	$ 1,093,383
January 1	$ 1,078,743	$ 4,517	$ 1,471	$ 8,652	$ -	$ 1,093,383
Additions	-	302	-	-	-	302
Disposal cost	-	-	-	-	(1,765)	(1,765)
Accumulated depreciation disposed of	-	-	-	-	1,765	1,765
Depreciation expenses	-	(353)	(177)	(626)	-	(1,156)
March 31	$ 1,078,743	$ 4,466	$ 1,294	$ 8,026	$ -	$ 1,092,529
March 31						
Costs	$ 1,078,743	$ 6,773	$ 3,960	$ 11,340	$ -	$ 1,100,816
Accumulated depreciation	-	(2,307)	(2,666)	(3,314)	-	(8,287)
	$ 1,078,743	$ 4,466	$ 1,294	$ 8,026	$ -	$ 1,092,529

2020

	Machinery equipment	Transportation equipment	Office equipment	Lease improvement	Total
January 1					
Costs	$ 3,522	$ 3,960	$ 6,287	$ 1,765	$ 15,534
Accumulated depreciation	(1,866)	(1,783)	(2,850)	(883)	(7,382)
	$ 1,656	$ 2,177	$ 3,437	$ 882	$ 8,152
January 1	$ 1,656	$ 2,177	$ 3,437	$ 882	$ 8,152
Additions	239	-	764	-	1,003
Disposal cost	(284)	-	(150)	-	(434)
Accumulated depreciation disposed of	284	-	150	-	434
Depreciation expenses	(180)	(176	(392)	(221)	(969)
March 31	$ 1,715	$ 2,001	$ 3,809	$ 661	$ 8,186
March 31					
Costs	$ 3,477	$ 3,960	$ 6,901	$ 1,765	$ 16,103
Accumulated depreciation	(1,762)	(1,959)	(3,092)	(1,104)	7,917
	$ 1,715	$ 2,001	$ 3,809	$ 661	$ 8,186

The real property, plant and equipment of the Company have not been provided as guarantee.

(VI) Leasing transaction - lessee

1. The underlying assets leased by the Company are buildings, with a general lease term between 1 and 2 years. The lease agreements are negotiated individually and contain a variety of terms and conditions. There are no restrictions other than that the leased assets may not be used as guaranteed for loan.
2. The Company shall lease the parking space for a period not exceeding 12 months.
3. Information on the book value and recognized depreciation expenses of the right-of-use assets is as follows:

	March 31, 2021 Carrying amount	December 31, 2020 Carrying amount	March 31, 2020 Carrying amount
Buildings	$ 19,965	$ 26,038	$ 22,993

	From January 1 to March 31, 2021 Depreciation expenses	From January 1 to December 31, 2020 Depreciation expenses	From January 1 to March 31, 2020 Depreciation expenses
Buildings	$ 6,073	$ 10,568	$ 3,855

4. There is no new right-of-use asset of the Company during the period from January 1 to March 31, 2021 and 2020.
5. Information on the profit and loss relating to the lease contract is as follows:

	From January 1 to March 31, 2021	From January 1 to March 31, 2020
Items affecting current profit and loss		
Interest expense on lease liabilities	$ 140	$ 151
Expenses attributable to short-term lease contract	77	76

6. The total lease cash outflow of the Company for the period from January 1 to March 31, 2021 and 2020 is NT$5,173 and NT$3,943, respectively.

(VII) Lease transactions - lessor

1. The underlying assets rented out by the Company include land and buildings, with a general lease term of 1 year. Lease agreements are negotiated individually and contain a variety of terms and conditions. In order to preserve the use of the leased assets, the lessee is usually required not to use the leased assets as guarantee for loan or to provide salvage value guarantee.
2. For the rental income recognized by the Company under operating lease agreement for the period from January 1 to March 31, 2021 and 2020, please refer to Note VI.(VIII), on which there is no variable lease payment.

3. The maturity date analysis of the lease payment made by the Company under operating lease is as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
2020	$ -	$ -	$ 64
2021	1,120	1,487	-
2022	753	753	-
	$ 1,873	$ 2,240	$ 64

(VIII) Investment properties

	2021		
	Land	Buildings and structures	Total
January 1			
Costs	$ 21,520	$ 23,538	$ 45,058
Accumulated depreciation	-	(22,616)	(22,616)
	$ 21,520	$ 922	$ 22,442
January 1	$ 21,520	$ 922	$ 22,442
Depreciation expenses	-	(33)	(33)
March 31	$ 21,520	$ 889	$ 22,409
March 31			
Costs	$ 21,520	$ 23,538	$ 45,058
Accumulated depreciation	-	(22,649)	(22,649)
	$ 21,520	$ 889	$ 22,409

	2020		
	Land	Buildings and structures	Total
January 1			
Costs	$ 21,520	$ 23,079	$ 44,599
Accumulated depreciation	-	(22,510)	(22,510)
	$ 21,520	$ 569	$ 22,089
January 1	$ 21,520	$ 569	$ 22,089
Depreciation expenses	-	(22)	(22)
March 31	$ 21,520	$ 547	$ 22,067
March 31			
Costs	$ 21,520	$ 23,079	$ 44,599
Accumulated depreciation	-	(22,532)	(22,532)
	$ 21,520	$ 547	$ 22,067

1. Rental income and direct operating expenses of investment properties:

	From January 1 to March 31, 2021	From January 1 to March 31, 2020
Rental income from investment properties (Note)	$ 368	$ 368
Direct operating expenses incurred in investment properties with rental income in the current period	$ 33	$ 29

Note: Accounted for "Other income".

2. The fair value of the investment properties held by the Company as of March 31, 2021, December 31 and March 31, 2020 is NT$56,697, NT$57,696, and NT$48,101, respectively. The fair value is based on the evaluation of the transaction prices of similar properties in the vicinity of the related assets and belongs to the third level fair value.

3. Please refer to Note VIII for details of the investment properties provided as guarantee.

(IX) Short-term loans

Borrowing nature	March 31, 2021	Range of interest rate	Collateral
Bank loans			
Credit loans	$ 30,000	1.10%	N/A

The interest expense recognized in profit and loss for the period from January 1 to March 31, 2021 is NT$139.

(X) Other payables

	March 31, 2021	December 31, 2020	March 31, 2020
Wages payable	$ 38,734	$ 84,755	$ 28,032
Remuneration payable to directors and supervisors	18,183	16,140	8,420
Remuneration payable to employees	18,183	16,140	8,420
Commission payable	2,607	2,607	2,607
Other expense payables	3,406	4,240	3,360
	$ 81,113	$ 123,882	$ 50,839

(XI) Pension

1. (1) In accordance with the provisions of the Labor Standards Act, the Company has formulated a retirement plan with defined benefits, which applies to the seniority of all regular employees prior to the implementation of the Labor Pension Act on July 1, 2005, and to the subsequent seniority of employees who choose to continue to apply the Labor standards Act after the implementation of the Labor Pension Act. If an employee is eligible for retirement, the pension payment shall be based on his/her seniority and the average salary of the six months prior to his/her retirement. Two bases will be given for each year of service up to 15 years (inclusive), and one base will be given for each year of service exceeding 15 years, subject to a maximum of 45 accumulated bases. The Company allocates 2% of the total salary per month to the retirement fund, which is deposited in a special account at the Bank of Taiwan in the name of the Supervisory Committee of Labor Retirement Reserve. In addition, before the end of each fiscal year, the Company shall estimate the balance of the special account for the retirement reserve fund for the employees referred to in the preceding paragraph. If the balance is insufficient to cover the estimated pension amount of the employees eligible for retirement in the following year, the Company will allocate the balance in a lump sum before the end of March next year.

   (2) The pension costs recognized by the Company under the foregoing pension plan for the period from January 1 to March 31, 2021 and 2020 are NT$750 and NT$750 respectively.

   (3) The Company's projected contribution to retirement plan for 2022 is NT$3,000.

2. (1) Since July 1, 2005, the Company has established a defined contribution retirement plan for employees of Taiwan nationality in accordance with the Labor Pension Act. The Company contributes 6% of the monthly salary as labor pension funds to individual labor pension accounts at the Bureau of Labor Insurance, Ministry of Labor for employees every month in respect of the employee's choice to apply the labor pension system stipulated in the Labor Pension Act. The employee's pension shall be paid by monthly or in a lump sum based on his/her special pension account and accumulated income.

   (2) The pension costs recognized by the Company under the foregoing pension plan for the period from January 1 to March 31, 2021 and 2020 are NT$1,561 and NT$1,357 respectively.

(XII) Liability provision

	Repair and warranty	Litigation compensation	Total
Balance as of January 1, 2021	$ 57,573	$ 1,852	$ 59,425
Increase in provision for liabilities during the current period	1,846	-	1,846
Balance as of March 31, 2021	$ 59,419	$ 1,852	$ 61,271

	Repair and warranty	Litigation compensation	Total
Balance as of January 1, 2020	$ 45,443	$ 1,852	$ 47,295
Increase in provision for liabilities during the current period	(5,612)	-	(5,612)
Balance as of March 31, 2020	$ 39,831	$ 1,852	$ 41,683

The analysis of liability provision is as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Current	$ 21,460	$ 20,851	$ 14,996
Non-current	$ 39,811	$ 38,574	$ 26,687

1. Repair and warranty

The provision for liabilities of repair and warranty of the Company's are mainly related to the sales of computer multimedia peripheral video converters and interface cards, etc., and are estimated based on the historical repair and warranty information of such products. The Company expects that such liability provision will occur over the next three years.

2. Litigation compensation

In a patent infringement dispute with Societa Italiana per lo Sviluppo Dell 'Elettronica S.P.A, the German court ruled on January 9, 2013 that the Company had infringed the German Patent No. EP402973 of Sisvel, and the Company shall: (1) bear the court fees of the second instance; (2) bear the reasonable legal fees of Sisvel; (3) indemnify Sisvel for any loss incurred as a result of the infringement. The calculation of actual damages shall be based on royalty, and the actual sales figures of the Company shall be used as the basis for royalty calculation. Therefore, the Company has made a liability provision of NT$1,852 accordingly.

(XIII) Share capital

1. The authorized capital of the Company is NT$800,000, which is divided into 80,000 shares with a face value of NT$10 per share. As of March 31, 2021, the paid-in capital is NT$337,298. The payments of all shares issued by the Company have been received.
2. The number of common stock outstanding both at the beginning and end of the period from January 1 to March 31, 2021 and 2020 are 33,730 thousand shares.
3. Treasury shares
   (1) The reasons for the recovery of shares and the number:

		March 31, 2021	
Name of the holding company	Reasons for recovery	Number of shares	Carrying amount
The Company	Shares transferred to employees	599,000	$ 38,296

		December 31, 2020	
Name of the holding company	Reasons for recovery	Number of shares	Carrying amount
The Company	Shares transferred to employees	599,000	$ 38,296

		March 31, 2020	
Name of the holding company	Reasons for recovery	Number of shares	Carrying amount
The Company	Shares transferred to employees	468,000	$ 29,414

   (2) It is stipulated by the Securities and Exchange Act that the proportion of the number of shares repurchased by a company shall not exceed 10% of the total number of shares issued by such company, and the total amount of shares repurchased shall not exceed the retained earnings plus the premium of issued shares and the realized capital reserve.
   (3) The treasury shares held by the Company shall not be pledged in accordance with the Securities and Exchange Act, and no shareholders are entitled to their rights until the shares have been transferred.
   (4) In accordance with the provisions of the Securities and Exchange Act, shares repurchased for the purpose of transferring shares to employees shall be transferred within five years from the date of repurchase. If the shares are not transferred within the time limit, the Company shall be deemed to have not issued shares, and shall go through the alteration registration to cancel the shares. For the purpose of maintaining the Company's credit and shareholders' equity, the Company shall go through the alteration registration and cancellation of shares within six months from the date of repurchase.

(XIV) Capital reserve

In accordance with the Company Act, the surplus from the issuance of shares in excess of par value and the capital reserves from the receipt of donations shall be used to cover losses, and shall be distributed as new shares or distributed in cash to shareholders according to their original shareholding ratio when the Company has no accumulated losses. In addition, in accordance with the relevant provisions of the Securities and Exchange Act, when the foregoing capital reserve is appropriated to capital, the total amount shall not exceed 10% of the paid-in capital each year. The Company shall not appropriate capital reserve to capital if the loss is still not covered after appropriating capital surplus to capital deficiency.

(XV) Retained earnings

1. In accordance with the Articles of Incorporation, if there is earnings in the annual total account, in addition to paying all taxes in accordance with the law, the earnings shall be used to make up the loss of the previous year first, and 10% shall be set aside as the legal surplus reserve. If there is surplus, it shall be retained or distributed according to the resolution of the shareholders' meeting. When the surplus is distributed by cash dividends, the Company shall authorize the Board of Directors to adopt a special resolution and report to the shareholders' meeting in accordance with laws and regulations.

2. The Company's dividend policy is as follows: At the end of each fiscal year, the Company's Board of Directors shall make a proposal for the earnings distribution or loss recovery plan, and dividends shall be distributed in the form of cash dividends in part or in whole, of which stock dividends shall not exceed 90% of the dividends distributed for the current fiscal year.

3. The legal surplus reserve shall be exclusively used to cover accumulated deficit, to issue new shares or distribute cash to shareholders in proportion to their original shareholding ratio, provided that legal surplus reserve used for the issue of new shares or cash distributed to shareholders shall be limited to the portion in excess of 25% of the paid-in capital.

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

5. By resolution of the Board of Directors on March 24, 2021, the Company paid a cash dividend at NT$8 per share by earnings of 2020 and a stock dividend at NT$2 per share, for a total dividend of NT$331,308. By resolution of the shareholders' meeting on June 8, 2020, the Company paid a cash dividend at NT$4.5 per share by earnings of 2019, for a total dividend of NT$151,784.

(XVI) Operating income

	From January 1 to March 31, 2021	From January 1 to March 31, 2020
Income from contracts with customers	$ 423,389	$ 290,017

1. Disaggregation of income from contracts with customers

The income of the Company is derived from the rendering of goods that are transferred at a certain point and can be broken down by the following main product lines:

	From January 1 to March 31, 2021	From January 1 to March 31, 2020
Sales income		
Computer multimedia peripheral video Converters and interface cards, etc.	$ 422,872	$ 289,524
Others	517	493
Total	$ 423,389	$ 290,017

2. Contract liabilities

	March 31, 2021	December 31, 2020	March 31, 2020	January 1, 2020
Contract liabilities:				
Contract liabilities-Advances on sales	$ 31,240	$ 29,474	$ 24,072	$ 20,792

3. Contract liabilities at the beginning of period recognized as income in the current period

	From January 1 to March 31, 2021	From January 1 to March 31, 2020
The beginning balance of contract liabilities is recognized as income in the current period		
Advances on sales	$ 14,790	$ 14,640

(XVII) Interest income

	From January 1 to March 31, 2021	From January 1 to March 31, 2020
Interest on bank deposits	$ 150	$ 1,117

(XVIII) Other income

	From January 1 to March 31, 2021	From January 1 to March 31, 2020
Rental income	$ 368	$ 368
Other income - others	1,768	1,968
	$ 2,136	$ 2,336

(XIX) Other gains and losses

	From January 1 to March 31, 2021	From January 1 to March 31, 2020
Loss (profit) on foreign	($ 2,665)	$ 3,345

(XX) Additional information on the nature of expense

	From January 1 to March 31, 2021	From January 1 to March 31, 2020
Employee benefit expenses	$ 68,025	$ 53,991
Depreciation expenses of right-of-use assets	6,073	3,855
Depreciation expenses of real property, plant and equipment	1,156	969
Depreciation expenses of investment properties - buildings and structures	33	22
Amortization expense of intangible assets	1,231	1,103
	$ 76,518	$ 59,940

(XXI) Employee benefit expenses

	From January 1 to March 31, 2021	From January 1 to March 31, 2020
Salary expenses	$ 60,962	$ 47,965
Labor and health insurance expenses	2,766	2,491
Pension expenses	2,311	2,107
Other employment costs	1,986	1,428
	$ 68,025	$ 53,991

1. In accordance with the Articles of Incorporation, the Company shall, after deducting the accumulated losses based on the current year's profits, if there is still earnings, allocate no less than 2% as employee compensation and no more than 2% as remuneration to directors and supervisors.

2. For the period from January 1 to March 31, 2021 and 2020, the Company estimated the employee compensation as NT$2,044 and NT$1,492 respectively, estimated the remuneration to directors and supervisors as NT$2,044 and NT$1,492 respectively, and presented the said amounts in the salaries expense account.

   The amounts are estimated at 2% based on the profits for the period from January 1 to March 31, 2021.

   The compensation for employees and remuneration to directors and supervisors resolved by the Board of Directors for 2020 are consistent with the amounts recognized in the financial report of 2020.

   Information on remuneration for employees, directors and supervisors approved by the Board of directors of the Company is available at the Market Observation Post System.

(XXII) Income tax

1. Income tax expenses

   Components of income tax expense

	From January 1 to March 31, 2021	From January 1 to March 31, 2020
Current tax:		
Income tax incurred in current period	$ 21,099	$ 10,359
Total income tax in the period	21,099	10,359
Deferred income tax:		
Initial generation and reversal of temporary differences	(1,469)	3,971
Total deferred income tax	(1,469)	3,971
Income tax expenses	$ 19,630	$ 14,330

2. The Company's profit-seeking enterprise income tax has been approved by the tax collection authority to the year 2018.

(XXIII) Earnings per share

	From January 1 to March 31, 2021		
	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Net profit attributable to common shareholders in the current period	$ 78,468	$ 33,131	$ 2.37
Diluted earnings per share			
Net profit attributable to common shareholders in the current period	$ 78,468	33,131	
Impact of potential common stock with dilution effect Employee remuneration	-	79	
Impact of net current profit attributable to common shareholders plus potential common stocks	$ 78,468	33,210	$ 2.36

	From January 1 to March 31, 2020		
	After-tax amount	Number of outstanding shares retroactively adjusted (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Net profit attributable to common shareholders in the current period	$ 57,267	$ 33,702	$ 1.70
Diluted earnings per share			
Net profit attributable to common shareholders in the current period	$ 57,267	33,702	
Impact of potential common stock with dilution effect Employee remuneration	-	145	
Impact of net current profit attributable to common shareholders plus potential common stocks	$ 57,267	33,847	$ 1.69

(XXIV) Changes in liabilities generated from financing activities

	2021	
	Lease liabilities	Lease liabilities
January 1	$ -	$ 19,326
Changes in cash flow from financing	30,000	4,956
March 31	$ 30,000	$ 14,370

	2021
	Lease liabilities
January 1	$ 22,062
Changes in cash flow from financing	(3,716)
Other non-cash changes	4,788
March 31	$ 23,134

VII. Related party transactions

(I) Parent company and the ultimate controller: The Company is the ultimate controller.

(II) Information of remuneration to the main management

	From January 1 to March 31, 2021	From January 1 to March 31, 2020
Short-term employee benefits	$ 23,354	$ 16,361
Post-employment benefits	750	750
	$ 24,104	$ 17,111

VIII. Pledged assets

The Company's assets provided as guarantee are as follows:

	Carrying amount			
Asset item	March 31, 2021	December 31, 2020	March 31, 2020	Guarantee purpose
Investment properties - land	$ 21,520	$ 21,520	$ 21,520	Guarantee of borrowing limit
Investment properties - buildings and structures	889	922	547	Guarantee of borrowing limit
	$ 22,409	$ 22,442	$ 22,067	

IX. Material contingent liabilities and unrecognized contractual commitments

None.

X. Losses due to major disasters

None.

XI. Material subsequent events

None.

XII. Others

(I) Capital management

The capital management the Company aims to ensure the Company's ability as a going concern, so as to maintain an optimal capital structure to reduce the cost of capital, and provide returns to shareholders. In order to maintain or restructure its capital structure, the Company may adjust the dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company uses a debt-to-capital ratio to monitor its capital, which is calculated by dividing the total liabilities of the balance sheet by the total liabilities and equity.

The Company's strategy in 2021 remains the same as that in 2020, with a commitment to maintain a debt ratio below 40%-45%. The debt-to-capital ratio of the Company as of March 31, 2021, December 31 and March 31, 2020, is 30%, 35% and 28%, respectively.

(II) Financial instruments

1. Categories of financial instruments

As of March 31, 2021, December 31 and March 31, 2020, the carrying amounts of financial assets (including cash and cash equivalents, notes receivable, accounts receivable and other receivables, refundable deposits) classified as measured at amortized cost under IFRS 9 by the Company are NT$558,258, NT$684,359, and NT$1,238,879 respectively, the carrying amounts of financial liabilities (including short-term borrowings, notes payable, accounts payable and other payables) classified as measured at amortized cost are NT$395,480, NT$537,521and NT$266,605 respectively, and the carrying amounts of lease liabilities are NT$14,370, NT$19,326 and NT$23,134 as of March 31, 2021, December 31 and March 31, 2020, respectively.

2. Risk Management Policy

(1) The Company's daily operations are subject to a number of financial risks, including market risks (including exchange rate risks and interest rate risks), credit risks and liquidity risks. The Company adopts a comprehensive risk management and control system to clearly identify, measure and control the risks described, seeking to mitigate the potential adverse impact on the Company's financial position and performance.

(2) Risk management shall be carried out by the Finance and Accounting Department of the Company in accordance with the policies approved by the Board of Directors. The Finance and Accounting Department of the Company is responsible for identifying, assessing and mitigating financial risks through close cooperation with the Company's internal operating units. The Board of Directors has established written principles for overall risk management and written policies on specific areas and issues, such as exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investment of surplus working capital.

3. The nature and extent of the material financial risk

(1) Market risks

Exchange rate risk

A. The Company is engaged in the business involved in several non-functional currencies (the functional currency of the Company is new Taiwan dollar), which are subject to exchange rate fluctuations. Information on assets and liabilities in foreign currency that are significantly affected by exchange rate fluctuations is as follows:

	March 31, 2021		
(Foreign currency: functional currency)	Foreign currency (NT$ thousand)	Exchange rate	Carrying amount (NT$)
Financial assets			
Monetary items			
USD:NTD	$ 10,390	28.54	$ 296,531
Financial liabilities			
Monetary items			
USD:NTD	$ 4,550	28.54	$ 129,857

	December 31, 2020		
(Foreign currency: functional currency)	Foreign currency (NT$ thousand)	Exchange rate	Carrying amount (NT$)
Financial assets			
Monetary items			
USD:NTD	$ 13,331	28.48	$ 379,667
Financial liabilities			
Monetary items			
USD:NTD	$ 5,610	28.48	$ 159,773

	March 31, 2020		
(Foreign currency: functional currency)	Foreign currency (NT$ thousand)	Exchange rate	Carrying amount (NT$)
Financial assets			

Monetary items						
USD:NTD	$	14,175	30.23	$	428,510
Financial liabilities					
Monetary items					
USD:NTD	$	3,862	30.23	$	116,748

B. The aggregate amount of total conversion (losses) benefits (realized and unrealized) recognized by the Company for the period from January 1 to March 31, 2021 and 2020 for the monetary items, which have been materially affected by exchange rate fluctuations, is (NT$2,665), NT$3,345, respectively.

C. The impacts on foreign currency market risks of the Company due to material exchange rate fluctuations are analyzed as follows:

	From January 1 to March 31, 2021				
	Sensitivity analysis				
(Foreign currency: functional currency)	Range of changes	Impacts on profit and loss		Impacts on other comprehensive income	
Financial assets					
Monetary items					
USD:NTD	1%	$	2,372	$	-
Financial liabilities					
Monetary items					
USD:NTD	1%	$	1,039	$	-

	From January 1 to March 31, 2020				
	Sensitivity analysis				
(Foreign currency: functional currency)	Range of changes	Impacts on profit and loss		Impacts on other comprehensive income	
Financial assets					
Monetary items					
USD:NTD	1%	$	3,428	$	-
Financial liabilities					
Monetary items					
USD:NTD	1%	$	934	$	-

Cash flow and interest rate risks with fair value

A. The main interest-bearing assets of the Company are cash (presented as "cash and cash equivalents"). As all the maturity dates are less than 12 months, there is no material risk of interest rate changes affecting the cash flow.

B. The Company does not use any financial instruments to hedge its interest rate risk.

(2) Credit risk

A. The credit risk of the Company is the risk of financial loss of the Company due to the failure of a customer or a counterparty of a financial instrument to fulfill its contractual obligations, which is mainly caused by the inability of the counterparty to repay the cash flow of accounts receivable payable on the terms of collection and the contractual cash flow classified as measured amortized cost.

B. The Company establishes credit risk management from a corporate perspective. In accordance with the stated internal credit policy, each of the Company's operating units shall carry out the management and credit risk analysis of each new customer before establishing the payment and delivery terms and conditions with such customer. Internal risk control is to assess the credit quality of customers by taking into account their financial position, historical experience, and other factors.

C. The Company adopts IFRS 9 to provide the following assumptions as a basis for judging whether the credit risk of a financial instrument has increased significantly since the initial recognition:

When the contract payment is overdue for more than 30 days according to the agreed terms, it is deemed that the credit risk of a financial asset has increased significantly since the initial recognition.

D. The Company adopts IFRS 9 to provide assumptions that if the contract payment is overdue for more than 90 days according to the agreed terms, it is deemed to have breached the contract.

E. The Company groups the accounts receivable from customers according to the characteristics of customer ratings and customer types and adopts a simplified approach to estimate the expected credit losses based on a provision matrix.

F. The Company adjusts the loss rate based on historical and current information for a specific period by taking into account the forward-looking considerations for the future to estimate the allowance for losses on accounts receivable. The reserve matrices as of March 31, 2021, December 31 and March 31, 2020 are as follows:

		Not overdue	1 - 90 days overdue
March 31, 2021			
Expected loss rate		0.04%	0.04%
Total book value	$	18,461	$ 2,477
Allowance for loss		129	-

	91 - 180 days overdue	More than 181 days overdue	Total
March 31, 2021			
Expected loss rate	0.04%	100%	
Total book value	$ -	$ 571	$ 21,509
Allowance for loss	-	571	700

	Not overdue	1 - 90 days overdue
December 31, 2020		
Expected loss rate	0.04%	0.04%
Total book value	$ 11,469	$ 23
Allowance for loss	89	-

	91 - 180 days overdue	More than 181 days overdue	Total
December 31, 2020			
Expected loss rate	0.04%	100%	
Total book value	$ -	$ 611	$ 12,103
Allowance for loss	-	611	700

	Not overdue	1 - 90 days overdue
March 31, 2020		
Expected loss rate	0.05%	0.05%
Total book value	$ 11,862	$ 5
Allowance for loss	5	-

	91 - 180 days overdue	More than 181 days overdue	Total
March 31, 2020			
Expected loss rate	0.05%	100%	
Total book value	$ -	$ 695	$ 12,562
Allowance for loss	-	695	700

G. The statement of changes in allowance loss of the Company's accounts receivable adopting simplified approach is as follows:

	2021	2020
	Accounts receivables	Accounts receivables
January 1 (i.e. March 31)	$ 700	$ 700

(3) Liquidity risk

A. The Company's Finance Department monitors the Company's working capital requirements to ensure that adequate funds are available to meet operational requirements.

B. The Company invests the remaining funds in interest-bearing demand deposits and time deposits (presented as "cash and contractual cash"). The instrument chosen by the Company has an appropriate maturity date or sufficient liquidity. The Company held the monetary market positions of NT$516,620, NT$655,199 and NT$1,102,521 as of March 31, 2021, December 31 and March 31, 2020, respectively, which are expected to generate immediate cash flows to manage liquidity risk.

C. The following table shows the Company's non-derivative financial liabilities grouped according to their respective maturity dates, which are analyzed based on the remaining period from the balance sheet date to the contract maturity date. The amount of contract cash flow disclosed in the following table is the amount undiscounted.

March 31, 2021	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Non-derivative financial liabilities:				
Lease liabilities	$ 12,909	$ 1,782	$ -	$ -

December 31, 2020	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Non-derivative financial liabilities:				
Lease liabilities	$ 16,223	$ 3,565	$ -	$ -

March 31, 2020	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Non-derivative financial liabilities:				
Lease liabilities	$ 15,260	$ 8,190	$ -	$ -

XIII. Separately disclosed items

(I) Information on significant transactions

1. Lending of funds to others: None.
2. Endorsement/guarantee provided for others: None.
3. Marketable securities held at the end of year (excluding investments in subsidiaries, associates, and joint ventures): None.
4. Accumulated purchase or disposal of individual marketable securities in excess of NT$300 million or 20% of the paid-in capital: None.

5. Acquisition of real estate at cost in excess of NT$300 million or 20% of paid-in capital: None.

6. Disposal of real estate at price in excess of NT$300 million or 20% of the paid-in capital: None.

7. Purchases or sales to related parties of at least NT$100 million or 20% of paid-in capital: None.

8. Accounts receivable from related parties equal to or in excess of NT$100 million or 20% of paid-in capital: None.

9. Engaged in derivatives trading: None.

10. The business relationship between the parent company and subsidiaries, and between subsidiaries, and significant transactions and amounts: None.

(II) Information on investees

None.

(III) Information on investments in mainland China

None.

(IV) Information on substantial shareholders

Information of major shareholders: Please refer to Schedule 1.

XIV. Segment Information

(I) General information

The Company operates in a single industry and has been identified as a single reporting segment by the operating decision maker, the Board of Directors, who evaluates performance of and allocates resources to the Company as a whole.

(II) Segment Information

1. The Company's operating segment profit and loss is measured at the pre-tax operating profit and loss and is used as a basis for performance evaluation. The accounting policies and estimates of the operating segment is the same as the summary of significant accounting policies and significant accounting estimates and assumptions set forth in Note IV and Note V.

2. The financial information presented to key operating decision makers is the same as and with the same measurement method as that in the consolidated income statement.

YUAN High-Tech Development Co., Ltd.

Information on substantial shareholders

March 31, 2021

Schedule 1

Name of substantial shareholders	Shares	
	Shares	Ratio
Wei Sheng Investment Co., Ltd.	7,926,101	23.49%
Li, Shih-Chang	3,265,838	9.68%
Xiang Li Investment Co., Ltd.	2,345,588	6.95%
Li, Shih-Kuei	1,696,000	5.02%